2022

Understanding the Exempt Market ©

Finding Information and Making an Assessment

Since creation of the current Exempt Market structure in 2009, the industry has formalized how its participants operate and conduct themselves in the marketplace. Defined regulations set out what a prospective investor may expect for information from both issuers and those acting as sales brokers. This is further enhanced through prescribed assessments of prospective investors to determine suitable financial capacity and knowledge prior to sales transactions. While the industry for exempt market investments has introduced a level of regulatory expectations to help investment decisions, investors still need to ensure they obtain sufficient information, complete their own review and assessment of fit with potential investments, prior to making a purchase.

Rhythm Capital Corp.
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UNDERSTANDING THE EXEMPT MARKET ©

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Industry Overview

Exempt Market Purpose

The Exempt Market, also known as the private capital market, exists as an alternate means for firms to raise capital through the sale of their securities without the costs and time associated with a full prospectus offering. This market offers investors alternatives from publicly traded stocks and bonds and investment diversification options that may not otherwise be available through the general market.

Background

The current structure of the Exempt Market came into force on September 28, 2009 when National Instrument 31-103 ("NI 31-103") and related rules came into effect. NI 31-103 applies to firms and individuals who deal in securities, provide investment advice, or manage investment funds. The key result was the expansion of registration requirements to include a new classification across Canada called, Exempt Market Dealers ("EMDs").[i]

This new category became a required model to conduct sales of non-prospectus offerings through, bringing an essentially unregulated marketplace under the purview of securities commissions across Canada. Previously, the requirements between provinces were not consistent and allowed, in most cases, for any individual to complete sales of exempt securities without any vetting of education and required limited issuer disclosures. In the current environment, each person who conducts sales of exempt products, along with the EMDs, are registered through their respective provincial security regulator.[ii] Those conducting the sales function are defined as Dealing Representatives ("DR"). They are individually represented by an EMD to the respective provincial securities commission where they are vetted for approval prior to being registered as a DR. As a DR, they have specific duties to complete when representing a product to a prospective investor and in turn they must gather sufficient information to determine an investor's suitability to complete an investment.

DEFINITIONS

Exempt Market – *The "exempt market" describes a section of Canada's capital markets where securities can be sold without the protections associated with a prospectus relying on exemptions from its use.*[1]

Issuer – *The term issuer refers to a legal entity (e.g., government, corporation, or investment trust) that develops, registers and sells securities to the investing public in order to finance its own operations.*[2]

Exemptions

As the Exempt Market references in its own name, there are exemptions defined by legislation that allow raising capital without issuing a prospectus. Regulators deem these offerings high-risk due to the limited information

Disclaimer: The information provided herein is a general source of information and should not be considered to be personal investment advice or a solicitation to buy or sell securities. Any person considering an investment in a security should consult their investment advisors to ensure that the investment being considered is suitable for their circumstances and risk tolerances.

sharing requirements (i.e. no prospectus) and lack of liquidity in selling or buying the securities (i.e. not traded on stock exchanges). As such, there are very specific exemptions that may be used to sell securities in the Exempt Market. Of those exemptions, the following are the predominant exemptions that are used when raising capital from individual investors.[iii]

Offering Memorandum ("OM") – While it would seem any investor may invest, investment limits apply depending on whether the investor is an individual or not, and whether the investor is an eligible investor or non-eligible investor:

- An eligible investor is a person with net income or net assets that exceed the amounts set out. An eligible investor also includes an accredited investor, an investor that qualifies under the Family, Friends and Business Associates ("FFBA") exemption and a number of other listed entities set out in the OM exemption.
- A non-eligible investor may also buy securities under this exemption. However, non-eligible investors are subject to more restrictive investment limits than eligible investors.

A new category was introduced by the Alberta Securities Commission ("ASC") and Financial and Consumer Affairs Authority of Saskatchewan ("FCAA"). They have each adopted a prospectus exemption entitled: "Self-Certified Investor Prospectus Exemption" ("Self-Certified").[iv]

- The Self-Certified Investor exemption allows issuers in the participating jurisdictions (currently Alberta & Saskatchewan) to distribute securities to those investors who do not meet the financial thresholds or other criteria required to qualify (e.g. Accredited Investor), provided the investor meets defined criteria that establishes sufficient financial and investment knowledge by the purchaser.

DEFINITIONS

Offering Memorandum – *An offering memorandum is a legal document that discloses the terms, conditions, risks, and other information about a private placement. It is not the same thing as a prospectus (those are for issuances of publicly-traded securities).*[3]

Prospectus – *A prospectus is a legal document issued by companies that are offering securities for sale following the prescribed format and information requirements as set out in National Instrument 41-101 General Prospectus Requirments.*[4]

The following investment limits apply:

- For a non-eligible investor that is an individual, the purchase price for all securities purchased under the exemption in the preceding 12 months cannot be more than $10,000.
- For an eligible investor that is an individual, the purchase price for all securities purchased under the exemption in the preceding 12 months cannot be more than $30,000.
- For an eligible investor that is an individual that receives advice from a portfolio manager, investment dealer or exempt market dealer that an investment above $30,000 is suitable, the price for all the securities purchased by the investor under the exemption in the preceding 12 months cannot be more than $100,000.
- A Self-Certified investor is limited to $10,000 in a calendar year with any one issuer and in total does not exceed $30,0000 under the Exemption (other than Listed Issuer Investments).

When working with a Dealing Representative, the DR will aid an investor in determining the limits, if any.

Accredited Investor – An accredited investor, which includes an individual with income, net assets or financial assets that exceed the amounts set out in the exemption. Accredited investors also include non-individuals, such as Canadian and foreign governments, Canadian financial institutions, pension funds, charities and other entities set out in the exemption.

Minimum Investment - Any investor that is not an individual – meaning they are a company or other structure – where the purchase price of the securities purchased by the investor is at least $150,000 and must be paid in cash at the time of distribution.

Family, Friends and Business Associates (“FFBA”) – Director, executive officer, control person or founder of the company, or, specified family member, close personal friend or close business associate of a director, executive officer, control person or founder of the company.

Crowdfunding Prospectus Exemption (“Crowdfunding”) –
This exemption allows Canadian companies, particularly start-ups and SMEs, in their early stages of development, to raise funds online from the public through a single funding portal registered with securities regulators.

To be allowed to use the exemption, only companies incorporated or organized in Canada, with their head office in Canada, a majority of their directors resident in Canada, and their principal operating subsidiary (if any) incorporated or organized in Canada or the USA. Blind pools and investment funds cannot use the exemption.

Any investor can buy securities under this exemption however there are limits on how much investors can invest under the exemption. A retail investor cannot invest more than $2,500 per investment, and cannot invest more than $10,000 in total in the same calendar year. An accredited investor (other than a permitted client) cannot invest more than $25,000 per investment, and cannot invest more than $50,000 in total in the same calendar year.

Participants in the Exempt Market

Exempt Market Dealers

Dedicated dealers, called Exempt Market Dealers ("EMD"), operate in this market space. The EMDs are registered with their respective provincial or territorial securities commissions to perform specific duties as defined by *National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103"). As the instrument sets out, within those EMDs are individuals registered to ensure the completion of defined duties. There are three main roles set out within the instrument – UDP, CCO and Dealing Representative.

- The Ultimate Designated Person ("UDP") must ensure and promote the compliance of its firm and all individuals acting on the firm's behalf.
- The Chief Compliance Officer ("CCO") establishes and maintains policies and procedures for assessing and ensuring compliance of the firm with securities legislation. Should the CCO find or become aware of non-compliant actions by the firm or individuals within the firm, they must report to the UDP for assessment.
- Dealing Representative ("DR") may sell the security that is approved by the individual's sponsoring firm. Each DR is to have received training by its sponsoring EMD, conferring the ability to explain all products approved by the EMD for sale, how to complete a Know-Your-Client ("KYC") document and incorporating the information into a professional assessment of an investor's suitability to invest.

Regulators - Securities Commissions

Each province and territory has their own regulatory body that oversees the securities activities within their respective jurisdictions. In recent years, the respective provincial bodies signed a memorandum of understanding and have come together to better coordinate under an umbrella organization called – Canadian Securities Administrators. The provinces each operate independently but work together in minimizing regulatory burdens for firms who operate in multiple jurisdictions. The governing regulator is determined by where a company's head office is located – the province or territory of residence is who will be governing. See 'Canada's Securities Commissions' sidebar.

DEFINITIONS

Canadian Securities Administrators: *Securities regulators from each of the 10 provinces and 3 territories in Canada have teamed up to form the Canadian Securities Administrators (CSA). The CSA is primarily responsible for developing a harmonized approach to securities regulation across the country.* [5]

Issuers – 'Investment Products'

The Issuer is an entity that is offering security for prospective buyers to acquire. For each investment offered, the Issuer of the investment is composed and controlled through a corporate structure, be it an equity offering of a company issuing shares or a limited partnership offering units, or debt offering for bonds or debentures. By issuing securities, a future obligation is created by the Issuer to provide something in return for purchasing that security. An investor is there, not to run the company, but to partake in the returns generated by the operations of the company. This is typically in the form of a financial return to that investor which may be provided as dividends, capital gains and/ or interest payments. An investor determines whether the investment offered warrants purchasing based on their review of the risks, returns and alternatives to that particular investment.

Operating Companies –

These entities do the day-to-day business operating which ultimately creates any returns that may be passed along to the investors who own the security. This company may be the same as the issuer but in many cases it is a separate entity.

As a separate entity, there is a liability protection created which may limit the security holders' claims should the business fail. Also, the separation allows the offering of varying securities debt and/ or equity without impacting the operating businesses financial reporting and its own operations.

Overall, the operating company is the entity prospective investors want to review; review to understand the underlying business and in turn whether the investment aligns with the potential performance that is expected. Without this information, an investment decision is being made with incomplete data.

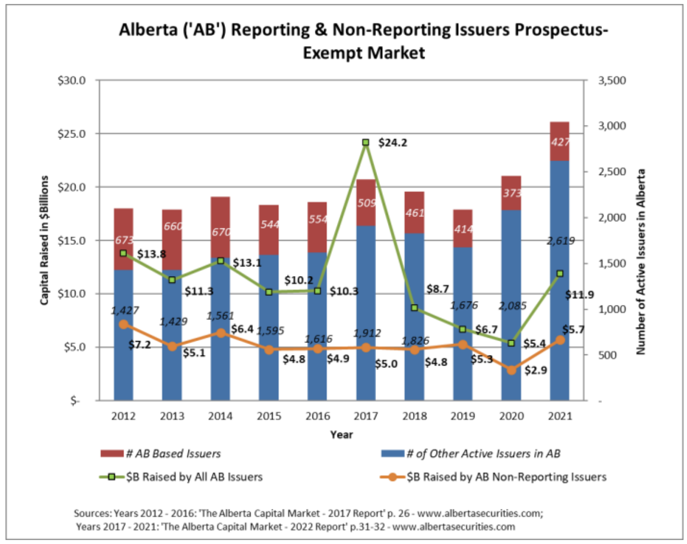
Canada's Security Commissions

Each province/ territory has their own commission overseeing their securities market:

- British Columbia: British Columbia Securities Commission (www.bcsc.bc.ca)
- Alberta: Alberta Securities Commission (www.albertasecurities.com)
- Saskatchewan: Financial and Consumer Affairs Authority of Saskatchewan (http://www.fcaa.gov.sk.ca/)
- Manitoba: Manitoba Securities Commission (www.mbsecurities.ca)
- Ontario: Ontario Securities Commission (www.osc.gov.on.ca)
- Quebec: Autorité des marchés financiers (www.lautorite.qc.ca)
- New Brunswick: Financial and Consumer Services Commission (http://www.fcnb.ca)
- Nova Scotia: Nova Scotia Securities Commission (https://nssc.novascotia.ca/)
- Prince Edward Island: Government of Prince Edward Island, Superintendent of Securities (www.gov.pe.ca/securities)
- Newfoundland & Labrador: Office of the Superintendent of Securities Newfoundland and Labrador (www.gov.nl.ca/gs)
- Yukon: Office of the Yukon Superintendent of Securities (http://www.community.gov.yk.ca/corp/securities_about.html)
- Nunavut: Nunavut Securities Office (http://nunavutlegalregistries.ca/sr_index_en.shtml)
- Northwest Territories: Office of the Superintendent of Securities (https://www.justice.gov.nt.ca/en/divisions/legal-registries-division/securities-office/)

Market Place

The Exempt Market within Canada is estimated at $100+ billion of capital raised annually.[v] Each province has its own securities commission which gathers data, yet it was only recently that the larger commissions – Alberta & Ontario – have begun gathering detailed data on the dollars raised in this market. Even then, the information is not widely shared nor is there any overseeing body consolidating the individual provincial data points leaving some uncertainty as to a definitive market size along with inconsistency in data points published.



Sources: Years 2012 - 2016: 'The Alberta Capital Market - 2017 Report' p. 26 - www.albertasecurities.com; Years 2017 - 2021: 'The Alberta Capital Market - 2022 Report' p.31-32 - www.albertasecurities.com

Size

The following information for exempt capital market size in Alberta and Ontario is collected from the respective commissions.

The Alberta Securities Commission has separated the reporting of its exempt market participants into two groups - those who are reporting issuers, meaning they are most likely listed on a stock exchange and carry all associated responsibilities; and, the other group being non-reporting issuers who tend to be smaller in capital amounts raised.

Alberta based issuers have raised an average of $11.6 Billion through the years of 2012 to 2021 using prospectus exemptions. A decline of the average representing the COVID-19 impacts of the year 2020. For those non-reporting issuers, the average was $5.2 Billion or just under 50% of the capital raised with $2.9 and $5.7 Billion raised in 2020 and 2021 respectively – again, a decline from the previous years.

Ontario, based on the available data which has not followed consistent reporting methodology leaving an ongoing comparable review unfeasible. However, using current available data, the Ontario market remains the largest capital raising presence in the Exempt Market.

In 2019, $88.6 Billion was raised from individuals ($3.3B) and institutional investors ($85.3B) using prospectus exemptions. The largest exemption use was under the Accredited Investor category representing 88% & 95% of the invested amounts for the respective groupings.[vi]

Industries Represented within Exempt Market

All industries may be found offering exempt investment opportunities. For 2019, the Ontario Securities Commission ('OSC') reported that of the funds raised, individual investors allocated 37% of their capital to the mortgage and real estate sectors while institutional investors only saw 15% of the funds raised into those categories.

Some of the most frequent industries that are seen being offered through EMDs include -
- Real Estate: mortgage investment corporations, land development limited partnerships;
- Consumer Products &/or Services: alarm systems; car washes;
- Industrial: equipment leasing, storage facilities; and
- Natural Resources: oil & gas, mining.

Security Offering Types

When looking at investment options in the Exempt Market, investors can find most the same options as the general public market for types of offerings – typically it is the size of the offering that is most noticeable difference, with private issues being smaller.

Equity: There are companies offering equity in the form of shares or units. A company's corporate entity will offer shares be they common or preferred shares having defined ownership rights. Units are another type of equity and are offered by limited partnerships or income funds. These shares or units may also be split into classes or by series such as 'Series A' or 'Series B' with each series having specified rights. Some of the rights outlined for both shares and units include setting out dividend payment terms and profit sharing addressing the splitting between share or unit classes for profits earned above the initial capital investment. In most cases, the equity offered does not give control to the investors – it may confer voting rights for a limited range of topics but the control rests with others who likely insiders involved in the issuer's operations. This is where the 'private' piece comes into play and becomes relevant when completing one's due diligence in advance of investing.

Debt: Offerings of debt may vary in their structure, naming and appearance; however, the overall function of debt is to provide the enterprise with capital while paying a set interest payment to the investor over a period of time, be it a bond or debenture. Typical debt will put the debt-holder in advance of ownership should there be an inability of the issuer to perform, that is, not be able to pay its bills or make interest payments on its debt. As with equity, the investor needs to look at the terms and rights granted to the debt security to fully understand where they may stand should a default occur and what the commitment is to be get paid back the invested principal.

Other Types: While equity and debt are the two main categories, there are variations that may come about. One variation that is common is a mixed or combined offering. This hybrid investment opportunity offers a debt instrument that includes a 'stapled-unit' allowing the investor to also participate in the equity side as well as receive an income stream from the debt holding.

Broadly speaking, all offerings fall into the above categories. While each offering will be unique and require an investor to fully investigate the specific rights and terms defining the offer, an investor is ultimately choosing between a debt or an equity investment.

Getting Informed

An investor considering an Exempt Market offering should look for sufficient information from qualified individuals to allow them to be comfortable in their understanding of a security. Those sources are there to help an investor fully understand a product and help determine whether it is suitable for their investment.

There are several information sources available for prospective investors to use for researching investments as well as expectations they should have of those selling an investment to them.

"Ultimately, the goal of exempt market investing is gathering, assessing and reviewing an investment's information to ensure alignment of potential reward with the risk that an investor is prepared to incur."

Information Sources

Marketing materials – The marketing materials are meant to give simplified OM language, providing a high-level overview of the offering. They offer product details including selling features balanced out with noting of the associated risks. While these materials are separate from the OM, they do form part of the OM in that whatever they say becomes part of the OM which provides some protection against misrepresentations. All marketing materials are incorporated by reference to the OM which is a complicated way of saying that the materials are covered by the same protections as that information being relied upon in the OM.

Offering Memorandum ("OM") – An OM has a prescribed format that sets out specific information that is required to be included in the document. Some of the significant aspects to be defined in an OM include: use of available funds; business of the issuer; set out the directors, management, promoters and principal holders; capital structure; securities offered and their terms; risk factors; and financial statements.

The material within the OM should be read from end to end by any prospective investor to ensure full understanding of the investment. The details set out how the funds raised will be put to use and explain how the security being issued fits into the overall corporate capital structure. This means the priority of the equity or debt is stated along with how much other debt or equity currently exists and/or whether there are plans for future debt or equity offerings. Further, in Item 8 of all OMs, all material risks are detailed, explaining the varying risks of the investment including those that any underlying business may face in its own operations. The OM is expected to be factual and include all details necessary to make an informed investment decision. Should that not be the case, it may be a misrepresentation. As defined by the Alberta Securities Commission, a Misrepresentation means: (i) an untrue statement of a material fact, or (ii) an omission to state a material fact that is required to be stated, or (iii) an omission to state a material fact that is necessary in order for a statement not to be misleading.[vii] There are remedies that may be available for an investor should there be a misrepresentation but one would need to seek legal help should that become the case.

"An investor considering an Exempt Market offering should look for sufficient information from qualified individuals to allow them to be comfortable in their understanding of a security prior to investing."

Not all private offerings will utilize an OM in disclosing the details of their security being offered. Some investment opportunities may be selling under the FFBA or Accredited Investor exemptions, as discussed earlier, which do not require the use of an OM. Instead, a more simplified disclosure document may be shared in describing the security and other information the issuer believes to be pertinent for a prospective investor to know. While there may be minimal information provided in these non-OM disclosure documents, an investor needs to ask the questions they feel will allow them to make an educated investment decision. As with any investment, if the answers are not forthcoming or the investor is not satisfied with the responses, it may be time to move on from that investment. Note, there will be cases where the issuer will not share certain information – client lists, business pricing practices, etc. – as they may deem that information proprietary, confidential or too valuable to share with prospective investors. The investor will need to come to terms with that disclosure limitation and act as they see fit.

Finding the Information

There are three main sources for finding or receiving the necessary information to make an informed investment decision. These sources are:

Dealing Representative: As the sales conduit for an issuer in the Exempt Market, a DR is provided with the marketing and disclosure documents. For each offering that they are approved to sell, they will have been trained on the product and are to be able to explain it to a prospective investor. In those discussions, the DR will ask questions of the investor to allow assessment of the investor's suitability to purchase said product. For an investor, they should be asking questions of the DR regarding their product knowledge and the practices of the firm regarding the products offered. A DR should be able to explain how the investment funds provided are used and how they are returned – timing, rates of return and limitations. An investor may also check out the DR's and EMD's registration status – see note "Registration Check".

System for Electronic Document Analysis and Retrieval ("SEDAR") – www.sedar.com: For those issuers raising capital through EMDs or other dealers, they are generally expected to file their marketing materials, OM, annual financial statements and the sales or securities distribution records through SEDAR. This public platform allows a user to search for specific issuers and their filed documents. For new issuers, they have some time before they must complete their filings while those firms that have been completing offerings over multiple years will have many entries noted in SEDAR.

Issuer: Each issuer creates its own materials that disclose information about their offering including items such as the OM. They are further expected to provide ongoing performance reporting and financial statements which should be found on their website, SEDAR or through direct requests.

A sound search practice is to start with the issuer's website followed by a SEDAR search. Most, if not all available information, is expected to be available through those avenues while further questions may be directed to the DR or the Issuer.

Making an Investment

Upon an investor being satisfied with their due diligence findings, the next stage is purchase of the security. Beyond the paperwork, which may be significant, there is a conversation to be had when working with a DR. The DR has an obligation to ensure the investment is suitable for the investor through completion of a Know-Your Client form and subsequent professional assessment based on the gathered information.

Know-Your-Client ("KYC") *& Suitability*

A DR is trained in completing a KYC where key points regarding the prospective investor are collected including – risk tolerance for that investment, investing experience and knowledge, investment objectives and net worth. Obtaining these points of information leads the DR through a discussion with prospective buyers. Using their professional judgement, a DR determines whether the investment is suitable for the investor to acquire. They complete a holistic assessment of the investor's need for monies from the investment, their stage in life, whether the funds need be readily available, and any other pertinent fact related to their personal situation.

This detailed review is important for all involved as it confirms the investor understands how the investment's risks may impact them. By definition, Exempt Market investments are deemed high-risk by securities commissions as they are illiquid (do not trade on an exchange) and do not provide the same disclosures as prospectus offerings. The implications of those risks may result in the invested funds not being readily available when an investor wishes to redeem them and as with all non-guaranteed investments, an investor may lose all of their invested funds. These are part of the overall investment risk that an investor needs to incorporate into their purchase decision.

The DR will complete their assessment, and should the investment be deemed suitable and the investor wishes to proceed, the next stage is completion of the purchase paperwork.

Investment Paperwork

The subscription documents are the forms used to collect an investor's information typically comprising – who they are, where they live and how much is being purchased plus other details as necessary. From there, the DR works with the prospect to determine what exemption they qualify under to purchase the security. This includes reviewing income and assets from the investor's completed KYC.

Once completed, the subscription documents are submitted to the issuer who will close on the purchase of the securities at the defined time and provide confirmation back as to what has been purchased. Future updates to the purchaser regarding the investment may come from both the DR's EMD and the issuer depending on the specific circumstances related to the product and how it is held. This information can be determined in advance of the investment through discussion with the DR.

From there, the investor follows the results until such time as they wish to exit the investment or the investment itself winds up.

REGISTRATION CHECK:

Background link for details on entities to use when conducting background searches -
https://www.bcsc.bc.ca/For_Registrants/Compliance_Toolkit/Conducting_Background_Research/

My Exempt Market Experience

As a former President and Ultimate Designated Person of an exempt market dealer, my goal was to ensure my dealing representatives provided every prospective investor with all the information necessary to make an informed investment decision and then review that information with the investor to ensure a fit. This included making sure the investor received a balanced review of the pros and cons of the investment as these investments have rewards but they also come with risk. It is that risk that people need to understand and not all people are comfortable with the risks that come with investment nor are they financially knowledgeable enough to determine if the risk is suitable for their situation. That is where, for those unsophisticated investors and even sophisticated investors, a Dealing Representative's professional insights become very useful.

"There are no guarantees but when someone has received forthright information prior to making an investment, I found them to be more comfortable when the results are not perfect."

In reviewing a product, investors should be looking for answers to their questions even when those answers are not what they would like to hear. My experience working with investors was that clear and upfront discussions at the onset of an investment decision help future conversations should things not perform ideally. There are no guarantees but when someone has received forthright information prior to making an investment, I found them to be more comfortable when the results are not perfect.

The Exempt Market has many investment options put forth by issuers for investor consideration. Like all investment alternatives, some of the options that exist will be better than others. Ultimately, the goal of exempt market investing is gathering, reviewing and assessing an investment's information to ensure alignment of the potential reward with the risk an investor is prepared to incur.

About the Author:

***Aaron W. Taylor**, B.A., M.B.A.*

Aaron has been involved in the Exempt Market since 2007. In his prior roles as President, Ultimate Designated Person and Director, he ran an exempt market dealer successfully creating private offerings and raising capital for private issuers. He experienced firsthand the industry changes implemented in 2009 and was involved in converting his operations over to an Exempt Market Dealer. As part of ongoing evolution of the market, he expanded his firm's offerings from related party products to include additional 3rd party issuers implementing detailed analytics of all issuers being offered by his firm. Having worked with investors, responding and explaining products in detail, he knows the expectations investors have while from the compliance side of business, he believes in full adherence in making sure investors are receiving full disclosure of the products they're considering investing in. He currently works with small businesses and non-profits through his firm, Rhythm Capital Corp.

For further information, Aaron can be reached through his company's website: www.rhythmcapitalcorp.ca.

REFERENCES:

[1] Ref: http://www.osc.gov.on.ca/en/exempt-market.htm#what-is-the-exempt-market

[2] Ref: https://www.merriam-webster.com/dictionary/issue

[3] Ref: http://www.investinganswers.com/financial-dictionary/laws-regulations/offering-memorandum-3982

[4] Ref: National Instrument found at – https://www.bcsc.bc.ca/41-10_[NI]_09012017/

[5] Ref: https://www.securities-administrators.ca/

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[i] CSA Staff Notice 31-312 – The Exempt Market Dealer Category under NI 31-103 Registration Requirements and Exemptions - http://www.osc.gov.on.ca/documents/en/Securities-Category3/csa_20090807_31-312_exempt-market-dealer.pdf

[ii] There are to exceptions to registration that exist in the market but for those acting primarily in a sales capacity, they are required to be registered.

[iii] Summary of Key Capital Raising Prospectus Exemptions in Ontario – January 28,2016 – www.osc.gov.on.ca

[iv] Multilateral CSA Notice of Implementation: Alberta and Saskatchewan Orders 45-538 – Self-Certified Investor Prospectus Exemption – ASC Website Location.

[v] This estimate of $100+ Billion is based on known market sizes in 2018 of Ontario $92.6 B and Alberta $6.9 B in 2019 and then estimating based on the historical sizing of British Columbia being $16 Billion in 2010 and adding in smaller amounts for Quebec and the remaining provinces and territories. While this may be conservative, it does give a realistic figure of the annual capital raised in the Exempt Market.

[vi] Ontario's Exempt Market OSC Staff Notice 45-717 December 2020 A review of capital raised in Ontario through prospectus exemptions since 2017.

[vii] Multilateral CSA Staff Notice 45 - Guidance for Preparing and Filing an Offering Memorandum under National Instrument 45-106 Prospectus and Registration Exemptions. April 26, 2012.