



Financial and
Consumer
Affairs Authority

STAFF NOTICE 45-703 MONITORING THE USE OF THE EXEMPTIONS UNDER NATIONAL INSTRUMENT 45-106 PROSPECTUS EXEMPTIONS

National Instrument 45-106 *Prospectus Exemptions* (NI 45-106) came into force on September 14, 2004. This Staff Notice describes how Commission staff will monitor the use of the following three exemptions in NI 45-106 to ensure that issuers are complying with the conditions that attach to the exemptions:

- The “family, friends and business associates exemption” in sections 2.5 and 2.6 of NI 45-106;
- The “offering memorandum exemption” in section 2.9 of NI 45-106; and
- The “accredited investor exemption” in section 2.3 of NI 45-106.

Family, Friends and Business Associates Exemption

For this exemption we want to confirm that issuers:

- a. are selling securities to investors who have the required relationship with the issuer or its affiliates or with the issuer’s directors, senior officers and control persons, and
- b. are obtaining signed risk acknowledgements from Saskatchewan investors.

We will contact issuers from a random sampling of offerings under this exemption and ask them for details of the relationship between the investors and the issuer or an affiliate of the issuer or with the issuer’s directors, senior officers and control persons. We will also ask for evidence that each investor has signed a risk acknowledgement.

Offering Memorandum Exemption

For this exemption, we want to confirm:

- a. that offering memoranda contain the information required in the offering memorandum form,
- b. that Saskatchewan investors who invest over \$10,000 met the eligibility criteria
- c. that issuers are obtaining signed risk acknowledgements from Saskatchewan investors.

Review of eligibility of investors over \$10,000 and compliance with risk statement

We will contact issuers from a random sampling of offerings under this exemption, and ask for verification that:

- a. investors of over \$10,000 meet the eligibility criteria, and
- b. investors have signed the risk acknowledgement.

Review of Offering Memoranda

We will review offering memoranda filed by issuers who have their head office in Saskatchewan to confirm that the documents contain the disclosure required in the offering memorandum form.

These Issuers may pre-file a draft offering memorandum on a voluntary basis for staff review and comment before it is used. Staff Notice 45-706 *Voluntary Review of Offering Memoranda Under NI 45-106 Prospectus and Registration Exemptions* gives details.

Accredited Investor Exemption

We will contact issuers from a random sampling of offerings under this exemption and ask for verification that purchasers come within the definition of “accredited investor”.

We will also ask for risk acknowledgement forms for some individual accredited investors

Follow-up Action After Review

If there has been serious non-compliance with the conditions of any of the three exemptions, we will bring the matter to the issuer’s attention, and refer it to our enforcement branch for follow up action. This could range from asking the issuer to refund money to investors to issuing a temporary cease trade order. If the offering is still going on, we may ask the issuer to amend the offering memorandum, which would trigger a right of withdrawal for those who have invested so far.

We will bring matters of minor non-compliance to the issuer’s attention, and ask for better compliance in the future.

June 26, 2003

Amended October 15, 2004

Amended September 14, 2005

Amended January 18, 2008

Amended May 31, 2017

Contact:

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