



BC Notice 2010/26

**Request for comment on proposed
Form 45-106F6 *British Columbia Report of Exempt Distribution*
and amendments to
National Instrument 45-106 *Prospectus and Registration Exemptions***

We are publishing for comment proposed new Form 45-106F6 *British Columbia Report of Exempt Distribution* (the new form). The new form would replace Form 45-106F1 *Report of Exempt Distribution* (Form 45-106F1) for distributions in British Columbia. The new form would require issuers to provide more disclosure to the market about their insiders and promoters and the purchasers of their securities.

We are also publishing for comment proposed amendments to the following:

- National Instrument 45-106 *Prospectus and Registration Exemptions* (the rule) to require an issuer to use the new form for reporting in British Columbia
- Form 45-106F1 to clarify how issuers would report a distribution in both British Columbia and another jurisdiction
- Companion Policy 45-106CP *Prospectus and Registration Exemptions* to clarify how issuers would report a distribution in both British Columbia and another jurisdiction and what information will be kept confidential in British Columbia.

We invite comment on these materials and will consider all comments received by November 9, 2010. Instructions for providing your comments are at the end of this notice.

Background

Today when an issuer distributes securities under certain exemptions in the rule, it is required to file an exempt distribution report in Form 45-106F1.

Form 45-106F1 includes information about:

- the issuer
- details of the distribution
- commissions and finder's fees
- the purchasers in schedule I, which includes their names and contact information, number and price of securities purchased and exemption relied on.

This information is in the Commission's public file, and is available on the website, except for the information in schedule I.

Purpose of the new form

The exempt market is an important source of financing for venture capital issuers. However, by its very nature, it is a high-risk market for investors. We want to help

protect investors from the risks of investing in the exempt market and support the financing activities of legitimate venture capital issuers by requiring disclosure of more information about the issuer and the purchasers. This additional disclosure should help BC investors make more informed investment decisions and improve transparency in the market.

Key differences between the new form and Form 45-106F1

The new form would require this new information not found in Form 45-106F1:

1. Issuers would be required to provide information about whether purchasers are registrants or insiders of the issuer.
2. Non-reporting issuers would be required to disclose the following information about each insider and promoter of the issuer:
 - name, municipality and country of residence
 - number and type of securities owned or controlled
 - total price paid for the securities.

The Commission proposes to publish exempt distribution reports filed by issuers in the new form, including the name of the purchaser, number of securities purchased, whether the purchaser is an insider of the issuer or a registrant and the price paid for the securities.

How to provide your comments

We welcome your comments on the proposed new form and the proposed amendments to NI 45-106 and Companion Policy 45-106CP. You will find the documents we are publishing for comment in the following Annexes:

- Annex A – Form 45-106F6
- Annex B – amending instruments for NI 45-106 and Companion Policy 45-106CP *Prospectus and Registration Exemptions*
- Annex C – blacklines of extracts from NI 45-106 and Companion Policy 45-106CP

Please submit your comments in writing on or before November 9, 2010. Please send your comments by e-mail or, if you are providing your comments in paper, also include a CD-ROM with your submission.

Please direct those comments to:

Leslie Rose
Senior Legal Counsel, Corporate Finance
British Columbia Securities Commission
PO Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, BC V7Y 1L2
e-mail: lrose@bcsc.bc.ca

We cannot keep submissions confidential because securities legislation requires publication of a summary of the written comments received during the comment period.

Questions

Please refer your questions about our proposals to:

Leslie Rose
Senior Legal Counsel, Corporate Finance
British Columbia Securities Commission
(604) 899-6654
lrose@bcsc.bc.ca

Noreen Bent
Manager, Corporate Finance
British Columbia Securities Commission
(604) 899-6741
nbent@bcsc.bc.ca

September 9, 2010

Brenda M. Leong
Chair

This Notice may refer to other documents. These documents can be found at the B.C. Securities Commission public website at www.bcsc.bc.ca in the section Securities Law & Policy: Policies & Instruments.