

Capital Markets Notice

New Brunswick Capital Markets Activity 2020-2022

November 23, 2023

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Executive summary

This notice provides an overview of New Brunswick’s capital markets, as well as insight into certain activities, for the period of January 1, 2020 to December 31, 2022.

The continued growth in New Brunswick’s exempt market is consistent with what we reported in the Capital Markets Report published in March 2022. Key trends identified in this notice include:

- Continued growth in New Brunswick’s exempt markets;
- The **accredited investor exemption** remains the most commonly used prospectus exemption:
 - Approximately 99% of capital raised in New Brunswick’s exempt market relied on the accredited investor exemption;
 - Universities in New Brunswick invested approximately \$74,500,000, relying on the accredited investor exemption;
 - Municipalities invested approximately \$154,500,000, relying on the accredited investor exemption;

The **accredited investor exemption** allows the distribution of securities to an accredited investor in any amount without providing any required disclosure documents about the issuer. There is no limit on the number of purchasers or the amount that can be raised using the accredited investor exemption. See subsection 2.3(1) of NI 45-106 for the list of requirements to be an accredited investor.

- The combined investment made by New Brunswick’s top ten accredited investors was approximately \$952,000,000 in 2022;
- \$440,000 was raised using Local Rule 45-509 *Community Economic Development Corporations and Cooperatives* (CEDC); and
- Nine New Brunswick-based issuers collectively raised approximately \$213,000,000 in 2022. The amounts raised by these issuers vary between \$2,000 and \$198,800,000. The majority of those who purchased securities issued by the nine New Brunswick-based issuers relied on the accredited investor exemption.

The charts and graphs below illustrate the prospectus exemptions commonly relied upon by New Brunswick issuers in 2020, 2021 and 2022.

When reading this data, it is important to keep in mind that companies are not required to disclose the amounts they raise when they rely on the private issuer exemption. Accordingly, we are not able to report on activity in that area of New Brunswick’s capital markets.

Figure 1a: Exemption relied on by New Brunswick issuers (excluding accredited investor)

Exemption	Year	Amount
45-106 2.10 – Minimum Amount Investment	2020	\$ -
	2021	\$ -
	2022	\$1,700,000
45-106 2.13 – Petroleum, Natural Gas and Mining Properties	2020	\$485,250
	2021	\$10,700
	2022	\$813,000
45-106 2.24 – Employee, Executive Officer, Director and Consultant	2020	\$ -
	2021	\$233,898
	2022	\$ -
45-106 2.5 – Family, Friends and Business Associates	2020	\$296,377
	2021	\$874,768
	2022	\$3,415,731
Other (US accredited investor)	2020	\$ -
	2021	\$327,000
	2022	\$ -

Figure 1b: Exemption highlight (accredited investor)

Exemption	Year	Amount
45-106 2.3 – Accredited Investor	2020	\$246,481,937
	2021	\$795,945,086
	2022	\$808,310,606

Figure 1c: Totals of all exemptions relied on by New Brunswick issuers

Year	Amount
2020 Total	\$247,263,564
2021 Total	\$797,391,452
2022 Total	\$814,239,337

In 2021 and 2022, we continue to notice an increase of the reliance on the **family, friends and business associates exemption** by New Brunswick issuers. At the beginning of the COVID-19 pandemic, we began to see an increase on the reliance of the accredited investor exemption. Institutional investors have shifted their focus to other types of investments that could result in higher returns to mitigate the risk caused by the low interest-rate environment.

The **family, friends and business associates exemption** allows the distribution of securities in any amount without providing any required disclosure documents to founders, family, close personal friends or close business associates. There is no limit on the number of purchasers or the amount of money that can be raised using this exemption. See section 2.5 of NI 45-106 for details.

For example, a large part of the accredited investor exemption was used by institutional investors on behalf of New Brunswick universities' and municipalities' pension plans. Universities and municipalities invested \$67,270,000 and \$223,219,000 respectively in 2021, compared to \$74,500,000 and \$154,500,000 in 2022.

Prospectus distributions (excluding investment funds)

In terms of prospectus distributions in New Brunswick, 617 prospectuses were filed in 2021 compared to 420 in 2020. The number of prospectus filings decreased in 2022 to 352. This decrease is consistent with what has been experienced in other Provinces.

Prospectus filings in New Brunswick have been made in a wide range of industries including but not limited to agriculture, junior mining, transportation and environmental services, paper and forest products, oil and gas and financial services.

Figure 2: Industry breakdown (excluding investment funds)

Industry	Year	Amount
Accommodation and food services	2020	\$1,191,738
	2021	\$464,190
	2022	\$31,737
Administrative and support, waste management and remediation services	2020	\$ -
	2021	\$1,258,975
	2022	\$1,500,000
Agriculture, forestry, fishing and hunting	2020	\$1,346,226
	2021	\$570,000
	2022	\$1,090,200
Arts, entertainment and recreation	2020	\$1,670,547
	2021	\$50,000
	2022	\$200,265
Construction	2020	\$3,277,367
	2021	\$300,000
	2022	\$90,000
Educational services	2020	\$3,521,296
	2021	\$ -
	2022	\$ -
Finance and insurance	2020	\$308,357,251
	2021	\$579,984,409
	2022	\$537,487,328
Financial services – investment companies and funds	2020	\$ -
	2021	\$126,860
	2022	\$ -
Health care and social assistance	2020	\$2,082,125
	2021	\$2,805,175
	2022	\$135,030
Industrial products – technology – software	2020	\$ -
	2021	\$774,460
	2022	\$ -
Information and cultural industries	2020	\$8,782,724
	2021	\$11,874,397
	2022	\$33,190,953
Junior natural resource – mining	2020	\$ -
	2021	\$79,600,500
	2022	\$25,440
Management of companies and enterprises	2020	\$119,700,541
	2021	\$154,304,934
	2022	\$15,274,812

Figure 2 continues on next page

Figure 2 continued

Industry	Year	Amount
Manufacturing	2020	\$28,993,390
	2021	\$16,703,677
	2022	\$1,266,191
Mining, quarrying, and oil and gas extraction	2020	\$29,056,831
	2021	\$28,730,415
	2022	\$12,877,241
Professional, scientific and technical services	2020	\$2,023,850
	2021	\$18,928,242
	2022	\$20,646,106
Real estate and rental and leasing	2020	\$32,102,518
	2021	\$32,385,187
	2022	\$48,307,088
Retail trade	2020	\$8,375,449
	2021	\$37,687,884
	2022	\$8,605,480
Start-up crowdfunding	2020	\$500
	2021	\$ -
	2022	\$ -
Transportation and warehousing	2020	\$13,533,750
	2021	\$19,643,812
	2022	\$22,000,000
Utilities	2020	\$9,621,500
	2021	\$15,164,887
	2022	\$20,699,205
Wholesale trade	2020	\$77,537
	2021	\$1,123,651
	2022	\$ -

Prospectus distributions (investment funds and ETFs)

In 2020, 3,808 prospectuses were filed in New Brunswick compared to 4,198 in 2021. The number of investment fund prospectuses decreased to 3,837 in 2022, which is consistent with the trend reported above with non-investment fund prospectuses.

Figure 3: Type of offerings

Trends	Year	Amount
Investment funds	2020	\$640,269,389
	2021	\$1,377,070,979
	2022	\$810,894,264
Issuer (other than investment funds)	2020	\$575,213,631
	2021	\$873,766,695
	2022	\$725,427,075
2020 Total		\$1,215,483,020
2021 Total		\$2,250,837,674
2022 Total		\$1,536,321,339

Figures 4a-c highlight the exemptions all companies relied on to raise capital in New Brunswick in 2020, 2021 and 2022. This data is helpful as it shows the importance of the accredited investor exemption to New Brunswick's capital markets. To provide some additional context, roughly two thirds of accredited investors in New Brunswick are investment funds.

Figure 4a: Exemption relied on by all issuers with distribution in New Brunswick (excluding accredited investor)

Exemption	Year	Amount
45-106 2.10 – Minimum Amount Investment	2020	\$39,376,760
	2021	\$132,048,120
	2022	\$4,732,018
45-106 2.12 – Asset Acquisition	2020	\$1,750,000
	2021	\$2,851,827
	2022	\$375,000
45-106 2.13 – Petroleum, Natural Gas and Mining Properties	2020	\$1,042,200
	2021	\$1,416,230
	2022	\$1,405,966
45-106 2.14 – Securities for Debt	2020	\$782,086
	2021	\$ -
	2022	\$60,000
45-106 2.19 – Additional Investment in Investment Funds	2020	\$121,669
	2021	\$565,407
	2022	\$ -
45-106 2.24 – Employee, Executive Officer, Director and Consultant	2020	\$ -
	2021	\$233,898
	2022	\$ -
45-106 2.5 – Family, Friends and Business Associates	2020	\$1,437,979
	2021	\$5,060,442
	2022	\$2,947,785
45-106 2.9(2.1) – Offering Memorandum	2020	\$1,860,565
	2021	\$6,416,755
	2022	\$2,615,758
45-108 – Crowdfunding	2020	\$ -
	2021	\$250
	2022	\$ -
45-110 5(1) – Start-up Crowdfunding Registration and Prospectus Exemptions	2020	\$ -
	2021	\$1,200
	2022	\$17,598
45-505 – Distribution to Existing Security Holders	2020	\$ -
	2021	\$10,500
	2022	\$3,200
45-506 – Start-Up Crowdfunding	2020	\$8,900
	2021	\$12,970
	2022	\$ -

Figure 4b: Exemption highlight (accredited investor)

Exemption	Year	Amount
45-106 2.3 – Accredited Investor	2020	\$1,169,102,861
	2021	\$2,102,220,075
	2022	\$1,524,164,014

Figure 4c: Totals of all exemptions relied on by all issuers with distribution in New Brunswick

Year	Amount
2020 Total	\$1,215,483,021
2021 Total	\$2,250,837,674
2022 Total	\$1,536,321,339

Capital raises by CEDCs

A CEDC is a small business in New Brunswick that raises funds by selling shares (or other eligible securities) to individuals, corporations or trusts within a defined community to create a pool of money.

Since the inception of the CEDC program, four CEDCs have received non-objection letters from FCNB, which allowed them to raise capital according to their respective offering documents. In 2022, approximately \$440,000 was raised using this exemption by a single CEDC. This is the most that has been raised using this exemption to date.

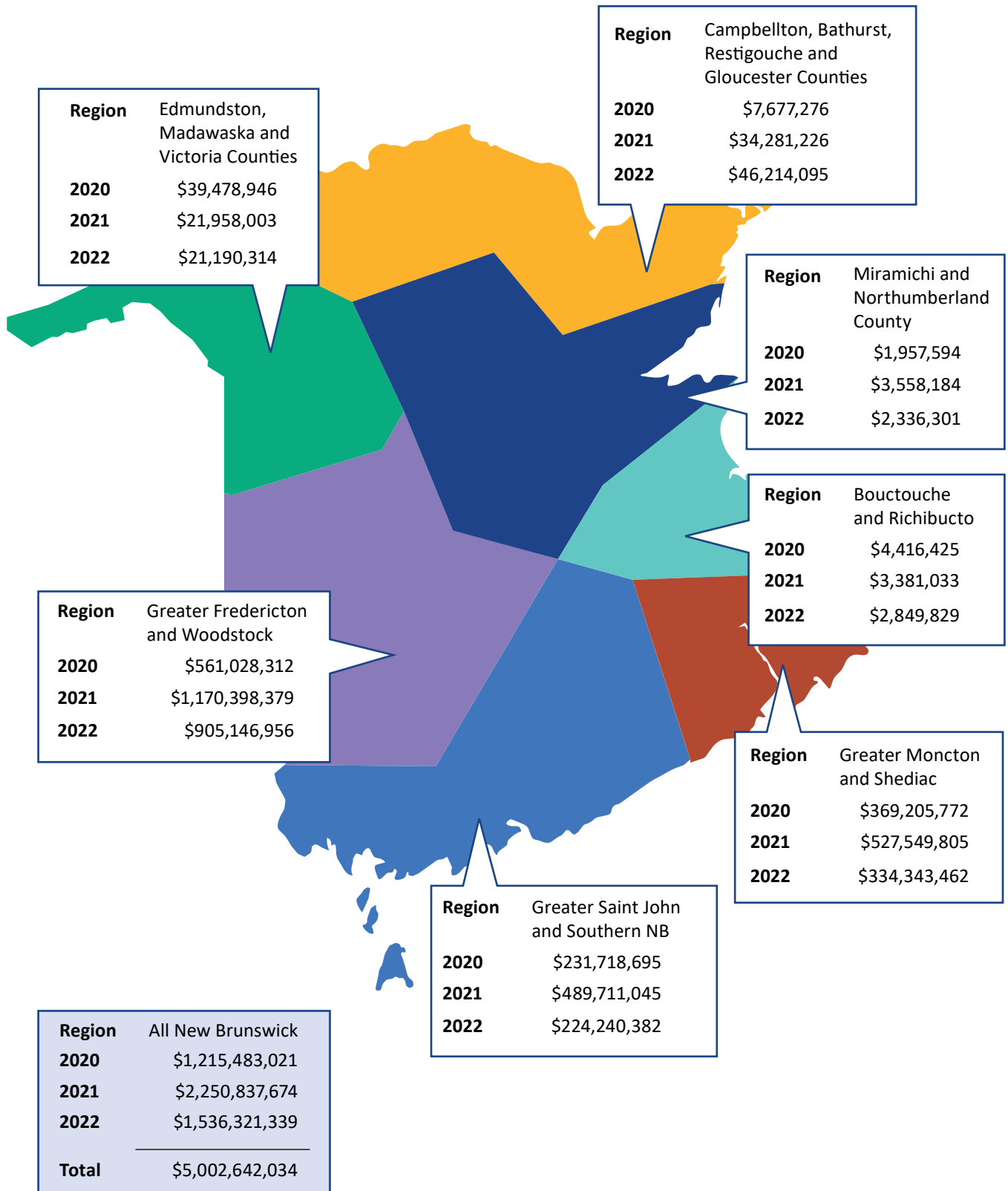
To date, CEDCs operate primarily in two sectors: fitness and recreation, and community-based investment funds.

Market analysis

New Brunswick's exempt market - regional breakdown

Overall, the regional breakdown of investments has not changed considerably over previous years. The bulk of investment is centralized in the southern regions of the province. In analyzing the data, it is clear the northern region of the province, specifically Campbellton, Bathurst, Restigouche and Gloucester Counties, was the only region in the province that experienced an increase in 2022 over what was reported in 2021.

Figure 5: NB purchaser amount by region



Issuer location

Provincial and national boundaries are less of a barrier to capital formation. Many companies outside of New Brunswick are raising capital in the province. As this chart illustrates, New Brunswick purchasers have accessed opportunities in New Brunswick companies, and purchased securities issued by companies in other Canadian provinces and internationally.

Figure 6a: Issuer head office (within Canada)

Location	Year	Amount
Alberta	2020	\$34,941,892
	2021	\$31,177,437
	2022	\$48,654,497
British Columbia	2020	\$35,008,455
	2021	\$95,029,602
	2022	\$15,389,039
Manitoba	2020	\$ -
	2021	\$1,000,000
	2022	\$ -
New Brunswick	2020	\$217,279,587
	2021	\$255,639,917
	2022	\$213,738,655
Nova Scotia	2020	\$10,367,156
	2021	\$7,076,918
	2022	\$714,896
Ontario	2020	\$329,607,941
	2021	\$655,307,099
	2022	\$675,702,497
Québec	2020	\$72,844,425
	2021	\$137,290,713
	2022	\$85,487,863
Saskatchewan	2020	\$20,790,000
	2021	\$1,504,000
	2022	\$43,591,000
Yukon	2020	\$ -
	2021	\$5,000
	2022	\$ -

Figure 6b: Foreign issuers

Location	Year	Amount
Foreign (Non-Canada)	2020	\$494,643,564
	2021	\$1,066,806,988
	2022	\$453,042,892

Figure 6c: Issuer head office totals

Year	Amount
2020 Total	\$1,215,483,020
2021 Total	\$2,250,837,674
2022 Total	\$1,536,321,339

Where New Brunswick issuers are finding investment capital

New Brunswick companies are raising capital by selling their securities to purchasers not only in New Brunswick, but also by accessing other markets across Canada and the United States.

Figure 7: Purchaser locations

Country	Location	2020	2021	2022
Canada	All	\$29,527,227	\$518,479,149	\$497,353,635
	Alberta	\$ -	\$2,609,530	\$309,476
	British Columbia	\$ -	\$22,856,938	\$14,190,250
	Manitoba	\$ -	\$110,000	\$ -
	New Brunswick	\$ -	\$256,002,423	\$213,837,554
	Newfoundland and Labrador	\$215,000	\$ -	\$658,250
	Nova Scotia	\$20,756,270	\$20,529,720	\$7,852,056
	Ontario	\$3,993,857	\$91,061,909	\$162,826,549
	Prince Edward Island	\$400,000	\$250,000	\$200,000
	Québec	\$4,162,100	\$7,639,740	\$2,479,500
	Saskatchewan	\$ -	\$117,396,889	\$95,000,000
	Yukon	\$ -	\$22,000	\$ -
	United States	All	\$28,000	\$120,518,730
Arkansas		\$ -	\$25,000	\$ -
Arizona		\$ -	\$50,000	\$ -
California		\$ -	\$257,000	\$128,000
Colorado		\$ -	\$38,125,000	\$ -
Connecticut		\$ -	\$ -	\$66,337,751
Florida		\$ -	\$87,128	\$134,750
Illinois		\$28,000	\$50,000	\$ -
Kansas		\$ -	\$10,000	\$ -
Maine		\$ -	\$ -	\$4,120,200
Massachusetts		\$ -	\$30,000	\$ -
Maryland		\$ -	\$40,000	\$ -
Michigan		\$ -	\$40,000	\$ -
Nebraska		\$ -	\$49,516	\$ -
New Hampshire		\$ -	\$10,000	\$ -
New Jersey		\$ -	\$250,000	\$ -
New York		\$ -	\$81,335,086	\$210,000,000
Pennsylvania		\$ -	\$10,000	\$ -
South Dakota		\$ -	\$50,000	\$ -
Texas		\$ -	\$60,000	\$ -
Virginia		\$ -	\$20,000	\$ -
Washington		\$ -	\$10,000	\$ -
Wisconsin		\$ -	\$10,000	\$ -
Asia Pacific		\$ -	\$280,000	\$1,000,000
Europe		\$ -	\$157,914,573	\$35,000,000
South America and Caribbean		\$ -	\$199,000	\$165,000
Total		\$29,555,227	\$797,391,452	\$814,239,336

Regulatory changes

Joint Consultation Paper on Diversity in the Capital Markets

For the last nine years, the CSA have been conducting research into diversity among the directors and senior management of certain publicly traded companies in Canada. During this period, we have seen movement in the participation of women in management and leadership positions. As time has passed, the scope of our analysis has shifted from a gender-based analysis to a broader view of diversity.

Figure 8: Highlights of year 9 findings

Board seats



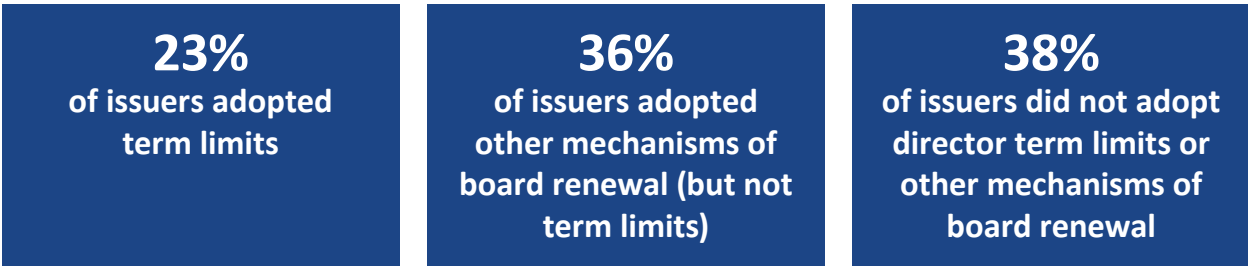
Executive officer positions



Policies and targets



Term limits



Recent developments in Canada and around the world have heightened the focus on broader diversity generally. The focus on social responsibility and diversity has led to changes to the *Canada Business Corporations Act* which now requires diversity disclosure regarding women, Indigenous peoples, persons with disabilities and members of visible minorities. On April 13, 2023, the CSA published for comment proposed amendments to corporate governance disclosure requirements pertaining to the director nomination process, board renewal and diversity. The proposed amendments would require disclosure on aspects of diversity beyond the representation of women, while retaining the current disclosure requirements with respect to women. In addition, the CSA is proposing changes to the corporate governance policy that would enhance the existing corporate governance guidelines relating to the director nomination process and introduce guidelines regarding board renewal and diversity. Stakeholders were invited to provide comments in writing on or before September 29, 2023.

Listed issuers financing exemption

The **listed issuer financing exemption (LIFE)** came into effect on November 21, 2022 and provides a more efficient method of capital raising for reporting issuers that have securities listed on a Canadian stock exchange and have satisfied their continuous disclosure obligations. From the implementation of LIFE until March 31, 2023, three issuers relied on the exemption.

This exemption aims to reduce costs for issuers raising smaller amounts of capital through the public markets by simplifying the disclosure requirements for issuers. LIFE allows issuers to raise the greater of \$5 million or 10 per cent of the issuer's market capitalization, to a maximum of \$10 million, annually. LIFE also allows retail investors to access a wider variety of investment options.

Registration

Registration is a key aspect of capital market regulation. The registration data provides us with the number of individuals and firms registered to sell securities in New Brunswick. The data below illustrates the different categories of registrants and how they are participating in New Brunswick's capital markets.

Figure 9: Number of firms by category

Category	2020	2021	2022
Exempt Market Dealer	212	225	238
Investment Dealer	106	110	114
Investment Fund Manager	32	30	31
Mutual Fund Dealer	45	46	45
Portfolio Manager	207	209	219
Restricted Dealer	3	7	10
Restricted Portfolio Manager	4	4	3
Scholarship Plan Dealer	6	6	6
Total¹	452	472	494

1 Unique number of firms. A firm may be registered in more than one category.

Figure 10: Registration category

Firm Category	Individual Category	2020	2021	2022
Exempt Market Dealer	Chief Compliance Officer	197	210	222
	Dealing Representative	1,093	1,180	1,263
Investment Dealer	Chief Compliance Officer	106	106	110
	Dealing Representative	5,885	6,660	7,225
Investment Fund Manager	Chief Compliance Officer	30	27	25
Mutual Fund Dealer	Chief Compliance Officer	41	41	41
	Dealing Representative	3,016	3,225	3,503
Portfolio Manager	Advising Representative	1,600	1,649	1,774
	Associate Advising Representative	283	311	323
	Chief Compliance Officer	193	192	205
Restricted Dealer	Chief Compliance Officer	3	7	9
	Dealing Representative	1	4	5
Restricted Portfolio Manager	Advising Representative	13	11	9
	Associate Advising Representative	2	2	3
	Chief Compliance Officer	4	2	2
Scholarship Plan Dealer	Chief Compliance Officer	5	5	5
	Dealing Representative	54	57	72
Ultimate Designated Person	Ultimate Designated Person	449	442	463
Total²		11,778	12,924	14,016

2 An individual may be registered in more than one category.

Summary

Based on the findings of this notice, it is clear that the exempt market still accounts for a significant portion of the activity in New Brunswick's capital markets. Although there has been decreased activity in many areas, it appears as though activity levels are returning to more normal pre-pandemic levels.