

Form 45-106F3
Offering Memorandum for Qualifying Issuers

Date: [Insert the date from the certificate page.]

The Issuer

Name:

Head office:

Address:

Phone #:

E-mail address:

Fax #:

Where currently listed or quoted? [e.g., TSX/TSX Venture Exchange]

Jurisdictions in which the issuer is a reporting issuer:

The Offering

Securities offered:

Price per security:

Minimum/Maximum offering: [If there is no minimum state in bold: "**There is no minimum.**" and also state in bold type: "**You may be the only purchaser.**"]

State in bold type: **Funds available under the offering may not be sufficient to accomplish our proposed objectives.**

Minimum subscription amount: [State the minimum amount each investor must invest, or state "There is no minimum subscription amount an investor must invest."]

Payment terms:

Proposed closing date(s):

Income Tax consequences: "There are important tax consequences to these securities. See item 6." [If income tax consequences are not material, delete this item.]

Selling agent? [Yes/No. If yes, state "See item 7". The name of the selling agent may also be stated.]

Resale restrictions

State: "You will be restricted from selling your securities for 4 months and a day. See item 10".

Purchaser's rights

State: "You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this offering memorandum, you have the right to sue either for damages or to cancel the agreement. See item 11."

State in bold type:

"No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. See item 8."

[All of the above information must appear on a single cover page.]

Item1 Use of Available Funds

1.1 Available Funds

Using the following table, disclose the funds available as a result of the offering. If the issuer plans to combine additional sources of funding with the available funds from the offering to achieve its principal capital-raising purpose, please provide details about each additional source of funding. If there is no minimum offering, state "\$0" as the minimum.

Disclose also the amount of any working capital deficiency, if any, of the issuer as at a date not more than 30 days prior to the date of the offering memorandum. If the working capital deficiency will not be eliminated by the use of available funds, state how the issuer intends to eliminate or manage the deficiency.

		Assuming min. offering	Assuming max. offering
A	Amount to be raised by this offering	\$	\$
B	Selling commissions and fees	\$	\$
C	Estimated offering costs (e.g., legal, accounting, audit)	\$	\$
D	Available funds: $D = A - (B+C)$	\$	\$
E.	Additional sources of funding required	\$	\$
F.	Working capital deficiency	\$	\$
G.	Total: $G = (D+E) - F$	\$	\$

1.2 Use of Available Funds

Using the following table, provide a detailed breakdown of how the issuer will use the available funds. If any of the available funds will be paid to an insider, associate or affiliate of the issuer, disclose in a note to the table the name of the insider, associate or affiliate, the relationship to the issuer, and the amount. If the issuer has a working capital deficiency, disclose the portion, if any, of the available funds to be applied against the working capital deficiency. If more than

10% of the available funds will be used by the issuer to pay debt and the issuer incurred the debt within the two preceding financial years, describe why the debt was incurred.

Description of intended use of available funds listed in order of priority.	Assuming min. offering	Assuming max. offering
	\$	\$
	\$	\$
Total: Equal to G in the Funds table above	\$	\$

1.3 Reallocation

The available funds must be used for the purposes disclosed in the offering memorandum. The board of directors can reallocate the proceeds to other uses only for sound business reasons. If the available funds may be reallocated, include the following statement:

“We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.”

1.4 Insufficient Funds

If applicable, disclose that the funds available as a result of the offering either may not or will not be sufficient to accomplish all of the issuer’s proposed objectives and that there is no assurance that alternative financing will be available. If alternative financing has been arranged, disclose the amount, source and any outstanding conditions that must be satisfied.

Item 2 Information About [name of issuer or other term used to refer to issuer]

2.1 Business Summary

Briefly (in one or two paragraphs) describe the business intended to be carried on by the issuer over the next 12 months. State whether this represents a change of business. The disclosure must provide sufficient information to enable a prospective purchaser to make an informed investment decision. If the issuer is a non-resource issuer, describe the products that the issuer is or will be developing or producing and the stage of development of each of the products. If the issuer is a resource issuer, state: whether the issuer’s principal properties are primarily in the exploration or in the development or production stage; what resources the issuer is engaged in exploring, developing or producing; and the locations of the issuer’s principal properties. A resource issuer who discloses information about its oil and gas activities must follow General Instruction A-9 of this Form.

2.2 Existing Documents Incorporated by Reference

State:

“Information has been incorporated by reference into this offering memorandum from documents listed in the table below, which have been filed with securities regulatory

authorities or regulators in Canada. The documents incorporated by reference are available for viewing on the SEDAR website at www.sedar.com. In addition, copies of the documents may be obtained on request without charge from [insert complete address and telephone and the name of a contact person].

Documents listed in the table and information provided in those documents are not incorporated by reference to the extent that their contents are modified or superseded by a statement in this offering memorandum or in any other subsequently filed document that is also incorporated by reference in this offering memorandum.”

Using the following table, list all of the documents incorporated by reference (as required by Instruction D.1):

Description of document (In the case of material change reports, provide a brief description of the nature of the material change)	Date of document

2.3 Existing Documents Not Incorporated by Reference

State:

“Other documents available on the SEDAR website (for example, most press releases, take-over bid circulars, prospectuses and rights offering circulars) are not incorporated by reference into this offering memorandum unless they are specifically referenced in the table above. Your rights as described in item 11 of this offering memorandum apply only in respect of information contained in this offering memorandum and documents or information incorporated by reference.”

2.4 Existing Information Not Incorporated by Reference

Certain specified information (as outlined in Instruction D.2) contained in the documents incorporated by reference may be, but is not required to be, incorporated by reference into the offering memorandum. If the issuer does not wish to incorporate that information into the offering memorandum, the issuer must state that and include a statement in the offering memorandum identifying:

- (a) the information that is not being incorporated by reference, and
- (b) the document in which the information is contained.

2.5 Future Documents Not Incorporated by Reference

State:

“Documents filed after the date of this offering memorandum are not deemed to be incorporated into this offering memorandum. However, if you subscribe for securities and an event occurs, or there is a change in our business or affairs, that makes the certificate to this offering memorandum no longer true, we will provide you with an update of this offering memorandum, including a newly dated and signed certificate, and will not accept your subscription until you have re-signed the agreement to purchase the securities.”

Item 3 Interests of Directors, Executive Officers, Promoters and Principal Holders

3.1 Using the following table, provide information about each director, executive officer, promoter and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the issuer (a “principal holder”). If the principal holder is not an individual, state in a note to the table the name of any person or company that, directly or indirectly, beneficially owns or controls more than 50% of the voting rights of the principal holder.

Name and municipality of principal residence	Position(s) with the issuer

3.2 State:

“You can obtain further information about directors and executive officers from [insert the name and date of the document(s) with the most current information, e.g., management information circular, annual information form or material change report].”

3.3 State:

“Current information regarding the securities held by directors, executive officers and principal holders can be obtained from [refer to the SEDI website at www.sedi.ca or, if information cannot be obtained from the SEDI website, refer to the securities regulatory authority(ies) or regulator(s) from which the information can be obtained, including any website(s)]. [Name of issuer or other term used to refer to issuer] can not guarantee the accuracy of this information.”

3.4 Loans

Disclose the principal amount of any debenture or loan, the repayment terms, security, due date and interest rate due to or from the directors, management, promoters and principal holders as at a date not more than 30 days prior to the date of the offering memorandum.

Item 4 Capital Structure

Using the following table, provide the required information about outstanding securities of the issuer (including options, warrants and other securities convertible into shares). If necessary, notes to the table may be added to describe the material terms of the securities.

Description of security	Number authorized to be issued	Price per security	Number outstanding as at [a date not more than 30 days prior to the offering memorandum date]	Number outstanding after min. offering	Number outstanding after max. offering

Item 5 Securities Offered

5.1 Terms of Securities

Describe the material terms of the securities being offered, including:

- (a) voting rights or restrictions on voting,
- (b) conversion or exercise price and date of expiry,
- (c) rights of redemption or retraction, and
- (d) interest rates or dividend rates.

5.2 Subscription Procedure

- (a) Describe how a purchaser can subscribe for the securities and the method of payment.
- (b) State that the consideration will be held in trust and the period that it will be held (refer at least to the mandatory two day period).
- (c) Disclose any conditions to closing e.g., receipt of additional funds from other sources. If there is a minimum offering, disclose when consideration will be returned to purchasers if the minimum is not met.

Item 6 Income Tax Consequences and RRSP Eligibility

6.1 State:

“You should consult your own professional advisers to obtain advice on the income tax consequences that apply to you”.

6.2 If income tax consequences are a material aspect of the securities being offered (e.g., flow-through shares), provide

- (a) a summary of the significant income tax consequences to Canadian residents, and
- (b) the name of the person or company providing the income tax disclosure in (a).

6.3 Provide advice regarding the RRSP eligibility of the securities and the name of the person or company providing the advice or state “Not all securities are eligible for investment in a registered retirement savings plan (RRSP). You should consult your own professional advisers to obtain advice on the RRSP eligibility of these securities.”

Item 7 Compensation Paid to Sellers and Finders

If any person or company has or will receive any compensation (e.g., commission, corporate finance fee or finder’s fee) in connection with the offering, provide the following information to the extent applicable:

- (a) a description of each type of compensation and the estimated amount to be paid for each type,
- (b) if a commission is being paid, the percentage that the commission will represent of the gross proceeds of the offering (assuming both the minimum and maximum offering),
- (c) details of any broker’s warrants or agent’s option (including number of securities under option, exercise price and expiry date), and
- (d) if any portion of the compensation will be paid in securities, details of the securities (including number, type and, if options or warrants, the exercise price and expiry date).

Item 8 Risk Factors

Describe in order of importance, starting with the most important, the risk factors material to the issuer that a reasonable investor would consider important in deciding whether to buy the issuer’s securities.

Risk factors will generally fall into the following three categories:

- (a) Investment Risk – Risks that are specific to the securities being offered. Some examples include
 - arbitrary determination of price,
 - no market or an illiquid market for the securities,
 - resale restrictions, and
 - subordination of debt securities.

- (b) Issuer Risk – Risks that are specific to the issuer. Some examples include
 - insufficient funds to accomplish the issuer’s business objectives,
 - no history or a limited history of revenue or profits,
 - lack of specific management or technical expertise,
 - management’s regulatory and business track record,
 - dependence on key employees, suppliers or agreements,
 - dependence on financial viability of guarantor,
 - pending and outstanding litigation, and
 - political risk factors.

- (c) Industry Risk – Risks faced by the issuer because of the industry in which it operates. Some examples include
 - environmental and industry regulation,
 - product obsolescence, and
 - competition.

Item 9 Reporting Obligations

9.1 Disclose the documents that will be sent to purchasers on an annual or on-going basis.

9.2 If corporate or securities information about the issuer is available from a government, securities regulatory authority or regulator, SRO or quotation and trade reporting system, disclose where that information can be located (including website address).

Item 10 Resale Restrictions

For trades in a CMR Jurisdiction, ~~Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut and , Ontario, Prince Edward Island, Québec, Saskatchewan and Yukon~~, state:

“These securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

Unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the distribution date.”

Item 11 Purchasers’ Rights

State the following:

“If you purchase these securities you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

(1) Two-Day Cancellation Right

You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the securities.

(2) Statutory Rights of Action in the Event of a Misrepresentation

[Insert this section only if the securities legislation of the jurisdiction in which the trade occurs provides purchasers with statutory rights in the event of a misrepresentation in an offering memorandum. Modify the language, if necessary, to conform to the statutory rights.] If there is a misrepresentation in this offering memorandum, you have a statutory right to sue:

- (a) [name of issuer or other term used to refer to issuer] to cancel your agreement to buy these securities, or
- (b) for damages against [state the name of issuer or other term used to refer to issuer and the title of any other person or company against whom the rights are available].

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the

agreement within [state time period provided by the securities legislation]. You must commence your action for damages within [state time period provided by the securities legislation].

(3) Contractual Rights of Action in the Event of a Misrepresentation

[Insert this section only if the securities legislation of the jurisdiction in which the purchaser is resident does not provide purchasers with statutory rights in the event of a misrepresentation in an offering memorandum.] If there is a misrepresentation in this offering memorandum, you have a contractual right to sue [name of issuer or other term used to refer to issuer]:

- (a) to cancel your agreement to buy these securities, or
- (b) for damages.

This contractual right to sue is available to you whether or not you relied on the misrepresentation. However, in an action for damages, the amount you may recover will not exceed the price that you paid for your securities and will not include any part of the damages that [name of issuer or other term used to refer to issuer] proves does not represent the depreciation in value of the securities resulting from the misrepresentation. [Name of issuer or other term used to refer to issuer] has a defence if it proves that you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and 3 years after you signed the agreement to purchase the securities.”

Item 12 Date and Certificate

State the following on the certificate page of the offering memorandum:

“Dated [insert the date the certificate page of the offering memorandum is signed].

This offering memorandum does not contain a misrepresentation.”

**Instructions for Completing
Form 45-106F3
*Offering Memorandum for Qualifying Issuers***

A. General Instructions

1. Only a “qualifying issuer” may use this form.
2. An issuer using this form to draft an offering memorandum must incorporate by reference certain parts of its existing continuous disclosure base. An issuer that does not want to do this must use Form 45-106F2 *Offering Memorandum for Non-Qualifying Issuers*.
3. Draft the offering memorandum so that it is easy to read and understand. Be concise and use clear, plain language. Avoid technical terms. If technical terms are necessary, provide definitions.
4. Address the items required by the form in the order set out in the form. However, it is not necessary to provide disclosure about an item that does not apply.
5. The issuer may include additional information in the offering memorandum other than that specifically required by the form. The offering memorandum is generally not required to contain the level of detail and extent of disclosure required by a prospectus. However, an offering memorandum must provide a prospective purchaser with sufficient information to make an informed investment decision.
6. The issuer may wrap the offering memorandum around a prospectus or similar document. However, all matters required to be disclosed by the offering memorandum must be addressed and the offering memorandum must provide a cross-reference to the page number or heading in the wrapped document where the relevant information is contained. The certificate to the offering memorandum must be modified to indicate that the offering memorandum, including the document around which it is wrapped, does not contain a misrepresentation.
7. It is an offence to make a misrepresentation in the offering memorandum. This applies both to information that is required by the form and to additional information that is provided. Include particulars of any material facts, which have not been disclosed under any of the Item numbers and for which failure to disclose would constitute a misrepresentation in the offering memorandum. Refer also to section 3.8(3) of Companion Policy 45-106CP for additional information.
8. Refer to National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (NI 43-101) when disclosing scientific or technical information for a mineral project of the issuer.
9. If an oil and gas issuer is disclosing information about its oil and gas activities, it must ensure that the information is disclosed in accordance with Part 4 and Part 5 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (NI 51-101). Under section 5.3 of NI 51-101, disclosure of reserves or resources must be consistent with the reserves and resources terminology and categories set out in the Canadian Oil and Gas

Evaluation Handbook. For the purposes of this instruction, references to reporting issuer in Part 4 and Part 5 of NI 51-101 will be deemed to include all issuers.

10. Securities legislation restricts what can be told to investors about the issuer's intent to list or quote securities on an exchange or market. Refer to applicable securities legislation before making any such statements.
11. If an issuer uses this form in connection with a distribution under an exemption other than section 2.9 (*offering memorandum*) of National Instrument 45-106 *Prospectus and Registration Exemptions*, the issuer must modify the disclosure in item 12 to correctly describe the purchaser's rights. If a purchaser does not have statutory or contractual rights of action in the event of a misrepresentation in the offering memorandum, that fact must be stated in bold on the face page.
12. During the course of a distribution of securities, any material forward-looking information disseminated must only be that which is set out in the offering memorandum. If an extract of FOFI, as defined in NI 51-102 *Continuous Disclosure Obligations* (NI 51-102), is disseminated, the extract or summary must be reasonably balanced and have a cautionary note in boldface stating that the information presented is not complete and that complete FOFI is included in the offering memorandum.

B. Financial Statements

1. All financial statements incorporated by reference into the offering memorandum must comply with NI 51-102 and National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*.
2. Forward-looking information included in an offering memorandum must comply with section 4A.2 of NI 51-102 and must include the disclosure described in section 4A.3 of NI 51-102. In addition to the foregoing, FOFI or a financial outlook, each as defined in NI 51-102, included in an offering memorandum must comply with Part 4B of NI 51-102. Additional guidance may be found in the companion policy to NI 51-102.

C. Required Updates to the Offering Memorandum

1. If the offering memorandum does not incorporate by reference the issuer's AIF, and audited financial statements for its most recently completed financial year, update the offering memorandum for any financial statements that are required to be filed prior to the distribution to incorporate by reference the documents as soon as the documents are filed on SEDAR.
2. Except for documents referred to in C.1, the offering memorandum does not have to be updated to incorporate by reference interim financial reports or other documents referred to in D.1 unless it is necessary to do so to prevent the offering memorandum from containing a misrepresentation.

D. Information about the Issuer

1. *Existing Documents Incorporated by Reference* – In addition to any other document that an issuer may choose to incorporate by reference, the issuer must incorporate the following documents:
 - (a) the issuer's AIF for the issuer's most recently completed financial year for which annual financial statements are either required to be filed or have been filed,
 - (b) material change reports, except confidential material change reports, filed since the end of the financial year in respect of which the issuer's AIF is filed,
 - (c) the interim financial report for the issuer's most recently completed interim period for which the issuer prepares an interim financial report that is required to be filed or have been filed and which ends after the most recently completed financial year referred to in (d),
 - (d) the comparative financial statements, together with the accompanying auditor's report, for the issuer's most recently completed financial year for which annual financial statements are required to be filed or have been filed,
 - (e) if, before the offering memorandum is filed, financial information about the issuer for a financial period more recent than the period for which financial statements are required under D.1(c) and (d) is publicly disseminated by, or on behalf of, the issuer through news release or otherwise, the content of the news release or public communication,
 - (f) management's discussion and analysis (MD&A) as required under NI 51-102 for the period specified in D.1(c) and D.1(d),
 - (g) each business acquisition report required to be filed under NI 51-102 for acquisitions completed since the beginning of the financial year in respect of which the issuer's AIF is filed, unless the issuer incorporated the business acquisition report by reference into its AIF for its most recently completed financial year for which annual financial statements are either required to be filed or have been filed, or incorporated at least 9 months of the acquired business or related businesses operations into the issuer's most recent audited financial statements,
 - (h) any information circular filed by the issuer since the beginning of the financial year in respect of which the issuer's most recent AIF is filed, other than an information circular prepared in connection with an annual general meeting if the issuer has filed and incorporated by reference an information circular for a subsequent annual general meeting,
 - (i) if the issuer has oil and gas activities, as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*, the most recent Form 51-101F1, Form 51-101F2 and Form 51-101F3, filed by an SEC issuer, unless
 - (i) the issuer's current AIF is in the form of Form 51-102F2; or

- (ii) the issuer is otherwise exempted from the requirements of NI 51-101,
 - (j) any other disclosure document which the issuer has filed pursuant to an undertaking to a provincial and territorial securities regulatory authority or regulator since the beginning of the financial year in respect of which the issuer's most recent AIF is filed, and
 - (k) any other disclosure document of the type listed above that the issuer has filed pursuant to an exemption from any requirement under securities legislation since the beginning of the financial year in respect of which the issuer's most recent AIF is filed.
2. *Mineral Property* – If a material part of the funds available as a result of the distribution is to be expended on a particular mineral property and if the issuer's most recent AIF does not contain the disclosure required under section 5.4 of Form 51-102F2 for the property or that disclosure is inadequate or incorrect due to changes, disclose the information required under section 5.4 of Form 51-102F2.

An issuer may incorporate any additional document provided that the document is available for viewing on the SEDAR website and that, on request by a purchaser, the issuer provides a copy of the document to the purchaser, without charge.

Appendix A
Syndicated Mortgages (CMR Jurisdictions)

INSTRUCTIONS:

1. Integrate the following disclosure into your offering memorandum for a distribution of interests in a syndicated mortgage in a CMR Jurisdiction. A syndicated mortgage means a mortgage in which two or more persons participate, directly or indirectly, as lenders in the debt obligation that is secured by the mortgage.
2. You do not need to follow the order of items in the Appendix. Information required in this Appendix that has already been disclosed need not be repeated. You do not need to respond to any item in this Appendix that is inapplicable.

Item 1 Description of the Syndicated Mortgage

- (1) Describe what kind of investment is being offered and the legal rights of the investor, including, but not limited to, details of the following:
 - (a) the nature of the investment, i.e., whether it is a participation in a mortgage, an assignment of a participation in a mortgage, a mortgage unit or some other direct or indirect interest or participation in a mortgage over real property and the legal rights of the investor attaching to the investment;
 - (b) the rights of the investor on default by the borrower and the rights of the investor to share in the proceeds of any recovery from the borrower, in particular the investor's voting rights and whether the investor has the right to institute individual legal action against the borrower and, if not, the person or persons who may institute or coordinate the institution of legal action against the borrower.
- (2) Describe the project and the plans for the use of the funds.

Item 2 Raising of Funds

- (1) If the funds to be raised through the offering are required to be raised in stages, disclose the period over which the funds will be raised and the criteria to determine when they will be raised.
- (2) If there are any arrangements under which any part of the funds raised will only become available to the borrower if certain conditions are fulfilled, describe those conditions and the procedure for the return of funds to the investor if the conditions are not met and any deduction or penalty imposed on the borrower or any other person for not meeting the conditions.

Item 3 Other Risk Factors Specific to Syndicated Mortgages

(1) State in bold print:

Investments in syndicated mortgages are speculative and involve a high degree of risk. Investors should be aware that this investment has not only the usual risks associated with the financial ability of the borrower to make repayments but also risks associated with financing real estate and risks associated with syndication.

(2) Disclose the risk factors that make the offering a risk or speculation.

INSTRUCTIONS:

Risk factors may include, but are not limited to, such matters as reliance on the ability of the borrower to make payments under the mortgage, the financial strength of any person offering a personal covenant, guarantee or financial commitment, the ability to raise further funds as progress in development or construction takes place, changes in land value, the ability to recover one's investment in the event of foreclosure, whether there are prior encumbrances on the mortgaged property, the level of ranking of the mortgage in relation to other mortgages, conflicts of interest between the borrower and the mortgage broker, the mortgage broker's efforts, ability and experience, inadequate insurance coverage, inability to change the trustee (if any), and restrictions imposed by securities legislation on the resale of the mortgage interest.

(3) If the mortgage includes a personal covenant, guarantee or other financial commitment, state in bold print:

The ability of the person providing the personal covenant, guarantee or other financial commitment to perform under the personal covenant, guarantee or other financial commitment will depend on the financial strength of the person. There is no assurance that the person will have the financial ability to be able to satisfy their obligations under the personal covenant, guarantee or other financial commitment and therefore you may not receive any return from your investment, including any initial amount invested.

Item 4 Administration Agreement

If fees or expenses are to be charged to the investor for the administration of this mortgage by any person, such as a mortgage broker or a related party, an administration agreement, satisfactory to and agreed upon in writing by the investor, must be signed by the person and a copy provided to the investor. The administration agreement, in addition to specifying all fees and expenses to be charged to the investor and how they are to be calculated, should clearly outline the specific responsibilities of all parties to the agreement, including collection responsibility for payments due under the mortgage, commencement of legal action on default, follow up on insurance expirations or cancellations and all other matters of administration to be provided or excluded by the person administering the mortgage

Item 5 Trust Agreement

Attach a copy of any trust or other agreement that provides for a person to make advances of the funds to the borrower and to distribute the proceeds of repayments made by the borrower, and disclose the material terms of the agreement, in particular whether the investor is required to grant a power of attorney to the trustee and the terms of that power of attorney. The trust or other agreement, in addition to specifying all fees and expenses to be charged to the investor, should clearly outline the specific responsibilities of all parties to the agreement, including the opening of a trust account into which all investment proceeds must be paid until advanced to the borrower and into which all proceeds received in repayment of the mortgage must be paid before distribution to the investors, the means by which the mortgage will be repaid, the mechanism for replacing the trustee and the procedure for dispute resolution. State the name and address of the financial institution at which the trust account is held and the account number.

Item 6 Details of the Underlying Mortgage

- (1) Describe the details of the mortgage, including, but not limited to, details of the following:
 - (a) the property being mortgaged;
 - (b) the material terms of the mortgage (including the principal amount, term, amortisation period, interest rate, maturity date, any prepayment entitlement, the ranking of the mortgage (i.e., first, second, etc.));
 - (c) the material terms of any other mortgages and prior encumbrances on the mortgaged property;
 - (d) the loan to value ratio of the property, calculated on an aggregate basis using the loan value of the mortgage and all other mortgages referred to in (c);
 - (e) the aggregate dollar amount of the funds being raised under the mortgage;
 - (f) where advances have already been made to the borrower and interests in the mortgage are subsequently sold to investors, the status of the mortgage (including whether there are any arrears and, if so, the amount and due dates of outstanding payments); and
 - (g) describe the means by which the repayments by the borrower under the mortgage will be distributed and the procedure for establishing the proportion to which each investor is entitled to share in the distribution.
- (2) Attach a copy of the commitment letter or other commitment document in which the mortgage broker sets out the terms of the commitment to advance funds to the borrower, if applicable.

Item 7 Accredited Appraisal

Provide details of the most recent assessment of the land and existing improvements by any provincial or municipal assessment authority and any appraisal of the value of the land and existing improvements as of the date of the appraisal by a professional appraiser.

Item 8 Exemptions

Disclose the specific statutory exemption from the registration requirement or describe the discretionary exemption order, as the case may be, that is being relied on in distributing the mortgage interests.

Item 9 Guarantees or Other Similar Financial Commitments

(1) Summarize, in plain language, the key terms of any personal covenant, guarantee or other financial commitment. Provide an illustration of how the personal covenant, guarantee or financial commitment works and include the following statement:

Copies of the personal covenant, guarantee or other financial commitment are available on request from the borrower or any mortgage broker involved in the distribution.

(2) If there is a personal covenant, guarantee or other financial commitment, disclose the financial position and business experience of the person providing the personal covenant, guarantee or other financial commitment.

(3) If there is a personal covenant, guarantee or other financial commitment, indicate whether the investors will be entitled to ongoing disclosure of the financial position of the person providing the personal covenant, guarantee or other financial commitment during the period of the personal covenant, guarantee or commitment, and if so, the nature, verification, timing and frequency of, as well as access to, the disclosure that will be provided to investors.

Item 10 Organization of Mortgage Broker

State the laws under which the mortgage broker is organized and the date of formation of the mortgage broker.

Item 11 Organization of Developer

State the laws under which the developer is organized and the date of formation of the developer.

Item 12 Mortgage Broker, Partners, Directors, Officers and Principal Holders

Disclose:

- (1) the name, municipality of residence and principal occupation for the last 5 years of the mortgage broker, where the mortgage broker is an individual, or of the partners, directors, officers, and any principal holders, where the mortgage broker is not an individual;
- (2) whether the mortgage broker, its partners, directors, officers or principal holders, or any partner, director or officer of its principal holders, within the ten years before the date of the Offering Memorandum, has been subject to any penalties or sanctions imposed by a court, mortgage regulatory authority, real estate regulatory authority or securities regulatory authority relating to the sale, lease, promotion, or management of mortgages, real estate or securities, or to theft or fraud, and describe any penalties or sanctions imposed;
- (3) whether the mortgage broker, its partners, directors, officers or principal holders, or any partner, director or officer of its principal holders, within the five years before the date of the Offering Memorandum, was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that person;
- (4) whether any partner, director, officer or principal holder or any partner, director or officer of the principal holder, within the five years prior to the date of the Offering Memorandum, has been a partner, director, officer or principal holder of any other mortgage broker that, while that person was acting in that capacity,
 - (a) was subject to any penalties or sanctions imposed by a court, mortgage regulatory authority, real estate regulatory authority or securities regulatory authority relating to the sale, lease, promotion, or management of mortgages, real estate or securities or to theft or fraud, and describe any penalties or sanctions imposed, or
 - (b) was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

INSTRUCTIONS:

A principal holder is a person who holds, directly or indirectly, more than 50% of any class of voting securities of the relevant person.

Item 13 Developer, Partners, Directors, Officers and Principal Holders

Disclose the same information required by Item 12 in respect of the mortgage broker for the developer and if the developer is not an individual, its partners, directors, officers and principal

holders, to the best of the mortgage broker's belief, based on personal knowledge and on information provided by third parties.

Item 14 Conflicts of Interest

- (1) State the name of the mortgage broker, any relationship between the mortgage broker and the borrower, particulars of any agency or similar agreement and the remuneration, if any, that investors will pay to the mortgage broker in consideration of the offering of the mortgage investment.
- (2) Describe any existing or potential conflicts of interest between any of the borrower, the mortgage broker, any partners, directors, officers and principal holders of the borrower or mortgage broker, any partners, directors and officers of the principal holders of the borrower and mortgage broker, the trustee and any person providing goods or services to the borrower, mortgage broker or principal holders of the mortgage broker in connection with the mortgage that could reasonably be expected to affect the investor's investment decision.

INSTRUCTIONS:

Any direct or indirect interest of the mortgage broker or related parties in the property, mortgage or business of the borrower or the trustee must be disclosed.

Item 15 Material Contracts

To the extent not already disclosed elsewhere in the offering memorandum, give particulars of every material contract relating to the offering of the investment entered into or to be entered into by the borrower or the mortgage broker or, if applicable, any of the affiliates of the borrower or mortgage broker, within the last two years of the date of the Offering Memorandum and, where the material contracts are not attached to the Offering Memorandum, state a time and place at which those contracts or copies of those contracts may be inspected during distribution of the mortgage interests.

Item 16 Disclosure of Fees Specific to Syndicated Mortgage

- (1) If a mortgage broker has provided a disclosure statement under mortgage brokers legislation to the borrower concerning all fees (by whatever name those fees are called) charged to the borrower in addition to assessment, appraisal, survey and legal fees, attach a copy of that disclosure statement.
- (2) If a mortgage broker has not provided a disclosure statement to the borrower, or no mortgage broker is involved in the distribution, state what fees (by whatever name those fees are called) are to be charged to the borrower, how they are to be calculated and paid and when any mortgage broker involved in the distribution is entitled to payment.
- (3) Disclose all fees to be paid by the investor.

Item 17 Registration documentation

State:

In addition to all other material and documentation reasonably requested and mutually agreed upon, the investor should request, either from the lawyer or notary acting on the investor's behalf, or from the borrower or any mortgage broker involved in the distribution, the following documentation after the completion of registration and disbursement of the mortgage:

- (a) copy of the certificate of mortgage interest or assignment of the mortgage or any other document evidencing the investment;
- (b) copy of a confirmation signed by any prior encumbrancers confirming the outstanding balance of the prior encumbrances and that the borrower is not in arrear with any payments;
- (c) written confirmation of valid insurance on the property, reflecting the interest of the investor in the insurance;
- (d) written confirmation there are no outstanding arrears or delinquent municipal property taxes on the property;
- (e) state of title certificate, or equivalent, in due course (within 120 days of the date of the mortgage); and
- (f) copy of administration agreement or trust indenture (if applicable).

Item 18 Certification by Mortgage Broker (if applicable)

The offering memorandum must include a certificate in the following form from every mortgage broker that distributes the syndicated mortgage:

To the best of our knowledge, information and belief, this offering memorandum does not contain a misrepresentation.

INSTRUCTIONS:

The certificate is required to be signed and dated by two officers. For corporate entities, we require certification by the president or chief executive officer and by the chief financial officer of the mortgage broker (if applicable). If no chief financial officer has been designated, then a director of the mortgage broker (if applicable) other than the president or chief executive officer must sign and date the certificate with the president or chief executive officer.

It is an offence under the *Capital Markets Act* for a person to make a statement in a document required to be filed or delivered under the *Capital Markets Act* or the regulations that, at the time and in light of the circumstances under which it is made, is a misrepresentation as that term is defined by the *Capital Markets Act*.