

CSA Notice and Request for Comment
Proposed Amendments to National Instrument 45-106 *Prospectus Exemptions*
and
Proposed Changes to Companion Policy 45-106CP *Prospectus Exemptions*
Relating to the Offering Memorandum Prospectus Exemption

September 17, 2020

Introduction

The Canadian Securities Administrators (the **CSA** or **we**) are publishing for a 90-day comment period proposed amendments (the **Proposed Amendments**) to National Instrument 45-106 *Prospectus Exemptions* (**NI 45-106**).

The Proposed Amendments are set out in Annex A of this notice. Related proposed changes (the **Proposed Changes**) to Companion Policy 45-106CP *Prospectus Exemptions* (**45-106CP**) are set out in Annex B. This notice will be available on the websites of CSA jurisdictions including:

www.bsc.bc.ca
www.albertasecurities.com
www.fcaa.gov.sk.ca
www.mbsecurities.ca
www.osc.gov.on.ca
www.lautorite.qc.ca
www.fcnb.ca
nssc.novascotia.ca

Substance and Purpose

The Proposed Amendments set out new disclosure requirements for issuers that are engaged in “real estate activities” and those issuers that are “collective investment vehicles”. Both terms are new definitions in NI 45-106. As further discussed below, many issuers utilizing the OM Exemption (as defined below) are issuers that meet these definitions. The new requirements are intended to set out a clear disclosure framework for these issuers, giving them greater certainty as to what they must disclose, and resulting in better information for investors.

In addition, the Proposed Amendments include a number of proposed general amendments (the **General Amendments**), which are meant to clarify or streamline parts of NI 45-106 or improve disclosure for investors.

Where the Proposed Amendments are to a form for an offering memorandum, they are to Form 45-106F2 *Offering Memorandum for Non-Qualifying Issuers* (**Form 45-106F2**).

Background

The offering memorandum prospectus exemption found in section 2.9 of NI 45-106 (the **OM Exemption**) was originally designed as a small business financing tool to help early stage and small businesses raise capital from a large pool of investors without having to comply with the more costly prospectus regime. It was expected to be used by relatively simple issuers for relatively small amounts of capital, prior to issuers becoming reporting issuers.

In practice, the use of the OM Exemption has evolved differently. To a significant extent, larger and more complex issuers than those originally envisioned are using it. In addition, issuers using the OM Exemption are often engaged in specific activities, such as real estate ownership or development, or acting as a type of collective investment vehicle carrying out mortgage lending or making other investments.

Based on an analysis by CSA staff of Canada-wide data from reports of exempt distribution for issuers using the OM Exemption in 2017, approximately 40% of the issuers had total assets of \$100 million or more. In addition, 17% of issuers reported their industry as real estate, and approximately 43% were issuers that might, depending on their purpose and investment objectives, be collective investment vehicles under the Proposed Amendments.

Compliance reviews have also indicated that under the current OM Exemption requirements, it can be unclear to issuers what disclosure is required in order to provide investors with sufficient information. By tailoring the disclosure to the issuer's industry, and clarifying other requirements, issuers should be able to more easily determine what is required to be included in their offering memorandum.

Summary of the Proposed Amendments

Issuers Engaged in Real Estate Activities

The Proposed Amendments include the new defined term "real estate activities". Issuers engaged in real estate activities would be subject to new requirements, including:

- Providing an independent appraisal of an interest in real property to the purchaser if
 - the issuer has acquired or proposes to acquire an interest in real property from a related party (**Related Party**), as that term is defined in NI 45-106,
 - a value for an interest in real property is disclosed in the offering memorandum, or
 - the issuer intends to spend a material amount of the proceeds of the offering on an interest in real property.

- Completing new Schedule 1 *Additional Disclosure Requirements for an Issuer Engaged in Real Estate Activities* (**Schedule 1**) to Form 45-106F2, which includes:
 - Disclosure relevant to issuers that are developing real property, such as a description of the approvals or permissions required, and milestones of the project.
 - Disclosure relevant to issuers that own and operate developed real property, such as the age, condition and occupancy level of the real property.
 - Disclosure of penalties, sanctions, bankruptcy, insolvency and criminal or quasi-criminal convictions for parties other than the issuer, such as a party acting as developer.
 - Disclosure of any purchase and sale history of the issuer's real property with a Related Party, so investors can better evaluate transactions involving Related Parties.

We note that Schedule 1 would not apply to real property that when taken together would not be significant to a reasonable investor. This exception is intended to ensure that issuers are not subject to an undue disclosure burden.

We think the Proposed Amendments as they relate to issuers engaged in real estate activities are necessary because as noted, research indicates that a significant proportion of issuers utilizing the OM Exemption are engaged in real estate activities. We think more specific disclosure about the real property or development plans for the real property is needed for investors, and we also think that these issuers will benefit from the greater certainty provided by a disclosure framework tailored for them.

Issuers that are Collective Investment Vehicles

The Proposed Amendments also include the new defined term “collective investment vehicle”. A collective investment vehicle is defined as an issuer whose primary purpose is to invest money provided by its security holders in a portfolio of securities. This definition would include issuers that hold portfolios of mortgages, other loans, or receivables. To the extent they are permitted to use the OM Exemption, the definition would also include investment funds.

Issuers that are collective investment vehicles would be required to complete new Schedule 2 *Additional Disclosure Requirements for an Issuer That is a Collective Investment Vehicle* to Form 45-106F2, which includes:

- A description of the issuer's investment objectives.
- Disclosure of penalties, sanctions, bankruptcy, insolvency and criminal or quasi-criminal convictions for persons involved in the selection and management of the investments.
- Disclosure of information regarding the portfolio.
- Disclosure regarding the performance of the portfolio.

We think the Proposed Amendments as they relate to issuers that are collective investment vehicles are necessary because as noted, research indicates that a large proportion of issuers utilizing the OM Exemption could under the Proposed Amendments be collective investment vehicles. We think investors need more information, including about the party making the

investment decisions, how the investments are chosen and the composition and performance of the portfolio. As with issuers engaged in real estate activities, we think issuers that would be collective investment vehicles will also benefit from the greater certainty provided by a disclosure framework tailored for them.

General Amendments

The General Amendments include:

- Making the provisions in the OM Exemption that deal with the standard of disclosure for an offering memorandum and amending an offering memorandum clearer and more user-friendly for issuers and investors.
- Requiring that the filed copy of an offering memorandum allow for the searching of words electronically. This change is intended to make reading and reviewing offering memorandums more efficient for all recipients.
- With respect to Form 45-106F2:
 - The addition of several more disclosure items to the cover page to highlight those matters for investors.
 - Enhanced disclosure where a material amount of the proceeds of the offering will be transferred to another issuer that is not the issuer's subsidiary, or a material amount of the issuer's business is carried out by another issuer that is not the issuer's subsidiary. This is intended to give investors better disclosure as to arrangements of this nature and the ultimate use of the offering proceeds.
 - Disclosure of any purchase or sale history of any business or asset of the issuer's (excluding real property) with a Related Party, so investors can better evaluate transactions involving Related Parties.
 - The addition of Related Parties that receive compensation to the compensation disclosure and securities ownership table.
 - For item 3.3, adding disclosure of criminal or quasi-criminal convictions. This is consistent with disclosure requirements for more recently developed prospectus exemptions.
 - The addition of disclosure regarding fees or limitations with respect to redemption or retraction rights.
 - Further disclosure regarding redemption or retraction, including requests made to the issuer, requests fulfilled by the issuer including the price paid and the source of the funds, and outstanding requests.
 - A new requirement to disclose the source of funds for dividends or distributions paid that exceeded cash flow from operations.
 - Reference to the requirements of National Instrument 33-105 *Underwriting Conflicts*.
 - New cautionary disclosure for instances where expert reports, statements or opinions are included in an offering memorandum and there is no statutory liability against the expert.
 - A new requirement to amend an offering memorandum to include an interim financial report for the most recently completed 6 month interim period when a distribution of securities under an offering memorandum is ongoing.

- Other amendments intended to clarify or streamline existing provisions or provide improved disclosure.

The General Amendments are closely related to issues that we have seen in our ongoing review and compliance work regarding offering memorandums.

Other matters included in or related to the Proposed Amendments

In addition, the Proposed Amendments also include changes to Form 45-106F4 *Risk Acknowledgement*, which is the required form of risk acknowledgement for investors purchasing a security under the OM Exemption. These changes are to make the form more understandable and useful to investors, and are consistent with recent amendments to risk acknowledgement forms required in connection with other prospectus exemptions.

We note that if the Proposed Amendments are enacted in the future, some of the guidance in Multilateral CSA Staff Notice 45-309 *Guidance for Preparing and Filing an Offering Memorandum under National Instrument 45-106 Prospectus and Registration Exemptions (SN 45-309)* may no longer apply or may need to be revised. Consequently, we expect that if in the future the Proposed Amendments or some version of them is enacted, we would publish a revised SN 45-309 in conjunction with the effective date of those amendments.

Impact on Investors

The Proposed Amendments would give investors enhanced disclosure, and where the issuer is engaged in real estate activities, or is a collective investment vehicle, the investor would receive disclosure that is more tailored to that kind of issuer. We anticipate that this enhanced and tailored disclosure would provide investors with better information, enabling them to make more informed investment decisions.

Local Matters

Annex E is being published in any local jurisdiction that is proposing related changes to local securities laws, including local notices or other policy instruments in that jurisdictions. It may also include additional information that is relevant to that jurisdiction only.

Request for Comments

We welcome your comments on the Proposed Amendments and the Proposed Changes.

Please submit your comments in writing on or before December 16, 2020. If you are not sending your comments by email, please send a CD containing the submissions (in Microsoft Word format).

Address your submission to all of the CSA as follows:

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Office of the Superintendent of Securities, Service NL
Financial and Consumer Services Commission, New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Office of the Yukon Superintendent of Securities
Northwest Territories Office of the Superintendent of Securities
Nunavut Securities Office

Deliver your comments only to the addresses below. Your comments will be distributed to the other CSA jurisdictions.

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Fax : 514 864-8381
consultation-en-cours@lautorite.qc.ca

We cannot keep submissions confidential because securities legislation in certain provinces requires publication of the written comments received during the comment period. All comments received will be posted on the websites of each of the Alberta Securities Commission at www.albertasecurities.com, the Autorité des marchés financiers at www.lautorite.qc.ca and the Ontario Securities Commission at www.osc.gov.on.ca. Therefore, you should not include personal information directly in comments to be published. It is important that you state on whose behalf you are making the submission.

Contents of Annexes

Annex A – Proposed Amendments to NI 45-106

Annex B – Proposed Changes to 45-106CP

Questions

Please refer your questions to any of the following:

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ANNEX A

PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 45-106 *PROSPECTUS EXEMPTIONS*

1. *National Instrument 45-106 Prospectus Exemptions is amended by this Instrument.*

2. *Section 1.1 is amended in paragraph (b) of the definition of “eligibility advisor” by replacing “an institute or association of chartered accountants, certified general accountants or certified management accountants in a jurisdiction of Canada” with “the Chartered Professional Accountants of Canada”.*

3. *Section 1.1 is amended by adding the following definitions:*

“**collective investment vehicle**” means an issuer whose primary purpose is to invest money provided by its security holders in a portfolio of securities;

“**material contract**” means any contract that an issuer or any of its subsidiaries is a party to, that is material to the issuer;

“**net asset value**” has the same meaning with respect to a collective investment vehicle as it does with respect to an investment fund in National Instrument 81-106 *Investment Fund Continuous Disclosure*;

“**real estate activities**” means an undertaking, the purpose of which is primarily to generate for security holders income or gain from the lease, sale or other disposition of real property, but does not include any of the following:

- (a) activities in respect of a mineral project, as defined in National Instrument 43-101 *Standards of Disclosure for Mineral Projects*;
- (b) oil and gas activities as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*;
- (c) in Québec, in addition to paragraphs (a) and (b), the distribution of either of the following:
 - (i) an investment contract that includes a real right of ownership in an immovable and a rental management agreement;
 - (ii) a security of an issuer that owns an immovable giving the holder a right of exclusive use of a residential unit and a space in such immovable;

“**related party**” means any of the following:

- (a) a director, officer, promoter or control person of the issuer;

- (b) in regard to any individual referred to in paragraph (a), a child, parent, grandparent or sibling, or other relative living in the same residence;
- (c) in regard to any individual referred to in paragraph (a) or (b), his or her spouse;
- (d) an insider of the issuer;
- (e) a person controlled by a person referred to in any of paragraph (a) to (d), or controlled by a person referred to in any of paragraph (a) to (d) acting jointly or in concert with another person;
- (f) in the case of a person referred to in any of paragraph (a) to (d) that is not an individual, any person that controls that person, or that controls that person by acting jointly or in concert with another person;

4. ***Subparagraphs 2.9(1)(b)(i), (2)(c)(i) and (2.1)(c)(i) are amended by replacing “(13)” with “(14.1)”.***

5. ***Paragraph 2.9(2.2)(a) is amended by adding “,” after “non-redeemable investment fund”.***

6. ***Subsection 2.9(5.2) is amended by replacing “A” with “In Alberta, New Brunswick, Nova Scotia, Ontario, Québec and Saskatchewan, a”.***

7. ***Subsection 2.9(13) is repealed.***

8. ***Section 2.9 is amended by adding the following subsections:***

(13.1) An offering memorandum must not contain a misrepresentation on the date the certificate under subsection (8) or (14.1) is signed.

(13.2) If a material change with respect to the issuer occurs after the certificate under subsection (8) or (14.1) is signed, and before the issuer accepts an agreement to purchase the security from the purchaser, the issuer must amend the offering memorandum to reflect the material change, and deliver the amended offering memorandum to the purchaser.

(13.3) An offering memorandum delivered under this section must provide a reasonable purchaser with sufficient information to make an informed investment decision..

9. *Subsection 2.9(14) is repealed.*

10. *Section 2.9 is amended by adding the following subsection:*

(14.1) An issuer that amends an offering memorandum must replace the certificate in the offering memorandum with a newly dated certificate signed in compliance with subsections (9), (10), (10.1), (10.2), (10.3), (11), (11.1) and (12), as applicable..

11. *Subsection 2.9(17) is replaced with the following:*

(17) The issuer must file a copy of an offering memorandum delivered under this section and any amended offering memorandum with the securities regulatory authority on or before the 10th day after the distribution under the offering memorandum or the amended offering memorandum..

12. *Section 2.9 is amended by adding the following subsection:*

(17.0.1) Each copy of an offering memorandum that is filed must be in a format that allows for the searching of words electronically using reasonably available technology..

13. *Subsection 2.9(19) is amended by replacing “subsections (19.1) and (19.3), a qualified appraiser is independent of an issuer of a syndicated mortgage” with “subsections (19.1), (19.3), (19.6) and (19.7), a qualified appraiser is independent of an issuer”.*¹

14. *Section 2.9 is amended by adding the following after subsection (19.4):*

(19.5) An issuer relying on an exemption set out in subsection (1), (2) or (2.1) that is engaged in real estate activities must comply with subsection (19.6) if any of the following apply:

- (a) the issuer proposes to acquire, or has acquired, an interest in real property from a related party;
- (b) except for in its financial statements, the issuer discloses in the offering memorandum a value for an interest in real property;
- (c) the issuer proposes to use a material amount of the proceeds of the offering to acquire an interest in real property.

(19.6) An issuer to which any of paragraphs (19.5)(a), (b) or (c) applies must, at the same time or before the issuer delivers an offering memorandum to the purchaser in

¹ Amending instructions 13 and 14 take into account the amendments to this instrument published in Annex B of the CSA Notice dated August 6, 2020 announcing amendments to NI 45-106 *Prospectus Exemptions* and National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (the **August 6 CSA Notice**).

accordance with subsections (1), (2) or (2.1), deliver to the purchaser an appraisal of the interest in real property referred to in subsection (19.5) that satisfies all of the following:²

- (a) it is prepared by a qualified appraiser that is independent of the issuer;
- (b) it includes a certificate signed by the qualified appraiser stating that the appraisal is prepared in accordance with the standards and the code of ethics established or endorsed by the professional association of which the qualified appraiser is a member;
- (c) it provides the appraised fair market value of the interest in real property, without considering any proposed improvements or proposed development;
- (d) it provides the appraised fair market value of the interest in real property as at a date that is within 6 months preceding the date that the appraisal is delivered to the purchaser.

(19.7) If an issuer relying on an exemption set out in subsection (1), (2) or (2.1) is engaged in real estate activities, and discloses in any communication related to the distribution under the exemption a representation of, or opinion as to, a value for an interest in real property referred to in subsection (19.5), other than the appraised fair market value disclosed in the appraisal referred to in subsection (19.6), the issuer must have a reasonable basis for that value, and must disclose all of the following in that communication:

- (a) with equal or greater prominence as the representation or opinion, the appraised fair market value referred to in subsection (19.6);
- (b) the material factors or assumptions used to determine the representation or opinion;
- (c) whether or not the representation or opinion was determined by a qualified appraiser who is independent of the issuer.

(19.8) An issuer must file a copy of any appraisal delivered under subsection (19.6) with the securities regulatory authority concurrently with the filing of the offering memorandum..

² The definitions of “qualified appraiser” and “professional association” were published in Annex B of the August 6 CSA Notice.

15. *Section 6.4 is amended by adding the following after subsection (3)³:*
 - (4) An issuer preparing an offering memorandum in accordance with Form 45-106F2 that is engaged in real estate activities must supplement the offering memorandum with Schedule 1 of that form.
 - (5) An issuer preparing an offering memorandum in accordance with Form 45-106F2 that is a collective investment vehicle must supplement the offering memorandum with Schedule 2 of that form..
16. *Section 8.4 is repealed.*
17. *Section 8.4.1 is repealed.*
18. *Section 8.4.2 is repealed.*
19. *Section 8.4.3 is repealed.*
20. *Form 45-106F2 Offering Memorandum for Non-Qualifying Issuers is repealed and replaced with the material in Schedule A-1.*
21. *Form 45-106F4 Risk Acknowledgement is amended*
 - (a) *by repealing and replacing all content prior to Schedule 1 with the material in Schedule A-2,*
 - (b) *in B. of Schedule 1, by replacing “subsection 7.3(3) of the Securities Act (Ontario)” with “subsection 73.3 of the Securities Act (Ontario)”, and*
 - (c) *in B. of Schedule 2, by replacing “subsection 7.3(3) of the Securities Act (Ontario)” with “subsection 73.3 of the Securities Act (Ontario)” .*
22. This Instrument comes into force on ●.

³ Amending instruction 15 takes into account the amendments to this instrument published in Annex B of the August 6 CSA Notice.

Schedule A-1

FORM 45-106F2

OFFERING MEMORANDUM FOR NON-QUALIFYING ISSUERS

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

The Issuer

Name:

Head office: Address:

Phone #:

Website address:

E-mail address:

Currently listed or quoted? [If no, state in bold type: **“These securities do not trade on any exchange or market.”**. If yes, identify the exchange or market.]

Reporting issuer? [Yes/No. If yes, state where.]

The Offering

Securities offered:

Price per security:

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

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.]

Insufficient Funds

If item 2.6 applies, state in bold type: **“Funds available under the offering may not be sufficient to accomplish the proposed objectives. See item 2.6.”**

Compensation Paid to Sellers and Finders

If item 7 applies, state the following: **“A person has received or will receive compensation for the sale of securities under this offering. See item 7.”**

Underwriter(s)

State the name of any underwriter.

Guidance: The requirements of National Instrument 33-105 *Underwriting Conflicts* may be applicable.

Resale Restrictions

State: “You will be restricted from selling your securities for [4 months and a day/an indefinite period]. See item 10.”

Working Capital Deficiency

If the issuer is disclosing a working capital deficiency under item 1.1, state the following, with the bracketed information completed: “[name of issuer] has a working capital deficiency. See item 1.1.”

Payments to Related Party

If the issuer is disclosing payment to a related party under item 1.2, state the following, with the bracketed information completed as applicable: “[All of][Some of] your investment will be paid to a related party of the issuer. See item 1.2.”

Certain Related Party Transactions

If the issuer is making disclosure under item 2.8(b), or subsection 7(2) of Schedule 1, state the following with the bracketed information completed as applicable: “This offering memorandum contains disclosure with respect to one or more transactions between [name of issuer] and a related party, where [name of issuer] [paid more to a related party than the related party paid for a business, asset or real property] [and] [was paid less by a related party for a business, asset or real property than [name of issuer] paid for it]. See [item 2.8(b)] [and] [subsection 7(2) of Schedule 1].”

Certain Dividends or Distributions

If the issuer is making disclosure under item 5B, state the following with the bracketed information completed: “[name of issuer] has paid dividends or distributions that exceeded cash flow from operations. See item 5B.”

Redemption or Retraction Right

If the purchaser will have a right to require the issuer to repurchase its securities and there is any restriction, fee or price associated with this right, state in bold type with the bracketed information completed, as applicable: “**You will have a right to require the issuer to repurchase its securities from you, but this right is qualified by [a specified price] [and] [restrictions] [and] [fees]. As a result, you might not receive the amount of proceeds that you want. See item 5.1.**”

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 a right to 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.”

Instructions

1. Include all of the above information at the beginning of the offering memorandum.
2. After the above information, include a table of contents for the rest of the information in the offering memorandum.

Item 1: Use of Available Funds

1.1 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, provide details about each additional source of funding. If there is no minimum offering, state “\$0” as the minimum. Disclose any working capital deficiency of the issuer as at a date not more than 30 days before 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 minimum offering	Assuming maximum offering
A.	Amount to be raised by this offering	\$	\$
B.	Selling commissions and fees	\$	\$
C.	Estimated offering costs (including legal, accounting and 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 a related party, disclose in a note to the table the name of the related party, the relationship to the issuer, and the amount. 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 minimum offering	Assuming maximum offering
	\$	\$
	\$	\$
Total: Equal to G in the Funds table above	\$	\$

1.2.1 Proceeds Transferred to Other Issuers - If a significant amount of the proceeds of the offering will be invested in, loaned to, or otherwise transferred to another issuer that is not a subsidiary controlled by the issuer, or a significant amount of the issuer’s business is carried out by another issuer that is not a subsidiary controlled by the issuer, provide the disclosure specified by items 2, 3, 4.1, 4.2, 8 and 12 and, as applicable, Schedule 1 of this form if the other issuer is engaged in real estate activities, and Schedule 2 of this form if the other issuer is a collective investment vehicle, as if each of those other issuers were the issuer preparing the offering memorandum. In addition, describe the relationship between the issuer and each of those other issuers, and supplement the description with a diagram.

1.3 [Repealed]

Item 2: Business of the Issuer and Other Information and Transactions

2.1 Structure - State whether the issuer is a partnership, corporation or trust, or if the issuer is not a corporation, partnership or trust then state what type of business association the issuer is. State any statute under which the issuer is incorporated, continued or organized, and the date of incorporation, continuance or organization.

2.2 The Business - Describe the issuer's business.

- (a) For a non-resource issuer include in the description the following:
 - (i) principal products or services;
 - (ii) operations;
 - (iii) market, marketing plans and strategies;
 - (iv) a discussion of the issuer's current and prospective competitors.

- (b) For a resource issuer include in the description the following:
 - (i) a description of principal properties (including interest held);
 - (ii) a summary of material information including, as applicable, the stage of development, reserves, geology, operations, production and mineral reserves or mineral resources being explored or developed.

Guidance

1. For a resource issuer disclosing scientific or technical information for a mineral project, see General Instruction A.8 of this Form.
2. For a resource issuer disclosing information about its oil and gas activities, see General Instruction A.9 of this Form.

2.3 Development of Business - Describe the general development of the issuer's business over at least its two most recently completed financial years and any subsequent period. Include any major events that have occurred or conditions that have influenced (favourably or unfavourably) the development or financial condition of the issuer.

2.4 Long Term Objectives – With respect to the issuer's objectives subsequent to the next 12 months after the date of the offering memorandum, describe each significant event associated with those objectives, state the specific time period in which each event is expected to occur, and the costs related to each event.

2.5 Short Term Objectives

- (a) Disclose the issuer's objectives for the next 12 months after the date of the offering memorandum.

- (b) Using the following table, disclose how the issuer intends to meet those objectives.

Actions to be taken	Target completion date or, if not known, number of months to complete	Cost to complete
		\$
		\$

2.6 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 there is no assurance that alternative financing will be available. With respect to any alternative financing that has been arranged, disclose the amount, source and all outstanding conditions.

2.6.1: Additional Disclosure for Issuers Without Significant Revenue

- (1) If the issuer has not had significant revenue from operations in either of its two most recently completed financial years, or has not had significant revenue from operations since inception, provide, for each period referred to in subsection (2), a breakdown of the material components of the following:
 - (a) exploration and evaluation assets or expenditures and, if the issuer’s business primarily involves mining exploration and development, provide the breakdown on a property-by-property basis;
 - (b) expensed research and development costs;
 - (c) intangible assets arising from development;
 - (d) general and administration expenses;
 - (e) any material costs, whether expensed or recognized as assets, not referred to in paragraphs (a) through (d).
- (2) Include the disclosure in subsection (1) with respect to each period for which financial statements are included in the offering memorandum.
- (3) Subsection (1) does not apply to any period for which the information specified under subsection (1) has been disclosed in the financial statements that are included in the offering memorandum.

2.7 Material Contracts - Disclose the key terms of all material contracts to which the issuer is currently a party including, for certainty, the following:

- (a) if the contract is with a related party, the name of the related party and the relationship to the issuer;
- (b) a description of any asset, property or interest acquired, disposed of, leased or under option;
- (c) a description of any service provided;
- (d) purchase price and payment terms (including payment by instalments, cash, securities or work commitments);
- (e) the principal amount of any debenture or loan, the repayment terms, security, due date and interest rate;
- (f) the date of the contract;
- (g) the amount of any finder's fee or commission paid or payable to a related party in connection with the contract;
- (h) any material outstanding obligations under the contract.

2.8 Related Party Transactions

With respect to any purchase and sale transaction between the issuer and a related party that does not relate to real property,

- (a) using the following table and starting with the most recent transaction, provide the specified information, and

Description of business or asset	Date of transfer	Legal name of seller	Legal name of buyer	Amount and form of consideration exchanged in connection with transfer

- (b) explain the reason for any material difference between the amount of consideration paid by the issuer and the amount of consideration paid by a related party for the business or asset.

Item 3: Compensation and Security Holdings of Certain Parties

3.1 Compensation and Securities Held

Using the following table, provide the specified information for the following:

- (a) each director, officer and promoter of the issuer;
- (b) each person that has beneficial ownership of, or direct or indirect control over, or a combination of beneficial ownership and direct or indirect control over, 10% or more of any class of voting securities of the issuer;
- (c) any related party not specified in paragraph (a) or (b) that received compensation in the most recently completed financial year, or is expected by the issuer to receive compensation in the current financial year.

Full legal name and place of residence or, if not an individual, jurisdiction of organization	If paragraph (a) or (b) applies, specify whether the person is a director, officer, promoter or person referred to in paragraph (b); if paragraph (c) applies, specify the person's relationship to the issuer; in all cases, specify the date that the person became a person identified in paragraph (a), (b) or (c)	Compensation paid by issuer or related party in the most recently completed financial year and the compensation expected to be paid in the current financial year	Number, type and percentage of securities of the issuer held after completion of minimum offering	Number, type and percentage of securities of the issuer held after completion of maximum offering

Instructions

1. If the issuer has not completed its first financial year, disclose for the period from the date of the issuer's inception to the date of the offering memorandum.
2. Compensation includes any form of remuneration including, for certainty, cash, shares and options.
3. If a person identified in paragraph (a), (b) or (c) is not an individual, state in a note to the table the full legal name of any person that has beneficial ownership of, or direct or indirect control over, or a combination of beneficial ownership and direct or indirect control over, more than 50% of the voting rights of the person.

3.2 Management Experience - Using the following table, provide the specified information for the directors and executive officers of the issuer for the 5 years preceding the date of the offering memorandum.

Full Legal Name	Principal occupation and description of experience associated with the occupation

3.3 Penalties, Sanctions, Bankruptcy, Insolvency and Criminal or Quasi-Criminal Matters

- (a) If the following have occurred during the 10 years preceding the date of the offering memorandum with respect to a director, executive officer or control person of the issuer, or an issuer of which any of those persons was a director, executive officer or control person at the time, describe the penalty, other sanction or order, including the reason for it and whether it is currently in effect:
 - (i) a penalty or other sanction imposed by a court relating to a contravention of securities legislation;
 - (ii) a penalty or other sanction imposed by a regulatory body relating to a contravention of securities legislation;
 - (iii) an order restricting trading in securities, not including an order that was in effect for less than 30 consecutive days.

- (b) If the following have occurred during the 10 years preceding the date of the offering memorandum with respect to a director, executive officer or control person of the issuer, or an issuer of which any of those persons was a director, executive officer or control person at the time, state that it has occurred:
 - (i) a declaration of bankruptcy;
 - (ii) a voluntary assignment in bankruptcy;
 - (iii) a proposal under bankruptcy or insolvency legislation;
 - (iv) a proceeding, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets.

- (c) Disclose and describe the following, if the issuer or a director, executive officer or control person of the issuer has ever pled guilty to or been found guilty of:

- (i) a summary conviction or indictable offence under the *Criminal Code* (Canada);
- (ii) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction;
- (iii) a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory of the United States of America;
- (iv) an offence under the criminal legislation of any other foreign jurisdiction.

3.4 *Certain Loans*

For any debenture, bond or loan agreement between the issuer and a related party, disclose the following:

- (a) as at a date not more than 30 days before the date of the offering memorandum, the parties to the agreement, including which party is lender and which party is borrower, the principal amount, the repayment terms, any security, due date and interest rate;
- (b) during the two most recently completed financial years and up to a date not more than 30 days before the date of the offering memorandum, any material amendment to the agreement, or any release, cancellation or forgiveness.

Item 4: Capital Structure

4.1 *Securities Except for Debt Securities* - Using the following table, provide the specified information about outstanding securities of the issuer, not including debt securities. Add notes to the table to describe the material terms of the securities, including, for certainty, voting rights or restrictions on voting, exercise price and date of expiry, rights of redemption or retraction, including redemption or retraction price and any fee or restriction, and any interest rate or dividend or distribution policy.

Description of security	Number authorized to be issued	Price per security	Number outstanding as at a date not more than 30 days before the date of the offering memorandum	Number outstanding after minimum offering	Number outstanding after maximum offering

4.2 Long Term Debt Securities - Using the following table, provide the specified information about outstanding debt of the issuer for which all or a portion is due, or may be outstanding, more than 12 months from the date of the offering memorandum. Add notes to the table to disclose any amounts of the debt that are due within 12 months of the date of the offering memorandum. In addition, add notes to the table to describe any conversion terms. If the securities being offered are debt securities, complete the applicable parts of the table for the debt, and add columns to the table disclosing the amount of the debt that will be outstanding after both the minimum and maximum offering.

Description of debt (including whether secured)	Interest rate	Repayment terms	Amount outstanding at a date not more than 30 days before the date of the offering memorandum
			\$
			\$

4.3 Prior Sales - If the issuer has issued any securities of the class being offered under the offering memorandum (or convertible or exchangeable into the class being offered under the offering memorandum) within the 12 months before the date of the offering memorandum, use the following table to provide the information specified. If securities were issued in exchange for assets or services, describe in a note to the table the assets or services that were provided.

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received

Item 5: Securities Offered

5.1 Terms of Securities

- (a) Describe the material terms of the securities being offered, including, for certainty, the following:
 - (i) voting rights or restrictions on voting;
 - (ii) conversion or exercise price and date of expiry;
 - (iii) right of redemption or retraction, including redemption or retraction price and any fee or restriction;
 - (iv) interest rate, and dividend or distribution policy.

	of end of period	or retraction requests on the first day of the period	redemption or retraction requests during the period	retracted during the period	redeemed or retracted	or retractions	or retraction requests on the last day of the period

- (c) with respect to the periods specified in (a) and (b), the reason for any non-fulfillment of investor requests for redemption or retraction, unless the non-fulfillment was in accordance with terms governing the redemption or retraction right.

Item 5B: Certain Dividends or Distributions

If in the two most recently completed financial years, or any subsequent interim period, the issuer paid dividends or distributions that exceeded cash flow from operations, disclose the source of those payments.

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, provide

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

6.3 Provide advice regarding the RRSP eligibility of the securities and the name of the person 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 has or will receive any commission, corporate finance fee or finder’s fee or any other compensation in connection with the offering, provide the following information:

- (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);
- (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.

Guidance: 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, including any financial information required by the issuer's corporate legislation, constating documents, or other documents under which the issuer is organized, that will be sent to purchasers on an annual or on-going basis. If the issuer is not

required to send any documents to the purchasers on an annual or on-going basis, state in bold type: **“We are not required to send you any documents on an annual or ongoing 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

10.1 [Repealed]

10.2 Restricted Period - For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Québec, Saskatchewan and Yukon state one of the following, as applicable:

- (a) If the issuer is not a reporting issuer in a jurisdiction at the distribution date state:

“Unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the date [insert name of issuer] became a reporting issuer in any province or territory of Canada.”

- (b) If the issuer is a reporting issuer in a jurisdiction at the distribution date state:

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

10.3 Manitoba Resale Restrictions - For trades in Manitoba, if the issuer will not be a reporting issuer in a jurisdiction at the time the security is acquired by the purchaser state:

“Unless permitted under securities legislation, you must not trade the securities without the prior written consent of the regulator in Manitoba unless

- (a) [name of issuer] has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or
- (b) you have held the securities for at least 12 months.

The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.”

Item 11: Purchasers’ Rights

11.1 Statements Regarding 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] to cancel your agreement to buy these securities, or
- (b) for damages against [state the name of issuer and the title of any other person 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]:

- (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] proves does not represent the depreciation in value of the securities resulting from the misrepresentation. [Name of 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.”

11.2 Cautionary Statement Regarding Report, Statement or Opinion by Expert - If a report, statement or opinion by a solicitor, auditor, accountant, engineer, appraiser, notary in Québec or other person or company whose profession or business could, to a reasonable person, be viewed as giving authority to a statement made by that person or company, is included or referenced in the offering memorandum, and purchasers do not have a statutory right of action in the local jurisdiction against that person or company for a misrepresentation in the offering memorandum, state the following, with the bracketed information completed, as applicable:

“This offering memorandum [includes][references] [describe any report, statement or opinion, the party that gave it, and the effective date of the document]. You do not have a statutory right of action against [this party][these parties] for a misrepresentation in the offering memorandum. You should consult with a legal adviser for further information.”

Item 12: Financial Statements

Include in the offering memorandum immediately before the certificate page of the offering memorandum all financial statements specified in the Instructions.

Item 13: 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 45-106F2
*Offering Memorandum for Non-Qualifying Issuers***

A. General Instructions

- 0.1 Refer to subsections 2.9(13.1) and (13.3) of the Instrument, which set out the standard of disclosure for an offering memorandum.
1. 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.
2. Address the items required by the form in the order set out in the form. However, it is not necessary to provide disclosure in response to a requirement or part of a requirement that does not apply.
3. The issuer may include additional information in the offering memorandum other than that specifically required by the form.
4. 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.
5. It is an offence to make a misrepresentation in the offering memorandum. This applies to both information that is required by the form and 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.
- 5.1 Do not disclose a maximum offering amount unless the issuer reasonably expects, as at the date of the offering memorandum, to distribute that amount under the offering memorandum.
6. [Repealed]
7. [Repealed]
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 the Instrument, the issuer must modify the disclosure in item 11 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 National Instrument 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.
13. The term quasi-criminal offence includes offences under tax, immigration or money laundering legislation.

B. Financial Statements - General

1. All financial statements, operating statements for an oil and gas property that is an acquired business or a business to be acquired, and summarized financial information as to the aggregated amounts of assets, liabilities, revenue and profit or loss of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method included in the offering memorandum must comply with National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, regardless of whether the issuer is a reporting issuer or not.

Under National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, financial statements are generally required to be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises. An issuer using this form cannot use Canadian GAAP applicable to private enterprises, except, subject to the requirements of NI 52-107, certain issuers may use Canadian GAAP applicable to private enterprises for financial statements for a business referred to in C.1. An issuer that is not a reporting issuer may prepare acquisition statements in accordance with the requirements of NI 52-107 as if the issuer were a venture issuer as defined in NI 51-102.

For the purposes of Form 45-106F2, the “applicable time” in the definition of a venture issuer is the acquisition date.

2. Include all financial statements required by these instructions in the offering memorandum immediately before the certificate page of the offering memorandum.
3. If the issuer has not completed one financial year or its first financial year end is less than 120 days from the date of the offering memorandum, include in the offering memorandum financial statements of the issuer consisting of:
 - (a) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the period from inception to a date not more than 90 days before the date of the offering memorandum,
 - (b) a statement of financial position as at the end of the period referred to in paragraph (a), and
 - (c) notes to the financial statements.
4. If the issuer has completed one or more financial years, include in the offering memorandum annual financial statements of the issuer consisting of:
 - (a) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for
 - (i) the most recently completed financial year that ended more than 120 days before the date of the offering memorandum, and
 - (ii) the financial year immediately preceding the financial year in clause (i), if any,
 - (b) a statement of financial position as at the end of each of the periods referred to in paragraph (a),
 - (c) a statement of financial position as at the beginning of the earliest comparative period for which financial statements that are included in the offering memorandum comply with IFRS in the case of an issuer that
 - (i) discloses in its annual financial statements an unreserved statement of compliance with IFRS, and
 - (ii) does any of the following:
 - (A) applies an accounting policy retrospectively in its annual financial statements;
 - (B) makes a retrospective restatement of items in its annual financial statements;

- (C) reclassifies items in its annual financial statements,
 - (d) in the case of an issuer's first IFRS financial statements as defined in NI 51-102, the opening IFRS statement of financial position at the date of transition to IFRS as defined in NI 51-102, and
 - (e) notes to the financial statements.
- 4.1 If an issuer presents the components of profit or loss in a separate income statement, the separate income statement must be displayed immediately before the statement of comprehensive income filed under Item 4 above.
5. If the issuer has completed one or more financial years, include in the offering memorandum an interim financial report of the issuer comprised of:
- (a) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the most recently completed interim period that ended
 - (i) more than 60 days before the date of the offering memorandum, and
 - (ii) after the year-end date of the financial statements required under B.4(a)(i),
 - (b) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the corresponding period in the immediately preceding financial year, if any,
 - (c) a statement of financial position as at the end of the period required by paragraph (a) and the end of the immediately preceding financial year,
 - (d) a statement of financial position as at the beginning of the earliest comparative period for which financial statements that are included in the offering memorandum comply with IFRS in the case of an issuer that
 - (i) discloses in its interim financial report an unreserved statement of compliance with International Accounting Standard 34 *Interim Financial Reporting*, and
 - (ii) does any of the following:
 - (A) applies an accounting policy retrospectively in its interim financial report;
 - (B) makes a retrospective restatement of items in its interim financial report;
 - (C) reclassifies items in its interim financial report,
 - (e) in the case of the first interim financial report in the year of adopting IFRS, the opening IFRS statement of financial position at the date of transition to IFRS,

- (f) for an issuer that is not a reporting issuer in at least one jurisdiction of Canada immediately before filing the offering memorandum, if the issuer is including an interim financial report of the issuer for the second or third interim period in the year of adopting IFRS include
 - (i) the issuer's first interim financial report in the year of adopting IFRS, or
 - (ii) both
 - (A) the opening IFRS statement of financial position at the date of transition to IFRS, and
 - (B) the annual and date of transition to IFRS reconciliations required by IFRS 1 *First-time Adoption of International Financial Reporting Standards* to explain how the transition from previous GAAP to IFRS affected the issuer's reported financial position, financial performance and cash flows, and
 - (g) notes to the financial statements.
- 5.1 If an issuer presents the components of profit or loss in a separate income statement, the separate income statement must be displayed immediately before the statement of comprehensive income filed under item 5 above.
6. An issuer is not required to include the comparative financial information for the period in B.4.(a)(ii) in an offering memorandum if the issuer includes financial statements for a financial year ended less than 120 days before the date of the offering memorandum.
7. For an issuer that is not an investment fund, the term "interim period" has the meaning set out in NI 51-102. In most cases, an interim period is a period ending 9, 6, or 3 months before the end of a financial year. For an issuer that is an investment fund, the term "interim period" has the meaning set out in National Instrument 81-106 *Investment Fund Continuous Disclosure* (NI 81-106).
8. The comparative financial information required under B.5(b) and (c) may be omitted if the issuer has not previously prepared financial statements in accordance with its current or, if applicable, its previous GAAP.
9. The financial statements required by B.3, B.4 and B.12.1(a) must be audited. The financial statements required by B.5, B.6, B.12.1(b) and the comparative financial information required by B.4 may be unaudited; however, if any of those financial statements have been audited, the auditor's report must be included in the offering memorandum.
10. Refer to National Instrument 52-108 *Auditor Oversight* for requirements relating to reporting issuers and public accounting firms.

11. All unaudited financial statements and unaudited comparatives must be clearly labelled as unaudited.
12. [Repealed]
- 12.1 If the distribution is ongoing, the issuer must do the following:
 - (a) if the offering memorandum does not contain audited annual financial statements for the issuer's most recently completed financial year, the issuer must do the following:
 - (i) amend the offering memorandum to include the audited annual financial statements and the accompanying auditor's report as soon as the issuer has approved the audited financial statements, but in any event no later than the 120th day following the financial year end;
 - (ii) present the offering memorandum and the audited annual financial statements in accordance with the instructions in A, B and C and, for that purpose, the reference to the financial year in B.4(a)(i) shall mean the issuer's most recently completed financial year;
 - (b) if the offering memorandum does not contain an interim financial report for the issuer's most recently completed 6-month period, the issuer must do the following:
 - (i) amend the offering memorandum to include the interim financial report no later than the 60th day following the end of the period;
 - (ii) present the offering memorandum and the interim financial report in accordance with the instructions in A, B and C and, for that purpose, the reference to the interim period in B.5(a) shall mean the issuer's most recently completed 6-month period.
- 12.2 If the issuer has included in its offering memorandum an interim financial report for its most recently completed 9-month period, B. 12.1(b) does not apply.
13. [Repealed]
14. Forward looking information, as defined in NI 51-102, 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. For an issuer that is not a reporting issuer, references to "reporting issuer" in section 4A.2, section 4A.3 and Part 4B of NI 51-102 must be read as references to an "issuer". Additional guidance may be found in the companion policy to NI 51-102.
15. [Repealed]

16. [Repealed]

C. Financial Statements - Business Acquisitions

1. If the issuer

- (a) has acquired a business during the past two years and the audited financial statements of the issuer included in the offering memorandum do not include the results of the acquired business for 9 consecutive months, or
- (b) is proposing to acquire a business and the acquisition has progressed to a state where a reasonable person would believe that the likelihood of the acquisition being completed is high,

include the financial statements specified in C.4 for the business if either of the tests in C.2 is met, irrespective of how the issuer accounts, or will account, for the acquisition.

2. Include the financial statements specified in C.4 for a business referred to in C.1 if either:

- (a) the issuer's proportionate share of the consolidated assets of the business exceeds 100% of the consolidated assets of the issuer calculated using the annual financial statements of each of the issuer and the business for the most recently completed financial year of each that ended before the acquisition date or, for a proposed acquisition, the date of the offering memorandum or
- (b) the issuer's consolidated investments in and advances to the business as at the acquisition date or the proposed date of acquisition exceeds 100% of the consolidated assets of the issuer, excluding any investments in or advances to the business, as at the last day of the issuer's most recently completed financial year that ended before the date of acquisition or the date of the offering memorandum for a proposed acquisition. For information about how to perform the investment test in this paragraph, please refer to subsections 8.3(4.1) and (4.2) of NI 51-102. Additional guidance may be found in the companion policy to NI 51-102.

2.1 [Repealed]

3. If an issuer or a business has not yet completed a financial year, or its first financial year ended within 120 days of the offering memorandum date, use the financial statements referred to in B.3 to make the calculations in C.2.

4. If under C.2 you must include in an offering memorandum financial statements for a business, the financial statements must include:

- (a) If the business has not completed one financial year or its first financial year end is less than 120 days from the date of the offering memorandum
 - (i) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows

- (A) for the period from inception to a date not more than 90 days before the date of the offering memorandum, or
 - (B) if the date of acquisition precedes the ending date of the period referred to in (A), for the period from inception to the acquisition date or a date not more than 45 days before the acquisition date,
 - (ii) a statement of financial position dated as at the end of the period referred to in clause (i), and
 - (iii) notes to the financial statements.
- (b) If the business has completed one or more financial years include
- (i) annual financial statements comprised of:
 - (A) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the following annual periods:
 - i. the most recently completed financial year that ended before the acquisition date and more than 120 days before the date of the offering memorandum, and
 - ii. the financial year immediately preceding the most recently completed financial year specified in clause i, if any,
 - (B) a statement of financial position as at the end of each of the periods specified in (A),
 - (C) notes to the financial statements, and
 - (ii) an interim financial report comprised of
 - (A) either
 - i. a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the most recently completed year-to-date interim period ending on the last date of the interim period that ended before the acquisition date and more than 60 days before the date of the offering memorandum and ended after the date of the financial statements required under subclause (b)(i)(A)(i), and a statement of comprehensive income and a statement of changes in equity for the 3-month period ending on the last date of the interim period that ended before the acquisition date and more than 60 days before the date of the offering memorandum and ended after the date of the

financial statements required under subclause (b)(i)(A)(i),
or

ii. a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the period from the first day after the financial year referred to in subparagraph (b)(i) to a date before the acquisition date and after the period end in subclause (b)(ii)(A)(i),

(B) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the corresponding period in the immediately preceding financial year, if any,

(C) a statement of financial position as at the end of the period required by clause (A) and the end of the immediately preceding financial year, and

(D) notes to the financial statements.

Refer to Instruction B.7 for the meaning of “interim period”.

5. The information for the most recently completed financial period referred to in C.4(b)(i) must be audited and accompanied by an auditor’s report. The financial statements required under C.4(a), C.4(b)(ii) and the comparative financial information required by C.4(b)(i) may be unaudited; however, if those financial statements or comparative financial information have been audited, the auditor’s report must be included in the offering memorandum.
6. If the offering memorandum does not contain audited financial statements for a business referred to in C.1 for the business’s most recently completed financial year that ended before the acquisition date and the distribution is ongoing, update the offering memorandum to include those financial statements accompanied by an auditor’s report when they are available, but in any event no later than the date 120 days following the year-end.
7. The term “business” should be evaluated in light of the facts and circumstances involved. Generally, a separate entity or a subsidiary or division of an entity is a business and, in certain circumstances, a lesser component of an entity may also constitute a business, whether or not the subject of the acquisition previously prepared financial statements. The subject of an acquisition should be considered a business where there is, or the issuer expects there will be, continuity of operations. The issuer should consider:
 - (a) whether the nature of the revenue producing activity or potential revenue producing activity will remain generally the same after the acquisition, and
 - (b) whether any of the physical facilities, employees, marketing systems, sales forces, customers, operating rights, production techniques or trade names are acquired by the issuer instead of remaining with the vendor after the acquisition.

8. If a transaction or a proposed transaction for which the likelihood of the transaction being completed is high has been or will be a reverse take-over as defined in NI 51-102, include financial statements for the legal subsidiary in the offering memorandum in accordance with Part A. The legal parent is considered to be the business acquired. C.1 may also require financial statements of the legal parent.
9. An issuer satisfies the requirements in C.4 if the issuer includes in the offering memorandum the financial statements required in a business acquisition report under NI 51-102.

D. Financial Statement - Exemptions

1. [Repealed]
2. Notwithstanding the requirements in section 3.3(1)(a)(i) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, an auditor's report that accompanies financial statements of an issuer or a business contained in an offering memorandum of a non-reporting issuer may express a qualification of opinion relating to inventory if
 - (a) the issuer includes in the offering memorandum a statement of financial position that is for a date that is after the date to which the qualification relates,
 - (b) the statement of financial position referred to in paragraph (a) is accompanied by an auditor's report that does not express a qualification of opinion relating to closing inventory, and
 - (c) the issuer has not previously filed financial statements for the same entity accompanied by an auditor's report for a prior year that expressed a qualification of opinion relating to inventory.
3. If an issuer has, or will account for a business referred to in C.1 using the equity method, then financial statements for a business required by Part C are not required to be included if:
 - (a) the offering memorandum includes disclosure for the periods for which financial statements are otherwise required under Part C that:
 - (i) summarizes information as to the aggregated amounts of assets, liabilities, revenue and profit or loss of the business, and
 - (ii) describes the issuer's proportionate interest in the business and any contingent issuance of securities by the business that might significantly affect the issuer's share of profit or loss;
 - (b) the financial information provided under D.3(a) for the most recently completed financial year has been audited, or has been derived from audited financial statements of the business; and

- (c) the offering memorandum discloses that:
 - (i) the financial information provided under D.3(a) for any completed financial year has been audited, or identifies the audited financial statements from which the financial information provided under D.3(a) has been derived; and
 - (ii) the audit opinion with respect to the financial information or financial statements referred to in D.3(c)(i) was an unmodified opinion.

- 4. Financial statements relating to the acquisition or proposed acquisition of a business that is an interest in an oil and gas property are not required to be included in an offering memorandum if either of the following apply:
 - (a) the acquisition is significant based only on the asset test;
 - (b) the issuer is unable to provide the financial statements in respect of the significant acquisition otherwise required because those financial statements do not exist or the issuer does not have access to those financial statements, and the following apply:
 - (i) the acquisition was not or will not be a reverse take-over, as defined in NI 51-102;
 - (ii) the following apply:
 - (A) the offering memorandum includes an operating statement for the business or related businesses for each of the financial periods for which financial statements would, but for this section, be required under C.4 prepared in accordance with subsection 3.11(5) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;
 - (B) the operating statement for the most recently completed financial period referred to in C.4(b)(i) is audited;
 - (C) the offering memorandum includes a description of the property or properties and the interest acquired by the issuer;
 - (D) the offering memorandum includes information with respect to the estimated reserves and related future net revenue attributable to the business, the material assumptions used in preparing the estimates and the identity and relationship to the issuer or to the seller of the person who prepared the estimates;
 - (E) the offering memorandum includes actual production volumes of the property for the most recently completed year;

(F) the offering memorandum includes estimated production volumes of the property for the first year reflected in the estimate disclosed under D.4(d)(iv).

5. Financial statements for a business that is an interest in an oil and gas property, or for the acquisition or proposed acquisition by an issuer of an oil and gas property, are not required to be audited if, during the 12 months preceding the acquisition date or the proposed acquisition date, the average daily production of the property is less than 20% of the average daily production of the seller for the same or similar periods and:
- (i) despite reasonable efforts during the purchase negotiations, the issuer was prohibited from including in the purchase agreement the rights to obtain an audited operating statement of the property,
 - (ii) the purchase agreement includes representations and warranties by the seller that the amounts presented in the operating statement agree to the seller's books and records, and
 - (iii) the offering memorandum discloses
 - 1. that the issuer was unable to obtain an audited operating statement,
 - 2. the reasons for that inability,
 - 3. the fact that the purchase agreement includes the representations and warranties referred to in D.5(ii), and
 - 4. that the results presented in the operating statements may have been materially different if the statements had been audited.

Schedule 1- Additional Disclosure Requirements for an Issuer Engaged in Real Estate Activities

Guidance

For an issuer engaged in real estate activities, see subsection 6.4(4) of the Instrument with respect to the completion of this schedule.

General Instructions

1. Despite General Instruction A. 2, an issuer may choose where to integrate the disclosure specified by this schedule within the offering memorandum.
2. Information specified by this schedule that is disclosed in the offering memorandum in response to another provision of this form need not be repeated.

1. Definitions

In this schedule

“rental management agreement” means an agreement, other than a rental pool agreement, under which a person manages the generation of revenue from real property for another person;

“rental pool agreement” means an agreement creating a rental pool;

“rental pool” means an arrangement under which revenues derived from, or expenses relating to, two or more properties are pooled and shared among the owners of the properties in accordance with their proportionate interests in the pool.

2. Application

- (1) This schedule applies to the following:
 - (a) each interest in real property held by the issuer;
 - (b) each interest in real property proposed to be acquired by the issuer, if the proposed acquisition has progressed to a state where a reasonable person would believe that the likelihood of the issuer completing the acquisition is high.
- (2) Despite subsection (1), and except in the circumstances described in section 4, 5, 10 and 11, this schedule does not apply in respect of an interest in real property, or more than one interest in real property taken together, that when considered in relation to all interests in real property held by the issuer, is not significant enough

to influence a decision by a reasonable investor to buy, hold or sell a security of the issuer.

3. Description of Real Property

- (1) Describe the following with respect to each interest in real property:
 - (a) the real property's location, both legal and descriptive;
 - (b) the nature of the interest;
 - (c) any encumbrances;
 - (d) any restriction on sale or disposition;
 - (e) any environmental liabilities, hazards or contamination;
 - (f) any tax arrears;
 - (g) who provides any utilities and other services or, if utilities and other services are not currently being provided, describe how they will be provided and who will provide them;
 - (h) the current use;
 - (i) the proposed use and why the issuer considers the real property to be suitable for its plans;
 - (j) with respect to any buildings affixed to the real property, the type of construction, age and condition, and a description of any units for sale or rental;
 - (k) for real property that the issuer leases to others, the occupancy level as at a date not more than 60 days before the date of the offering memorandum.
- (2) If the issuer is providing disclosure on 20 or more interests in real property, it may for the purposes of subsection (1) disclose the information on a summarized basis with respect to either of the following:
 - (a) the portfolio of real property interests as a whole;
 - (b) the portfolio of real property interests broken into subgroups.
- (3) Describe any current legal proceedings, or legal proceedings that the issuer knows to be contemplated, relating to each interest in real property, including, for each proceeding, the name of the court, the date instituted, the parties to the

proceeding, the nature of the claim, any amount claimed, whether the proceeding is being contested, and the present status of the proceeding.

Instruction to Section 3

With respect to a proposed acquisition of one or more interests in real property, disclose the issuer's expectations regarding the matters set out in paragraphs (1)(b), (c) and (d) for the event that the acquisition is completed.

4. Appraisal

- (1) If subsection 2.9(19.6) of the Instrument applies, disclose the following for any appraisal:
 - (a) the appraised fair market value of the interest in real property that is the subject of the appraisal;
 - (b) the effective date of the appraisal;
 - (c) that the appraisal is required to be delivered to the purchaser at the same time or before the offering memorandum is delivered to the purchaser.
- (2) For each interest in real property to which subsection (1) applies, provide the most recent assessment by any assessing authority.

5. Purchaser's Interest in Real Property

If the purchaser will acquire an interest in real property, disclose the following:

- (a) a description of the interest;
- (b) how the interest will be evidenced in a public registry;
- (c) any existing or anticipated encumbrances on the interest.

6. Developer, or Manager under a Rental Pool Agreement or Rental Management Agreement, Organization, Occupation and Experience, and Penalties, Sanctions, Bankruptcy, Insolvency and Criminal or Quasi-Criminal Matters

- (1) Subsection (2) applies for the following persons:
 - (a) a person other than the issuer that is or will be acting in the role of developer in respect of an interest in real property;
 - (b) in respect of real property in which the purchaser will acquire an interest, a person other than the issuer that will be acting in the role of manager

under a rental management agreement, or manager for a rental pool.

- (2) For each person described in subsection (1),
- (a) state the legal name of the person, describe the business of the person and any experience that the person has in similar projects or a similar business, and, if the person is not an individual, the laws under which the person is organized or incorporated and the date that the person was organized or incorporated,
 - (b) if the person is not an individual, in the form of the following table, provide the specified information for any directors and executive officers of the person for the 5 years preceding the date of the offering memorandum,

Full legal name	Principal occupation and description of experience associated with the occupation

- (c) if the following have occurred during the 10 years preceding the date of the offering memorandum with respect to the person, a director, executive officer or control person of the person, or an issuer of which any of those persons was a director, executive officer or control person at the time, describe the penalty, sanction or order, including the reason for it and whether it is currently in effect:
 - (i) a penalty or other sanction imposed by a court relating to a contravention of securities legislation;
 - (ii) a penalty or other sanction imposed by a regulatory body relating to a contravention of securities legislation;
 - (iii) an order restricting trading in securities, not including an order that was in effect for less than 30 consecutive days,
- (d) if the following have occurred during the 10 years preceding the date of the offering memorandum with respect to the person, a director, executive officer or control person of the person, or an issuer of which any of those persons was a director, executive officer or control person at the time, state that it has occurred:
 - (i) a declaration of bankruptcy;
 - (ii) a voluntary assignment in bankruptcy;

- (iii) a proposal under bankruptcy or insolvency legislation;
 - (iv) a proceeding, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, and
- (e) disclose and describe the following, if the person, or a director, executive officer or control person of the person has ever pled guilty to or been found guilty of:
- (i) a summary conviction or indictable offence under the *Criminal Code* (Canada);
 - (ii) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction;
 - (iii) a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory of the United States of America;
 - (iv) an offence under the criminal legislation of any other foreign jurisdiction.

7. Transfers

- (1) For each interest in real property, for any transaction that a related party was party to, using the following table, starting with the most recent transaction and specifying which party was the related party, disclose the following.

Date of transfer	Legal name of seller	Legal name of buyer	Amount and form of consideration

- (2) Explain the reason for any material difference between the amount of consideration paid by the issuer and the amount of consideration paid by a related party for the interest in real property.

8. Approvals

For each interest in real property, if that real property is being developed, disclose the following:

- (a) any approval required from a regulatory body or any level of government;
- (b) the anticipated cost and timing of the approval;
- (c) any reports required as part of the approval process, including the anticipated cost and timing of producing or procuring those reports;
- (d) what will happen if the approvals are not obtained, including the effect on the following:
 - (i) the project;
 - (i) the purchaser's investment;
 - (ii) if applicable, the purchaser's interest in the real property.

9. Costs and Objectives

For each interest in real property, if that real property is being developed, disclose the following:

- (a) estimated costs to complete the development;
- (b) any significant assumptions that underlie the cost estimates;
- (c) when significant costs will be incurred;
- (d) the objectives of the project that are expected to be met within the 24 months following the date of the offering memorandum, including the following:
 - (i) the expected timeline for meeting the objectives;
 - (ii) how the issuer will meet the objectives;
 - (iii) the estimated costs of meeting each objective;
 - (iv) how the issuer will fund the cost of meeting each objective;
- (e) the objectives for the project that are expected to be met after the 24-month period following the date of the offering memorandum, including the following:
 - (i) the expected timeline for meeting the objectives;
 - (ii) how the issuer will meet the objectives;

- (iii) if the objectives are to be completed in phases, details about each phase;
- (iv) the estimated cost of meeting each objective;
- (v) how the issuer will fund the cost of meeting each objective;

- (f) what reasonably might happen if any of the stated objectives are not met, including the effect of not meeting on objective on the following:
 - (i) the project;
 - (ii) the purchaser's investment;
 - (iii) if applicable, the purchaser's interest in the real property.

10. Future Cash Calls

If the purchaser is required to contribute additional funds in the future, disclose the following:

- (a) the amount the purchaser is required to contribute;
- (b) when the purchaser will be required to contribute;
- (c) the effect on the purchaser's investment and, if applicable, the purchaser's interest in the real property, if the purchaser fails to contribute;
- (d) the effect on the purchaser's investment and, if applicable, the purchaser's interest in the real property, if the purchaser contributes, but other purchasers fail to contribute.

11. Rental Pool Agreement or Rental Management Agreement

If the purchaser will acquire an interest in real property, and that interest will be or could be subject to a rental pool agreement or a rental management agreement, disclose the following:

- (a) the key terms of the agreement, including, for certainty, those provisions dealing with whether the agreement is mandatory or optional, the duration of the agreement, opting out of the agreement, termination of the agreement, the sharing of revenues and losses, the payment of expenses, and any fees payable under the agreement;
- (b) whether financial or other information about the rental pool or the results

arising from the rental management agreement will be made available to purchasers, and if so, include the following:

- (i) a description of the information;
 - (ii) if the information will include financial information, whether that financial information will be audited or subject to an independent review;
 - (iii) the frequency with which the information will be made available;
 - (iv) whether the information will be delivered to purchasers or whether access will be provided to it;
 - (v) if purchasers are to be provided access to the information, a description of the means of gaining access to it;
- (c) the following statement, with the bracketed information completed as applicable:
- “The success or failure of the [rental pool][arrangement resulting from the rental management agreement] will depend in part on the abilities of the manager”;
- (d) if the purchaser will be responsible for paying any loss arising pursuant to the rental pool agreement or rental management agreement, the following statement, with the bracketed information completed as applicable:
- “If the [rental pool][rental management agreement] generates a loss, the purchaser must contribute further funds in addition to the purchaser’s initial investment.”.

12. Information Statements

If the purchaser will acquire an interest in real property, state the following in bold type:

“Your rights relating to your interest in real property will be those provided under the laws of the jurisdiction in which the real property is located. Therefore, it is prudent to consult a lawyer who is familiar with the laws of that jurisdiction before making an investment.

All real estate investments are subject to significant risk arising from changing market conditions.”.

13. Risk Factors Relating to Real Property

With respect to the issuer's interests in real property, and any interest in real property to be acquired by the purchaser, describe the risk factors that would influence a reasonable investor's decision whether to invest, including, if applicable:

- (a) risks associated with the following:
 - (i) the development of undivided real property into subdivisions;
 - (ii) the leasing of real property;
 - (iii) the holding of real property for sale or development;
- (b) risks associated with encumbrances, conditions, or covenants on the real property that could affect the following:
 - (i) the purchaser's interest in the real property, if applicable;
 - (ii) the completion of the development of real property;
- (c) risks pertaining to the development of real property, including the following:
 - (i) a right or lack of right of the purchaser with respect to the management and control of the real property;
 - (ii) a right or lack of right of the purchaser to change the developer of the property;
- (d) risks pertaining to potential liability for the following:
 - (i) environmental damage;
 - (ii) unpaid obligations to builders, contractors and tradespersons;
- (e) risks associated with litigation that relates to the real property.

Schedule 2 – Additional Disclosure Requirements for an Issuer That is a Collective Investment Vehicle

Guidance

For an issuer that is a collective investment vehicle, see subsection 6.4(5) of the Instrument with respect to the completion of this schedule.

General Instructions

1. Despite General Instruction A. 2, an issuer may choose where to integrate the disclosure specified by this schedule within the offering memorandum.
2. Information specified by this schedule that is disclosed in the offering memorandum in response to another provision of this form need not be repeated.

1. Investment Objectives and Strategy

- (1) Except with respect to mortgage lending, describe the following:
 - (a) the issuer's investment objectives, investment strategy and investment criteria;
 - (b) any limitations or restrictions on investments, including concentration limits and use of leverage;
 - (c) how securities are identified, selected and approved for purchase or sale.
- (2) For any mortgage lending by the issuer, describe the following:
 - (a) the issuer's investment objectives with respect to the following:
 - (i) the type of properties for which the issuer lends money;
 - (ii) the issuer's geographical focus;
 - (iii) the material mortgage terms, including range of interest rates and length of term;
 - (iv) the priority ranking of mortgages, in terms of first priority, second priority and third or lower priority;
 - (b) any policies or practices of the issuer with respect to the following:
 - (i) after initial funding of a mortgage, conducting any subsequent valuation of a property;

- (ii) loaning money to a related party;
- (iii) renewals;
- (iv) concentrating funds in a single mortgage or lending funds to a single borrower or group of affiliated borrowers;
- (v) determining that a borrower has the ability to repay a mortgage.

2. Portfolio Management and Penalties, Sanctions, Bankruptcy, Insolvency and Criminal or Quasi-Criminal Matters

- (1) Identify the person responsible for the following:
 - (a) establishing and implementing the issuer's investment objectives and investment strategy;
 - (b) setting any limitations or restrictions on investments;
 - (c) monitoring the performance of the portfolio;
 - (d) making any adjustments to the issuer's portfolio.
- (2) For each person described in subsection (1) that is not registered under the securities legislation of a jurisdiction of Canada,
 - (a) in the form of the following table, provide the specified information for the person and any directors and executive officers of the person for the 5 years preceding the date of the offering memorandum,

Full legal name	Principal occupation and description of experience associated with the occupation

- (b) if the following have occurred during the 10 years preceding the date of the offering memorandum with respect to the person, or an issuer of which the person was a director, executive officer or control person at the time, describe the penalty, sanction or order, including the reason for it and whether it is currently in effect:

- (i) a penalty or other sanction imposed by a court relating to a contravention of securities legislation;
 - (ii) a penalty or other sanction imposed by a regulatory body relating to a contravention of securities legislation;
 - (iii) an order restricting trading in securities, not including an order that was in effect for less than 30 consecutive days,
- (c) if the following have occurred during the 10 years preceding the date of the offering memorandum with respect to the person, or an issuer of which the person was a director, executive officer or control person at the time, state that is has occurred:
- (i) a declaration of bankruptcy;
 - (ii) a voluntary assignment in bankruptcy;
 - (iii) a proposal under bankruptcy or insolvency legislation;
 - (iv) a proceeding, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets,
- (d) disclose and describe the following, if the person has ever pled guilty to or been found guilty of:
- (i) a summary conviction or indictable offence under the *Criminal Code* (Canada);
 - (ii) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction;
 - (iii) a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory of the United States of America;
 - (iv) an offence under the criminal legislation of any other foreign jurisdiction, and
- (e) disclose any exemption relied on by the person from the requirement to be registered under the securities legislation of a jurisdiction of Canada.
- (3) For any person identified in subsection (1) that is not an employee of the issuer, disclose any remuneration paid to the person, and how the remuneration is calculated.

- (4) Identify any person that is not an employee of the issuer, other than a person identified under subsection (1), that performs a significant role or provides a significant service for the issuer with respect to the securities in the issuer's portfolio, and describe the following:
 - (a) the role performed or service provided;
 - (b) the remuneration paid to the person and how that remuneration is calculated.

3. Portfolio Summary

- (1) Except with respect to mortgage lending, as at a date not more than 60 days before the date of the offering memorandum, disclose the following:
 - (a) a description of the portfolio, or a description of the portfolio divided into subgroups including the percentage of the net asset value in each subgroup;
 - (b) the percentage of the net asset value that is impaired;
 - (c) the total number of positions held in securities.
- (2) Except with respect to mortgage lending, if a security comprises 10% or more of the issuer's net asset value, disclose the following with respect to the security:
 - (a) the percentage of net asset value represented;
 - (b) a description of the security;
 - (c) any security interest held against the security;
 - (d) the amount of any impairment assigned to the security.
- (3) For any mortgage lending by the issuer, disclose the following:
 - (a) the average of the interest rates payable under the mortgages, weighted by the principal amount of the mortgages;
 - (b) the average of the terms to maturity of the mortgages, weighted by the principal amount of the mortgages;
 - (c) the average loan-to-value ratio of the mortgages, calculated for each mortgage by dividing the total principal amount of the issuer's mortgage and all other loans ranking in equal or greater priority to the issuer's mortgage by the fair market value of the property, weighted by the principal amount of each mortgage;

- (d) the principal amount, and the percentage of the total principal amount of the mortgages, that rank in the following:
 - (i) first priority;
 - (ii) second priority;
 - (iii) third or lower priority;
- (e) the principal amount, and the percentage of the total principal amount of the mortgages, that is attributable to each jurisdiction of Canada, each state or territory of the United States of America and each other foreign jurisdiction;
- (f) a breakdown by property type, and the principal amount, and the percentage of the total principal amount of the mortgages, that is attributable to each property type;
- (g) with respect to mortgages that will mature in less than one year of the date of the summary provided in subsection (1), the percentage that those mortgages represent of the total principal amount of the mortgages;
- (h) with respect to mortgages with payments more than 90 days overdue, the number of those mortgages, the principal amount of those mortgages, and the percentage that those mortgages represent of the total principal amount of the mortgages;
- (i) with respect to mortgages that have an impaired value, the principal amount, and the percentage that those mortgages represent of the total principal amount of the mortgages;
- (j) if known by the issuer, or if reasonably available to the issuer, the average credit score of the borrowers, weighted by the principal amount of the mortgages;
- (k) if a mortgage comprises 10% or more of the total principal amount of the mortgages, disclose the following with respect to the mortgage:
 - (i) the principal amount, and the percentage of the total principal amount of the mortgages;
 - (ii) the interest rate payable;
 - (iii) the term to maturity;
 - (iv) the loan-to-value ratio, calculated by dividing the total principal amount of the issuer's mortgage and all other loans ranking in

equal or greater priority to the issuer's mortgage by the fair market value of the property;

- (v) whether the mortgage ranks in first, second, or third or lower priority;
 - (vi) the property type;
 - (vii) where the property is located;
 - (viii) any payment that is more than 90 days overdue;
 - (ix) any impairment of the mortgage;
 - (x) if known by the issuer, or if reasonably available to the issuer, the credit score of each borrower.
- (4) If the issuer's portfolio includes self-liquidating financial assets other than mortgages, with respect to those assets, and for any subgroups identified in paragraph (1)(a), disclose the following:
- (a) the collection rate for each of the issuer's two most recently completed financial years that ended more than 120 days before the date of the offering memorandum;
 - (b) the issuer's reasonably anticipated loss and collection rate for the current financial year.

Instruction to Section 3

Calculate impairment in accordance with the accounting standards applicable to the issuer, and in a manner that is consistent with the disclosure in the issuer's financial statements.

4. Portfolio Performance

- (1) For the 10 most recently completed financial years of the issuer ended more than 120 days before the date of the offering memorandum, provide performance data for the issuer's portfolio.
- (2) Describe the methodology used with respect to the following:
 - (a) determining the value of the securities in the portfolio for the purposes of calculating the performance data;
 - (b) calculating the performance data of the portfolio.

Instruction to Section 4

The methodology described in paragraph (2)(a) must be the same as the methodology used in the issuer's financial statements.

5. Ongoing Disclosure

Describe any information that purchasers will receive on an ongoing basis about the issuer's portfolio. If none, state that fact.

6. Conflicts of Interest

Describe any conflicts of interest, including, for certainty, with respect to related parties, that a reasonable purchaser would need to be made aware of to make an informed investment decision.

Schedule A-2

FORM 45-106F4

Risk Acknowledgement

WARNING!

This investment is risky. Don't invest unless you can afford to lose all the money you pay for this investment.

<p>1. Risks and other information The issuer must delete any rows required to be deleted The purchaser must initial each statement to confirm understanding</p>	<p>Your Initials</p>
<p>Risk of loss – You could lose your entire investment of \$ _____. <i>[Instruction: Insert the total dollar amount of the investment.]</i></p>	
<p>No approval – No securities regulatory authority or regulator has evaluated or approved the merits of these securities or the disclosure in the offering memorandum.</p>	
<p>No registration – The person selling me these securities is not registered with a securities regulatory authority or regulator and has no duty to tell you whether this investment is suitable for you. <i>[Instruction: Delete if sold by registrant]</i></p>	
<p>Liquidity risk – You will not be able to sell these securities except in very limited circumstances. You may never be able to sell these securities. <i>[Instruction: Delete if issuer is reporting]</i></p>	
<p>Redemption – The securities are redeemable, but you may only be able to redeem them in limited circumstances. <i>[Instruction: Delete if securities are not redeemable]</i></p>	
<p>Four month hold – You will not be able to sell these securities for 4 months. <i>[Instruction: Delete if issuer is not reporting or if the purchaser is a Manitoba resident]</i></p>	
<p>You will not receive advice – <i>[Instruction: Delete if sold by registrant]</i></p> <p>You will not get professional advice about whether the investment is suitable for you. But you can still seek that advice from a registered adviser or registered dealer. In Manitoba, Northwest Territories, Nunavut, Prince Edward Island and Yukon to qualify as an eligible investor, you may be required to obtain that advice.</p>	
<p>The securities you are buying are not listed <i>[Instruction: Delete if securities are listed or quoted]</i></p>	

The securities you are buying are not listed on any stock exchange, and they may never be listed.	
<p>The issuer of your securities is a non-reporting issuer <i>[Instruction: Delete if issuer is reporting]</i></p> <p>A <i>non-reporting issuer</i> does not have to publish financial information or notify the public of changes in its business. You may not receive ongoing information about this issuer.</p> <p>For more information on the exempt market, contact your local securities regulator. You can find contact information at www.securities-administrators.ca.</p>	
<p>Total investment – You are investing \$ _____ <i>[Instruction: total consideration]</i> in total; this includes any amount you are obliged to pay in future. _____ <i>[Instruction: name of issuer]</i> will pay \$ _____ <i>[Instruction: amount of fee or commission]</i> of this to _____ <i>[Instruction: name of person selling the securities]</i> as a fee or commission.</p>	
Your name and signature	
By signing this form, you confirm that you have read this form and you understand the risks of making this investment as identified in this form.	
First and last name (print):	
Signature:	Date:
<i>[Instruction: Sign 2 copies of this document. Keep one copy for your records.]</i>	

<p>2. Salesperson information</p> <p>Below information must be completed by the salesperson</p>	
<i>[Instruction: The salesperson is the person who meets with, or provides information to, the purchaser with respect to making this investment. That could include a representative of the issuer, a registrant or a person who is exempt from the registration requirement.]</i>	
First and last name of salesperson (print):	
Telephone:	Email:
Name of firm:	

<p>3. Additional information</p> <p>The issuer must complete the required information in this section before giving the form to the purchaser</p>
You have 2 business days to cancel your purchase

To do so, send a notice to [name of issuer] stating that you want to cancel your purchase. You must send the notice before midnight on the 2nd business day after you sign the agreement to purchase the securities. You can send the notice by fax or email or deliver it in person to [name of issuer] at its business address. Keep a copy of the notice for your records.

Issuer Name and Address:

Fax:

E-mail:

You will receive an offering memorandum

Read the offering memorandum carefully because it has important information about the issuer and its securities. Keep the offering memorandum because you have rights based on it. Talk to a lawyer for details about these rights.

ANNEX B

PROPOSED CHANGES TO COMPANION POLICY 45-106CP *PROSPECTUS EXEMPTIONS*

1. *Companion Policy 45-106CP Prospectus Exemptions is changed by this Document.*
2. *The following sections are added after section 2.9:*

2.10 Real estate activities

We consider the following non-exhaustive list to be examples of instances in which an issuer is engaged in “real estate activities” as defined in section 1.1 of NI 45-106:

- An issuer that is developing or redeveloping real property for sale as commercial or industrial space, residential building lots or homes, or condominiums;
- An issuer that is developing or redeveloping real property for lease;
- An issuer that owns real property for lease;
- An issuer that buys, holds or sells real property, with a view to making a gain or income;
- An issuer of an interest in real property that is a security.

If an issuer (the first issuer) is engaged in real estate activities through one or more of its subsidiaries, we consider the first issuer to be engaged in real estate activities.

2.11 Collective investment vehicle

We view investment funds, in the jurisdictions in which they are permitted to use the offering memorandum exemption, as being included in the definition of “collective investment vehicle”. We are also of the view that the definition applies to mortgage investment entities, issuers that act as lender for a portfolio of non-mortgage loans, and in certain circumstances, issuers that invest in receivables.

If an issuer (the first issuer) satisfies the definition of “collective investment vehicle” through the actions of one or more its subsidiaries, we consider the first issuer to be a collective investment vehicle..

3. *Subsection 3.8(3) is replaced with the following:*

- (3) Standard of disclosure for an offering memorandum, amending an offering memorandum and related matters
- (a) Standard of disclosure for an offering memorandum

There are two standards that make up the standard of disclosure for an offering memorandum. First, under subsection 2.9(13.1) of the Instrument, an offering memorandum must not contain a misrepresentation on the date its certificate is signed. Second, under subsection 2.9(13.3) of the Instrument, an offering memorandum delivered under the section must provide a reasonable purchaser with sufficient information to make an informed investment decision.

- (b) Amending an offering memorandum

The requirements of Instruction B.12.1 of Form 45-106F2 include that if a distribution is ongoing, an issuer must, after a certain period, amend its offering memorandum to include financial statements for its most recently completed financial year, or an interim financial report for its most recently completed 6 month interim period, as the case may be.

There are a number of requirements in Form 45-106F2 that refer to a completed financial year or years, or a completed interim period. As a result, each time an issuer includes in its offering memorandum financial statements for a financial year or an interim financial report for an interim period, it is required to ensure that any disclosure that is in response to a requirement that references a financial year or interim period is amended if necessary.

It is not necessary for an offering memorandum to contain annual financial statements or an interim financial report for more financial years or interim periods than are required by B. of the instructions to Form 45-106F2. Accordingly, an issuer amending its offering memorandum to include more recent annual financial statements or a more recent interim financial report may exclude, in its amended offering memorandum, any annual financial statements or interim financial report for a financial year or interim period that is no longer required.

An issuer is also required to amend its offering memorandum if a material change occurs after the certificate is signed, and before the issuer accepts an agreement to purchase the security from the purchaser. See subsection 2.9(13.2) of the Instrument. Material change is defined in provincial and territorial securities legislation.

In addition, if a distribution is ongoing and an issuer becomes subject to instruction C.1 of Form 45-106F2 with respect to the acquisition or proposed acquisition of a business, and the financial statements required by that instruction are not contained in the offering memorandum, the issuer must amend its offering memorandum to include them.

We also note that an issuer may voluntarily amend its offering memorandum.

(c) New certificate

Each time an issuer amends its offering memorandum, it is required under subsection 2.9(14.1) of the Instrument to replace the certificate in the offering memorandum with a new certificate. We also note that Form 45-106F2 provides that the date of the offering memorandum is the date of the certificate.

There are certain requirements in Form 45-106F2 that refer to the date of the offering memorandum. As a result, each time an issuer includes a new certificate in its offering memorandum, it is required to ensure that any disclosure in response to a requirement that references the date of the offering memorandum is amended if necessary..

4. Section 3.8 is changed by adding the following after subsection 3.8(3):

(3.1) Certificate of promoter

“Promoter” is defined differently in provincial and territorial securities legislation across CSA jurisdictions. It is generally defined as meaning a person who has taken the initiative in founding, organizing or substantially reorganizing the business of the issuer or who has received consideration over a prescribed amount for services or property or both in connection with founding, organizing or substantially reorganizing the issuer. “Promoter” has not been defined in the *Securities Act* (Québec) and a broad interpretation is taken in Québec in determining who would be considered a promoter.

Under securities legislation, persons who receive consideration solely as underwriting commissions or in consideration of property and who do not otherwise take part in the founding, organizing or substantially reorganizing the issuer are not promoters. Simply selling securities, or in some way facilitating sales in securities, does not make a person a promoter under the offering memorandum exemption..

5. Subsection 3.8(13) is changed¹

¹ Instructions 5, 6 and 7 take into account the changes to this policy published in Annex C of the August 6 CSA Notice.

(a) by deleting “for syndicated mortgages”, and

(b) by replacing “the issuer of a syndicated mortgage” with “an issuer”.

6. *Subsection 3.8(14) is changed by adding “of property subject to a syndicated mortgage” after “Appraisals”.*

7. *Section 3.8 is changed by adding the following after subsection 3.8(14):*

(15) Collective investment vehicles - disclosure

An issuer that is a collective investment vehicle should consider the complexity of its offering and determine whether appropriate and sufficient information can be provided under its offering memorandum, as these distributions can be made to less sophisticated investors. Disclosure should be clear and described in plain language, avoiding technical terms as much as possible. If the disclosure will be complex or contains technical terms that are difficult to easily describe, the issuer should consider whether a distribution under the offering memorandum exemption is appropriate..

8. *Section 5.3 is deleted.*

9. These changes become effective on ●.