

**Ontario Securities Commission**

**Form 45-106F2**

**Unofficial consolidation current from 2023-03-08.**

**This document is not an official statement of law or policy and should be used for reference purposes only.**

**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:  
                         Email 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 8. [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 9 applies, state the following: “A person has received or will receive compensation for the sale of securities under this offering. See item 9.”.

### **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 12.”

### **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 2.9(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 2.9(b)] [and] [subsection 7(2) of Schedule 1].”.

### **Certain Dividends or Distributions**

If the issuer is making disclosure under item 7, state the following with the bracketed information completed: “[name of issuer] has paid dividends or distributions that exceeded cash flow from operations. See item 7.”.

### **Conditions on Repurchases**

If the purchaser will have a right to require the issuer to repurchase the 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 the 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 13.”

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 10.”**

### **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.

### **Guidance**

National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure* may be applicable to disclosure 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                                 | \$                        | \$                        |

**1.3 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, provide the disclosure specified by items 2, 3, 4.1, 4.2, 10 and 14 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.

**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.

**2.7 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.

**2.8 Material Contracts** - Disclose the key terms of all material contracts 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.

### **2.9 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 to Item 3.1**

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 any of 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 details of 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 any of 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 details of the offence, if the issuer or a director, executive officer or control person of the issuer has ever pled guilty to or been found guilty of any of the following:
  - (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, any right of the purchaser to require the issuer to repurchase the securities including any price, fee or restriction associated with that right, 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** - 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) any right of the purchaser to require the issuer to repurchase the securities, including any price, fee or restriction associated with that right;
  - (iv) interest rate, and dividend or distribution policy.
- (b) Provide a sample calculation in respect of any right of the purchaser to require the issuer to repurchase the securities.

**5.2 Subscription Procedure**

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

**Item 6: Repurchase Requests**

(1) With respect to any securities of the issuer for which investors have a right to require the issuer to repurchase the securities, disclose the following:

(a) for each of the two most recently completed financial years, the information specified by the following table;

| Description of security | Date of end of financial year | Number of securities with outstanding repurchase requests on the first day of the year | Number of securities for which investors made repurchase requests during the year | Number of securities repurchased during the year | Average price paid for the repurchased securities | Source of funds used to complete the repurchases | Number of securities with outstanding repurchase requests on the last day of the year |
|-------------------------|-------------------------------|--|---|--|---|--|---|
|                         |                               |  |   |  |   |  |   |

(b) for the period after the end of the issuer’s most recently completed financial year and up to a date not more than 30 days before the date of the offering memorandum, the information specified by the following table;

| Description of security | Beginning and end dates of the period | Number of securities with outstanding repurchase requests on the first day of the period | Number of securities for which investors made repurchase requests during the period | Number of securities repurchased during the period | Average price paid for the securities repurchased | Source of funds used to complete the repurchases | Number of securities with outstanding repurchase 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 repurchase requests, unless the non-fulfillment was in accordance with terms governing the right.

**Item 7: 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 8: Income Tax Consequences and RRSP Eligibility**

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

**8.2** 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).

**8.3** 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 9: 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 10: 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 11: Reporting Obligations

**11.1** 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 ongoing basis. If the issuer is not required to send any documents to the purchasers on an annual or ongoing basis, state in bold type: **"We are not required to send you any documents on an annual or ongoing basis."**

**11.2** 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 12: Resale Restrictions

**12.1** 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."

**12.2** 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 13: Purchasers' Rights

#### 13.1 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.”

**13.2 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 14: Financial Statements**

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

#### **Item 15: 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**

1. Refer to subsections 2.9(13.1), (13.2) and (13.3) of the Instrument, which set out the standard of disclosure for an offering memorandum.
2. 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.
3. 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.
4. The issuer may include additional information in the offering memorandum other than that specifically required by the form.
5. 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.
6. 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 subsection 3.8(3) of Companion Policy 45-106CP for additional information.
7. 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.
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 of the Instrument, the issuer must modify the disclosure in item 13 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 Instruction 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 this form, 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 subparagraph (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.
5. 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 Instruction B.4.
6. 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 Instruction 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,
  - (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.

7. 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 Instruction B.6.
8. An issuer is not required to include the comparative financial information for the period in Instruction 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.
9. 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).
10. The comparative financial information required under Instruction B.6(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.
11. The financial statements required by Instructions B.3, B.4 and B.14(a) must be audited. The financial statements required by Instructions B.6, B.8, B.14(b) and the comparative financial information required by Instruction 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.
12. Refer to National Instrument 52-108 *Auditor Oversight* for requirements relating to reporting issuers and public accounting firms.
13. All unaudited financial statements and unaudited comparatives must be clearly labelled as unaudited.
14. If the distribution is ongoing, and 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:
  - (a) 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 120<sup>th</sup> day following the financial year end;
  - (b) present the amended offering memorandum and the audited annual financial statements in accordance with the instructions in Parts A, B and C and, for that purpose, the reference to the financial year in Instruction B.4(a)(i) shall mean the issuer’s most recently completed financial year.
15. If the distribution is ongoing, and the offering memorandum is amended pursuant to subsection 2.9(13.2) of the Instrument to reflect a material change, the issuer must present the amended offering memorandum in accordance with the instructions in Parts A, B and C, including any interim financial report required by Instruction B.6(a).

16. In Ontario, if more than 60 days have elapsed since the end of the second interim period that commenced following the later of the issuer's inception and the issuer's most recently completed financial year, the offering memorandum does not comply with the requirements of this form unless
- (a) the offering memorandum, as amended, includes the interim financial report for the most recently completed second interim period,
  - (b) the interim financial report required by paragraph (a) is presented in accordance with the instructions in Parts A, B and C and, for that purpose, Instruction B.6 shall apply regardless of whether the issuer has completed a financial year and the reference to the interim period in Instruction B.6(a) shall mean the issuer's most recently completed second interim period,
  - (c) the date of the offering memorandum, as amended, is after the end of this most recently completed second interim period, and
  - (d) the offering memorandum, as amended, contains all of the disclosure required by this form as of the date in paragraph (c).
17. In Ontario, Instruction B.16 does not apply if the issuer appends to the offering memorandum an additional certificate that
- (a) clearly identifies the offering memorandum,
  - (b) forms part of the offering memorandum,
  - (c) certifies all of the following to be true:
    - (i) the offering memorandum does not contain a misrepresentation when read as of the date in paragraph (d);
    - (ii) there has been no material change in relation to the issuer that is not disclosed in the offering memorandum;
    - (iii) the offering memorandum, when read as of the date in paragraph (d), provides a reasonable purchaser with sufficient information to make an informed investment decision,
  - (d) is dated after the end of the issuer's most recently completed second interim period, and
  - (e) is signed in accordance with subsections 2.9(9) to (12) of the Instrument.
18. In Ontario, if an issuer appends a certificate referred to in Instruction B.17 to its offering memorandum, it must file with the securities regulatory authority in Ontario a copy of the offering memorandum with the appended certificate on or before the 10<sup>th</sup> day after the distribution under the offering memorandum.

19. In Ontario, Instruction B.16 does not apply if the offering memorandum complies with all of the following:
- (a) the offering memorandum, as amended, includes the interim financial report for the issuer's most recently completed third interim period;
  - (b) the interim financial report referred to in paragraph (a) is presented in accordance with the instructions in Parts A, B and C and, for that purpose, Instruction B.6 shall apply regardless of whether the issuer has completed a financial year and the reference to the interim period in Instruction B.6(a) shall mean the issuer's most recently completed third interim period;
  - (c) the date of the offering memorandum, as amended, is after the end of this most recently completed third interim period;
  - (d) the offering memorandum, as amended, contains all of the disclosure required by this form as of the date in paragraph (c).
20. 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.

**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 Instruction C.4 for the business if either of the tests in Instruction C.2 is met, irrespective of how the issuer accounts, or will account, for the acquisition.
2. Include the financial statements specified in Instruction C.4 for a business referred to in Instruction 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.
- 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 Instruction B.3 to make the calculations in Instruction C.2.
- 4. If under Instruction 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 clause (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 subparagraph (i), and
    - (iii) notes to the financial statements,
  - (b) if the business has completed one or more financial years
    - (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 subclause (I), if any,
      - (B) a statement of financial position as at the end of each of the periods specified in clause (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.9 for the meaning of “interim period”.

5. The information for the most recently completed financial period referred to in Instruction C.4(b)(i) must be audited and accompanied by an auditor’s report. The financial statements required under Instruction C.4(a), Instruction C.4(b)(ii) and the comparative financial information required by Instruction 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 Instruction 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 takeover 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. Instruction C.1 may also require financial statements of the legal parent.
9. An issuer satisfies the requirements in Instruction 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. Notwithstanding the requirements in subparagraph 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.
2. If an issuer has, or will account for a business referred to in Instruction 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 paragraph (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 paragraph (a) for any completed financial year has been audited, or identifies the audited financial statements from which the financial information provided under paragraph (a) has been derived, and
    - (ii) the audit opinion with respect to the financial information or financial statements referred to in subparagraph (i) was an unmodified opinion.
- 3. 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 takeover, 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 Instruction 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 Instruction 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 clause (D).

4. 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

- (a) 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,
- (b) 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
- (c) the offering memorandum discloses
  - (i) that the issuer was unable to obtain an audited operating statement,
  - (ii) the reasons for that inability,
  - (iii) the fact that the purchase agreement includes the representations and warranties referred to in paragraph (b), and
  - (iv) 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.

### **Instructions**

1. Despite General Instruction A.3, 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 sections 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, by address or other description;
  - (b) the nature of the interest;

- (c) any encumbrances that would be material to a reasonable investor;
  - (d) any restriction on sale or disposition;
  - (e) any environmental liabilities, hazards or contamination;
  - (f) any tax arrears;
  - (g) 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 10 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, that would be material to a reasonable investor, 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).

#### **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 Management Agreement or Rental Pool 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 under a rental pool agreement.

- (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 any of 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 details of 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 any of 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 details of the offence, if the person, or a director, executive officer or control person of the person has ever pled guilty to or been found guilty of any of the following:
- (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 that would be material to a reasonable investor;
- (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 approval is not obtained, including the effect on the following:
  - (i) the project;
  - (ii) the purchaser’s investment;
  - (iii) 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 each objective;
  - (ii) how the issuer will meet each objective;

- (iii) the estimated cost 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 each objective;
  - (ii) how the issuer will meet each objective;
  - (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 the 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.

### **Instructions**

1. Despite General Instruction A.3, 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 any of 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 any of 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 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,
- (d) disclose and describe the details of the offence, if the person has ever pled guilty to or been found guilty of any of the following:
- (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) for any mortgages that are not impaired or in default, but for which the issuer has made accommodations to respond to financial difficulties of the borrower, if the accommodations would be material to a reasonable investor, a summary of the

accommodations, and the principal amount, and the percentage that those mortgages represent of the total principal amount of the mortgages;

- (k) 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;
- (l) 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.