

This is the form of offering memorandum required under section 2.9 of National Instrument 45-106 *Prospectus and Registration Exemptions*, for a distribution of interests in a syndicated mortgage in reliance of a prospectus exemption other than the exemption contained in BC Instrument 45-501 *Mortgages*.

Form 45-901F (BC)

Securities Act

Offering Memorandum for Syndicated Mortgages

Item 1 Non-review by Commission

State in bold print on the face page of the Offering Memorandum:

The Securities Commission has not reviewed this Offering Memorandum. Neither the Securities Commission nor any other regulatory authority makes any endorsement of the investment offered. It is an offence for anyone to say that the Securities Commission or any other regulatory authority has made any recommendations in respect of this offer.

Item 2 Description of the Offering

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

- (2) Briefly describe the project and the plans for the use of the funds.

Item 3 Raising of Funds

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

Item 4 Restrictions on Resale and Market

- (1) State in bold print on the face page of the Offering Memorandum whether there are any restrictions under securities legislation that would or could prevent investors from selling their investment at a later date and provide a description of those restrictions in the body of the Offering Memorandum. Also include on the face page a cross-reference to the page on which the description of the restrictions is set out.
- (2) Where no market exists or will exist for the mortgage interest after the distribution, the following statement must appear in bold print on the face page:

There is not or may not be a market for you to sell your investment and there is no assurance that you will be able to find a buyer for this investment at a later date.

Item 5 Other Risk Factors

- (1) State in bold print:

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

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

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

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

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

Item 6 Administration Agreement

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

Item 7 Trust Agreement

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

Item 8 Details of the Underlying Mortgage

- (1) Briefly describe the details of the mortgage, including, but not limited to, details of the following:
 - (a) the property being mortgaged;
 - (b) the material terms of the mortgage (including the principal amount, term, amortisation period, interest rate, maturity date, any prepayment entitlement, the ranking of the mortgage (i.e., first, second, etc.));
 - (c) the material terms of any other mortgages and prior encumbrances on the mortgaged property;
 - (d) the loan to value ratio of the property, calculated on an aggregate basis using the loan value of the mortgage and all other mortgages referred to in (c);
 - (e) the aggregate dollar amount of the funds being raised under the mortgage;
 - (f) where advances have already been made to the borrower and interests in the mortgage are subsequently sold to investors, the status of the mortgage (including whether there are any arrears and, if so, the amount and due dates of outstanding payments); and

- (g) describe the means by which the repayments by the borrower under the mortgage will be distributed and the procedure for establishing the proportion to which each investor is entitled to share in the distribution.
- (2) Attach a copy of the commitment letter or other commitment document in which the mortgage broker sets out the terms of the commitment to advance funds to the borrower.

Item 9 Accredited appraisal

Provide details of the most recent assessment of the land and existing improvements by the British Columbia Assessment Authority and any appraisal of the value of the land and existing improvements as of the date of the appraisal by a professional appraiser.

Item 10 Exemptions

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

Item 11 Guarantees or Other Similar Financial Commitments

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

Copies of the personal covenant, guarantee or other financial commitment are available on request at the office of the mortgage broker.
- (2) If there is a personal covenant, guarantee or other financial commitment, disclose the financial position and business experience of the person providing the personal covenant, guarantee or other financial commitment.
- (3) If there is a personal covenant, guarantee or other financial commitment, indicate whether the investors will be entitled to ongoing disclosure of the financial position of the person providing the personal covenant, guarantee or other financial commitment during the period of the personal covenant, guarantee or

commitment, and if so, the nature, verification, timing and frequency of, as well as access to, the disclosure that will be provided to investors.

Item 12 Organization of Mortgage Broker

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

Item 13 Organization of Borrower

State, where applicable, to the best of the mortgage broker's belief, based on personal knowledge and information provided by third parties, the laws under which the borrower is organized and the date of formation of the borrower.

Item 14 Mortgage Broker, Partners, Directors, Officers and Principal Holders

Disclose:

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

- (4) whether any partner, director, officer or principal holder or any partner, director or officer of the principal holder, within the five years prior to the date of the Offering Memorandum, has been a partner, director, officer or principal holder of any other mortgage broker that, while that person was acting in that capacity,
- (a) was subject to any penalties or sanctions imposed by a court, mortgage regulatory authority, real estate regulatory authority or securities regulatory authority relating to the sale, lease, promotion, or management of mortgages, real estate or securities or to theft or fraud, and describe any penalties or sanctions imposed, or
 - (b) was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

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

Item 15 Borrower, Partners, Directors, Officers and Principal Holders

Disclose the same information required by Item 14 in respect of the mortgage broker for the borrower and if the borrower is not an individual, its partners, directors, officers and principal holders, to the best of the mortgage broker's belief, based on personal knowledge and on information provided by third parties.

Item 16 Conflicts of Interest

- (1) State the name of the mortgage broker, any relationship between the mortgage broker and the borrower, particulars of any agency or similar agreement and the remuneration, if any, that investors will pay to the mortgage broker in consideration of the offering of the mortgage investment.
- (2) Describe any existing or potential conflicts of interest between any of the borrower, the mortgage broker, any partners, directors, officers and principal holders of the borrower or mortgage broker, any partners, directors and officers of the principal holders of the borrower and mortgage broker, the trustee and any person

providing goods or services to the borrower, mortgage broker or principal holders of the mortgage broker in connection with the mortgage that could reasonably be expected to affect the investor's investment decision.

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

Item 17 Borrower's Financial Information

Where the borrower is a person other than an individual, state that copies of the following financial statements are available upon request at the offices of the mortgage broker:

- (a) where the borrower has not completed one financial year, unaudited financial statements of the borrower as at a date not more than 60 days prior to the date of the Offering Memorandum;
- (b) where the borrower has completed one or more financial years:
 - (i) audited financial statements of the borrower for the most recent financial year, and
 - (ii) if the effective date of the statements is more than 120 days before the date of the Offering Memorandum, unaudited financial statements for a stub period ending not more than 90 days prior to the date of the Offering Memorandum.

Instructions: Where the date of the Offering Memorandum is within 90 days of the most recent financial year end of the borrower, the financial year end for the prior year end may be used.

Item 18 Financial Forecasts or Projections

If any future-oriented financial information, such as financial forecasts or projections, is used in the Offering Memorandum, the information must comply with National Policy 48 *Future-Oriented Financial Information* or any successor instrument.

Item 19 Ongoing Disclosure

If the borrower is not a reporting issuer, describe the nature, verification (whether audited, subject to an independent review or prepared by management), timing and frequency of, as well as access to, any financial and other information concerning the mortgage, that will be provided to investors.

Item 20 Material Contracts

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

Item 21 Income Tax Consequences

If income tax consequences to the investor are a material aspect of the offering, then

- (a) provide a summary of the significant income tax consequences to individuals who are residents of Canada, and
- (b) state:

The stated tax consequences may not apply uniformly to all investors. Prospective investors should consult with their professional advisers regarding tax consequences applicable to them.

Item 22 Purchasers' Rights

The Offering Memorandum must include the description of the purchasers' rights set out in Item 11 of Form 45-106F2 *Offering Memorandum for Non-Qualifying Issuers*.

Item 23 Borrower disclosure statement

- (1) If the mortgage broker has provided a disclosure statement under the *Mortgage Brokers Act* to the borrower concerning all fees (by

whatever name those fees are called) charged to the borrower in addition to assessment, appraisal, survey and legal fees, attach a copy of that disclosure statement.

- (2) If the mortgage broker has not provided a disclosure statement to the borrower, state what fees are to be charged to the borrower, how they are to be calculated and paid and when the mortgage broker is entitled to payment.

Item 24 Registration documentation

State:

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

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

Item 25 Certification by Mortgage Broker

Include a certificate in the following form:

With respect to matters that are or should be within my personal knowledge, the foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made.

With respect to matters that are not and are not required to be within my personal knowledge, I have made best efforts to ensure that the foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made.

Instructions: The certificate is required to be signed and dated by the president or chief executive officer and by the chief financial officer of the mortgage broker. If no chief financial officer has been designated, then a director of the mortgage broker other than the president or chief executive officer must sign and date the certificate with the president or chief executive officer.

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