

This is the form required under section 2.9 of the National Instrument 45-106 *Prospectus and Registration Exemptions*, where the offering memorandum is used in connection with a distribution of real estate.

BC Form 45-906F

Securities Act

Offering Memorandum - Real Estate Securities

The offering memorandum must be in the form of a disclosure statement required under the *Real Estate Development and Marketing Act* and by the Superintendent of Real Estate. It must include the following additional information in the body of the disclosure statement or prospectus as a separate section entitled Real Estate Securities Aspect of the Offering, except where a different location is specified:

Item 1 Non-review by Commission

State in bold print on the face page of the disclosure statement or prospectus:

No securities commission or similar regulatory authority has passed on the merits of the securities offered nor has it reviewed this [disclosure statement/prospectus] and any representation to the contrary is an offence.

Please refer to page ___ for the Real Estate Securities Aspect of the Offering.

Item 2 Restrictions on Resale and Market

(1) State in bold print on the face page of the disclosure statement whether there are any restrictions on resale and provide a description of those restrictions in the body of the disclosure statement. The face-page should provide a cross-reference to the discussion in the body of the disclosure statement.

(2) Where no market exists or will exist for the real estate securities after the distribution, the following statement must appear in bold print on the face page.

There is no assurance that there will be a market for resale of these real estate securities.

Instructions: Whether or not there is a market for the real estate securities will depend on whether the actual interest in the real estate can be sold without requiring the purchaser to enter into an ancillary agreement such as a rental pool agreement, and whether there are any resale restrictions imposed under the exemption or order relied on for the distribution of the real estate securities. It is unlikely that real estate securities

can be readily sold where the purchaser is required to enter into an ancillary agreement or there are resale restrictions imposed under the exemption or order relied on.

Item 3 Description of the Offering

(1) Briefly describe the nature of the investment offered and include any material attributes such as voting rights, rights of occupancy and other similar entitlements.

(2) If a minimum amount of funds is required to be raised through the offering, disclose the date by which the minimum amount must be met and the consequences to the purchaser of the failure to raise that amount, including the return of funds to the purchaser and any deduction or penalty imposed. State the name and address of any person who will hold subscription funds until the minimum amount is raised.

(3) If there are any arrangements under which any part of the net proceeds will be held in trust or will only become available to the issuer, developer or manager if certain conditions are fulfilled, describe those conditions and the procedure for the return of funds to the purchaser if the conditions are not met and any deduction or penalty imposed.

(4) Describe the means by which the real estate securities will be distributed and the subscription procedure. State the name of any person selling the real estate securities on behalf of the issuer, developer or manager, any relationship between such person and the issuer, developer or manager, particulars of any agency or similar agreement and the remuneration, if any, to be paid to such person for the sale of the real estate securities.

***Instructions:** The disclosure required under this item need not be included under the section entitled Real Estate Securities Aspect of the Offering if the disclosure is provided elsewhere in the disclosure statement.*

Item 4 Exemptions

Disclose the specific statutory exemption from the registration and prospectus requirements or describe the discretionary exemption order, as the case may be, that will be relied on in distributing the real estate securities.

Item 5 Nature of the Business

If the real estate securities provide holders with a means to participate financially in a business such as a hotel, motel, resort or apartment hotel or other commercial enterprise, describe the business carried on or to be carried on.

***Instructions:** Where the offering of real estate securities requires the real estate to be used as part of a business such as a hotel and prohibits or materially restricts the holder of the real estate securities from occupying or otherwise using the real estate as the*

holder deems fit, in substance the offering is an investment in a business enterprise, the return from which will be substantially dependent on the efforts of the persons managing the business. In these cases a description of the business is required.

Item 6 Rental and/or Expense Pool Arrangements

- (1) Attach a copy of any rental and/or expense pool agreement as an appendix to the disclosure statement.
- (2) Summarize, in plain language, the key sections of any rental and/or expense pool agreement, including those provisions dealing with whether the agreement is mandatory or optional, the term of the agreement, opting out of the agreement, termination of the agreement, the sharing of revenues and losses, the payment of expenses, and the share of the revenues and losses, and any fees assessed against holders of the real estate securities that the person who manages the rental and/or expense pool or any affiliated company of that person, will be entitled to.
- (3) Where there is a rental and/or expense pool agreement, disclose the experience in managing rental pools of the person that will manage the rental and/or expense pool, including the success or failure of each pool.
- (4) Where there is a rental and/or expense pool agreement, disclose the nature, verification (whether audited or subject to an independent review), timing and frequency of, as well as access to, the financial and other information concerning the operation of the rental and/or expense pool that will be provided to holders of the real estate securities.

Instructions: *For greater certainty, the reference to expense pool is not intended to refer to the sharing of common expenses generally required for strata corporations, but rather the expenses of the rental management.*

Item 7 Guarantees or Other Similar Financial Commitments

- (1) Attach a copy of any guarantee or other similar financial commitment agreement provided in connection with the offering by any person involved in the offering as an appendix to the disclosure statement.

Instructions: *For greater certainty, this would not include guarantees offered by financial institutions in connection with interest rates offered on mortgages.*

- (2) Summarize, in plain language, the key terms of any guarantee or other financial commitment, including whether the guarantee or commitment is based on gross or net revenues, and whether the return guaranteed is inclusive or exclusive of strata maintenance fees, reserves, property, income and other taxes, any debt financing costs, etc. Provide an illustration of how the guarantee or commitment works.

(3) Where there is a guarantee or other financial commitment, disclose the business experience of the person providing such guarantee or other financial commitment.

(4) Where there is a guarantee or other financial commitment, attach as an appendix to the disclosure statement a copy of the audited financial statements of the person providing the guarantee or commitment and indicate whether holders of the real estate securities will be entitled to ongoing disclosure of the financial position of that person during the period of guarantee or commitment, and if so, the nature, verification (whether audited or subject to an independent review), timing and frequency of, as well as access to, the disclosure that will be provided to holders.

(5) Where there is a guarantee or other financial commitment, disclose whether it is supported by a letter of credit from a financial institution and whether any provision has been made for a sinking fund.

Item 8 Risk Factors

(1) State:

A real estate investment is, by its nature, speculative. If a purchaser is purchasing the real estate as an investment, the purchaser should be aware that this investment has not only the usual risks when purchasing real estate, but also those risks that are inherent to the nature of real estate securities.

(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 risks associated with real estate investments generally, reliance on the developer/managers efforts, ability and experience, inexperience of management, lack of financial expertise, reliance on the financial strength of the person offering the guarantee or financial commitment, cash flow and liquidity risks, financing risk, potential liability to make additional contributions beyond initial investments, restricted rights of a holder in the management and control of the strata corporation or business, inability to change the manager, restrictions on resale of the real estate securities, developer/manager conflicts of interests, and where the offering provides holders with a means to participate financially in a business such as a hotel, motel, resort or apartment hotel or other commercial enterprise, the general risks of the business, absence of an operating history of the business, and competition.

(3) If the real estate securities include a rental pool, state:

The success or failure of the rental pool will depend in part on the abilities of the manager of the rental pool.

(4) If the owner will be responsible for paying a portion of the costs of the operation of the rental pool, state:

If the revenue generated from the rental pool is less than the costs of operating the rental pool, then the purchaser must make additional contributions over and above the purchasers initial investment and financing costs.

(5) If the real estate securities include a guarantee or other financial commitment, state:

The ability of [the person providing the guarantee] to perform under the [guarantee or other financial commitment] will depend on the financial strength of [the person]. See [the persons] financial statements on page [*]. There is no assurance that [the person] will have the financial ability to be able to satisfy its obligations under the [guarantee or other financial commitment] and therefore you may not receive any return from your investment.

Item 9 Income Tax Consequences

If income tax consequences to the purchaser 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:

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

Item 10 Organization of Developer and Manager

State the laws under which the developer is organized and the developer's date of formation. If the manager is different from the developer, state the laws under which the manager is organized and the manager's date of formation.

Item 11 Developer, Manager, Promoter, Directors, Officers and Principals

(1) Where the real estate securities provide holders with a means to participate financially in a business such as a hotel, motel, resort or apartment hotel or other commercial enterprise, provide the name, municipality of residence and principal occupation for the last 5 years of the person managing the business where that person is an individual, or of the directors and officers of that person where the person is not an individual.

Instructions: See Item 6 for a discussion of the meaning of participate financially in a business.

(2) Disclose, to the best of the developer's knowledge, whether:

(a) the developer, manager or promoter,

(b) any persons holding directly or indirectly more than 10% of any class of voting securities of the developer or manager (principal holders), or

(c) any director or officer of the developer, manager or principal holder,

within the ten years before the date of the Developer's declaration attached to the disclosure statement, has been subject to any penalties or sanctions imposed by a court, real estate regulatory authority or securities regulatory authority relating to the sale, lease, promotion, or management of real estate or securities, or to theft or fraud, and describe any penalties or sanctions imposed.

(3) Disclose, to the best of the developer's knowledge, whether the developer, manager, promoter, any director, officer or principal holder of the developer or manager, or any director or officer of the principal holder, within the five years before the date of the Developer's declaration attached to the disclosure statement, was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been 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) Disclose, to the best of the developers knowledge, whether any director, officer or principal holder of the developer or manager, or any director or officer of the principal holder, within the five years prior to the date of the Developer's declaration attached to the disclosure statement, has been a director, officer or principal holder of any other developer or manager that, while that person was acting in that capacity, that other developer or manager

(a) was subject to any penalties or sanctions imposed by a court, real estate regulatory authority or securities regulatory authority relating to the sale, lease, promotion, or management of 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 been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Item 12 Conflicts of Interest

Describe any existing or potential conflicts of interest among the developer, manager, promoter, any directors, officers and principal holders of the developer and manager, any directors and officers of the principal holders, and any person providing goods or services to the developer, manager or holders of the real estate securities in connection with the real estate securities which could reasonably be expected to affect the purchaser's investment decision.

Item 13 Financial Information

Where the real estate securities provide holders with a means to participate financially in a business such as a hotel, motel, resort or apartment hotel or other commercial enterprise, the following financial statements must be included in the disclosure statement or prospectus:

- (a) where the business has not completed one financial year, unaudited financial statements of the business as at a date not more than 60 days prior to the date of the Developers Affidavit attached to the disclosure statement or prospectus;
- (b) where the business has completed one or more financial years:
 - (i) audited financial statements of the business for the most recent financial year, and
 - (ii) if the effective date of such statement is more than 120 days before the date of the Developer's declaration attached to the disclosure statement or prospectus, unaudited financial statements for a stub period ending not more than 90 days prior to the date of the Developer's declaration attached to the disclosure statement or prospectus.

Instructions: See item 6 for a discussion of the meaning of participate financially in a business.

Where the date of the disclosure statement is within 90 days of the most recent financial year end of the business, the financial year end for the prior year end may be used.

Item 14 Financial Forecasts or Projections

Any financial forecasts or projections used in the disclosure statement must be prepared in accordance with section 4250 of the CICA Handbook and must be audited in accordance with the Auditing and Related Services Guideline of the CICA Handbook entitled Examination of a financial forecast or projection included in a prospectus or other offering document.

Item 15 Continuous Reporting Obligations to Investors

If the issuer is not a reporting issuer, describe the nature, verification (whether audited or subject to an independent review), timing and frequency of, as well as access to, the financial and other information concerning the affairs of the project or business, that will be provided to holders of the real estate securities.

Item 16 Material Contracts

Give particulars of every material contract relating to the offering of real estate securities entered into or to be entered into by the issuer, the developer or manager or, if applicable, any of the issuer, developer or the managers affiliates, within the last two years of the date of the Developer's declaration attached to the disclosure statement or prospectus and, where the material contracts are not attached to the disclosure statement, state a time and place at which those contracts or copies thereof may be inspected during distribution of the real estate securities.

Item 17 Purchasers' Rights

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

Item 18 Certification

Unless a Developer's declaration as required under the *Real Estate Development and Marketing Act* is attached to the disclosure statement, include a certificate in the following form:

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 by the president or chief executive officer and by the chief financial officer of the issuer or developer. If no chief financial officer has been designated, then a director of the issuer or developer other than the president or chief executive officer, must sign the certificate.

Where a certificate is provided in lieu of the Developer's declaration, all reference to the Developer's declaration in this Form should be read as certificate.

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.
