

REGULATION RESPECTING REAL ESTATE PROSPECTUS AND REGISTRATION EXEMPTIONS

Securities Act

(chapter V-1.1, s. 331.1, pars. (1) to (3), (4.1), (5), (8), (11), (14), (19), (20) and (34))

CHAPTER I SCOPE AND INTERPRETATION

1. This Regulation applies to the distribution of the following forms of investment:

(1) an investment contract that includes a real right of ownership in an immovable and a rental management agreement;

(2) a security of an issuer that owns an immovable giving the holder a right of exclusive use of a residential unit and a space in such immovable.

2. The real estate offering document sent to a subscriber hereunder is authorized by the Autorité des marchés financiers (“Authority”) for use in lieu of a prospectus.

CHAPTER II DISTRIBUTION OF AN INVESTMENT CONTRACT

DIVISION I PROSPECTUS EXEMPTION

3. The issuer of an investment contract referred to in paragraph 1 of section 1 is exempt from the requirement to prepare a prospectus where the following conditions are met:

(1) it delivers a real estate offering document to the subscriber prepared in accordance with Form F1 before accepting an undertaking from the subscriber;

(2) where the investment contract pertains to a real estate project that is in operation or has been in operation during the 12 months preceding the distribution, the offering document presents the following statements of net revenue, as applicable:

(a) for a real estate project that has not completed a financial year, an audited statement of net revenue of the venture for the accounting period beginning on the date the venture began and ending on a date that is no more than 30 days before the date of the offering document;

(b) for a real estate project that has completed one or more financial years:

(i) an audited annual statement of net revenue of the venture for each of the past two financial years, or such statement corresponding to the completed financial year, where the period is shorter;

(ii) an interim statement of net revenue of the venture for the period ending six months from the first day of the financial year and no more than 15 days before the date of the offering document.

For the purposes of this Regulation, the statement of net revenue presents the net revenue of the venture and the distribution of income among the holders of each class of securities, the promoter and the officers of the venture. It also indicates the balance of the amounts to be reimbursed to all holders and for each security issued.

4. The issuer must provide a copy of any material contract upon request by a subscriber.

DIVISION II FORWARD-LOOKING INFORMATION, FUTURE-ORIENTED FINANCIAL INFORMATION AND FINANCIAL OUTLOOK

5. An issuer may only provide forward-looking information where there is a valid basis therefor.

6. Any material forward-looking information presented in the offering document must include the following:

- (1) a statement identifying the forward-looking information as such;
- (2) cautionary language stating that actual results could differ from the forward-looking information, and identifying material risk factors that could cause actual results to differ materially from such information;
- (3) the material factors or assumptions applied in preparing the forward-looking information;
- (4) a description of the issuer's policy, if any, for updating forward-looking information.

7. Any future-oriented financial information or financial outlook presented in the offering document must meet the following conditions:

- (1) be based on assumptions that are reasonable under the circumstances;
- (2) be limited to the period for which reasonable estimates can be made; and
- (3) be prepared in accordance with the accounting methods expected to be used by the issuer in presenting its historical statement of net revenue for the period covered by the future-oriented financial information or financial outlook.

8. Other than the information referred to in section 6, any future-oriented financial information and financial outlook presented in the offering document must include:

(1) the date when the future-oriented financial information or financial outlook was approved by management, where the document containing the future-oriented financial information or financial outlook is not dated;

(2) an indication of the purpose for which the future-oriented financial information or financial outlook is intended and cautionary language stating that the information may not be suitable for other purposes.

9. Throughout the distribution, no forward-looking information, future-oriented financial information or financial outlook other than that contained in the offering document may be disclosed.

DIVISION III DOCUMENTS TO BE FILED

10. The issuer of an investment contract must electronically file with the Authority the offering document referred to in subparagraph 1 of section 3 and any update thereof. It must also file one or more reports of exempt distribution in accordance with Form 45-106F1 of Regulation 45-106 respecting Prospectus Exemptions (chapter V-1.1, r. 21) no later than 10 days after any distribution.

DIVISION IV CERTIFICATES

11. The offering document or any change thereto must contain the following certificate:

“This real estate offering document does not contain a misrepresentation.”

This certificate must be signed by the issuer’s chief executive officer and chief financial officer or, if the issuer does not have a chief executive officer or chief financial officer, each individual acting in that capacity. If applicable, the certificate must be signed by any 2 directors who are authorized to do so, other than the chief executive officer, chief financial officer or individuals acting in that capacity or, where no director is thus authorized, by all the directors of the issuer.

Where the issuer is a limited partnership, the certificate must also be signed by each general partner as described in the foregoing paragraph.

12. Other than the issuer, the certificate must be signed by the person who, during the two preceding years, acted as promoter in respect of the issuer, according to the rules set out in section 11.

13. The certificate must be true as at the date the certificate is signed and at the date the offering document is sent to the subscriber.

DIVISION V PERIODIC DISCLOSURES

14. The issuer, the promoter, the person who is in charge of the venture or the person designated for such purpose by the Authority under section 66 of the Securities Act (chapter V-1.1) must deliver to the holders:

(1) the audited annual statement of net revenue of the venture no later than 120 days following the end of its financial year;

(2) the interim statement of net revenue of the venture for the period beginning on the first day of the financial year and ending 6 months before the end of that year, no later than 60 days following the end of the interim period of the venture.

15. Where there is a change in the promoter or person who is in charge of the venture, such promoter or person must apply to the Authority for an exemption from the requirements set out under section 14 provided the Authority designates a person for such purpose under section 66 of the Act.

16. In certain circumstances, the Authority may, on such conditions as it may determine, terminate the special disclosure scheme, by way of an exemption, where it considers the exemption not to be detrimental to the protection of investors.

DIVISION VI RESALE

17. A prospectus is not required where an investment contract referred to in paragraph 1 of section 1 is distributed by a security holder to a purchaser and the holder has notified the person in charge of the venture prior to the resale.

18. Upon notification from the holder, the person who is in charge of the venture must, no later than 30 days of the notification, provide the purchaser with the audited statement of net revenue of the venture available for the past 2 financial years or such statement corresponding to the completed year, where the period is shorter, and the statement of net revenue available for the past interim period, where applicable, ending 6 months after the past financial year.

However, if a financial year has not been completed, the information referred to in subparagraph 2(a) of section 3 must be provided.

DIVISION VII LANGUAGE

19. The offering document must be drafted in French only or in French and English.

CHAPTER III DISTRIBUTION OF A SECURITY GIVING A RIGHT OF EXCLUSIVE USE IN AN IMMOVABLE

DIVISION I PROSPECTUS AND REGISTRATION EXEMPTION

20. A person is exempt from the requirement to prepare a prospectus and to register in respect of the distribution of a security referred to in paragraph 2 of section 1 where the subscriber or purchaser must sign a rental agreement giving the subscriber or purchaser a right of exclusive use of a designated residential unit and a space in the immovable.

CHAPTER IV TRANSITION AND OTHER EXEMPTIONS

21. At the date of the coming into force of this Regulation, any person who relies on a discretionary exemption with respect to the distribution of any form of investment referred to in section 1 is exempt from the requirements under this Regulation where the conditions of such exemption are met. However, such person may choose to comply with the requirements under this Regulation.

22. Despite the provisions that are otherwise applicable under Regulation 45-106 respecting Prospectus Exemptions (chapter V-1.1, r. 21), any person who purchased a security referred to in section 1 under any of the exemptions listed in Appendix D of Regulation 45-102 respecting Resale of Securities (chapter V-1.1, r. 20) is exempt from the requirement to prepare a prospectus in connection with the resale of such person's security and from the applicable restricted period where such person complies with the requirements under sections 17 and 18 of this Regulation, or with section 20 thereof, as the case may be.

CHAPTER V COMING INTO FORCE

23. This Regulation comes into force on (*indicate here the date of coming into force of this Regulation*).

**FORM F1
REAL ESTATE OFFERING DOCUMENT**

Date: [insert date]

The Issuer

Name:

Head office:

Address:

Phone #:

E-mail address:

Fax #:

Website:

Reporting issuer? [Yes/no. If yes, state jurisdiction.]

Offering

Investment contract offered:

Price and number of real estate units: [Minimum/maximum]

Conditions: [If there are no conditions, state in bold type: **“There are no conditions for beginning the real estate project.”**]

Payment terms:

Proposed closing date(s):

Intermediaries: State the names of any intermediaries involved in the offering. See **item 7**.

Risk Factors

State in bold type:

“This is a risky investment. You might not receive any return on the investment contract distributed under this offering document. See item 10.”

Resale Condition

State the following:

“There is a resale condition. See item 12.”

Subscriber's Rights

State the following:

"You have 2 business days to rescind your investment contract subscription. Where there is a misrepresentation in this offering document, you have the right to sue for damages or to rescind the investment contract. See item 13."

Required Statement

State in bold type:

"The Autorité des marchés financiers has not assessed the merits of the investment contract or reviewed this offering document. Any representation to the contrary is an offence."

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

Item 1 Business of the Issuer [of the Promoter and the Manager]

1.1. Structure – State the business structure of the issuer, promoter and manager (e.g., partnership, business corporation or trust), the statute under which they are incorporated or continued, and the date and location of their incorporation or continuance. State any material change to their constituting document.

1.2. Business – Briefly describe the nature of the issuer's current and proposed business.

1.3. Real Estate Project – Describe the real estate project related to the investment contract offered, including the history of the immovable, the approvals required to begin the project, the work timetable and the objectives of the rental pool program. The disclosure must provide sufficient information to enable a prospective subscriber to make an informed investment decision.

1.4. Material Agreements – Disclose the key terms of all material agreements:

(a) that are or will be related to the real estate project, including those to which the subscriber will be a party;

(b) between the subscriber and a related party of the issuer, promoter or manager, including the name of the related party and the relationship.

Item 2 Directors, Executive Officers, Promoters, Managers and Principal Holders

2.1. Name, principal residence and experience – State the name and municipality of the principal residence of the directors, executive officers, promoters and principal holders of the

issuer and manager as well as their principal occupations over the past 5 years. In addition, for each individual, describe any relevant experience in a similar business.

2.2. Penalties, Sanctions, Bankruptcies and Prohibitions – Disclose, with regard to any director, executive officer, promoter or control person of the issuer or manager or with regard to an issuer of which any of the above persons has been a director, executive officer or control person:

(a) any penalty or sanction (including the reason for such and whether any penalty or sanction is currently in effect) that has been imposed during the past 10 years, or any prohibition that has been in effect for a period of more than 30 consecutive days during the past 10 years;

(b) any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, which has been in effect during the past 10 years.

Item 3 Conflicts of Interest

3.1. Describe any conflict of interest for the directors, executive officers, promoter, manager and principal holders of the issuer, promoter or manager, as well as any person called on to provide professional services in connection with the real estate project.

Item 4 Investment Contract

4.1. Subscription – Describe how to subscribe for the investment contract and the method of payment.

4.2. Held in Trust – State that the funds will be held in trust, and specify the name of the trustee and the period during which they will be held (refer at least to the mandatory 2-day period).

4.3. Closing – Indicate any conditions to closing. Where the conditions are not met, state when the funds will be reimbursed to subscribers and whether the issuer will pay interest on the funds.

Item 5 Rental Management Agreement

5.1. Agreement – Attach a copy of any rental management agreement.

5.2. Summary – Provide a summary of the material terms of any rental management agreement, including whether the agreement is optional or mandatory, the duration of the agreement, cancellation of the agreement, the distribution of income and expenses, where applicable, and any renovation program.

5.3. Compensation – State any compensation or commission payable to the manager or other intermediary.

5.4. Experience – Include the manager's experience in building administration or with rental management agreements as well as the manager's track record in managing such agreements during the past 5 years.

Item 6 Guarantee or Other Financial Commitment

6.1. Agreement – Attach a copy of any guarantee or other financial commitment made to the subscriber by the issuer, promoter or manager in connection with the investment contract offered.

6.2. Summary – Provide a summary of the material terms of any guarantee or other financial commitment, including the duration, cost of the guarantee or premium, whether the guarantee or commitment is based on gross or net revenue, and whether it includes or excludes certain costs, such as maintenance fees, ownership costs as well as income and other taxes.

6.3. Experience – Describe the guarantor's professional experience.

Item 7 Intermediaries

7.1. Name the intermediaries involved in the distribution and provide a description of their activities and compensation in connection with the real estate project.

Item 8 Tax Consequences

8.1. State the following:

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

Item 9 Litigation

9.1. Describe any litigation instituted against the issuer, promoter or manager that could have a material impact on the investment contract offered.

Item 10 Risk Factors

10.1. State in bold type:

“An investment contract is a speculative investment. A subscriber should be aware that this investment presents, in addition to the usual risks associated with the ownership of an immovable, risks that are specific to an investment contract.”

10.2. Description of Risk Factors

(1) 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 subscribe for the investment contract.

(2) Risk factors will generally fall into the following 3 categories:

(a) Investment Risks - risks that are specific to the investment contract offered. Examples include:

- economic conditions;
- fluctuations in the real estate and rental markets;
- the guarantor's financial viability.

(b) Issuer Risks - risks that are specific to the issuer. Examples include:

- insufficient sales to begin the real estate project;
- no history or a limited history;
- lack of management expertise;
- management's regulatory and business track record;
- dependence on a manager, and in particular the manager's skills and competence;
- material litigation outstanding.

(c) Industry Risks - risks specific to real estate projects. Examples include:

- industry regulation;
- tourism;
- competition.

10.3. State in bold type:

“The success of the rental management will be tied in part to the skills and competence of the manager. If gross revenue is less than operating costs, the subscriber will be required to make additional contributions over and above the initial investment.”

10.4. Where the investment contract is attached to a guarantee or other financial commitment, state in bold type:

“The ability of [name of guarantor] to honour its [guarantee or other financial commitment] will depend on its financial ability. There is no assurance that [guarantor's

name] will have the financial ability required to meet its [guarantee or other financial commitment] and you might therefore not receive any return on the investment contract distributed under this offering document.”

Item 11 Reporting Requirements

11.1. State that the audited annual statement of net revenue of the venture and the interim statement of net revenue of the venture for the period beginning on the first day of the financial year and ending 6 months before the end of that year will be sent to the holders on an ongoing basis.

Item 12 Resale Condition

12.1. State the following:

“With respect to the resale of the investment contract, the holder must give the person who is in charge of the venture prior notification thereof. Upon notification from the holder, the person who is in charge of the venture must give the purchaser, within 30 days of the notification, the statement of net revenue of the venture according to Division VI of the Regulation respecting real estate prospectus and registration exemptions (chapter XXX).”

Item 13 Subscriber’s Rights

13.1. State the following:

“The investment contract being offered contains certain rights, some of which are described below. For information about your rights, you should consult a lawyer.

(1) **2-Day Right of Rescission** – You can rescind your subscription for the investment contract. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the investment contract.

(2) **Statutory Rights of Action in the Event of a Misrepresentation** – If there is a misrepresentation in this offering document, you have a statutory right of action:

(a) against [name of issuer] to apply to have the investment contract rescinded, or

(b) for damages against [name of issuer and the title of any other person against whom a right may be exercised].

These statutory rights of action may be exercised whether or not you relied on the misrepresentation. However, the defendant may defeat the application through various means, in particular by proving that, at the time of the subscription for the investment contract, you knew of the alleged misrepresentation.

If you intend to rely on the rights of action described in (a) or (b) above, you must do so within statutory time limitations. Refer to applicable legislation and consult a lawyer.”

Item 14 Forward-looking Information

14.1. An issuer disclosing forward-looking information must do so in accordance with Division II of Chapter II of this Regulation.

Item 15 Financial Statements

15.1. Include the financial statements immediately before the certificate page of the offering document.

Item 16 Signatures

16.1 The certificate must appear on the last page of the offering document and be signed by the issuer and promoter in accordance with Division IV of Chapter II of this Regulation.

Instructions for Completing Form F1 Real Estate Offering Document

- 1.** Draft the offering document so that it is easy to read and understand. Be concise and use clear, plain language. Avoid technical terms. If technical terms are necessary, provide definitions.
- 2.** Address the items required by this form in the order set out in the form. However, it is not necessary to provide disclosure about an item that does not apply.
- 3.** The issuer may include additional information in the offering document other than that specifically required by this form. It must provide the subscriber with sufficient information to make an informed investment decision.
- 4.** It is an offence to make a misrepresentation in the offering document. This applies both to information that is required by this form and to additional information that is provided. Include particulars of any material facts that have not been disclosed under any of the item numbers and for which failure to disclose would constitute a misrepresentation in the offering document.
- 5.** Where the term “related party” is used in this form, it refers to:
 - (a) a director, officer, promoter, manager or control person of the issuer;
 - (b) in regard to a person referred to in (a), a child, parent, grandparent or sibling, or other relative living in the same residence;
 - (c) in regard to a person referred to in (a) or (b), his or her spouse or a person with whom he or she is living in a marriage-like relationship;
 - (d) an insider of the issuer or manager;
 - (e) a company controlled by one or more individuals referred to in (a) to (d); and

(f) in the case of an insider, promoter, manager or control person that is not an individual, any person that controls that insider, promoter, manager or control person.

[Where the issuer is not a reporting issuer, the reference to “insider” includes persons who would be insiders of the issuer if that issuer were a reporting issuer.]

6. Where the term “principal holder” is used in this form, it refers to each holder with more than ten percent of the securities of each class of voting securities of the issuer, a subsidiary of the issuer or an affiliate.