

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*).