

ANNEX A

TEMPLATE PROPOSED BLANKET/GENERAL ORDER 45-539

SMALL BUSINESS FINANCING

Definitions

1. Unless otherwise defined in this [Blanket/General Order], terms defined in the *Securities Act* (■) (the **Act**), have the same meaning in this [Blanket/General Order]. In particular, the terms "[Alberta/Saskatchewan] securities laws", "company", "control", "director", "distribution", "investment fund", "issuer", "misrepresentation", "officer", "person", "reporting issuer", "security", and "subsidiary" have the meanings ascribed in the Act.

2. In this [Blanket/General Order]:

"Accredited Investor" means an accredited investor as defined in section 1.1 [*accredited investor*] of National Instrument 45-106 *Prospectus Exemptions*;

"Affiliate" means in respect of an issuer, another issuer that is the parent or subsidiary of the first issuer or that is under the control of the same person or company;

"Corresponding Exemption" means an order or ruling of another securities regulatory authority or securities regulator in Canada that provides an exemption from the prospectus requirement that is substantially similar exemption to this [Blanket/General Order];

"Eligible Security" means any of the following securities of an issuer:

- (a) a common share;
- (b) a preference share;
- (c) a debt security other than a securitized product as defined in section 1.1 [*securitized product*] of National Instrument 45-106 *Prospectus Exemptions* or a structured finance product as defined in section 1 [*structured finance product*] of National Instrument 25-101 *Designated Rating Organizations*;
- (d) a unit of a limited partnership;
- (e) a membership share or investment share issued by a cooperative organized under the *Cooperatives Act* (Alberta);
- (f) a security convertible or exchangeable into a security referred to in (a) to (e);

"Family & Friends Investor" means a person or company described in subsection 2.5(1) [*Family, friends and business associates*] of National Instrument 45-106 *Prospectus Exemptions*;

"Foreign Investor" means a person or company outside of Canada, to whom a distribution may be made under ASC Rule 72-501 *Distributions to Purchasers Outside Alberta*;

"Founder" means, in respect of an issuer, a person or company who,

- (a) acting alone, in conjunction, or in concert with one or more persons or companies, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of the issuer; and
- (b) at the time of the distribution or trade is actively involved in the business of the issuer;

"Issuer Group" means an issuer together with each of the following:

- (a) each person or company that is an Affiliate of the issuer;
- (b) each other issuer that is either of the following:
 - (i) that is engaged in a common enterprise with the issuer or with an Affiliate of the issuer;
 - (ii) that has a Founder that is a Founder of the issuer;

"Minimum Income Investor" or "MII" means

- (c) a person or company whose net income before taxes meets at least one of the following:
 - (i) exceeded \$75 000 in each of the 2 most recent calendar years and who reasonably expects to exceed that income level in the current calendar year; or
 - (ii) with a spouse exceeded \$125 000 in each of the 2 most recent calendar years and who reasonably expects to exceed that income level in the current calendar year;
- (d) a person or company of which a majority of the voting securities are beneficially owned by MIIs or Accredited Investors or a majority of the directors are MIIs or Accredited Investors;
- (e) a general partnership of which all of the partners are MIIs or Accredited Investors;
- (f) a limited partnership of which a majority of the directors of the general partner are MIIs or Accredited Investors;
- (g) a trust or estate in which all of the beneficiaries or a majority of the trustees or executors are MIIs or Accredited Investors.

"Participating Jurisdiction" means Alberta and Saskatchewan and each other jurisdiction of Canada that adopts a Corresponding Exemption;

["Self-Certified Investor" means a person or company described in section 2 of ASC Blanket Order 45-538 *Self-Certified Investor Prospectus Exemption*.]

Prospectus exemption

3. The [Securities Regulatory Authority], considering that it would not be prejudicial to the public interest to do so, orders under section [213 ASA /83 SSA] of the Act that the prospectus requirement in section [110 ASA /58 SSA] of the Act does not apply to a distribution by an issuer provided all of the following apply:
- (a) the head office of the issuer is located in a Participating Jurisdiction;
 - (b) a majority of the directors and officers of the issuer, collectively, as a group, are located in Canada;
 - (c) the issuer is not a reporting issuer or an investment fund;
 - (d) each security distributed is an Eligible Security of the issuer's own issue;
 - (e) the aggregate proceeds raised under this [Blanket/General Order] or a Corresponding Exemption, by the issuer and members of its Issuer Group, from persons or companies who are not Accredited Investors, Family & Friend Investors, Foreign Investors, [or Self-Certified Investors] does not exceed \$5 000 000;
 - (f) at or before the time a purchaser signs the subscription agreement, the issuer
 - (i) delivers to the purchaser an offering document in the form specified in Annex 1 - *Small Business Offering Document* annexed to this [Blanket/General Order] that complies, as applicable, with subparagraphs 3(j), (l) and (m) of this [Blanket/General Order]; and
 - (ii) obtains from the purchaser a risk acknowledgement in the form specified in Annex 2 - *Small Business Risk Acknowledgement* annexed to this [Blanket/General Order], which has been completed solely by and signed by the purchaser;
 - (g) the issuer does not know and has no reasonable basis to believe that the statements made by the purchaser in the risk acknowledgement are false;

- (h) if the issuer has not included in the offering document the additional financial disclosure described in Schedule A of Annex 1 - *Small Business Offering Document* annexed to this [Blanket/General Order], the aggregate acquisition cost to the purchaser of all securities of the Issuer Group acquired under this [Blanket/General Order] or a Corresponding Exemption in the preceding 12 months, other than a purchaser that is an Accredited Investor, Family & Friends Investor, Foreign Investor, [or Self-Certified Investor] does not exceed
 - (i) \$2 500; or
 - (ii) in the case of a MII \$10 000;
- (i) if the issuer has included in the offering document the additional financial disclosure described in Schedule A of Annex 1 - *Small Business Offering Document* annexed to this [Blanket/General Order], the aggregate acquisition cost to the purchaser of all securities of the Issuer Group acquired under this [Blanket/General Order] or a Corresponding Exemption in the preceding 12 months, other than a purchaser that is an Accredited Investor, Family & Friends Investor, Foreign Investor, [or Self-Certified Investor] does not exceed
 - (i) \$5 000; or
 - (ii) in the case of a MII \$20 000;

Offering Document

- (j) the offering document provided to a purchaser contains a certificate signed by a person authorized to sign on behalf of the issuer stating that the offering document does not contain a misrepresentation;

Other offering materials and advertisements

- (k) no advertising or material made available to a purchaser that purports to describe the business and affairs of the issuer and that has been prepared primarily for delivery to and review by a prospective purchaser so as to assist the prospective purchaser to make an investment decision contains a misrepresentation;

Financial statements

- (l) if the aggregate funds raised in the distribution under this [Blanket/General Order], together with the aggregate funds raised by members of the Issuer Group under this [Blanket/General Order] or a Corresponding Exemption in the preceding 12 months, exceeds \$1 500 000, not including funds from persons or companies who are Accredited Investors, Family & Friend Investors, Foreign Investors, [or Self-Certified Investors] the issuer

- (i) includes in the offering document, the financial statements specified in Schedule A of Annex 1 - *Small Business Offering Document* annexed to this [Blanket/General Order]; and
- (ii) undertakes as described in Annex 3 - *Small Business Undertaking* annexed to this [Blanket/General Order] to deliver annually its annual financial statements and a notice of proceeds;

Minimum offering amount

- (m) the offering document specifies a minimum offering amount that must be raised, which amount can include funds raised under other exemptions from the prospectus requirement;
- (n) the subscription agreement provides that if a distribution under this [Blanket/General Order] is withdrawn or if the issuer does not raise the specified minimum offering amount by the 120th day after the date that the offering document is first delivered to a purchaser, the issuer will as soon as reasonably possible,
 - (i) return all funds to each purchaser; and
 - (ii) notify each purchaser that the funds have been returned;

Filings

- (o) on or before the 10th day after the closing of the distribution, the issuer files each of the following:
 - (i) a completed offering document;
 - (ii) if applicable, the undertaking required by subparagraph 3(1)(ii); and
 - (iii) a completed Form 45-106F1 *Report of Exempt Distribution*, together with the applicable fee.

Resale restrictions

- 4. The [Securities Regulatory Authority], considering that it would not be prejudicial to the public interest to do so, orders under section [144(2) ASA/SSA] of the Act that the first trade of a security acquired under section 3 is subject to section 2.5 of National Instrument 45-102 *Resale of Securities*.

Designated offering memorandum

- 5. [In Alberta, the Commission, considering that it would not be prejudicial to the public interest to do so, orders under section 10 of the Act that an offering document used for a distribution under this Blanket Order, including all amendments to that document, is

designated to be an offering memorandum under Alberta securities laws.

In Saskatchewan, any document that provides information about the business or affairs of an issuer that has been prepared primarily for delivery to and review by a prospective purchaser to assist the prospective purchaser in making an investment decision about securities being sold in a distribution under this Order, including all amendments to that document, is designated to be an offering memorandum under securities legislation in Saskatchewan, unless that document is an annual report, interim report, information circular, take-over bid circular, issuer bid circular or prospectus.]

Financial Statements

6. The [Securities Regulatory Authority], considering that it would not be prejudicial to the public interest to do so, orders under section [213 ASA /160(1) SSA] of the Act that an offering document used for a distribution under this [Blanket/General Order] that complies with the requirements of this [Blanket/General Order], including Schedule A of Annex 1 - *Small Business Offering Document*, is exempt from paragraphs 3.2(1)(a), 3.2(1)(b) and subparagraph 3.11(1)(f)(ii) of National Instrument 52-107 *Acceptable Auditing Principles and Auditing Standards*.
7. In Alberta, the Commission, considering that it would not be prejudicial to the public interest to do so, orders under subsection 221(5) of the Act that any financial statements or notices of proceeds delivered pursuant to the undertaking referenced in subparagraph 3(1)(ii) be held in confidence by the Commission.

Effective date

8. This [Blanket/General Order] takes effect on ■ 2021.

Annex 1
FORM 45-539F1
SMALL BUSINESS OFFERING DOCUMENT

GENERAL INSTRUCTIONS FOR ISSUER – DO NOT INCLUDE THIS PAGE WHEN PROVIDING TO THE PURCHASER:

- (1) *An offering document prepared using this form can only be used for a distribution of securities under Alberta Securities Commission Blanket Order 45-539 Small Business Financing and Financial and Consumer Affairs Authority of Saskatchewan General Order 45-539 Small Business Financing (each an **Order**).*
- (2) *The offering document and all amendments to it must be submitted through the System for Electronic Document Analysis and Retrieval in accordance with National Instrument 13-101 System for Electronic Document Analysis and Retrieval (SEDAR), no later than the 10th day after the closing of the distribution.*
- (3) *The offering document must be certified by an individual authorized to act on behalf of the issuer.*
- (4) *Complete this offering document so that it is easy to read and understand. Be concise and use clear, plain language. Avoid technical terms.*
- (5) *Information provided must be fair and balanced and not untrue or misleading.*
- (6) *Complete all boxes in this form or indicate N/A where appropriate. For Schedule A, if required, conform as closely as possible to the format set out in this form. Address the items in the order set out below. No variation of headings, numbering or information set out in the form is allowed and all are to be displayed as shown.*
- (7) *Various terms used in this form are defined in Alberta and Saskatchewan securities laws.*
- (8) *The offering document must be provided to each purchaser before the purchaser signs the subscription agreement. The offering document must not contain a misrepresentation. A misrepresentation means an untrue statement of material fact or an omission to state a material fact that is required to be stated, or necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made. If the information contained in the offering document becomes untrue or misleading the offering document must be amended and purchasers must be given the amended offering document before their subscription can be accepted.*
- (9) *If any forward-looking information (e.g., projected sales or anticipated contracts) that could reasonably be expected to be material to a purchaser's decision to invest is included in the offering document identify it and include proximate to it (i) reasonable cautionary language identifying material factors that could cause actual results to differ materially from the conclusion, forecast or projection in the forward-looking information, (ii) states the assumptions or material factors used to develop the forward looking information and (iii) states that the issuer believes it has a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.*

Annex 1
FORM 45-539F1
SMALL BUSINESS OFFERING DOCUMENT

GENERAL INSTRUCTIONS:

- (1) *An offering document prepared using this form can only be used for a distribution of securities under Alberta Securities Commission Blanket Order 45-539 Small Business Financing and Financial and Consumer Affairs Authority of Saskatchewan General Order 45-539 Small Business Financing (each an **Order**).*
- (2) *The offering document and all amendments to it must be submitted through the System for Electronic Document Analysis and Retrieval in accordance with National Instrument 13-101 System for Electronic Document Analysis and Retrieval (**SEDAR**), no later than the 10th day after the closing of the distribution.*
- (3) *The offering document must be certified by an individual authorized to act on behalf of the issuer.*
- (4) *Draft this offering document so that it is easy to read and understand. Be concise and use clear, plain language. Avoid technical terms.*
- (5) *Information provided must be fair and balanced and not untrue or misleading.*
- (6) *Conform as closely as possible to the format set out in this form. Address the items in the order set out below. No variation of headings, numbering or information set out in the form is allowed and all are to be displayed as shown.*
- (7) *Various terms used in this form are defined in Alberta and Saskatchewan securities laws.*
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- (9) *If any forward-looking information (e.g., projected sales or anticipated contracts) that could reasonably be expected to be material to a purchaser's decision to invest is included in the offering document identify it and include proximate to it (i) reasonable cautionary language identifying material factors that could cause actual results to differ materially from the conclusion, forecast or projection in the forward-looking information, (ii) states the assumptions or material factors used to develop the forward looking information and (iii) states that the issuer believes it has a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.*

Item 1: Front Page

(1) Include the following statement on the first page of the offering document in bold type:

No securities regulatory authority or regulator has reviewed or approved the merits of these securities or reviewed this offering document. Any representation to the contrary is an offence. This is a risky investment. See Item 7.

(2) Provide the following information for the issuer:

- (a) full legal name and any name it operates under,
- (b) head office address,
- (c) telephone number,
- (d) email address,
- (e) website URL, if applicable, and
- (f) a very brief description (2 or 3 sentences) of its business.

(3) Include the following statement in bold type:

A more detailed description of the issuer's business is provided at Item 3.

(4) Identify an officer, employee or agent of the issuer who is able to answer questions from purchasers or staff of the Alberta Securities Commission or the Financial and Consumer Affairs Authority of Saskatchewan. Provide the following contact information for that individual:

- (a) full legal name,
- (b) position held with the issuer,
- (c) business address,
- (d) business telephone, and
- (e) business e-mail.

(5) Provide the following information about the offering:

- (a) brief description of the key terms of securities offered, including the price per security,
- (b) minimum investment required by a purchaser or state that there is no minimum investment,
- (c) minimum offering required to be raised and date by which it must be raised, which date cannot be later than 120 days after the date this offering document is first delivered to a purchaser,
- (d) maximum offering or state that there is no maximum,
- (e) anticipated closing date(s), and

- (f) the names of each person or company that will be selling the securities on behalf of the issuer.

(6) Include the following statements in bold type:

- (a) **If the minimum offering is not raised by** [*Instruction: Insert date that is not more than 120 days after the date the offering document is first delivered to a purchaser*] **all funds will be returned to purchasers.**
- (b) **Funds available following the offering may not be sufficient to accomplish the proposed objectives.** [*Instruction: Delete if the available funds following the minimum offering will provide sufficient funds to accomplish all of the proposed objectives for the next 12 months.*]
- (c) **No person or company other than a registrant is qualified to recommend that an investment in these securities is suitable for you.**
- (d) **The forecasts and predictions of an early-stage business are particularly difficult to objectively analyze or confirm. Carefully consider whether those presented appear reasonable. Forward-looking information presented is required to be reasonable but it is the opinion of the issuer and actual results may be very different.** [*Instruction: Delete if there are no forecasts or forward-looking information provided.*]
- (e) **You will be restricted from selling your securities. These restrictions will continue indefinitely. See Item 9.**
- (f) **You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this offering document, you also have a right to sue for damages or to cancel the agreement. See Item 10.**

Item 2: Use of Available Funds

- (1) Available Funds** - Using the following table, disclose the funds available to the issuer as a result of the offering.

| | | 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 and accounting.) | \$ | \$ |
| D. | Total Available funds: D = A - (B+C) | \$ | \$ |

(2) Use of Available Funds -

- (a) Using the following table, provide a detailed breakdown of how the issuer proposes to use the available funds. Provide enough detail to allow purchasers to make an informed investment decision.
- (b) If any of the available funds will be paid to a related party, disclose in the table the name of the related party, the relationship to the issuer, and the amount.

- (c) 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: [Instruction: The total should equal D in the Available Funds table above] | \$ | \$ |

Item 3: Business of the Issuer and Other Information and Transactions

(1) **Structure** - Provide the following information about the organization of the issuer:

- (a) legal structure of the issuer (e.g., corporation, partnership, trust, or unincorporated sole proprietor),
- (b) the statute and jurisdiction under which the issuer is incorporated, continued or organized,
- (c) the date of incorporation, continuance or organization of the issuer, and
- (d) how a purchaser can view the issuer's organizational documents (e.g., articles of incorporation, partnership agreement or shareholder agreement).

(2) **The Business** - Describe the material aspects of the issuer's business.

Guidance: The information provided must be balanced and fair and not misleading or untrue. It should not over-emphasize the positive and downplay the negative. If the issuer has future plans or goals but the reasonableness of those plans or goals cannot yet be appropriately analyzed or assessed or, given the stage of development of the business, there can be little or no assurance that the plans or goals are achievable, the risks associated with being able to achieve those plans or goals should be made clear.

Enough details should be provided so a purchaser can clearly understand the issuer's business, what it currently does and intends to do.

Information that may be important to purchasers includes the following:

- *Does or will the issuer build, design or develop something? Sell something produced by itself? By others? Provide a service?*
- *Does the issuer have business premises from which it can operate its business?*
- *How many employees does the issuer have? Need?*
- *Has the issuer entered any contracts that are important to its business?*
- *Are there factors that make the issuer's business different from its competitors?*
- *What milestones has the issuer already reached e.g., developed a prototype, signed a distribution agreement, leased premises, obtained a bank loan or other significant financing, generated sales, generated a profit?*

- *What milestones does the issuer hope to achieve in the next couple of years e.g., Complete testing? Find a manufacturer? Commence a marketing campaign? Buy inventory? What is the proposed timeline for achieving each of the milestones?*
- *What are the major hurdles that the issuer expects to face in achieving its milestones?*
- *If the issuer is offering shares or similar securities to purchasers, is there a long-term goal that would provide an "exit-opportunity" for purchasers e.g., the issuer hopes to eventually become a reporting issuer? Be bought out/taken over by a larger company.*

(NOTE: Unless certain conditions are met, it is a breach of securities laws to state that an issuer will be or will apply to be traded on an exchange or quoted on a quotation and trade reporting system.)

- (a) For a non-resource issuer, include a description of the principal products or services, operations, market, marketing plans and a discussion of the issuer's current and prospective competitors.
- (b) For a resource issuer, describe the principal properties (including interest held), the stage of development, reserves, geology, operations, production and mineral reserves or mineral resources being explored or developed.

Guidance: Refer to National Instrument 43-101 Standards of Disclosure for Mineral Projects when disclosing scientific or technical information for a mineral project of the issuer. Refer to Part 4 and Part 5 of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities for oil and gas issuers disclosing information about their oil and gas activities.

Note: Disclosure of reserves or resources that is not consistent with the reserves and resources terminology and categories set out in the Canadian Oil and Gas Evaluation Handbook may be misleading.

- (c) If the issuer has any subsidiaries, affiliates, or related parties, and the relationships with those parties would be important to a purchaser in understanding the issuer's business, include an organizational chart and a description of the relationships between them.
 - (d) If the issuer is a vehicle for collective investment such as an opportunity development cooperative, describe the information that the issuer will collect regarding the business of each underlying investment and what information will be provided to a purchaser regarding the business of each underlying investment.
- (3) Material Investments** – If at the time of the distribution the issuer has identified a person or company that a reasonable person would believe the likelihood is high that the issuer will direct by loan or investment, at least 50% of the aggregate gross proceeds raised by the issuer under an Order in the preceding 12 month period, the offering document must also provide the disclosure specified by Items 3, 4, 5(1), 5(2), 7 and 11 of this Form for that other issuer, as if that other issuer were the issuer preparing the offering document.

(4) Material Contracts – For each contract that the issuer or a related party to the issuer is currently a party to, that is material to the issuer,

- (a) disclose:

- (i) the parties to the contract,
 - (ii) if the contract is with a related party, the relationship to the issuer,
 - (iii) the date of the contract, and
- (b) either
- (i) disclose the material terms of the contract, or
 - (ii) provide prospective purchasers with reasonable access to the contract and include a statement with instructions on how the purchaser may obtain access to the agreement.

Item 4: Directors and Management

(1) Director and management experience - Using the following table, provide the specified information for each director, officer, founder (as defined in an Order) and control person of the issuer. Use notes to the table to indicate the date securities were acquired and the price paid for the securities.

| Full legal name, municipality of residence, and position at issuer | Principal occupation for the last five years | Expertise, education, and experience that is relevant to the issuer's business | Number and type of securities of the issuer held after completion of minimum offering | Number and type of securities held after completion of maximum offering |
|--|--|--|---|---|
| | | | | |
| | | | | |
| | | | | |

(2) Penalties, Sanctions, Bankruptcy, Insolvency and Criminal or Quasi-Criminal Matters - State whether the issuer or any director, officer, founder (as defined in an Order) or control person of the issuer

- (a) has ever, pled guilty to or been found guilty of
 - (i) a summary conviction or indictable offence under the *Criminal Code* (R.S.C., 1985, c. C-46) (Canada),
 - (ii) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction, which includes offences under the *Income Tax Act* (R.S.C. 1985, c. 1 (5th Suppl.)), the *Immigration and Refugee Protection Act* (R.S.C., 2001, c. 27) and the tax, immigration, drugs, firearms, money laundering or securities legislation of any province or territory of Canada or of a foreign jurisdiction,
 - (iii) a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory therein, or
 - (iv) an offence under the criminal legislation of any other foreign jurisdiction,
- (b) is or has been the subject of an order (cease trade or otherwise), judgment, decree, sanction, or administrative penalty imposed by a government agency, administrative

agency, self-regulatory organization, civil court, or administrative court of Canada or a foreign jurisdiction in the last 10 years related to his or her involvement in any type of business, securities, insurance or banking activity,

- (c) is or has been the subject of a bankruptcy or insolvency proceeding, or
- (d) is a director or officer of an issuer that is or has been subject to a proceeding described in (a), (b) or (c) above.

(3) Compensation to directors and officers

- (a) State the aggregate compensation paid by the issuer or a related party of the issuer to the directors and officers of the issuer, for services to the issuer, in the most recently completed financial year.
- (b) State the aggregate compensation anticipated to be paid by the issuer or a related party of the issuer to the directors and officers of the issuer, for services to the issuer, in the current financial year.

Item 5: Capital Structure

(1) Outstanding Securities - Describe the number and type of securities of the issuer outstanding as at the date of the offering document, other than long-term debt securities disclosed in Item 5(2). If there are securities outstanding other than the class of securities being offered, please describe those securities.

(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 document.

Instructions:

- (a) Add notes to the table to disclose any amounts of the debt that are due within 12 months of the date of the offering document.
- (b) Add notes to the table to describe any conversion terms.
- (c) If the securities being offered are debt securities add columns to the table disclosing the amount of the debt that will be outstanding after both the minimum and maximum offering.
- (d) If the debt is owed to a director, officer, or other related party, indicate that in a note to the table and identify the related party.

| 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 document |
|---|---------------|-----------------|---|
| | | | \$ |
| | | | \$ |
| | | | |

(3) **Prior Sales** - If the issuer has within the 12 months prior to the offering document issued any securities of the class being offered under the offering document (or convertible or exchangeable into the class being offered under the offering document), use the following table to provide the specified information.

| Date securities issued | Number of securities issued | Price per security | Total funds received or, if applicable, description of asset or services received |
|------------------------|-----------------------------|--------------------|---|
| | | | |
| | | | |
| | | | |

Item 6: Details of the Offering

(1) **Terms of Securities Offered** - Describe the material terms of the securities being offered, including:

- (a) voting rights or restrictions on voting,
- (b) conversion or exercise price and date of expiry,
- (c) terms that provide a right to redeem or retract,
- (d) rights to participate in future financings,
- (d) interest rate, and dividend or distribution policy.

Guidance: Only "eligible securities" as defined in an Order can be distributed under an Order. The information required to address Item 6(1) is usually found in the organizing documents of the issuer referred to in Item 3(1).

(2) **Superior Rights** - If any outstanding securities will be superior to those being offered, e.g., because of priority to dividends, priority in insolvency, greater voting rights or rights to participate in future financings or acquisitions, state that.

(3) **Process for Subscribing**

- (a) Describe the procedure for a purchaser to subscribe for the securities and how payment can be made.
- (b) State that the payment will be held in trust for the purchaser and the period that it will be held [*Instruction: The payment must be held in trust for at least the length of the purchaser's two day cancellation right described in Item 10.*]
- (c) Disclose any conditions that must be met prior to closing, including any receipt of additional funds from other sources.
- (d) State the date by which the minimum offering must be raised. [*Instruction: The date cannot be later than 120 days after the date this offering document is first delivered to a purchaser.*]
- (e) Disclose when funds will be returned to purchasers if the minimum offering is not reached.

- (4) **Commissions and Other Selling Compensation** - If any person or company has or will receive any commission, corporate finance fee or finder's fee or any other similar compensation in connection with the offering, provide the following information:
- (a) a description of each type of compensation and the estimated amount of each,
 - (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 any maximum offering), and
 - (c) details of any broker's warrants or agent's option (including number of securities under option, exercise price and expiry date).

- (5) **Income Tax Consequences and RRSP Eligibility** – Include the following statement:

Not all securities are eligible for investment in a registered plan, like a registered retirement savings plan (RRSP). Even if the securities are eligible for such plans, the investment is still risky. It is not generally recommended to use funds needed for retirement to make risky investments.

Item 7: Risk Factors

Describe **in order of importance**, starting with the most important, the main risks for purchasers in investing in the issuer's business.

Guidance: Risk factors will generally fall into the following 3 categories:

- (a) *Investment Risk - risks that are specific to the securities being offered. Some examples include*
 - *the purchase price is arbitrary and there is no independent valuation,*
 - *a purchaser may experience an immediate dilution of their investment because securities previously issued were issued for nominal consideration,*
 - *resale restrictions,*
 - *no market in which to resell the securities and no near term "exit strategy" for purchasers,*
 - *for redeemable securities, conditions or restrictions on redemption,*
 - *insufficient funds to pay dividends or interest or redeem securities,*
 - *for debt securities being subordinate to other debt, and*
 - *if the issuer is investing in other issuers, the risk to a purchaser in not having voting rights or rights to the assets of that other issuer.*
- (b) *Issuer Risk - risks that are specific to the issuer. Some examples include*
 - *limited business experience of management,*
 - *the need to raise more funds to accomplish the issuer's business objectives,*
 - *no history or a limited history of revenue or profits,*
 - *lack of specific technical expertise,*
 - *dependence on key employees,*
 - *reliance on key suppliers or customers,*
 - *management's regulatory and business track record, and*

- *existing or threatened lawsuits.*
- (c) *Industry Risk - risks faced by the issuer because of the industry in which it operates. Some examples include*
 - *significant regulatory requirements or approvals required,*
 - *environmental, health and safety issues,*
 - *competition, including from more established businesses.*

The disclosure of risk factors must be fair and balanced and not misleading or untrue. Issuers may indicate how they hope to mitigate these risks, but should not deemphasize the risks by including excessive caveats or conditions.

Item 8: Reporting Obligations

- (a) If the issuer is required by an Order, corporate law, its constating documents (e.g., articles of incorporation or bylaws) or otherwise, to provide ongoing disclosure to purchasers e.g., annual financial statements or an information circular/proxy statements, state that fact.
- (b) If the issuer is not required to provide any documents to the purchasers on an annual or on-going basis, include the following statement in bold type:

We are not required to provide you any documents on an annual or ongoing basis.

Guidance: An Order may require the issuer to provide annual financial statements to its investors. Further, corporate legislation in many jurisdictions requires issuers with more than a specified number of shareholders to prepare and disseminate audited annual financial statements. Further, such issuers may be required to hold annual meetings of shareholders and provide certain specified disclosure in an information circular. Refer to applicable corporate law.

Item 9: Resale Restrictions

Include the following statement in bold type:

The securities you are purchasing are subject to resale restrictions that will continue indefinitely. Unless the issuer becomes a reporting issuer (public company) they can only legally be resold to a very limited number of people under a prospectus or under exemptions from the prospectus requirement. Even if they can be legally resold, you may not be able to identify a buyer. You may never be able to resell the securities.

Item 10: Investors' Rights

Include the following statements in bold type:

You have 2 business days to change your mind about this investment.

You also have a right to sue if there is a misrepresentation in the offering document. See below for further details.

Two-day cancellation right - If you agree to make an investment, you have a short period in which to change your mind, for any reason, and cancel your agreement.

To do so, you must send a written notice to the issuer by not later than midnight on the 2nd business day after signing the agreement to purchase the securities.

Right of action in the event of a misrepresentation – If you invest and find that there is a misrepresentation in the offering document, including all amendments to that document, you have a statutory right to either (a) sue the issuer to cancel your agreement or (b) sue the issuer, its directors, and each person or company who has signed the offering document for damages.

This 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 these rights, you must do so within strict time limits. Consult a lawyer! If you intend to sue to cancel your agreement because of a misrepresentation you must start the lawsuit no more than 180 days from the day of the transaction giving rise to the cause of action. If you intend to sue for damages you must start the lawsuit within the earlier of (a) 180 days from the day of first having knowledge of the facts giving rise to the cause of action, and (b) 3 years from the day of the transaction giving rise to the cause of action.

Item 11: Financial Statements

- (a) If the issuer is not required to include financial statements with the offering document and none have been voluntarily included, state that fact.
- (b) If any financial statements have been included with the offering document and they are not audited, state that the financial statements are not audited.
- (c) If the financial statements have been subject to a review engagement report, do **not** include that report with the financial statements.
- (d) If the issuer is required under an Order to include financial statements with the offering document or voluntarily chooses to include financial statements in the offering document, the financial statements must
 - (i) comply with Schedule A *Financial Statement Instructions* to this form; and
 - (ii) be included in the offering document, before the certificate required under Item 12.

Item 12: Date and Certificate

Include the following statement in bold type on the certificate page of the offering document:

Dated: *[Instruction: insert the date the certificate page of the offering document is signed]*.

This offering document does not contain a misrepresentation.

Guidance: The offering document must be signed by an individual authorized to sign on behalf of the issuer.

Schedule A *Financial Statement Instructions*
to Annex 1
FORM 45-539F1
SMALL BUSINESS OFFERING DOCUMENT

The instructions in this Schedule A apply if the issuer is required to include financial statements in the offering document or is voluntarily providing financial statements.

General

1. National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (**NI 52-107**) requires that all financial statements included in an offering memorandum or document that is filed with a securities regulatory authority be prepared in accordance with Canadian generally accepted accounting principles (**GAAP**) applicable to publicly accountable enterprises. An Order provides an exemption from certain provisions of NI 52-107.
 - (a) An issuer preparing an offering document under an Order must prepare its financial statements either in accordance with
 - (i) section 3.2 of NI 52-107, or
 - (ii) Part II of the CPA Canada Handbook (the **handbook**), as amended from time to time applied to an issuer as if it were a private enterprise provided that the financial statements consolidate any subsidiaries of the issuer and account for any significantly influenced investees and joint ventures using the equity method (the **modified regulatory accounting principles**) and paragraphs 3 to 30 of this Schedule A.
 - (b) The financial statements (excluding interim financial statements) included in the offering document must either be
 - (i) audited in accordance with section 3.3 of NI 52-107, or
 - (ii) if they have not been audited, subject to a review in accordance with the standard for engagements to review historical financial statements, as specified in the handbook (a **review**) and prepared in accordance with paragraphs 3 to 30 of this Schedule A.
2. The issuer must include a statement proximate to any financial statements:
 - (a) if prepared in accordance with the modified regulatory accounting principles as follows:

“These financial statements are prepared in accordance with the modified regulatory accounting principles specified in [Alberta Securities Commission Blanket Order 45-539 *Small Business Financing* and/or Financial and Consumer Affairs Authority of Saskatchewan General Order 45-539 *Small Business Financing*] and as such, [name of issuer or other term used to refer to issuer] is permitted to rather than providing financial statements prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises, provide financial statements prepared in accordance with GAAP for private enterprises, provided that any subsidiaries are consolidated and accounted for using the equity method. The recognition,

measurement and disclosure requirements of modified regulatory accounting principles differ from those of Canadian GAAP applicable to publicly accountable enterprises.”

(b) if subject to a review rather than an audit as follows:

“These financial statements, are prepared in accordance with [Alberta Securities Commission Blanket Order 45-539 *Small Business Financing* and/or Financial and Consumer Affairs Authority of Saskatchewan General Order 45-539 *Small Business Financing*] and as such, [name of issuer or other term used to refer to issuer] is permitted to rather than providing audited annual financial statements, provide annual financial statements that have been reviewed by a certified public accountant. A review of annual financial statements by a certified public accountant provides limited assurance and lacks the level of assurance for audited annual financial statements.”

(c) if audited by an audit firm that has not entered into a participation agreement with the Canadian Public Accountability Board as follows:

“[Name of audit firm] audited the financial statements of [name of issuer or other term used to refer to issuer] for the year ended [state the period of the most recent financial statements included in the prospectus] and issued an auditor’s report dated [state the date of the auditor’s report for the relevant financial statements]. As at [state the date of the auditor’s report for the relevant financial statements], [name of audit firm] was not required by securities legislation to enter, and had not entered, into a participation agreement with the Canadian Public Accountability Board. An audit firm that enters into a participation agreement is subject to the oversight program of the Canadian Public Accountability Board.”

Issuer Financial Statements

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 document, include in the offering document financial statements of the issuer consisting of:
 - (a) an income statement, a statement of retained earnings and a cash flow statement for the period from inception to a date not more than 90 days before the date of the offering document,
 - (b) a balance sheet 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 document annual financial statements of the issuer consisting of:
 - (a) an income statement, a statement of retained earnings and a cash flow statement for
 - (i) the most recently completed financial year that ended more than 120 days before the date of the offering document, and
 - (ii) the financial year immediately preceding the financial year in subparagraph (a)(i), if any, and
 - (b) a balance sheet as at the end of each of the periods referred to in paragraph (a), and
 - (c) 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 income statement referred to in paragraph 4.
6. If the issuer has completed one or more financial years, include in the offering document interim financial statements of the issuer comprised of:
 - (a) an income statement, a statement of retained earnings and a cash flow statement for the most recently completed interim period that ended
 - (i) more than 60 days before the date of the offering document, and
 - (ii) after the year-end date of the financial statements required under subparagraph 4(a)(i),
 - (b) an income statement, a statement of retained earnings and a cash flow statement for the corresponding period in the immediately preceding financial year, if any, and
 - (c) a balance sheet as at the end of the period required by subparagraph (a)(i) and the end of the immediately preceding financial year.
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 income statement referred to in paragraph 6.
8. An issuer is not required to include the comparative financial information for the period in subparagraph 4(a)(ii) in an offering document if the issuer includes financial statements for a financial year ended less than 120 days before the date of the offering document.
9. The term "interim period" has the meaning set out in National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102) except for an investment fund, in which case it has the meaning in National Instrument 81-106 *Investment Fund Continuous Disclosure*.
10. The comparative financial information required under paragraphs 6(b) and 6(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. (a) If any of the financial statements required by paragraphs 3, 4 or subparagraph 14(a) have been audited, the auditor's report must be included in the offering document.
 - (b) The financial statements required by paragraph 4 and the financial information contained in the offering document may be unaudited or derived from unaudited financial statements, provided that all of the following are satisfied:
 - (i) the relevant financial statements presented, or from which financial information has been derived, for the most recently completed financial year have been subject to a review,
 - (ii) the review report does not include a modified conclusion as defined in the Canadian Standard for Review Engagements (CSRE) 2400, *Engagements to Review Historical Financial Statements* (**modified conclusion**), and:
 - (A) identifies the financial statements that were subject to the review, including identification of the title of each of the statements contained in the set of

financial statements and the date and period covered by each financial statement,

- (B) is in the form specified by the standard for a review, and
- (C) refers to IFRS or the modified regulatory accounting principles as the applicable financial reporting framework.

12. The financial statements required under paragraph 6 and the comparative financial information required by paragraph 4 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 document.
13. All unaudited financial statements and unaudited comparatives must be clearly labelled as unaudited.
14. If the distribution is ongoing, the issuer must do the following:
 - (a) if the offering document does not contain annual financial statements for the issuer's most recently completed financial year, the issuer must do the following:
 - (i) amend the offering document to include the annual financial statements as soon as the issuer has approved the financial statements, but in any event no later than the 120th day following the financial year end;
 - (ii) present the offering document and the annual financial statements in accordance with the instructions in paragraphs 1 to 24 and, for that purpose, the reference to the financial year in subparagraph 4(a)(i) shall mean the issuer's most recently completed financial year;
 - (b) if the offering document does not contain interim financial statements for the issuer's most recently completed 6-month period, the issuer must do the following:
 - (i) amend the offering document to include the interim financial statements no later than the 60th day following the end of the period;
 - (ii) present the offering document and the interim financial statements in accordance with the instructions in paragraphs 1 to 24 and, for that purpose, the reference to the interim period in paragraph 6(a) shall mean the issuer's most recently completed 6-month period.
15. If the issuer has included in its offering document interim financial statements for its most recently completed 9-month period, paragraph 14(b) does not apply.

Financial Statements of Businesses Acquired or to be Acquired

16. If the issuer
 - (a) has acquired a business during the past 2 years and the financial statements of the issuer included in the offering document 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 paragraph 19 for the business if either of the tests in paragraph 17 is met, irrespective of how the issuer accounts, or will account, for the acquisition.

17. Include the financial statements specified in paragraph 19 for a business referred to in paragraph 16 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 document 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 document 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.
18. 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 document date, use the financial statements referred to in paragraph 3 to make the calculations in paragraph 17.
19. If under paragraph 17 you must include in the offering document 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 document
 - (i) an income statement, a statement of retained earnings and a cash flow statement
 - (A) for the period from inception to a date not more than 90 days before the date of the offering document, 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 balance sheet 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 include
 - (i) annual financial statements comprised of:
 - (A) an income statement, a statement of retained earnings and a cash flow statement 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 document, and

- ii. the financial year immediately preceding the most recently completed financial year specified in subclause i., if any,
- (B) a balance sheet as at the end of each of the periods specified in clause (A),
- (C) notes to the financial statements, and
- (ii) an interim financial statement comprised of
 - (A) either
 - i. an income statement, a statement of retained earnings and a cash flow statement 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 document and ended after the date of the financial statements required under subclause (i)(A)i., and an an income statement, a statement of retained earnings and a cash flow statement 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 document and ended after the date of the financial statements required under subclause (i)(A)i., or
 - ii. an income statement, a statement of retained earnings and a cash flow statement for the period from the first day after the financial year referred to in subparagraph (i) to a date before the acquisition date and after the period end in subclause (A)i.,
 - (B) an income statement, a statement of retained earnings and a cash flow statement for the corresponding period in the immediately preceding financial year, if any,
 - (C) a balance sheet 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 paragraph 9 for the meaning of "interim period".

- 20. (a) If any of the financial statements required by paragraph 19(b)(i) have been audited, the auditor's report must be included in the offering document.
- (b) The financial statements required by paragraph 19(b)(i) and the financial information contained in the offering document may be unaudited or derived from unaudited financial statements, provided that all of the following are satisfied:
 - (i) the relevant financial statements presented, or from which financial information has been derived, for the most recently completed financial year have been subject to a review,
 - (ii) the review report does not include a modified conclusion, and:
 - (A) identifies the financial statements that were subject to the review, including identification of the title of each of the statements contained in the set of

financial statements and the date and period covered by each financial statement;

- (B) is in the form specified by the standard for a review; and
- (C) refers to IFRS or the modified regulatory accounting principles as the applicable financial reporting framework.

The financial statements required under paragraphs 19(a), subparagraph 19(b)(ii) and the comparative financial information required by subparagraph 19(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 document.

All unaudited financial statements and unaudited comparatives must be clearly labelled as unaudited.

21. If the offering document does not contain financial statements for a business referred to in paragraph 16 for the business's most recently completed financial year that ended before the acquisition date and the distribution is ongoing, update the offering document to include those financial statements when they are available, but in any event no later than the date 120 days following the year-end.
22. 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.

Reporting issuers are reminded that an acquisition may constitute the acquisition of a business for securities legislation purposes, even if the acquired set of activities or assets does not meet the definition of a "business" for accounting purposes.

23. 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, include financial statements for the legal subsidiary in the offering document. The legal parent is considered to be the business acquired. Paragraph 16 may also require financial statements of the legal parent.
24. An issuer satisfies the requirements in paragraph 19 if the issuer includes in the offering document the financial statements required in a business acquisition report under NI 51-102.

Financial Statement Exemptions

25. Notwithstanding the requirements in subparagraph 3.3(1)(a)(i) of NI 52-107, if an auditor's report accompanies financial statements of an issuer or a business contained in an offering document, it may express a qualification of opinion relating to inventory if

- (a) the issuer includes in the offering document a balance sheet that is for a date that is after the date to which the qualification relates,
 - (b) the balance sheet 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.
26. If an issuer has, or will account for a business referred to in paragraph 16 using the equity method, then financial statements for a business required by paragraphs 16 to 24 are not required to be included if the offering document includes disclosure for the periods for which financial statements are otherwise required under paragraphs 16 to 24 that:
- (a) summarizes information as to the aggregated amounts of assets, liabilities, revenue and profit or loss of the business, and
 - (b) 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.
27. (a) The financial information referred to in paragraph 26 may be unaudited or be derived from unaudited financial statements, provided that all of the following are satisfied:
- (i) the relevant financial information presented, or from which financial information has been derived, for the most recently completed financial year have been subject to a review, and
 - (ii) the review report does not include a modified conclusion, and:
 - (A) identifies the financial statements that were subject to the review, including identification of the title of each of the statements contained in the set of financial statements and the date and period covered by each financial statement;
 - (B) is in the form specified by the standard for a review; and
 - (C) refers to IFRS or the modified regulatory accounting principles as the applicable financial reporting framework.

All unaudited financial statements and unaudited comparatives must be clearly labelled as unaudited.

28. The financial information provided under paragraph 26 for any completed financial year that has not been audited need not be accompanied by the review report but the issuer must do both of the following:
- (a) provide disclosure to accompany the financial statements that the financial information presented has not been audited and is not derived from audited financial statements, and
 - (b) in respect of financial information, other than financial statements, provide disclosure proximate to that financial information that identifies the financial statements from which the financial information has been derived and indicates that neither the financial

information nor the financial statements from which the financial information has been derived have been audited.

29. 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 document if both of the following apply:
- (a) the acquisition is not of securities of another issuer, unless the vendor transferred the business to the other issuer and that other issuer
 - (i) was created for the sole purpose of facilitating the acquisition; and
 - (ii) other than assets or operations relating to the transferred business, has no
 - (A) substantial assets; or
 - (B) operating history; and
 - (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 take-over, and
 - (ii) the following apply:
 - (A) the offering document 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 paragraph 19 prepared in accordance with subsection 3.11(5) of National Instrument 52-107,
 - (B) the operating statement for the most recently completed financial period referred to in subparagraph 19(b)(i) is audited or subject to a review,
 - (C) the offering document includes a description of the property or properties and the interest acquired by the issuer,
 - (D) the offering document 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 document includes actual production volumes of the property for the most recently completed year, and
 - (F) the offering document includes estimated production volumes of the property for the first year reflected in the estimate disclosed under clause (E).
30. 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 or subject to a review 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 operating statement of the property that was audited or subject to a review,
- (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 document discloses
 - (i) that the issuer was unable to obtain an operating statement that was audited or subject to a review,
 - (ii) the reasons for that inability,
 - (iii) the fact that the purchase agreement includes the representations and warranties referred to in subparagraph (ii), and
 - (iv) that the results presented in the operating statements may have been materially different if the statements had been audited or subject to a review.

(Full legal name of issuer as set forth in the organizational documents)
(Any other names the issuer operates under)

No securities regulatory authority or regulator has reviewed or approved the merits of these securities or reviewed this offering document. Any representation to the contrary is an offence. This is a risky investment. See Item 6 for a discussion of the risk factors that management believes present the most substantial risks to you.

You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this offering document, you also have a right to sue for damages or to cancel the agreement. See Item 10.

The Offering

| Type of Securities Offered | Price Per Security |
|---|------------------------------------|
| <input type="checkbox"/> Common shares | \$Click or tap here to enter text. |
| <input type="checkbox"/> Preference Shares | \$Click or tap here to enter text. |
| <input type="checkbox"/> Debt Securities (other than securitized products or structured finance products) | \$Click or tap here to enter text. |
| <input type="checkbox"/> Units of a Limited Partnership | \$Click or tap here to enter text. |
| <input type="checkbox"/> Membership Shares or Investment Shares Issued by a Cooperative | \$Click or tap here to enter text. |
| <input type="checkbox"/> Securities Convertible or Exchangeable Into any of the Securities Above | \$Click or tap here to enter text. |

Description of material terms of securities offered: e.g., exercise or conversion price or formula, expiry date, interest rates, preferences to dividends or assets on dissolution, redemption rights and restrictions, tag-along rights, pre-emptive rights, rights to participate in future financings, super voting rights.

Sales Commission, if any: \$Click or tap here to enter text.

Offering Amount: Minimum: \$ Click or tap here to enter text.

Maximum: \$ Click or tap here to enter text.

The minimum offering deadline in this offering is: This date cannot be later than 120 days after the date the offering document is first delivered to a purchaser.

Head Office Address of Issuer

Street Address Line 1

Click or tap here to enter text.

Street Address Line 2

Click or tap here to enter text.

City

Click or tap here to enter text.

Province

Click or tap here to enter text.

Postal Code

Click or tap here to enter text.

Website

Click or tap here to enter text.

Phone

Click or tap here to enter text.

Person to Contact at the Issuer with Respect to the Offering (officer, employee or agent of the issuer who is able to answer questions from purchasers or staff of the Alberta Securities Commission or the Financial or Consumer Affairs Authority of Saskatchewan)

| | | |
|---|--|---|
| Surname/Family Name Click or tap here to enter text. | Given Name Click or tap here to enter text. | |
| Business Address Click or tap here to enter text. | Position with Issuer Click or tap here to enter text. | |
| City Click or tap here to enter text. | Province Click or tap here to enter text. | Postal Code Click or tap here to enter text. |
| Phone Click or tap here to enter text. | Email Click or tap here to enter text. | |

The date of this offering document is Click or tap to enter a date.

Item 1: Use of Available Funds

(1) Available Funds - The funds available to the issuer as a result of the offering are as follows:

| | | Assuming minimum offering | Assuming maximum offering |
|----|---|-------------------------------------|-------------------------------------|
| A. | Amount to be raised by this offering | \$ Click or tap here to enter text. | \$ Click or tap here to enter text. |
| B. | Selling commissions and fees | \$ Click or tap here to enter text. | \$ Click or tap here to enter text. |
| C. | Estimated offering costs (including legal and accounting) | \$ Click or tap here to enter text. | \$ Click or tap here to enter text. |
| D. | Total Available funds: $D = A - (B+C)$ | \$ Click or tap here to enter text. | \$ Click or tap here to enter text. |

(2) Use of Available Funds -The following table details how the issuer proposes to use the available funds.

| Description of intended use of available funds listed in order of priority | Assuming minimum offering | Assuming maximum offering |
|---|--|--|
| <i>Provide enough detail to allow purchasers to make an informed investment decision. If any of the available funds will be paid to a related party, disclose in 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.</i> | \$ Click or tap here to enter text. | \$ Click or tap here to enter text. |
| Click or tap here to enter text. | \$ Click or tap here to enter text. | \$ Click or tap here to enter text. |
| Total: | <i>\$ The total should equal to D in the</i> | <i>\$ The total should equal to D in the</i> |

| | | |
|--|-------------------------------------|-------------------------------------|
| | <i>Available Funds table above.</i> | <i>Available Funds table above.</i> |
|--|-------------------------------------|-------------------------------------|

Other comments on use of available funds:

Provide any additional information about the use of available funds that may be necessary to ensure that the information provided in the tables is fair and balanced and not untrue or misleading .

Item 2: Business of the Issuer and Other Information and Transactions

(1) Structure – Details of the organization of the issuer are as follows:

| | |
|---|----------------------------------|
| Legal structure of the issuer: (e.g., corporation, partnership, trust, or unincorporated sole proprietor) | Click or tap here to enter text. |
| Statute and jurisdiction under which the issuer is incorporated, continued or organized | Click or tap here to enter text. |
| Date of incorporation, continuance or organization of the issuer | Click or tap here to enter text. |
| How a purchaser can view the issuer’s organizational documents (e.g., articles of incorporation, partnership agreement or shareholder agreement) | Click or tap here to enter text. |

(2) The Business - The material aspects of the issuer’s business are as follows:

The information provided must be balanced and fair and not misleading or untrue. It should not over-emphasize the positive and downplay the negative. If the issuer has future plans or goals but the reasonableness of those plans or goals cannot yet be appropriately analyzed or assessed or, given the stage of development of the business, there can be little or no assurance that the plans or goals are achievable, the risks associated with being able to achieve those plans or goals should be made clear.

Enough details should be provided so a purchaser can clearly understand the issuer’s business, what it currently does and intends to do.

Information that may be important to purchasers includes the following:

- *Does or will the issuer build, design or develop something? Sell something produced by itself? By others? Provide a service?*
- *Does the issuer have business premises from which it can operate its business?*
- *How many employees does the issuer have? Need?*
- *Has the issuer entered any contracts that are important to its business?*
- *Are there factors that make the issuer’s business different from its competitors?*
- *What milestones has the issuer already reached e.g., developed a prototype, signed a distribution agreement, leased premises, obtained a bank loan or other significant financing, generated sales, generated a profit?*
- *What milestones does the issuer hope to achieve in the next couple of years e.g., Complete testing? Find a manufacturer? Commence a marketing campaign? Buy inventory? What is the proposed timeline for achieving each of the milestones?*
- *What are the major hurdles that the issuer expects to face in achieving its milestones?*
- *If the issuer is offering shares or similar securities to purchasers, is there a long-term goal that would provide an "exit-opportunity" for purchasers e.g., the issuer hopes to eventually become a reporting issuer? Be bought out/taken over by a larger company.*

(NOTE: Unless certain conditions are met, it is a breach of securities laws to state that an issuer will be or will apply to be traded on an exchange or quoted on a quotation and trade reporting system.)

The forecasts and predictions of an early-stage business are particularly difficult to objectively analyze or confirm. Carefully consider whether any forecasts and predictions presented appear reasonable. Forward-looking information presented is required to be reasonable but it is the opinion of the issuer and actual results may be very different.

- (a) Non-resource issuer: Principal products or services, operations, market, marketing plans and the issuer's current and prospective competitors

Click or tap here to enter text.

- (b) Resource issuer: Principal properties (including interest held), the stage of development, reserves, geology, operations, production and mineral reserves or mineral resources being explored or developed

Refer to National Instrument 43-101 Standards of Disclosure for Mineral Projects when disclosing scientific or technical information for a mineral project of the issuer. Refer to Part 4 and Part 5 of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities for oil and gas issuers disclosing information about their oil and gas activities. Note: Disclosure of reserves or resources that is not consistent with the reserves and resources terminology and categories set out in the Canadian Oil and Gas Evaluation Handbook may be misleading.

- (c) Organizational chart: If the issuer has any subsidiaries, affiliates, or related parties, and the relationships with those parties would be important to a purchaser in understanding the issuer's business, the organizational chart of the issuer and a description of the relationships between them are as follows:

Click or tap here to enter text.

- (d) Issuer that is vehicle for collective investment: If the issuer is a vehicle for collective investment such as an opportunity development cooperative, the information that the issuer will collect regarding the business of each underlying investment and the information that will be provided to a purchaser regarding the business of each underlying investment is as follows:

Click or tap here to enter text.

- (3) **Material Investments** – If at the time of the distribution the issuer has identified a person or company that a reasonable person would believe the likelihood is high that the issuer will direct by loan or investment, at least 50% of the aggregate gross proceeds raised by the issuer under an Order in the preceding 12 month period, the disclosure specified by Items 2, 3, 4(1), 4(2), 6 and 10 of this Form for that other issuer, as if that other issuer were the issuer preparing the offering document, is as follows:

Click or tap here to enter text.

(4) **Material Contracts** – The details of each contract that the issuer or a related party to the issuer is currently a party to, that is material to the issuer, are as follows:

| Name of Material Contract | Parties to the contract | Date of contract | If the contract is with a related party, the relationship to the issuer | Material terms of the contract (or provide details on how prospective purchasers may obtain reasonable access to the contract) |
|----------------------------------|----------------------------------|-------------------------------|---|--|
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Item 3: Directors and Management

(1) **Director and management experience** - The following table provides the specified information for each director, officer, founder (as defined in an Order) and control person of the issuer.

| Full legal name, municipality of residence, and position at issuer | Principal occupation for the last five years | Expertise, education, and experience that is relevant to the issuer's business | Number and type of securities of the issuer held after completion of minimum offering Indicate the date securities were acquired and the price paid | Number and type of securities held after completion of maximum offering Indicate the date securities were acquired and the price paid |
|--|--|--|--|--|
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(2) **Penalties, Sanctions, Bankruptcy, Insolvency and Criminal or Quasi-Criminal Matters** – If the issuer or any director, officer, founder or control person of the issuer

- (a) has ever, pled guilty to or been found guilty of
 - (i) a summary conviction or indictable offence under the *Criminal Code* (R.S.C., 1985, c. C-46) (Canada),
 - (ii) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction, which includes offences under the *Income Tax Act* (R.S.C. 1985, c. 1 (5th Suppl.)), the *Immigration and Refugee Protection Act* (R.S.C., 2001, c. 27) and the tax, immigration, drugs, firearms, money laundering or securities legislation of any province or territory of Canada or of a foreign jurisdiction,
 - (iii) a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory therein, or
 - (iv) an offence under the criminal legislation of any other foreign jurisdiction,

- (b) is or has been the subject of an order (cease trade or otherwise), judgment, decree, sanction, or administrative penalty imposed by a government agency, administrative agency, self-regulatory organization, civil court, or administrative court of Canada or a foreign jurisdiction in the last 10 years related to his or her involvement in any type of business, securities, insurance or banking activity,
- (c) is or has been the subject of a bankruptcy or insolvency proceeding, or
- (d) is a director or officer of an issuer that is or has been subject to a proceeding described in (a), (b) or (c) above

the details of such penalties, sanctions, bankruptcy, insolvency or criminal or quasi-criminal matters are as follows:

Click or tap here to enter text.

(3) Compensation to directors and officers

The following table sets out the aggregate compensation

- (a) paid by the issuer or a related party of the issuer to the directors and officers of the issuer, for services to the issuer, in the most recently completed financial year; and
- (b) anticipated to be paid by the issuer or a related party of the issuer to the directors and officers of the issuer, for services to the issuer, in the current financial year.

| Aggregate compensation paid for most recently completed financial year | Aggregate compensation anticipated to be paid in the current financial year |
|--|---|
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Item 4: Capital Structure

- (1) **Outstanding Securities** - The number and type of securities of the issuer outstanding as at the date of the offering document, other than long-term debt securities disclosed in Item 4(2), are set forth in the following table. If there are securities outstanding other than the class of securities being offered, they are described in the table.

| Type of outstanding securities | Description of material terms (e.g., exercise or conversion price or formula, expiry date, interest rates, preferences to dividends or assets on dissolution, redemption rights and restrictions, tag-along rights, pre-emptive rights, rights to participate in future financings, super voting rights) | Number outstanding |
|----------------------------------|--|----------------------------------|
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(2) **Long term debt** – Details of the 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 document are set forth in the following table.

| Description of debt including: <ul style="list-style-type: none"> • whether secured • any conversion terms • whether the debt is owed to a director, officer or related party and identify the related party | Interest rate | Repayment terms | Amount outstanding at a date not more than 30 days before the date of the offering document | Amounts due within 12 months of the date of the offering document | If the securities being offered are debt securities, amount of the debt that will be outstanding after both the minimum and maximum offering. |
|--|----------------------------------|----------------------------------|---|---|---|
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(3) **Prior Sales** – All securities of the issuer of the class being offered under this offering document (or convertible or exchangeable into the class being offered under this offering document) that have been issued within the 12 months prior to the offering document are set out in the following table.

| Date securities issued | Number of securities issued | Price per security | Total funds received or, if applicable, description of asset or services received |
|-------------------------------|----------------------------------|-------------------------------------|---|
| Click or tap to enter a date. | Click or tap here to enter text. | \$ Click or tap here to enter text. | \$ Click or tap here to enter text. |
| Click or tap to enter a date. | Click or tap here to enter text. | \$ Click or tap here to enter text. | \$ Click or tap here to enter text. |
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Item 5: Details of the Offering

(1) **Terms of Securities Offered** – The securities being offered have the following rights, restrictions, material terms and conditions:

- Voting rights or restrictions on voting - Describe voting rights.
- Dividends, interest or distribution policy - Describe any right to receive dividends, interest or distributions.
- Rights on dissolution - Describe rights.
- Conversion/exercise rights, including conversion/exercise price and date of expiry - Describe what each security is convertible into.
- Right to redeem or retract - Describe rights.
- Rights to participate in future financings - Describe rights.
- Other - Describe rights, restrictions or material terms and conditions.

[Guidance: Only "eligible securities" as defined in an Order can be distributed under an Order. The information required to address Item 5(1) is usually found in the organizing documents of the issuer referred to in Item 2(1).]

True or False - **The available funds following the minimum offering will provide sufficient funds to accomplish all of the proposed objectives for the next 12 months.**

(2) **Superior Rights** - True or False - Outstanding securities will be superior to those being offered, e.g., because of priority to dividends, priority in insolvency, greater voting rights or rights to participate in future financings or acquisitions. **See: Item 4 Capital Structure:**

(3) Process for Subscribing

(a) To subscribe for securities, a purchaser must follow the following procedure:

Include details on how payment may be made.

(b) The period during which the payment will be held in trust for the purchaser is as follows:

The payment must be held in trust for at least the length of the purchaser's two day cancellation right described in Item 9.

(c) The following conditions must be met prior to closing, including any receipt of additional funds from other sources:

Click or tap here to enter text.

(d) The date by which the minimum offering must be raised is as follows:

The date cannot be later than 120 days after the date this offering document is first delivered to a purchaser.

(e) The date that funds will be returned to purchasers if the minimum offering is not reached is as follows:

A date that is as soon as reasonably possible after the date that is 120 days after the date this offering document is first delivered to a purchaser.

(4) **Commissions and Other Selling Compensation** – The details of any commission, corporate finance fee or finder's fee or any other similar compensation in connection with the offering that has or will be paid to the persons or companies are as follows:

| | | |
|--|---|--|
| | 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 any maximum offering) | Details of any broker's warrants or agent's option (including number of securities under option, exercise price and expiry date) |
| <i>Description of type of compensation and the estimated amount of each.</i> | Minimum offering: %Click or tap here to enter text. Maximum offering: %Click or tap here to enter text. | Click or tap here to enter text. |
| <i>Description of type of compensation and the estimated amount of each.</i> | Minimum offering: %Click or tap here to enter text. Maximum offering: %Click or tap here to enter text. | Click or tap here to enter text. |

(5) Income Tax Consequences and RRSP Eligibility –

Not all securities are eligible for investment in a registered plan, like a registered retirement savings plan (RRSP). Even if the securities are eligible for such plans, the investment is still risky. It is not generally recommended to use funds needed for retirement to make risky investments.

Other comments on details of the offering:

Provide any additional information about the details of the offering that may be necessary to ensure that the information provided is fair and balanced and not untrue or misleading .

Item 6: Risk Factors

The main risks for purchasers in investing in the issuer's business are as follows (*check all that apply*):

Investment Risk - risks that are specific to the securities being offered

- the purchase price is arbitrary and there is no independent valuation
- a purchaser may experience an immediate dilution of their investment because securities previously issued were issued for nominal consideration
- resale restrictions
- no market in which to resell the securities and no near term "exit strategy" for purchasers
- for redeemable securities, conditions or restrictions on redemption
- insufficient funds to pay dividends or interest or redeem securities
- for debt securities being subordinate to other debt
- if the issuer is investing in other issuers, the risk to a purchaser in not having voting rights or rights to the assets of that other issuer
- other. Specify: Click or tap here to enter text.

Issuer Risk - risks that are specific to the issuer

- limited business experience of management

- the need to raise more funds to accomplish the issuer's business objectives
- no history or a limited history of revenue or profits
- lack of specific technical expertise
- dependence on key employees
- reliance on key suppliers or customers
- management's regulatory and business track record
- existing or threatened lawsuits
- other. Specify: [Click or tap here to enter text.](#)

Industry Risk - risks faced by the issuer because of the industry in which it operates

- significant regulatory requirements or approvals required
- environmental, health and safety issues
- competition, including from more established businesses

Other Risks

Specify: [Click or tap here to enter text.](#)

Other comments on risks:

The disclosure of risk factors must be fair and balanced and not misleading or untrue. Issuers may indicate how they hope to mitigate risks, but should not deemphasize the risks by including any excessive caveats or conditions.

Item 7: Reporting Obligations

Check the statement that applies:

- The issuer will provide ongoing disclosure to purchasers, e.g., annual financial statements or an information circular/proxy statements as required by an Order, corporate law, its constating documents (e.g., articles of incorporation or bylaws) or otherwise.

The ongoing disclosure to be provided is: [Click or tap here to enter text.](#)

- The issuer is **not** required to provide any documents to the purchasers on an annual or on-going basis.

[Guidance: An Order may require the issuer to provide annual financial statements to its investors. Further, corporate legislation in many jurisdictions requires issuers with more than a specified number of shareholders to prepare and disseminate audited annual financial statements. Such issuers may also be required to hold annual meetings of shareholders and provide certain specified disclosure in an information circular. Refer to applicable corporate law.]

Item 8: Resale Restrictions

The securities you are purchasing are subject to resale restrictions that will continue indefinitely. Unless the issuer becomes a reporting issuer (public company) they can only legally be resold to a very limited number of people under a prospectus or under exemptions from the prospectus requirement. Even if they can be legally resold, you may not be able to identify a buyer. You may never be able to resell the securities.

Item 9: Investors' Rights

You have 2 business days to change your mind about this investment.

You also have a right to sue if there is a misrepresentation in the offering document. See below for further details.

Two-day cancellation right - If you agree to make an investment, you have a short period in which to change your mind, for any reason, and cancel your agreement. To do so, you must send a written notice to the issuer by not later than midnight on the 2nd business day after signing the agreement to purchase the securities.

Right of action in the event of a misrepresentation – If you invest and find that there is a misrepresentation in the offering document, including all amendments to that document, you have a statutory right to either (a) sue the issuer to cancel your agreement or (b) sue the issuer, its directors, and each person or company who has signed the offering document for damages.

This 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 these rights, you must do so within strict time limits. Consult a lawyer! If you intend to sue to cancel your agreement because of a misrepresentation you must start the lawsuit no more than 180 days from the day of the transaction giving rise to the cause of action. If you intend to sue for damages you must start the lawsuit within the earlier of (a) 180 days from the day of first having knowledge of the facts giving rise to the cause of action, and (b) 3 years from the day of the transaction giving rise to the cause of action.

Item 10: Financial Statements

Check the statement that applies:

- The issuer is not required to include financial statements with the offering document and none have been voluntarily included.
- Financial statements have been included with the offering document and they are not audited.

Item 11: Date and Certificate

Dated: *Insert the date the certificate page of the offering document is signed.*

This offering document does not contain a misrepresentation.

Signature of issuer: *The offering document must be signed by an individual authorized to sign on behalf of the issuer.*

Name: Click or tap here to enter text.

Title: Click or tap here to enter text.

Schedule A *Financial Statement Instructions*
to Annex 1
FORM 45-539F1
SMALL BUSINESS OFFERING DOCUMENT

The instructions in this Schedule A apply if the issuer is required to include financial statements in the offering document or is voluntarily providing financial statements.

General

1. National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (**NI 52-107**) requires that all financial statements included in an offering memorandum or document that is filed with a securities regulatory authority or regulator be prepared in accordance with Canadian generally accepted accounting principles (**GAAP**) applicable to publicly accountable enterprises. An Order provides an exemption from certain provisions of NI 52-107.
 - (a) An issuer preparing an offering document under an Order must prepare its financial statements either in accordance with
 - (i) section 3.2 of NI 52-107, or
 - (ii) Part II of the CPA Canada Handbook (the **handbook**), as amended from time to time applied to an issuer as if it were a private enterprise provided that the financial statements consolidate any subsidiaries of the issuer and account for any significantly influenced investees and joint ventures using the equity method (the **modified regulatory accounting principles**) and paragraphs 3 to 30 of this Schedule A.
 - (b) The financial statements (excluding interim financial statements) included in the offering document must either be
 - (i) audited in accordance with section 3.3 of NI 52-107, or
 - (ii) if they have not been audited, subject to a review in accordance with the standard for engagements to review historical financial statements, as specified in the handbook (a **review**) and prepared in accordance with paragraphs 3 to 30 of this Schedule A.
2. The issuer must include a statement proximate to any financial statements:
 - (a) if prepared in accordance with the modified regulatory accounting principles, as follows:

“These financial statements are prepared in accordance with the modified regulatory accounting principles specified in [Alberta Securities Commission Blanket Order 45-539 *Small Business Financing* and/or Financial and Consumer Affairs Authority of Saskatchewan General Order 45-539 *Small Business Financing*] and as such, [name of issuer or other term used to refer to issuer] is permitted to rather than providing financial statements prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises, provide financial statements prepared in accordance with GAAP for private enterprises, provided that any subsidiaries are consolidated and accounted for using the equity method. The recognition, measurement and disclosure requirements of modified regulatory accounting principles differ from those of Canadian GAAP applicable to publicly accountable enterprises.”
 - (b) if subject to a review rather than an audit, as follows:

“These financial statements, are prepared in accordance with [Alberta Securities Commission Blanket Order 45-539 *Small Business Financing* and/or Financial and Consumer Affairs Authority of Saskatchewan General Order 45-539 *Small Business Financing*] and as such, [name of issuer or other term used to refer to issuer] is permitted to rather than providing audited annual financial statements, provide annual financial statements that have been reviewed by a certified public accountant. A review of annual financial statements by a certified public accountant provides limited assurance and lacks the level of assurance for audited annual financial statements.”

- (c) if audited by an audit firm that has not entered into a participation agreement with the Canadian Public Accountability Board, as follows:

“[Name of audit firm] audited the financial statements of [name of issuer or other term used to refer to issuer] for the year ended [state the period of the most recent financial statements included in the prospectus] and issued an auditor’s report dated [state the date of the auditor’s report for the relevant financial statements]. As at [state the date of the auditor’s report for the relevant financial statements], [name of audit firm] was not required by securities legislation to enter, and had not entered, into a participation agreement with the Canadian Public Accountability Board. An audit firm that enters into a participation agreement is subject to the oversight program of the Canadian Public Accountability Board.”

Issuer Financial Statements

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 document, include in the offering document financial statements of the issuer consisting of:
 - (a) an income statement, a statement of retained earnings and a cash flow statement for the period from inception to a date not more than 90 days before the date of the offering document,
 - (b) a balance sheet 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 document annual financial statements of the issuer consisting of:
 - (a) an income statement, a statement of retained earnings and a cash flow statement for
 - (i) the most recently completed financial year that ended more than 120 days before the date of the offering document, and
 - (ii) the financial year immediately preceding the financial year in subparagraph (a)(i), if any, and
 - (b) a balance sheet as at the end of each of the periods referred to in paragraph (a), and
 - (c) 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 income statement referred to in paragraph 4.
6. If the issuer has completed one or more financial years, include in the offering document interim financial statements of the issuer comprised of:

- (a) an income statement, a statement of retained earnings and a cash flow statement for the most recently completed interim period that ended
 - (i) more than 60 days before the date of the offering document, and
 - (ii) after the year-end date of the financial statements required under subparagraph 4(a)(i),
 - (b) an income statement, a statement of retained earnings and a cash flow statement for the corresponding period in the immediately preceding financial year, if any, and
 - (c) a balance sheet as at the end of the period required by subparagraph (a)(i) and the end of the immediately preceding financial year.
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 income statement referred to in paragraph 6.
8. An issuer is not required to include the comparative financial information for the period in subparagraph 4(a)(ii) in an offering document if the issuer includes financial statements for a financial year ended less than 120 days before the date of the offering document.
9. The term "interim period" has the meaning set out in National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102) except for an investment fund, in which case it has the meaning in National Instrument 81-106 *Investment Fund Continuous Disclosure*.
10. The comparative financial information required under paragraphs 6(b) and 6(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. (a) If any of the financial statements required by paragraphs 3, 4 or subparagraph 14(a) have been audited, the auditor's report must be included in the offering document.
- (b) The financial statements required by paragraph 4 and the financial information contained in the offering document may be unaudited or derived from unaudited financial statements, provided that all of the following are satisfied:
- (i) the relevant financial statements presented, or from which financial information has been derived, for the most recently completed financial year have been subject to a review,
 - (ii) the review report does not include a modified conclusion as defined in the Canadian Standard for Review Engagements (CSRE) 2400, *Engagements to Review Historical Financial Statements* (**modified conclusion**), and:
 - (A) identifies the financial statements that were subject to the review, including identification of the title of each of the statements contained in the set of financial statements and the date and period covered by each financial statement,
 - (B) is in the form specified by the standard for a review, and
 - (C) refers to IFRS or the modified regulatory accounting principles as the applicable financial reporting framework.
12. The financial statements required under paragraph 6 and the comparative financial information required by paragraph 4 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 document.

13. All unaudited financial statements and unaudited comparatives must be clearly labelled as unaudited.

14. If the distribution is ongoing, the issuer must do the following:

- (a) if the offering document does not contain annual financial statements for the issuer's most recently completed financial year, the issuer must do the following:
 - (i) amend the offering document to include the annual financial statements as soon as the issuer has approved the financial statements, but in any event no later than the 120th day following the financial year end;
 - (ii) present the offering document and the annual financial statements in accordance with the instructions in paragraphs 1 to 24 and, for that purpose, the reference to the financial year in subparagraph 4(a)(i) shall mean the issuer's most recently completed financial year;
- (b) if the offering document does not contain interim financial statements for the issuer's most recently completed 6-month period, the issuer must do the following:
 - (i) amend the offering document to include the interim financial statements no later than the 60th day following the end of the period;
 - (ii) present the offering document and the interim financial statements in accordance with the instructions in paragraphs 1 to 24 and, for that purpose, the reference to the interim period in paragraph 6(a) shall mean the issuer's most recently completed 6-month period.

15. If the issuer has included in its offering document interim financial statements for its most recently completed 9-month period, paragraph 14(b) does not apply.

Financial Statements of Businesses Acquired or to be Acquired

16. If the issuer

- (a) has acquired a business during the past 2 years and the financial statements of the issuer included in the offering document 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 paragraph 19 for the business if either of the tests in paragraph 17 is met, irrespective of how the issuer accounts, or will account, for the acquisition.

17. Include the financial statements specified in paragraph 19 for a business referred to in paragraph 16 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 document 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 document 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.
18. 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 document date, use the financial statements referred to in paragraph 3 to make the calculations in paragraph 17.
19. If under paragraph 17 you must include in the offering document 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 document
 - (i) an income statement, a statement of retained earnings and a cash flow statement
 - (A) for the period from inception to a date not more than 90 days before the date of the offering document, 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 balance sheet 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 include
 - (i) annual financial statements comprised of:
 - (A) an income statement, a statement of retained earnings and a cash flow statement 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 document, and
 - ii. the financial year immediately preceding the most recently completed financial year specified in subclause i., if any,
 - (B) a balance sheet as at the end of each of the periods specified in clause (A),
 - (C) notes to the financial statements, and
 - (ii) an interim financial statement comprised of
 - (A) either
 - i. an income statement, a statement of retained earnings and a cash flow statement 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 document and ended after the date of the financial statements required under subclause (i)(A)i., and

an an income statement, a statement of retained earnings and a cash flow statement 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 document and ended after the date of the financial statements required under subclause (i)(A)i., or

ii. an income statement, a statement of retained earnings and a cash flow statement for the period from the first day after the financial year referred to in subparagraph (i) to a date before the acquisition date and after the period end in subclause (A)i.,

(B) an income statement, a statement of retained earnings and a cash flow statement for the corresponding period in the immediately preceding financial year, if any,

(C) a balance sheet 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 paragraph 9 for the meaning of "interim period".

20. (a) If any of the financial statements required by paragraph 19(b)(i) have been audited, the auditor's report must be included in the offering document.

(b) The financial statements required by paragraph 19(b)(i) and the financial information contained in the offering document may be unaudited or derived from unaudited financial statements, provided that all of the following are satisfied:

(i) the relevant financial statements presented, or from which financial information has been derived, for the most recently completed financial year have been subject to a review,

(ii) the review report does not include a modified conclusion, and:

(A) identifies the financial statements that were subject to the review, including identification of the title of each of the statements contained in the set of financial statements and the date and period covered by each financial statement;

(B) is in the form specified by the standard for a review; and

(C) refers to IFRS or the modified regulatory accounting principles as the applicable financial reporting framework.

The financial statements required under paragraphs 19(a), subparagraph 19(b)(ii) and the comparative financial information required by subparagraph 19(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 document.

All unaudited financial statements and unaudited comparatives must be clearly labelled as unaudited.

21. If the offering document does not contain financial statements for a business referred to in paragraph 16 for the business's most recently completed financial year that ended before the acquisition date and the distribution is ongoing, update the offering document to include those

financial statements when they are available, but in any event no later than the date 120 days following the year-end.

22. 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.

Reporting issuers are reminded that an acquisition may constitute the acquisition of a business for securities legislation purposes, even if the acquired set of activities or assets does not meet the definition of a "business" for accounting purposes.

23. 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, include financial statements for the legal subsidiary in the offering document. The legal parent is considered to be the business acquired. Paragraph 16 may also require financial statements of the legal parent.
24. An issuer satisfies the requirements in paragraph 19 if the issuer includes in the offering document the financial statements required in a business acquisition report under NI 51-102.

Financial Statement Exemptions

25. Notwithstanding the requirements in subparagraph 3.3(1)(a)(i) of NI 52-107, if an auditor's report accompanies financial statements of an issuer or a business contained in an offering document, it may express a qualification of opinion relating to inventory if
- (a) the issuer includes in the offering document a balance sheet that is for a date that is after the date to which the qualification relates,
 - (b) the balance sheet 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.
26. If an issuer has, or will account for a business referred to in paragraph 16 using the equity method, then financial statements for a business required by paragraphs 16 to 24 are not required to be included if the offering document includes disclosure for the periods for which financial statements are otherwise required under paragraphs 16 to 24 that:
- (a) summarizes information as to the aggregated amounts of assets, liabilities, revenue and profit or loss of the business, and
 - (b) 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.

27. (a) The financial information referred to in paragraph 26 may be unaudited or be derived from unaudited financial statements, provided that all of the following are satisfied:
- (i) the relevant financial information presented, or from which financial information has been derived, for the most recently completed financial year have been subject to a review, and
 - (ii) the review report does not include a modified conclusion, and:
 - (A) identifies the financial statements that were subject to the review, including identification of the title of each of the statements contained in the set of financial statements and the date and period covered by each financial statement;
 - (B) is in the form specified by the standard for a review; and
 - (C) refers to IFRS or the modified regulatory accounting principles as the applicable financial reporting framework.

All unaudited financial statements and unaudited comparatives must be clearly labelled as unaudited.

28. The financial information provided under paragraph 26 for any completed financial year that has not been audited need not be accompanied by the review report but the issuer must do both of the following:
- (a) provide disclosure to accompany the financial statements that the financial information presented has not been audited and is not derived from audited financial statements, and
 - (b) in respect of financial information, other than financial statements, provide disclosure proximate to that financial information that identifies the financial statements from which the financial information has been derived and indicates that neither the financial information nor the financial statements from which the financial information has been derived have been audited.
29. 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 document if both of the following apply:
- (a) the acquisition is not of securities of another issuer, unless the vendor transferred the business to the other issuer and that other issuer
 - (i) was created for the sole purpose of facilitating the acquisition; and
 - (ii) other than assets or operations relating to the transferred business, has no
 - (A) substantial assets; or
 - (B) operating history; and
 - (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 take-over, and
 - (ii) the following apply:

- (A) the offering document 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 paragraph 19 prepared in accordance with subsection 3.11(5) of National Instrument 52-107,
 - (B) the operating statement for the most recently completed financial period referred to in subparagraph 19(b)(i) is audited or subject to a review,
 - (C) the offering document includes a description of the property or properties and the interest acquired by the issuer,
 - (D) the offering document 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 document includes actual production volumes of the property for the most recently completed year, and
 - (F) the offering document includes estimated production volumes of the property for the first year reflected in the estimate disclosed under clause (E).
30. 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 or subject to a review 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 operating statement of the property that was audited or subject to a review,
 - (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 document discloses
 - (i) that the issuer was unable to obtain an operating statement that was audited or subject to a review,
 - (ii) the reasons for that inability,
 - (iii) the fact that the purchase agreement includes the representations and warranties referred to in subparagraph (ii), and
 - (iv) that the results presented in the operating statements may have been materially different if the statements had been audited or subject to a review.

Annex 2
FORM 45-539F2
SMALL BUSINESS RISK ACKNOWLEDGEMENT

WARNING!
This investment is risky.
Don't invest unless you can afford to lose all the money you pay for this investment.

Instructions: The issuer must obtain a copy of this form from all purchasers. The form must be completed entirely by the purchaser, except that the issuer must complete the information in the section entitled "Additional information" on page 3.

| Risks and other information | Your Initials | |
|---|---------------|----|
| | Yes | No |
| The purchaser must initial "yes" or "no" for each question. If the purchaser answers "no" to any of the questions, the purchaser cannot invest. | | |
| <p>Risk of loss – You are buying "securities" (e.g., share, units, notes or debentures) of a start-up or other small business. A high percentage of start-up and small businesses do not survive. You should consider how much of your total assets, your annual income and your other investments is represented by this investment. Consider whether you need this money for your retirement or other purposes.</p> <p>Do you understand that this is a risky investment and that you could lose a significant portion or even all of the money you invest?</p> | | |
| <p>No income - If the securities you are buying are supposed to provide a dividend or other return, you should consider whether the business has a reasonable prospect of making the income necessary to make those payments.</p> <p>Do you understand that you may not receive any income such as dividends or interest on this investment?</p> | | |
| <p>Resale - The securities you are buying cannot be legally resold except in very limited circumstances. Even if you are legally able to sell them there is no established market in which to resell them.</p> <p>Do you understand that even if the value of your investment increases, you may never be able to sell your securities?</p> | | |
| <p>Liquidity - You should consider your "exit strategy" before investing. What is the issuer's plan to allow you to realize any value on your investment (for example, through an initial public offering or an acquisition of the issuer)? You should consider the issuer's timeline for achieving that goal compared to your needs.</p> <p>Do you understand that even if the issuer is eventually successful, it may be many years before you are able to realize on your investment?</p> | | |
| <p>Redemption risk - Unless specified by the terms of the security, the issuer selling these securities to you is not typically obligated to buy them back from you. Even if you have a right of redemption it will be subject to various conditions and limits.</p> <p>Do you understand that even if you have a right of redemption, it may not be possible to redeem your investment?</p> | | |

| Risks and other information | Your Initials | |
|--|---------------|----|
| | Yes | No |
| <p>The purchaser must initial “yes” or “no” for each question. If the purchaser answers “no” to any of the questions, the purchaser cannot invest.</p> <p>Limited Information - The issuer is selling these securities under an exemption from the prospectus requirement. The offering document you should have received likely does not contain the same disclosure that would be required to be provided to you by a prospectus. Further, after making an investment you may receive little or no information about the business or your investment.</p> <p>Do you understand that you will not receive the initial or ongoing disclosure that you could expect if the issuer was filing a prospectus and becoming a reporting issuer (public company)?</p> | | |
| <p>Financial Statements – The issuer selling you these securities may not be required to make financial statements of the business available to you or may have relied upon a regulatory framework which allows it to prepare its financial statements in accordance with private enterprise generally accepted accounting principles and to have its financial statements reviewed, rather than audited, by a public accountant. Financial statements prepared in this manner lack the assurance that they are reasonably free of a material misstatement and contain less detail than those of a typical reporting issuer (public company).</p> <p>Do you understand that the issuer may not be required to make financial statement available to you or, if financial statements are made available to you, they may have been prepared with accounting principles that do not provide you with all the details and assurance of financial statements of a typical reporting issuer (public company)?</p> | | |
| <p>No approval – No government or securities regulatory authority has reviewed, evaluated or endorsed the offering document or the merits of these securities or the truthfulness or adequacy of the disclosure in the offering document.</p> <p>Do you understand that the merits of this investment have <u>not</u> been reviewed or approved by any securities regulatory agency or any government body?</p> | | |
| <p>Registered dealer – To determine whether a salesperson is registered prior to making an investment, you can consult the website, http://www.aretheyregistered.ca/. If the salesperson is not registered, no government or securities regulatory authority has assessed the qualifications, integrity or financial circumstances of the salesperson or the existence of any controls regarding the handling of your assets and you will not have the protections associated with purchasing securities from a registered dealer, including an assessment of whether the investment is suitable for you.</p> <p>Do you understand the risks associated with purchasing securities from a salesperson who is not registered?</p> | | |
| <p>Total investment – You are investing \$ _____ [Instruction: total consideration] in total; this includes any amount you are obliged to pay in future. _____ [Instruction: name of issuer] will pay \$ _____ [Instruction: amount of fee or commission] of this to _____ [Instruction: name of person selling the securities] as a fee or commission.</p> | | |

Your name and signature

By signing this form, you confirm that you have read this form and you understand the risks of making this investment as identified in this form.

First and last name (print):

Signature:

Date:

[Instruction: Sign 2 copies of this document. Keep one copy for your records.]

Additional information

The issuer must complete the required information in this section before giving the form to the purchaser.

You have 2 business days to cancel your purchase

To do so, send a notice to *[name of issuer]* stating that you want to cancel your purchase. You must send the notice before midnight on the 2nd business day after you sign the agreement to purchase the securities. You can send the notice by email or deliver it in person to *[name of issuer]* at its business address. Keep a copy of the notice for your records.

Issuer Name and Address:

E-mail:

You will receive an offering document

Read the offering document carefully because it has important information about the issuer and its securities. Keep the offering document because you have rights based on it. Talk to a lawyer for details about these rights.

**Classification of Purchasers and Investment Limits
under the Small Business Financing Exemption**

How you qualify to buy securities under ASC Blanket Order 45-539 *Small Business Financing* and/or FCAA General Order 45-539 *Small Business Financing* (each, an Order)

Initial the statement under A, B, C, D, E or F containing the criteria that applies to you. (You may initial more than one statement.) If you initial a statement under A, B, C or D you are not required to complete E or F.

| A. You are a person described in section 2.3 [<i>Accredited investor</i>] of NI 45-106, because: | | Your initials |
|---|--|----------------------|
| Accredited Investor | Your net income before taxes was more than \$200,000 in each of the 2 most recent calendar years, and you expect it to be more than \$200,000 in this calendar year. (You can find your net income before taxes on your personal income tax return.) | |
| | Your net income before taxes combined with your spouse's was more than \$300,000 in each of the 2 most recent calendar years, and you expect your combined net income before taxes to be more than \$300,000 in the current calendar year. (You can find your net income before taxes on your personal income tax return.) | |
| | Either alone or with your spouse, you own more than \$1 million in cash and securities, after subtracting any debt related to the cash and securities. | |
| | Either alone or with your spouse, you have net assets worth more than \$5 million. (Your net assets are your total assets, including real estate, minus your total debt including any mortgage on your property.) | |
| | You are currently or were formerly registered under the securities legislation of a jurisdiction of Canada as a representative of an adviser or dealer registered under the securities legislation of a jurisdiction of Canada. | |

| B. You are a person described in section 2.5 [<i>Family, friends and business associates</i>] of NI 45-106, because: | | Your initials |
|--|--|---------------|
| Family, Friends and Business Associates | <p>You are:</p> <p style="margin-left: 20px;">1) [<i>check all applicable boxes</i>]</p> <p style="margin-left: 20px;"><input type="checkbox"/> a director of the issuer or an affiliate of the issuer</p> <p style="margin-left: 20px;"><input type="checkbox"/> an executive officer of the issuer or an affiliate of the issuer</p> <p style="margin-left: 20px;"><input type="checkbox"/> a control person of the issuer or an affiliate of the issuer</p> <p style="margin-left: 20px;"><input type="checkbox"/> a founder of the issuer</p> <p>OR</p> <p style="margin-left: 20px;">2) [<i>check all applicable boxes</i>]</p> <p style="margin-left: 20px;"><input type="checkbox"/> a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, (i) individuals listed in (1) above and/or (ii) family members, close personal friends or close business associates of individuals listed in (1) above</p> <p style="margin-left: 20px;"><input type="checkbox"/> a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are (i) individuals listed in (1) above and/or (ii) family members, close personal friends or close business associates of individuals listed in (1) above</p> | |
| | <p>You are a family member of _____</p> <p><i>[Instruction: Insert the name of the person who is your relative either directly or through his or her spouse], who holds the following position at the issuer or an affiliate of the issuer: _____.</i></p> <p>You are the _____ of that person or that person's spouse.</p> <p><i>[Instruction: To qualify for this investment, you must be (a) the spouse of the person listed above or (b) the parent, grandparent, brother, sister, child or grandchild of that person or that person's spouse.]</i></p> | |
| | <p>You are a close personal friend of _____</p> <p><i>[Instruction: Insert the name of your close personal friend], who holds the following position at the issuer or an affiliate of the issuer:</i></p> <p>_____.</p> <p>You have known that person for _____ years.</p> | |
| | <p>You are a close business associate of _____</p> <p><i>[Instruction: Insert the name of your close business associate], who holds the following position at the issuer or an affiliate of the issuer:</i></p> <p>_____.</p> <p>You have known that person for _____ years.</p> | |

| C. You are a person or company outside of Canada | | Your initials |
|---|------------------------------------|----------------------|
| Foreign Purchaser | You are a not a resident of Canada | |

| D. You are a person or company defined as a Self-Certified Investor in ASC Blanket Order 45-538 <i>Prospectus Exemption for Self-Certified Investors</i> and/or FCAA General Order 45-538 <i>Prospectus Exemption for Self-Certified Investors</i> | | Your initials |
|---|-----------------------------------|----------------------|
| Self-Certified Investor | You are a Self-Certified Investor | |

| E. You are a minimum income investor (MII) because: | | Your initials |
|--|--|----------------------|
| MIII | Your net income before taxes was more than \$75,000 in each of the 2 most recent calendar years, and you expect it to be more than \$75,000 in this calendar year. (You can find your net income before taxes on your personal income tax return.) | |
| | Your net income before taxes combined with your spouse's was more than \$125,000 in each of the 2 most recent calendar years, and you expect your combined net income to be more than \$125,000 in this calendar year. (You can find your net income before taxes on your personal income tax return.) | |
| | <p>You are</p> <ul style="list-style-type: none"> • a person or company of which a majority of the voting securities are beneficially owned by MIIs or a majority of the directors are MIIs, • a general partnership of which all of the partners are MIIs, • a limited partnership of which a majority of the directors of the general partner are MIIs, • a trust or estate in which all of the beneficiaries or a majority of the trustees or executors are MIIs; | |

| E.1 Investment limits for minimum income investor (MII) described in E | | Your initials |
|--|--|---------------|
| Minimum Income Investor (MII) | If you are a MII, described in D, and the issuer has not included in the offering document its financial statements (as specified in Schedule A of Annex 1 of an Order) you acknowledge that the issuer together with the members of the Issuer Group (e.g., related companies) cannot sell you more than \$10,000 in any 12 month period. | |
| | If you are a MII, described in D, and the issuer has included in the offering document its financial statements (as specified in Schedule A of Annex 1 of an Order) you acknowledge that the issuer together with the members of the Issuer Group (e.g., related companies) cannot sell you more than \$20,000 in any 12 month period. | |

| F. You do not meet any of the prior classifications | | Your initials |
|---|--|---------------|
| Not a MII | You acknowledge that you do not fit within any of the prior categories of purchaser. | |

| F.1 Investment limits for other purchasers referenced in F | | Your initials |
|--|--|---------------|
| Not a MII | If you are a purchaser that is not specified in A, B, C, D or E above and the issuer has not included in the offering document its financial statements (as specified in Schedule A of Annex 1 of an Order) you acknowledge that the issuer together with the members of the Issuer Group (i.e., related companies) cannot sell you more than \$2,500 in any 12 month period. | |
| | If you are a purchaser that is not specified in A, B, C, D or E above and the issuer has included in the offering document its financial statements (as specified in Schedule A of Annex 1 of an Order) you acknowledge that the issuer together with together with the members of the Issuer Group (e.g., related companies) cannot sell you more than \$5,000 in any 12 month period. | |

Annex 3
FORM 45-539F3
SMALL BUSINESS UNDERTAKING

To: Executive Director
Alberta Securities Commission
Suite 600, 250–5th St. SW
Calgary, Alberta, T2P 0R4
smallbusinessundertaking@asc.ca

and/or

Executive Director
Financial and Consumer Affairs Authority of Saskatchewan
1919 Saskatchewan Dr.
Regina, Saskatchewan, S4P 4H2
corpfin@gov.sk.ca

RE: Undertaking to deliver annual financial statement and notice of proceeds for offerings conducted under Alberta Securities Commission Blanket Order 45-539 *Small Business Financing* and/or Financial and Consumer Affairs Authority of Saskatchewan General Order 45-539 *Small Business Financing* (each an Order)

The [insert name of issuer] (the **issuer**) has distributed securities under an Order and is required to deliver this undertaking in accordance with subparagraph 3(1)(ii) of an Order. The issuer undertakes to do the following:

1. Within 120 days after the end of each of its financial years, deliver to the securities regulator its annual financial statements and deliver or make them reasonably available to each holder of a security distributed under an Order and any transferee of such security.
2. Despite section 1 of this Undertaking, if the issuer is required to deliver or make reasonably available annual financial statements for a financial year that ended before the issuer distributed securities under an Order for the first time where financial statements were required, those annual financial statements will be delivered on or before the later of
 - (a) the 60th day after the issuer first distributes securities under an Order in a distribution in which financial statements were required, and
 - (b) the deadline in section 1 of this Undertaking to deliver the annual financial statements.
3. The annual financial statements referred to in section 1 of this Undertaking will comply with Schedule A of Annex 1 of an Order as if they were financial statements required to be delivered with an offering document.

4. If the annual financial statements referred to in section 1 of this Undertaking present the components of profit or loss in a separate income statement, the separate income statement will be displayed immediately before the income statement referred to in paragraph 4 of Schedule A of Annex 1 to an Order.
5. If the issuer decides to change its financial year end by more than 14 days, it will deliver to the securities regulator and make reasonably available to each holder of a security acquired under an Order in a distribution in which financial statements were required, a notice containing the information set out in section 6 of this Undertaking as soon as practicable and, in any event, no later than the earlier of
 - (a) the deadline, based on the issuer's old financial year end, for the next annual financial statements referred to in section 1 of this Undertaking, and
 - (b) the deadline, based on the issuer's new financial year end, for the next annual financial statements referred to in section 1 of this Undertaking.
6. The notice referred to in section 5 of this Undertaking will state
 - (a) that the issuer has decided to change its financial year end,
 - (b) the reason for the change,
 - (c) the issuer's old financial year end,
 - (d) the issuer's new financial year end,
 - (e) the length and ending date of the periods, including the comparative periods, of the annual financial statements referred to in section 1 of this Undertaking for the issuer's transition year and its new financial year, and
 - (f) the filing deadline for the annual financial statements for the issuer's transition year.
7. If a transition year is less than 9 months in length, the issuer will include as comparative financial information to its annual financial statements for its new financial year
 - (a) a balance sheet, an income statement, a statement of retained earnings, a cash flow statement, and notes to the financial statements for its transition year,
 - (b) a balance sheet, an income statement, a statement of retained earnings, a cash flow statement, and notes to the financial statements for its old financial year,
 - (c) in the following circumstances, a balance sheet as at the beginning of the old financial year:
 - (i) the issuer discloses in its annual financial statements an unreserved statement of compliance with IFRS or the modified regulatory accounting principles (as defined in Schedule A of Annex 1 to an Order), and

(ii) the issuer

- (A) applies an accounting policy retrospectively in its annual financial statements,
- (B) makes a retrospective restatement of items in its annual financial statements, or
- (C) reclassifies items in its annual financial statements, and

(d) if applicable, in the case of the issuer's first IFRS financial statements, the opening IFRS statement of financial position at the date of transition to IFRS.

8. A transition year will not exceed 15 months.

9. An SEC issuer (as defined in National Instrument 51-102 *Continuous Disclosure Obligations*) satisfies sections 5 and 7 of this Undertaking if

- (a) it complies with the requirements of U.S. laws relating to a change of fiscal year, and
- (b) it delivers a copy of all materials required by U.S. laws relating to a change in fiscal year to the securities regulator at the same time as, or as soon as practicable after, they are filed with or furnished to the SEC and, in any event, no later than 120 days after the end of its most recently completed financial year.

10. The financial statements of the issuer referred to in section 1 of this Undertaking will be accompanied by a notice of the issuer disclosing in reasonable detail the use of the aggregate gross proceeds raised by the issuer under an Order in accordance with Form 45-106F16 *Notice of Use of Proceeds* made under National Instrument 45-106 *Prospectus Exemptions*, unless the issuer has previously disclosed the use of the aggregate gross proceeds in accordance with Form 45-106F16.

11. The issuer will make the disclosures specified by sections 1 and 10 of this Undertaking until the proceeds raised by the issuer under an Order have been completely expended.

DATED this _____ day of _____, 20__.

[NAME OF ISSUER]

Per: _____
[NAME]
[TITLE]