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Via Email

June 6, 2018

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Financial and Consumer Services Commission (New Brunswick)
Manitoba Securities Commission
Nova Scotia Securities Commission
Nunavut Securities Office
Office of the Superintendent of Securities, Newfoundland and Labrador
Office of the Superintendent of Securities, Northwest Territories
Office of the Yukon Superintendent of Securities
Ontario Securities Commission
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8
Comments@osc.gov.on.ca

M^e Anne-Maire Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, rue du Square-Victoria, 22^e étage
C.P. 246, tour de la Bourse
Montréal, Québec H4Z 1G3
Consultation-en-cours@lautorite.qc.ca

Dear Sirs/Mesdames:

Re: Submissions and comments with respect to proposed amendments to National Instrument 45-106 Prospectus Exemptions and National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations relating to Syndicated Mortgages (the “Proposed Amendments”) and Proposed Changes to Companion Policy 45-106CP Prospectus Exemptions (the “Proposed Changes”)

This letter is in response to the request for comments by the Canadian Administrators (the “CSA”) with respect to the Proposed Amendments and the Proposed Changes.

1. Introduction

Lanyard Financial Corporation (“Lanyard”), a registered mortgage broker in B.C., is in the business of conducting a mortgage brokerage business (as that term is defined under the Mortgage Brokers Act B.C.)¹ in relation to, *inter alia*, Syndicated Mortgages (hereinafter defined). The activity of mortgage brokers in relation to Syndicated Mortgages is simply the long established business of mortgage brokerage (but in relation to more than one lender) and we believe the imposition of EMD requirements concerning classic mortgage brokerage activities will have unintended consequences that will be prejudicial to the entire mortgage brokerage community, borrowers (including the majority of real estate developers who are heavily reliant upon non-bank financing) and lenders in the Province. Furthermore, we can see no logical reason to treat Syndicated Mortgages (which are merely mortgages involving more than one lender) any differently than a mortgage with only one lender. Mortgages are interests in land which require regulatory oversight that is different from that oversight which is appropriate for the conventional securities industry. We believe that the Province of British Columbia, with joint regulatory oversight between the BCSC and FICOM, with extensive disclosure and investor warning requirements: [Form 9](#), [Form 10](#) and [BCI 32-517 Warning](#) (see Schedule “A”), and with sophisticated educational and trust account audit requirements, already has a robust and tailored-made regulatory oversight regime governing Syndicated Mortgages. It would be wrong for British Columbia to abandon such a regime, which has functioned extraordinarily well for a protracted period of years, and adopt a new, unproven regime to remedy perceived regulatory gaps in other jurisdictions that intuitively, and logically, is totally inappropriate for its intended purpose.

It is worth noting at the outset that your Request for Comments references a significant increase in the offering of Syndicated Mortgages in connection with real estate developments in certain jurisdictions and the CSA’s view that such offerings may raise certain potential investor protection concerns. While not stated explicitly, the implication is that the Proposed Amendments are intended to address these potential concerns. Leaving aside whether we agree with these concerns, we urge the regulators not to take a “one size fits all” approach to address the identified concerns and instead to consider changes appropriate to address the specific concerns and issues identified.

2. The Problem - No Adequate Definition of “Syndicated Mortgage”; How to Discuss Proposed Regulatory Oversight for Commercial Transactions that are Not Adequately Defined or Understood?

The Securities Act (B.C.) currently defines a syndicated mortgage as: “...*a mortgage in which two or more persons or companies participate, directly or indirectly, as lenders in the debt obligation that is secured by the mortgage.*” We believe one of the chief reasons regulators (erroneously, we maintain) are proposing EMD requirements in relation to the issuance of syndicated mortgages arises from, firstly, confusion surrounding the definition of the term “syndicated mortgage” and, secondly, a lack of appreciation for how the Syndicated Mortgage business is conducted.

¹ “mortgage broker” means a person who does any of the following: (a) carries on a business of lending money secured in whole or in part by mortgages, whether the money is the mortgage broker’s own or that of another person;”

A fair interpretation of the definition “syndicated mortgage” allows for at least two distinctly different interpretations, each deserving of *very* differing regulatory oversight. One could conclude the term “syndicated mortgage” means:

Example 1

- i. a group of lenders (hence, “lending syndicate”) agreeing to lend on a single mortgage loan transaction,

whereas another might assume the term means:

Example 2

- ii. a mortgage or pool of mortgages that is in place (or in a constant state of replacement) and which is syndicated (by way of the selling of fractional interests) to members of the public (the identity of whom might also might be in a constant state of change).

The first definition describes one of the most customary and well understood commercial transactions in relation to real estate – a group of lenders making a mortgage loan arranged by a mortgage broker. The second definition describes a form of investment (involving an issuer of securities) in a fund or pool of underlying assets (that happens to be comprised of mortgages). The former, *in substance*, is a very conventional lending transaction secured by a mortgage against an identifiable piece of realty. The latter, *in substance*, is an investment transaction in a quasi -fund or pool which holds securitized assets (which happen to be comprised of mortgages).²

Our business (and that of all other B.C. syndicators with whom we are familiar) involves us, as a registered mortgage broker, sourcing (typically from an independent mortgage broker solely representing a prospective borrower) individual mortgage opportunities, underwriting same, approaching members of our stable of pre-existing, experienced co-lenders and organizing some of them who are interested into a lending syndicate and, finally, to funding and administering the specific transaction. These are customary services rendered by mortgage brokers to lender clients. To shield our co-lenders from liability such lending group is formed into a single purpose limited partnership to make the specific loan (and no other). When the loan is paid back, the principal and outstanding interest is repaid to the co-lenders and the single purpose limited partnership is wound up. There is no re-lending of the original funds. That is what our business involves, period. The other syndicators we know of in B.C. carry on substantially the same type of business.

² The former type of investment is readily understood by any real estate lawyer, generalist solicitor, notary public or licensed mortgage broker who, in the ordinary course of their professions, handle scores (if not hundreds) of such mortgage transactions each year. The latter investment transaction is only easily understood by someone with the skills to analyze a portfolio or pool of assets, the discretionary and other powers granted the manager to manage the investment entity on an ongoing basis and other matters unique to such an investment, such as the existence or absence of actual or threatened litigation affecting the corpus of the pool or fund, contingent liabilities affecting same, etc.

The types of persons (active lender vs. passive investor) who typically involve themselves in these two contrasting types of investment activities are very different from one another. The former investment activity (Example 1) involves an actual lender (alongside other lenders) deciding to lend on an actual, predetermined mortgage loan which he and his fellow lenders must then administer (directly or through a contract administrator). The latter activity (Example 2) involves a passive investor investing in a security in respect of which the underlying asset is a mortgage or, more likely, a pool of ever changing mortgages over which the investor has no control.

Accordingly, for purposes of this submission, to add clarity as to the activities we are speaking of, have elected to define “Syndicated Mortgage” to mean:

*“ A mortgage in which two or more persons or companies participate, directly or indirectly, as **the originating** lenders in the debt obligation that is secured by the mortgage”*

Note this is identical to the current definition found in the Securities Act (B.C.), save for the addition of the words “the originating”. The bolded words are meant to indicate that we are talking about the lenders *who actually fund the loan; not lenders who become such by purchasing a fractional interest in an existing loan, or portfolio of loans.*

In your Request for Comments there appears to be confusion as to who the issuer might be in the context of mortgage syndication. You suggest that the borrower is the issuer. That might conceivably be the case in Example 2, where an owner of a real estate property issued mortgages or fractional interests in same to investors, but could never be the case in Example 1. Similarly, in your Request for Comments we note that there is a suggestion that a mortgage broker for a borrower might be asked to certify the accuracy of an Offering Memorandum prepared by a lender’s mortgage broker for the benefit of the ultimate co-lenders. Again, this might conceivable make sense in certain Example 2 circumstances, but makes no sense in Example 1 circumstances, which we suggest represents the vast majority of syndicated lending in British Columbia.

The failure to differentiate between the two types of activities that might be considered a Syndicated Mortgage makes it impossible to come up with a regulatory regime based on a fair consideration of competing needs – investor protection versus societal (economic) benefits and needs. **Further, it leads us to suspect that regulators outside of B.C. who are considering advocating for adoption of an EMD regime and the abandonment of the private issuer exemption might be doing so as a result of faulty assumptions as to the very nature of the business activity they seek to regulate.**

3. Timing Issues Pertaining to the Syndicated Mortgage Transaction

“Timing issues” involved in mortgage financing of the type described under Example 1 above dictate against their appealing to large populations of small investors. Individual mortgages (including Syndicated Mortgages) are typically short - fused transactions which must be funded by the lender (or lending group) within a very short time following the submission of a loan application. This means that a lending group (syndicate) often has one or perhaps two weeks to consider the loan application, review the due diligence material (including the FICOM mandated disclosure documentation) and determine whether to proceed. Accordingly:

- i. this requires the mortgage broker/syndicator have, in place, an existing “stable” of potential co-lenders who are experienced in mortgage lending, able to quickly assess the loan opportunity and, if interested, commit to fund within a tight timeline. In practice, therefore, the mortgage broker/syndicator is not “going out to the public” as that expression is generally used (and which we note, Lanyard never does); and

- ii. the customary timelines for such transactions would simply not permit members of a lending syndicate to visit an EMD for KYC and suitability discussions. Indeed, in practice, potential co-lenders (from the mortgage broker/syndicator's existing stable) are often provided with due diligence materials pertaining to subject loans as and when such materials arrive – often, on a day to day basis, right up to a day before a decision is made by the co-lenders to fund the deal. This is a fast paced, transactional business.

4. Economics of the Syndicated Mortgage Transaction

The financial remuneration to the mortgage broker/syndicator for its brokerage services in sourcing, underwriting, organizing, funding and administering a syndicated lending opportunity is limited by industry standards to a thin margin (typically between 1-2% of the loan amount) and often paid to the mortgage broker/syndicator from the lender fee customarily charged the borrower. Accordingly, it would be prohibitively expensive (and effectively put the mortgage broker/syndicator out of business):

- i. if it were required to establish and maintain itself as an EMD to handle one or perhaps a few mortgage transactions per month for lender clients who organize themselves as a syndicate to make a loan; or
- ii. if it were required (assuming time permitted; which it does not) to contract with a third party EMD (who had the skills to assess an evolving commercial loan transaction, which seems unlikely and not in accordance with CSC educational requirements) to provide the requisite compliance services for such activity. (Our advice is that a third party EMD would charge fees that will far exceed the entire 1-2% mortgage brokerage fee referred to above).

Accordingly, we strongly believe that the imposition of EMD requirements will have the unintended consequence of needlessly putting many mortgage brokers (particularly those that specialize in Syndicated Mortgages) out of business, with all that would entail for borrowers, lenders and the general economy.

5. Type of Advice Required and Sought in Relation to a Syndicated Mortgage

It is not common for members of lending syndicates to endeavour to seek suitability advice from a mortgage broker in relation to a Syndicated Mortgage opportunity. This is due to the following factors:

- i. more often than not, members of a lending group are experienced mortgage lenders who are “regulars” (i.e. standby lenders) on the mortgage broker's client list. As such, they are knowledgeable, experienced lenders who know how to assess a mortgage lending opportunity themselves and are retaining the services of the mortgage broker to merely source the opportunity and present it with customary underwriting/due diligence materials which they themselves will analyze (with or without the aid of professional advisors at they deem appropriate);

- ii. the mortgage broker/syndicator, in addition to sourcing the loan opportunity, typically provides prospective co-lenders with customary underwriting and due diligence materials (which includes all of the mandated FICOM disclosure materials (which are very detailed and comprehensive), a full narrative appraisal, environmental materials, tenant lists, etc.). This is typically all the prospective lenders (with or without the assistance of their professional advisors as they see fit) require in order to make an informed decision whether to participate;
- iii. if, infrequently, a prospective lender does make an inquiry in relation to a prospective loan, this will usually be a request for factual details (i.e. further or more detailed information concerning the identity of the borrower or a tenant, detailed information concerning zoning, environmental issues etc.). The mortgage broker is knowledgeable, trained (even to the extent of adhering to mandated continuing education requirements), and licensed to respond to such inquiries;
- iv. as mentioned previously, the types of transactions we are talking about in this submission are essentially, single, stand-alone mortgage transactions. This type of arrangement is easily understood and able to be assessed and explained by any competent real estate lawyer, generalist solicitor, notary public or mortgage broker. Any investor who needed additional advice could readily get same (and from an unbiased, third party source!) from any of the foregoing.

To statutorily impose an obligation on a mortgage broker to give any greater amount of advice (and to take on elements of risk that are not theirs to bear) would have grave, unintended consequence for the mortgage brokerage business in B.C. and would alter the way in which such commerce has been conducted for centuries.³

6. Some Basic Questions

Before making a significant change to the manner in which one of the most basic techniques for real estate financing can be conducted in British Columbia, at least the following questions should be asked:

- i. **Is there a compelling need to radically change existing regulatory oversight for syndicated lending in British Columbia?** The answer is a resounding NO. Any objective analysis of the Syndicated Mortgage business in B.C. will lead to the opposite conclusion – namely, there are few investment opportunities anywhere that offer the *transparency, simplicity and protection* to the lender (investor) as is offered by a single,

³ Notwithstanding our suggestion above, if the regulators felt it was important to provide prospective co-lenders who were not “sophisticated” or “Accredited” with further cautionary warnings concerning the inherent (i.e. generic) risks in lending on mortgages, we feel this could easily be accomplished by merely expanding the current Risk Acknowledgment advice appearing on page one of the mandatory Form 9. In addition, in respect of lenders who were not Accredited Investors, consideration might be given to requiring some basic written, generic suitability advice (*i.e. concerning only the suitability of investing in mortgages generally; not concerning the specific mortgage at hand*). For novice investors who were not Accredited Investors it might also be advisable to urge that they consider having an experienced real estate or lending lawyer provide advice concerning the subject transaction.

identifiable, mortgage loan opportunity that is underwritten and brokered by a registered mortgage broker in compliance with industry-specific legislation and FICOM oversight. Would-be participants can secure competent advice concerning the intended investment readily from any number of lawyers, notary publics or mortgage brokers, all of whom are trained in this specific area of commerce.

- ii. **Will an EMD regime mean that lenders (investors) will be dealing with investment professionals who are more educated or qualified in the realm of mortgage lending?** The answer is NO. The opposite will be the case. The education and continuing education that a mortgage broker undertakes, and the licensing he/she is required to secure and maintain, is sophisticated and specifically tailored to deal with mortgage lending. The EMD educational requirements are not mortgage industry specific and deal extensively with irrelevant areas of finance such as stock, bonds and derivative investments, all of which have no relationship to the mortgage industry. Further, the “time line” of a conventional real estate financing transaction does not permit for the involvement of an EMD. In addition, if a prospective co-lender in a Syndicated Mortgage wanted professional advice they could visit virtually any solicitor or notary public and obtain competent, unbiased, third party advice. An EMD, if internal, would inherently be conflicted. Furthermore, if an external, third party EMD were utilized, chances are that person would develop ties to the Syndicated Mortgage business community and eventually would also become conflicted – due to the fact that he/she would likely only be paid a fee if the subject loan transaction proceeded.
- iii. **Will an EMD regime mean that the lenders (investors) will be provided with more relevant and appropriate mandated disclosure documents?** Again, the answer is NO. The opposite will be the case. The FICOM Forms 9 and 10 (which includes a Risk Acknowledgment) are specifically focused on, and tailored to, mortgage lending. In our view a general regime of securities legislation that is not at all specific to the mortgage industry will offer inferior protection and misguided comfort to the public than the current industry-specific regime of the Mortgage Brokers Act and FICOM.
- iv. **Do Syndicated Mortgages lend themselves to being used by fraud artists or con-men?** No. The opposite is the case:
 - a. Significantly, anyone dealing with Syndicated Mortgages in B.C. must be licensed as a mortgage broker by FICOM. Such registration, *inter alia*, requires a bi-annual criminal record and suitability assessment by FICOM (in addition to industry specific education and continuing education requirements);
 - b. In accordance with MBA and FICOM requirements, all client funds must be handled through a trust account which is subject to a mandatory annual audit and audit report to FICOM;
 - c. Syndicated Mortgages, by our definition, are stand-alone transactions; not pooled investments. If a mortgage goes bad, the co-lending group knows this immediately when the monthly payment is not received;

- d. Once the mortgage loan is funded the loan is made; there is no further introduction of new capital. Accordingly, there is no practical way (certainly no simple way) for any kind of “Ponzi scheme” to be perpetrated (as would be the case in an Example 2 transaction previously described); and
 - e. The co-lenders (either directly or through a single purpose lending vehicle (such as a limited partnership or a corporation)) actually own the registered mortgage; so again, the ability to commit fraud is greatly reduced.
- v. **Is there currently widespread abuse of investors in the realm of Syndicated Mortgages in B.C.?** By reason of the very transparent nature of a Syndicated Mortgage transaction, the mandated disclosure requirements of Forms 9 and 10, FICOM oversight of the activities of Mortgage Brokers in BC, including annual audits of trust funds, and the other characteristics of the Syndicated Mortgage outlined above, our understanding is that Syndicated lending in BC is functioning extremely well with very few instances of investor abuse. We acknowledge the experiences in other provinces may be different, but argue that demonstrates the efficacy of the BC system.
- vi. **Will investors in the Province be better served by the Government making Syndicated Mortgages unavailable?** If EMD requirements are mandated for mortgage brokers involved with Syndicated Mortgages, such lending opportunities will cease to be readily available to the investing public. In consequence, lenders who have enjoyed participating in mortgage investments as an easily understandable, transparent, high yielding investment opportunity would rightly feel aggrieved by the removal of such an investment option. Ironically, the Government will have essentially forced such investors to seek similar returns elsewhere – and one might wonder if the majority of such investors will redirect their investment capital: (i) into equity markets (which, we suggest, are frequently far more speculative than, for instance, a conservative first mortgage investment over an income producing property); or (ii) to unscrupulous, unregistered mortgage providers (as previously registered providers will be driven from the business). Alternatively, and equally ironic, most Syndicated Mortgage co-lenders choose to co-lend in order to: (i) diversify their risk (i.e. they can lend \$100,000 along with two other equal co-lenders on one \$300,000 loan, instead of making one \$300,000 loan themselves); and (ii) in order to benefit from the underwriting savvy of those who would potentially co-lend alongside themselves. If certain of the regulators have their way and introduce an EMD regime, the result will be that most mortgage investors who wished to be relatively small lenders (along with other co-lenders) in Syndicated Mortgages, will be forced to be sole mortgagee who makes 100% of the subject loans themselves. That is, they will be forced to make loans without the benefit of diversification and without the benefit of reliance on the lending savvy of experienced co-lenders.
- vii. **Will borrowers in the Province be better off by making Syndicated Mortgage loans unavailable?** The answer is obviously NO as borrowers will experience a loss of an important competitive lender. It should be noted that private lenders often provide lending opportunities that traditional lenders, such as banks, do not provide: (i) short term bridge loans; (ii) loans underwritten on expedited basis to meet urgent time

constraints; (iii) loans underwritten more on the strength of the underlying secured asset than on the strength of the borrower's covenant; (iv) loans to persons with modestly impaired credit ratings; (v) loans to persons who do not qualify for conventional, institutional financing due to recent B-20 and CMHC changes; and (vi) loans to certain industries/entities currently out of favour with conventional institutional lenders, such as licensed medical marijuana establishments, First Nations entities or religious organizations. The Provincial economy will suffer from the removal of this important source of capital. The quantum of loans annually financed by syndicated lenders in the Province of British Columbia, based on our discussions with several of our business associates, must certainly be in the billions of dollars.

Summary of Recommendation

1. FICOM has created exceptionally high calibre and well conceived disclosure and reporting documentation and an equally high calibre and well conceived education, continuing education, licensing, audit and reporting oversight apparatus to govern Syndicated Mortgages in B.C. that is unparalleled when compared to that found in other Provinces. In our view B.C. regulators should not proceed in B.C. with the proposed Amendments and the Proposed Changes. It would be very negative for B.C. if it were to discard what we believe to be its gold standard regulatory regime for Syndicated Mortgages and, instead, adopt an EMD regime that is not industry specific (and, in fact, is entirely premised on the wrong educational and qualification criteria) with the inevitable result that investor freedom, borrower need, mortgage brokers' livelihoods and commerce (particularly, our vitally important real estate industry) all suffer.
2. We suggest that other Provinces examine the B.C. model and institute similar regulatory and oversight regimes.
3. We suggest that the current B.C. exemption from dealer registration provided by BCI 32-517 be extended permanently.
4. We suggest the private issuer exemption should continue to be available to the distribution of Syndicated Mortgages and, accordingly, do not support the Proposed Amendment to the private issuer exemption. There is no apparent reason to remove this well understood and seemingly appropriate exemption for Syndicated Mortgages. Why should Syndicated Mortgages be treated differently from other, more complex and risky investments? Absent such exemption, it would also be necessary for syndicators to file reports of exempt distribution along with associated fees. This will create needless administrative problems and cost for the mortgage broker/syndicator and, importantly, will necessitate the release of its highly confidential list of clients. It will be recalled that mortgage broker/syndicators do not "go out to the public", in the conventional sense, when presenting a loan opportunity to prospective co-lenders. Rather, they merely contact members of their existing pool of clients – which might be a handful in number, but of enormous value to the syndicator. To expose those names to competitors who might poach them, could be ruinous. Lastly, the fees that would be charged are not small. If a \$1 million-dollar subscription was made into an MIC there would be one fee payable at the time of subscription. That investment might stay in the MIC for a decade. In the case of a Syndicated Mortgage investment of the same amount, the loan in question might well be repaid within a period of months and then, for the sake of illustration, the precise same amount re-loaned (again, for clarity, by a different syndicate)



a short while later, and so on. Accordingly, based on this hypothetical illustration, there would be a fee payable by the syndicator on each re-lending of the amount in question. When compared to the one-time fee paid by the MIC, over the course of a decade there might conceivably be 15 times as much fee payable on the syndicator's \$1million loan amount that has been loaned and re-loaned (by separate syndicates) on numerous occasions.

Respectfully submitted,

LANYARD FINANCIAL CORPORATION

per: *Ben Goldberg / Brian Chelin*

Schedule "A"

1. Form 9
2. Form 10
3. BCI 32-517 Warning



Registrar of Mortgage Brokers
 2800 - 555 West Hastings
 Vancouver, BC V6B 4N6
 Ph. 604-660-3555 / Toll-free: 1-866-206-3030 (BC)
 Facsimile: 604-660-3365
Mortgagebrokers@ficombc.ca
www.fic.gov.bc.ca

LENDER DISCLOSURE STATEMENT FORM 9- Section 17.1

Neither the Registrar of Mortgage Brokers nor any other authority of the government of the Province of British Columbia has in any way passed on the merits of the matters dealt with in this information statement. This information statement has not been filed with the Registrar of Mortgage Brokers and the registrar has not determined whether or not it complies with Part 2 of the *Mortgage Brokers Act*.

Please write or print clearly. If additional information is required, reference and attach a schedule to this form.

A – CAUTIONS

1. All mortgage investments carry risk. There is a relationship between risk and return. You should very carefully assess the risk of the transaction described in this Lender Disclosure Statement and in the supporting documentation before making a commitment.
2. You are advised to obtain independent legal advice regarding your decision to invest and to ensure that the transaction is structured appropriately to protect your interests.
3. You should only provide mortgage funds “in trust” to a registered mortgage broker or a licensed lawyer or notary. Never provide funds directly to the mortgage borrower or an individual submortgage broker.
4. If you are one of several investors in this mortgage, you may not be able to enforce repayments of your investment on your own if the borrower defaults.
5. You should ensure you have sufficient documentation to support the property valuation quoted in this Investor/Lender Disclosure Statement.
6. You should be satisfied with the borrower’s ability to meet the payments required under the terms of this mortgage.
7. A mortgage broker must not administer, or arrange for another person to administer, a mortgage on your behalf unless the mortgage broker has a written agreement with you that covers matters set out in the *Mortgage Brokers Act*.
8. This Investor/Lender Disclosure Statement and the attached documents are not intended to provide a comprehensive list of factors to consider in making a decision concerning this investment. You should satisfy yourself regarding all factors relevant to this investment before you commit to invest.

B – BORROWER / GUARANTOR / COVENANTOR INFORMATION

FULL NAME OF BORROWER:

FULL NAME OF GUARANTOR/COVENANTOR (if applicable):

ADDRESS - include postal code

ADDRESS – include postal code

C – OTHER PARTIES TO THE TRANSACTION REPRESENTED BY THE MORTGAGE BROKER

The Mortgage Broker represents the following parties to the transaction:

- The lender: _____
Name
- The borrower(s): _____
Name
- Syndicate mortgage lenders: _____
(attach list if more space required)
Name
Name
Name
- A person or entity which will acquire the mortgage from the investor/lender: _____
Name
- Other – please describe: _____

NOTE:

If the Mortgage Broker has NOT indicated that it represents you, the Mortgage Broker must still exercise a duty of care to you and deal with you fairly. It is recommended that you obtain independent advice with respect to the transaction.

D – PRE-EXISTING OR EXISTING MORTGAGE IN DEFAULT

Will the lender/investor be acquiring an interest in a currently registered mortgage ?

Yes No

If yes, please explain any defaults by the borrower over the past 12 months which the mortgage broker is aware of:

If the mortgage is new, was there a previous mortgage registered against title with the same borrower?

Yes No

If yes, please explain any defaults by the borrower on the previous mortgage over the past 12 months which the mortgage broker is aware of:

E – REGISTERED INTEREST

Your interest as a lender will be directly registered in your name on the mortgage document filed at the Land Title Office ; or

_____ will act as a trustee or nominee and will hold a registered interest in the mortgage in trust for you as beneficial owner; or

Your interest in the mortgage will be secured under the following arrangements:

F - MORTGAGE INVESTMENT

Your investment represents: the entire mortgage OR a portion of the mortgage

Your portion represents _____ % of the total. _____ other parties have an interest in this mortgage.

G - TRUST FUNDS

Will the funds be held in trust pending execution of the mortgage? Yes No

If yes, please indicate the party that will hold the funds in trust:

H – MORTGAGE ADMINISTRATION

Will the mortgage be administered for you? Yes No

If "yes", name and address of administrator:

Describe any fees or attach any fee agreement for the provision of administration services: _____

I – PROPERTY TO BE MORTGAGED

Is this an inter alia mortgage?

Yes No

If yes, please skip Sections I and K of this Form and complete Sections I and K of the Form 9 Addendum for Inter Alia Mortgages

Legal Description of Property:

Municipal Address of Property:

Type of Property:

- Property with existing buildings
 - Single family residential
 - Five or more unit multifamily
 - Industrial
- Two to four unit multifamily
- Commercial
- Other: _____

Vacant land, development or construction project.
Details of project/proposed use:

Other (please describe):

Property Taxes:

Annual Property Taxes: \$ _____

Are taxes in arrears?

Yes No

If yes, amount arrears: \$ _____

Zoning

If mortgage proceeds are to be used for construction financing, is the zoning on the property to be developed appropriate for the proposed use?

Yes No

If no, details:

Property Valuation:

Amount: \$ _____

Based on:

- Appraisal, dated _____
- Municipal Assessment, Year _____
- Sale Price \$ _____
- Other (please describe) _____

If appraisal obtained:

Name and address of appraiser:

Valuation is: Current, as at date: _____ Projected Value: \$ _____

J – MORTGAGE PARTICULARS

Terms of the Mortgages

Amount of your investment: \$ _____ Maximum Indebtedness of Mortgage: \$ _____

Interest rate is fixed at _____% per annum **OR** Interest rate is variable, explain: _____

Compounding period: _____ Payment Frequency: _____

Interest only payments: Yes No Payments to be made by Borrower: \$ _____

Term: _____ Amortization: _____ Borrower's first payment due: _____

Maturity Date: _____ Balance on maturity: \$ _____

Mortgage secures a running account: Yes No If running account, provide details _____

K – RANK OF MORTGAGE AND LOAN TO VALUE RATIO

Rank of mortgage

This mortgage will rank: First Second Third Other: _____

Prior encumbrances (existing or anticipated)

None **OR**

(i)Lender/Charge Holder: _____ Priority: _____

Amount Owing:\$ _____ Maximum potential indebtedness allowable under Mortgage: \$ _____

In default? Yes No

(ii)Lender/Charge Holder: _____ Priority: _____

Amount Owing: \$ _____ Maximum potential indebtedness allowable under Mortgage: \$ _____

In default? Yes No

(iii)Lender/Charge Holder: _____ Priority: _____

Amount Owing: \$ _____ Maximum potential indebtedness allowable under Mortgage: \$ _____

In default? Yes No

(iv)Lender/Charge Holder: _____ Priority: _____

Amount Owing:\$ _____ Maximum potential indebtedness allowable under Mortgage: \$ _____

In default? Yes No

Loan to value ratio

a) Total amount owing or maximum indebtedness (whichever figure is higher) of all encumbrances which rank in priority:

\$ _____

b) Maximum Indebtedness of mortgage:

\$ _____

c) Total amount of mortgages: (a+b) \$ _____

d) Value: (from Part I) \$ _____

e) Loan to value: _____ %
(c/d x 100)

L – ATTACHED DOCUMENTS

You should review the following documents carefully and assess the risks of this investment before committing to invest. The following documents are attached:

- A copy of any existing mortgage on the property;
- A copy of any appraisal;
- A copy of any purchase and sale contract entered into by borrower for the purchase of the property;
- Any documentary evidence respecting the borrower's ability to meet the mortgage payments, such as a credit bureau report or a letter from an employer disclosing the borrower's earnings.
- A copy of the borrower's application for a mortgage.
- If the mortgage is a new mortgage, documentary evidence of any down payment made by the borrower for the purchase of the property.

- A copy of any agreement that you may be asked to enter into with the mortgage broker or other administrator.
- A copy of the Cost of Credit Disclosure provided to the borrower.

The Mortgage Broker is also required to provide you with all other information an investor of ordinary prudence would consider to be material to a decision whether to lend money on the security of the property or the credit worthiness of the borrower, so that you can make an informed decision before you commit to invest. This information might include the following:

1. If the mortgage is for a construction or development project:
 - a. A detailed description of the project;
 - b. A schedule of the funds that have been advanced or are to be advanced to the borrower; and
 - c. The identity of any person who will monitor the disbursements of funds to the borrower and the use of those funds by the borrower.
2. If the property is rental property, details of leasing arrangements and vacancy status.
3. Environmental considerations affecting the value of the property.

M – CERTIFICATION

This Lender Disclosure Statement has been completed by:

_____ Name and address of Mortgage Broker

I have fully completed the above Lender Disclosure Statement in accordance with the *Mortgage Brokers Act* and regulations and declare it to be accurate in every respect.

Date: _____

Signature of Mortgage Broker, or of a person authorized to sign on behalf of the mortgage broker

Print name of person signing

N – ACKNOWLEDGEMENT

I, _____, of _____
Print name Address

acknowledge receipt of this Lender Disclosure Statement, signed by the mortgage broker.

Date: _____

Signature: _____

Dated by Investor/Lender: _____

One copy of this form must be provided to the prospective lender, and one copy must be retained by the mortgage broker.



Addendum for Inter Alia Mortgages
FORM 9- Section 17.1
(attach additional Addendum pages as necessary)

I - PROPERTIES TO BE MORTGAGED

Property 1

Legal Description of Property:

Municipal Address of Property:

Type of Property:

- Property with existing buildings
Single family residential
Five or more unit multifamily
Industrial
Two to four unit multifamily
Commercial
Other:

Vacant land, development or construction project.
Details of project/proposed use:

Other (please describe):

Property Taxes:

Are taxes in arrears?

Yes No

Annual Property Taxes: \$

If yes, amount arrears: \$

Zoning

If mortgage proceeds are to be used for construction financing, is the zoning on the property to be developed appropriate for the proposed use?

Yes No

If no, details:

Property Valuation:

Based on:

Appraisal, dated

Sale Price \$

Amount:

Municipal Assessment, Year

Other (please describe)

If appraisal obtained:

Name and address of appraiser:

Valuation is: Current, as at date:

Projected Value: \$

K – RANK OF MORTGAGE AND LOAN TO VALUE RATIO

Rank of inter alia mortgage on Property 1

This mortgage will rank: First Second Third Other: _____

Prior encumbrances (existing or anticipated)

None

OR

(i) Lender/Charge Holder: _____ Priority: _____

Amount Owing: \$ _____ Maximum potential indebtedness allowable under Mortgage: \$ _____

In default? Yes No

(ii) Lender/Charge Holder: _____ Priority: _____

Amount Owing: \$ _____ Maximum potential indebtedness allowable under Mortgage: \$ _____

In default? Yes No

(iii) Lender/Charge Holder: _____ Priority: _____

Amount Owing: \$ _____ Maximum potential indebtedness allowable under Mortgage: \$ _____

In default? Yes No

(iv) Lender/Charge Holder: _____ Priority: _____

Amount Owing: \$ _____ Maximum potential indebtedness allowable under Mortgage: \$ _____

In default? Yes No

I – PROPERTIES TO BE MORTGAGED

Property 2

Legal Description of Property:

Municipal Address of Property:

Type of Property:

Property with existing buildings

Single family residential

Five or more unit multifamily

Industrial

Two to four unit multifamily

Commercial

Other: _____

Vacant land, development or construction project.

Details of project/proposed use:

Other (please describe):

Property Taxes:

Are taxes in arrears?

Yes No

Annual Property Taxes: \$ _____

If yes, amount arrears: \$ _____

Zoning

If mortgage proceeds are to be used for construction financing, is the zoning on the property to be developed appropriate for the proposed use?

Yes No

If no, details:

Property Valuation:

Based on:

Appraisal, dated _____

Sale Price \$ _____

Amount: _____

Municipal Assessment, Year _____

Other (please describe) _____

If appraisal obtained:

Name and address of appraiser:

Valuation is: Current, as at date: _____

Projected Value: \$ _____

K – RANK OF MORTGAGE AND LOAN TO VALUE RATIO

Rank of inter alia mortgage on Property 2

This mortgage will rank: First Second Third Other: _____

Prior encumbrances (existing or anticipated)

None

OR

(i) Lender/Charge Holder: _____ Priority: _____

Amount Owning: \$ _____ Maximum potential indebtedness allowable under Mortgage: \$ _____

In default? Yes No

(ii) Lender/Charge Holder: _____ Priority: _____

Amount Owning: \$ _____ Maximum potential indebtedness allowable under Mortgage: \$ _____

In default? Yes No

(iii) Lender/Charge Holder: _____ Priority: _____

Amount Owning: \$ _____ Maximum potential indebtedness allowable under Mortgage: \$ _____

In default? Yes No

(iv) Lender/Charge Holder: _____ Priority: _____

Amount Owning: \$ _____ Maximum potential indebtedness allowable under Mortgage: \$ _____

In default? Yes No

LOAN TO VALUE RATIO

a) Total amount owing or maximum indebtedness (whichever figures are higher) of all encumbrances which rank in priority for all properties subject to the inter alia mortgage:

\$ _____

b) Maximum Indebtedness of this mortgage:

\$ _____

c) Total amount of all mortgages registered against the properties subject to the inter alia mortgage: (a+b)

\$ _____

d) Total Value of all properties subject to the inter alia mortgage: (from Parts I)

\$ _____

e) Loan to value: (c/d x 100)

_____ %

CONFLICT OF INTEREST DISCLOSURE STATEMENT FORM 10

Neither the Registrar of Mortgage Brokers nor any other authority of the government of the Province of British Columbia has any way passed on the merits of the matters dealt with in this information statement. This information statement has not been filed with the Registrar of Mortgage Brokers and the registrar has not determined whether or not it complies with Part 2 of the *Mortgage Brokers Act*.

Please type or print clearly. If additional information is required, reference and attach a schedule to this form.

FULL NAME OF MORTGAGE BROKER	TELEPHONE NO.
ADDRESS	POSTAL CODE
ADDRESS OF PROPERTY TO BE MORTGAGED	POSTAL CODE
LEGAL DESCRIPTION OF PROPERTY TO BE MORTGAGED	

Describe any direct or indirect interest the mortgage broker has or, as currently contemplated, may acquire in the transaction for which this disclosure statement is provided.

Describe any direct or indirect interest that a related party or associate of the mortgage broker, as defined in the *Mortgage Brokers Act* Regulations has or, as currently contemplated, may acquire in the transaction for which this disclosure statement is provided.

CERTIFICATION

I certify that I am the mortgage broker or an authorized representative of the mortgage broker in this transaction and based on my knowledge, belief and information provided by third parties, this Disclosure Statement contains no untrue statement and does not omit to state a fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made.

FULL NAME OF MORTGAGE BROKER	ADDRESS	POSTAL CODE
SIGNATURE OF MORTGAGE BROKER OR AUTHORIZED REPRESENTATIVE X	NAME OF AUTHORIZED REPRESENTATIVE OF MORTGAGE BROKER (PLEASE PRINT)	DATE SIGNED YYYY MM DD

ACKNOWLEDGEMENT OF RECEIPT

SIGNATURE X	NAME (PLEASE PRINT)	DATE SIGNED YYYY MM DD
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Risk Acknowledgement under BCI 32-517 *Exemption from Dealer Registration Requirement for Trades in Securities of Mortgage Investment Entities*

Name of Issuer:

Name of Seller:

I acknowledge that

- the person selling me these securities is not registered with a securities regulatory authority and is prohibited from telling me that this investment is suitable for me;
- the person selling me these securities does not act for me;
- this is a risky investment and I could lose all of my money;
- I am investing entirely at my own risk.

Date

Signature of Purchaser

Name of salesperson
Acting on behalf of the Seller

Print Name of Purchaser
(Should match the Subscription Agreement)

Sign two copies of this document. Keep one for your records.

National Instrument 45-106 *Prospectus and Registration Exemptions* may require you to sign an additional risk acknowledgement form.

If you want advice about the merits of this investment and whether these securities are a suitable investment for you, contact a registered adviser or dealer.