

Form 26

REQUIREMENTS FOR AN OFFERING MEMORANDUM
TO BE USED IN CONJUNCTION WITH THE EXEMPTION CONTAINED
IN CLAUSE 91(b) OF THE *Securities Regulation*

Item 1. The Face Page:

(a) The Face Page as a minimum requirement, must contain statements to the following effect:

THE MANITOBA SECURITIES COMMISSION HAS NOT IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER NOR HAS IT REVIEWED THIS OFFERING MEMORANDUM, AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENSE.

THIS OFFERING IS MADE IN THE PROVINCE OF MANITOBA PURSUANT TO CLAUSE 91(b) OF THE REGULATION UNDER *The Securities Act* AND IS RESTRICTED IN MANITOBA TO THOSE INVESTORS WHO ARE RELATED PURCHASERS OR SOPHISTICATED PURCHASERS AS DEFINED IN THE REGULATION, AND AS EVIDENCED BY THE DECLARATION REQUIRED TO BE SIGNED BY EACH MANITOBA PURCHASER.

CERTAIN RISK FACTORS, (SEE RISK FACTORS AT PAGE ____) ARE INHERENT IN AN INVESTMENT OF THIS NATURE, AND, ACCORDINGLY, PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR PROFESSIONAL ADVISORS BEFORE MAKING AN INVESTMENT IN THIS OFFERING.

A MANITOBA INVESTOR IN THIS OFFERING WILL BE GRANTED THE CONTRACTUAL RIGHTS OF ACTION WHICH ARE DESCRIBED ON PAGE ____ HEREOF. IN ADDITION, IF THE ISSUER FAILS TO COMPLY WITH THE REGULATION UNDER WHICH THIS OFFERING IS MADE, THE INVESTOR HAS A RIGHT TO VOID THE TRANSACTION.

Item 2. Plan of Distribution:

(a) Identify the issuer, the promoter (if any), the security offered, and disclose the price per security and the number and aggregate amount of the securities, expressed both as to minimum and maximum amounts where applicable.

(b) Disclose the costs of the offering including offering expenses and commissions, and disclose the estimated net proceeds to the issuer.

(c) State the full name and address of the principal sales agent and the total remuneration, if any, to be paid to sales agents, and the percentage that such remuneration is of the total selling price.

(d) If securities are to be sold otherwise than for cash, show installments of payments and state how they will be evidenced and if secured, how they will be secured.

(e) If a minimum subscription is required, state that the monies will be held in trust in an account at a trust company until the minimum subscription is obtained and describe the arrangements for the release of the funds from trust and for the return of subscriptions and funds if the minimum is not achieved.

(f) Name all jurisdictions in which the offering will be made, identify the statutory or other exemptions being relied on in those jurisdictions, and the restrictions on the resale of securities by investors in all jurisdictions, including Manitoba.

Item 3. Purpose of the Offering:

- (a) Describe the undertaking (i.e., property, project, program or other acquisition) being financed by the offering. Such description must include references to all proposed transfers of title, material contracts, legal descriptions of real property, and particulars of liens or encumbrances against the undertaking.
- (b) Set out the principal component costs and the total costs of the undertaking and indicate which are fixed and which are variable.
- (c) Describe how the principal component costs and total costs were arrived at. If any engineering reports, appraisals, valuations, feasibility studies or technical reports by an expert are being relied upon, disclose the name and the qualifications of the expert. Confirm that the expert's consent to the use of such reports has been received, and indicate where the reports and consents may be examined by a prospective investor during the distribution period.

Item 4. Use of Proceeds:

- (a) State the estimated gross proceeds to be derived by the issuer from the sale of securities to be offered and describe, or show in tabular form with appropriate notes, how the estimated gross proceeds will be applied to satisfy the costs of the offering, and how the net proceeds will be applied to satisfy the principal component costs and the total costs of the undertaking.
- (b) If the undertaking is to be financed only partially from proceeds of the offering, disclose the source of additional financing and particulars thereof needed to complete financing of the undertaking, and provide to potential investors evidence that such financing has been arranged. The Offering Memorandum must show how these additional funds or financing will be applied with the net proceeds of the offering to satisfy both the principal component costs and the total costs of the undertaking.
- (c) If a minimum subscription level is involved, the priorities for use of proceeds shall be disclosed in respect of application of both minimum and maximum proceeds from the offering.
- (d) Where the additional financing described in paragraph (b) hereof is not being provided by an independent financial institution but is being provided by the issuer, promoter or related third party, state how the issuer, promoter or related third party, as the case may be, will be able to meet those financial commitments or responsibilities and if the commitment for such additional financing is based on the current financial position of that person, provide the current financial statements of that person. Describe the consequences to the investor if the issuer, promoter, or related third party fails to meet any ongoing financing commitments or responsibilities.

Item 5. The Securities Being Offered:

- (a) Describe the securities offered, for example, share, debt, limited partnership unit, etc. and summarize the major attributes such as redemption, retraction, conversion, restrict voting, etc. If it is essential for an understanding of the nature of the securities, attach a copy of the constating documents of the issuer.
- (b) If the subscription price of the securities is not payable in full in cash at the time of purchase, describe the results of failure to pay the deferred balance of the subscription price.
- (c) Where income tax consequences are a significant feature of the offering, provide a commentary disclosing the tax consequences to the issuer and to a purchaser of a security. Where a tax commentary is presented, disclose the name and qualifications of the author of the commentary if other than the issuer, and state that the consent in writing of the author of the commentary to its use has been obtained and that such consent may be examined by the potential investor.

Item 6. The Issuer:

- (a) State the full name and address of the issuer and the laws under which it was incorporated, organized, or formed.
- (b) Describe the principal business of the issuer.
- (c) Disclose the capital structure of the issuer and any outstanding debt of the issuer both at a time immediately prior to the offering and the pro forma structure upon completion of the offering, where appropriate.
- (d) If the issuer has previously carried on business, summarize the results thereof and support with financial statements prepared in accordance with generally accepted accounting principles as set out in the C.I.C.A. Handbook. Where the issuer is a limited partnership, the financial statements shall be those of the issuer, as well as the general partner. The financial statements shall be for the last completed financial year and for any six month period completed after the last financial year, where such six month period has been completed within 90 days of the commencement of the offering.
- (e) Disclose what the continuous reporting obligations of the issuer to investors will be.

Item 7. Directors, Officers, Promoters, Principal Security Holders and Management:

- (a) Provide the names and addresses and principal occupations, experience and expertise for the last five years of the management of the issuer and any principal officers, directors, promoters or general partners of the issuer, upon which the success of the undertaking is anticipated to depend. Disclose all securities of the issuer that are owned or may be owned through exercise of any options by such individuals.
- (b) Disclose any potential conflicts of interest between the persons described in clause (a) above and the issuer.

Item 8. Material Contracts:

List all material contracts that will be entered into in respect of the offering and where any such contract has not been referred to or described or the features thereof not summarized in another place in the Offering Memorandum, summarize the principal features thereof. Indicate the parties to the contract and the date executed or to be executed, and where a potential investor may examine the contracts during the distribution period.

Item 9. Other Material Facts:

- (a) Set out any other material fact not previously disclosed herein which would be relevant to a prospective investor to enable the investor to make an informed judgment as to the merits of the investment.
- (b) If any financial projections, financial forecasts or other future oriented information is being provided to any of the potential investors, such projections, financial forecasts or future oriented information are material facts and must be included in the Offering Memorandum and shall comply in content and form with policy statements of The Manitoba Securities Commission.

Item 10. Conditions of Closing:

Set out all conditions that must be satisfied before subscriptions will be taken up and proceeds paid over to the issuer or paid to another party at the issuer's direction. Provide that closing can only take place when the minimum subscription has been achieved and any additional financing, if required, confirmed in writing.

Item 11. Risk Factors:

Summarize all risks to which an investor may be subject if the investor purchases the securities being offered.

Item 12. Contractual Rights of Action:

Contractual rights of action to the following effect must be granted to each investor by the subscription agreement and must be set out in the Offering Memorandum, together with a statement that such rights are in addition to and without derogation from any other right or remedy which investors might have at law:

"A person or company who purchases a security (a 'purchaser'):

(a) will not be bound by a contract for the purchase of the security if the person or company from whom the security was purchased or his agent receives written or telegraphic notice evidencing the purchaser's intention not to be bound not later than midnight on the second business day after receipt or deemed receipt by the purchaser or his agent of the Offering Memorandum or amended Offering Memorandum; and

(b) has the right to rescind a contract for the purchase of the security, while still the owner thereof, if the Offering Memorandum and any amended Offering Memorandum, as of the date of receipt or deemed receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right may be commenced by a purchaser after the expiration of the later of 180 days from the date of receipt or deemed receipt of the Offering Memorandum or amended Offering Memorandum by the purchaser or the agent of the purchaser, or the date of the contract for the purchase of the security.

In the event that the Offering Memorandum or amended Offering Memorandum contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading in the light of the circumstances in which it was made, a purchaser also has a right of action for damages against every person or company who, signed either of the certificates required in the Offering Memorandum and amended Offering Memorandum and against every director who, on the date the Offering Memorandum or amended Offering Memorandum was signed, was a director of the person or company who signed such certificates for any loss or damage that the purchaser has sustained as a result of the purchase of the security, unless it is proved:

(i) that the Offering Memorandum or amended Offering Memorandum was delivered to prospective purchasers of the security without the Director's knowledge or consent;

(ii) that, after the delivery of the Offering Memorandum or amended Offering Memorandum to the purchaser and before the purchase of the security by the purchaser, on becoming aware of any false statement in the Offering Memorandum or amended Offering Memorandum, the Director withdrew his consent to the delivery of the Offering Memorandum or amended Offering Memorandum to prospective purchasers and gave reasonable public notice of such withdrawal and of the reason therefor;

(iii) that, with respect to every false statement, the Director has reasonable grounds to believe and did believe that the statement was true;

(iv) that where a false statement was that of an expert, the Director had no reasonable grounds to believe that the expert who made the statement in the Offering Memorandum or amended Offering Memorandum or whose report or valuation was produced or fairly summarized therein was not competent to make such statement, valuation or report; or

(v) that, with respect to every false statement purporting to be a statement made by an official person or contained in what purports to be a copy of or extract from a public official document, it was a correct and fair representation of the statement or copy of or extract from the document;

but no action to enforce these rights of action for damages against signatories of certificates in an Offering Memorandum or amended Offering Memorandum or their directors may be commenced by a purchaser after the expiration of the later of one year from the date of receipt or deemed receipt of the Offering Memorandum or amended Offering Memorandum by the purchaser or the agent of the purchaser or the date of the contract for the purchase of the security."

Item 13. Certificate:

(a) The following certificates, dated and signed by the issuer(s), the promoter(s) and the principal selling agent, shall be included in the Offering Memorandum.

For issuers and promoters, in the following form:

"The foregoing Offering Memorandum contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made."

For the principal selling agent, in the following form:

"To the best of our knowledge, information and belief, the foregoing Offering Memorandum contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made."

(b) The certificates in clause (a) above are to be signed by the two principal officers or directors of the issuer, promoter or principal selling agent, as the case may be, provided that if two offices are held by the same individual, that individual may sign as the holder of both offices.