



Municipal Finance Authority of BC

# **MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA**

**Information Memorandum**

**For**

**Short Term Promissory Notes**

This Information Memorandum is not, and under no circumstances is to be construed as, an offering of Short Term Promissory Notes for sale in the United States of America (including the States and the District of Columbia), its territories, its possessions and other area subject to its jurisdiction or to any citizen or resident of the United States of America.

This Information Memorandum does not in any way obligate the Municipal Finance Authority of British Columbia to accept an offer to purchase these Short Term Promissory Notes.

May 5, 2016

## Municipal Finance Authority of British Columbia

The Municipal Finance Authority of British Columbia (the “**MFA**”) is a AAA central borrowing agency for Municipalities, Regional Districts, Greater Vancouver Sewerage & Drainage District and Greater Vancouver Water District (Utilities), Emergency Communications for Southwest British Columbia (E-Comm), Capital Region Emergency Services Telecommunication (CREST) and Regional Hospital Districts (RHD) in the Province of British Columbia. The MFA was created by provincial legislation in 1970 and is currently governed by the *Municipal Finance Authority Act* (British Columbia) (the “**Act**”). The members of the MFA (the “**Members**”) represent all municipalities in the Province, including those in the lower mainland, with the sole exception being the City of Vancouver, which operates under its own charter and handles the capital financing needs of its population on its own, although the City’s larger infrastructure projects such as sewer, water and roads, flow through the MFA via the Greater Vancouver Regional District (the “**GVRD**”). As of May 5, 2016, the MFA has 218 clients, with 190 being municipal or regional district in nature. The twenty-eight regional districts that encompass essentially all of the area and population of the Province participate in the MFA.

The MFA is a stand-alone credit, with the power to levy property tax on all taxable land in the Province of British Columbia without any senior level of government approval. As such, a direct guarantee is not required by the Province of British Columbia. The MFA has received a “Aaa” Long Term Debt rating from Moody’s, AAA rating from Fitch Ratings and AAA rating from Standard & Poor’s.

The Board of Trustees exercises and performs the executive and administrative powers and duties of the MFA, including the selection of the secretary and treasurer and its external auditors, with both appointments approved by the Members. There is no Provincial representation on the MFA’s Board of Trustees. Four Trustees represent the Greater Vancouver Regional District (the “**GVRD**”), one represents the Capital Regional District (the “**CRD**”), and the other five represent the other regional districts (the “**ORDs**”).

The Members of the MFA are elected officials appointed by the regional boards in each regional district in British Columbia. The number of Members (39 as of May 5, 2016) is based on the population of the regional districts. The Members represent all 28 regional districts. Ten Members represent the GVRD, two Members represent the CRD, two Members represent the Fraser Valley Regional District and the remaining twenty-five Members each represent one of the ORDs.

The proceeds from the sale of Short Term Promissory Notes will be loaned to our Members to provide interim financing and lease financing to institutions, for the purposes enumerated in the Act.

The head and principal office of the MFA is located at 217 – 3680 Uptown Boulevard, Victoria, British Columbia, V8Z 0B9. More details, including Annual Reports, Investment Fund Reports and Credit Reports, may be found on the MFA’s website at [www.mfa.bc.ca](http://www.mfa.bc.ca). Further Information may be obtained by emailing [mfa@mfa.bc.ca](mailto:mfa@mfa.bc.ca).

## DESCRIPTION OF THE SHORT TERM PROMISSORY NOTES

<b>Principal Amount:</b>	The maximum aggregate principal amount of short term promissory notes (the “Notes”) authorized to be outstanding at any one time is \$700 million in Canadian currency.
<b>Purpose:</b>	The net proceeds from the sale of Notes will be used by the MFA to provide interim financing and lease financing to eligible institutions, pursuant to the provisions of the Act.
<b>Forms of Notes:</b>	<p>The Notes will be issued in negotiable form, payable to the bearer or to the order of the holder thereof, and will be interest bearing or issued at a discount to mature at their principal amount.</p> <p>The Notes will be issued in “book entry only” form (the “<b>Depository Notes</b>”) and must be purchased or transferred through participants (“<b>Participants</b>”) in The Canadian Depository for Securities Limited (“<b>CDS</b>”) debt clearing service, which Participants include securities brokers and dealers and banks and trust companies, or through other institutions that maintain custodial relationships with a Participant, either directly or indirectly.</p> <p>Each purchaser of a Depository Note will receive a customer confirmation of purchase from the registered dealer from whom such Note is purchased in accordance with the practices and procedures of that registered dealer.</p> <p>Neither the MFA nor the registered dealers will assume any liability for</p> <ul style="list-style-type: none"><li>(a) any aspect of the records relating to the beneficial ownership of Depository Notes held by CDS or the payments relating thereto; maintaining, supervising or reviewing any records relating to the Depository Notes; or</li><li>(b) any advice or representation made by or with respect to CDS, the rules governing CDS or any action to be taken by CDS, whether directly or at the direction of its Participants, including any disclosure in relation thereto contained in this Information Memorandum.</li></ul> <p>The MFA will have the option to terminate the book entry system through CDS, in which case Notes in certificated form, payable to the bearer or to the order of the holder thereof, will be issued to holders of Depository Notes or their nominees.</p> <p>Each purchaser of a Depository Note will receive a customer confirmation of purchase from the registered dealer from whom such Note is purchased in accordance with the practices and procedures of that registered dealer.</p> <p>The Depository Notes will be subject to the <i>Depository Bills and Notes Act</i> (Canada).</p>
<b>Denominations:</b>	Notes will be issued in multiples of \$1,000, subject to a minimum of \$100,000 in Canadian currency.
<b>Maturities:</b>	Up to 365 days from date of issue.
<b>Rates of Interest:</b>	Available upon request.
<b>Payment:</b>	<p>At maturity, payment of the principal amount of, and interest on, Notes will be made in the currency of issue at the branches of the Canadian chartered bank designated in the Notes.</p> <p>All payments of Depository Notes will be made in accordance with the rules established by CDS.</p>
<b>Bank Lines of Credit:</b>	The MFA maintains lines of credit with its bankers in amounts sufficient for its operations, including its commercial paper activity.
<b>Restrictions:</b>	The Notes will not be offered for sale in the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction or to any citizen or resident of the United States of America.
<b>Eligibility for Investment:</b>	In the opinion of Lawson Lundell LLP, counsel for the MFA in respect of the laws of Canada, British Columbia and Alberta, Osler, Hoskin & Harcourt LLP, local counsel for the MFA in respect of the laws of Québec and Ontario, Pitblado Law LLP, local counsel for the MFA in respect of the laws of

Manitoba, and Stewart McKelvey LLP, local counsel for the MFA in respect of the laws of New Brunswick, Nova Scotia and Newfoundland and Labrador, the Notes, if purchased as at May 5, 2016, would not be precluded as investments, subject to general investment provisions and, in certain cases, subject to prudent investment requirements and to additional requirements relating to investment or lending policies or goals and, in certain cases, to the filing of such policies and goals, under or by the following statutes:

*Insurance Companies Act (Canada)*

*Trust and Loan Companies Act (Canada)*

*Pension Benefits Standards Act, 1985 (Canada)*

*An Act respecting insurance (Québec)*, for an insurer, as defined therein, constituted under the laws of the Province of Québec, other than a guarantee fund, as defined therein

*An Act respecting trust companies and savings companies (Québec)*, for a trust company, as defined therein, investing its own funds and deposits it receives, and a savings company, as defined therein, investing its funds

*Supplemental Pension Plans Act (Québec)*, for a plan governed thereby

*Pension Benefits Act (Ontario)*

*Loan and Trust Corporations Act (Ontario)*

*Insurance Act (Ontario)*

*Trustee Act (Ontario)*

*The Insurance Act (Manitoba)*

*The Pension Benefits Act (Manitoba)*

*The Trustee Act (Manitoba)*

*Insurance Act (Alberta)*

*Loan and Trust Corporations Act (Alberta)*

*Employment Pension Plans Act (Alberta)*

*Alberta Heritage Savings Trust Fund Act (Alberta)*

*Trustee Act (Alberta)*

*Financial Institutions Act (British Columbia)*

*Pension Benefits Standards Act (British Columbia)*

*Pension Benefits Act (New Brunswick)*

*Trustees Act (New Brunswick)*

*Pension Benefits Act (Nova Scotia)*

*Trustee Act (Nova Scotia)*

*Pension Benefits Act, 1997 (Newfoundland)*

## NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Information Memorandum, or documents deemed to be incorporated by reference into this Information Memorandum, may contain, forward-looking statements within the meaning of applicable securities laws, including statements relating to the MFA's objectives, and strategies to achieve those objectives, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Such forward-looking statements reflect the MFA's current beliefs and are based on information currently available to the Trustees of the MFA. These statements are not guarantees of future performance and are based on the MFA's estimates and assumptions that are subject to risks and uncertainties, which could cause the actual results and performance of the MFA to differ materially from the forward-looking statements contained or deemed to be contained herein.

Those risks and uncertainties include, among other things, risks related to: availability of cash flow; government regulation; interest rates and financing; dependence on key personnel; potential conflicts of interest; changes in legislation; investment eligibility; indebtedness of the MFA; and statutory remedies. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements include that the general economy remains stable and interest rates remain relatively stable. The MFA cautions that this list of factors is not exhaustive. Although the forward-looking statements contained or deemed to be contained herein are based upon what the MFA believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. All forward-looking statements contained or deemed to be contained herein are qualified by these cautionary statements. The forward-looking statements are made only as of the date of this Information Memorandum and the MFA, except as required by applicable law, assumes no obligation to update or revise them to reflect new information or the occurrence of future events or circumstances.

## PURCHASERS' RIGHTS OF ACTION

A purchaser of Notes will have certain rights, some of which are described below. For information about your rights, you should consult a lawyer.

### ***Statutory Rights of Action in the Event of a Misrepresentation***

Securities legislation in certain of the Canadian provinces provides certain purchasers of securities pursuant to an offering memorandum (as such term is defined in the securities legislation of such Canadian provinces) with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, where the offering memorandum and any amendment thereto and, in some cases, advertising and sales material used in connection therewith, contains a "misrepresentation", as defined in the applicable securities legislation. A "misrepresentation" is generally defined under applicable provincial securities laws to mean an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities legislation and are subject to limitations and defenses under applicable securities legislation.

In the event that this Information Memorandum is found to be an offering memorandum in any province of Canada, purchasers of Notes who received this Information Memorandum may be entitled to a remedy for damages or rescission, or both, in addition to any other rights they may have at law, as described above.

The following is a summary of the rights of action for damages or rescission, or both, available to certain purchasers resident in certain of the provinces of Canada and is subject to the express provisions of the securities laws, regulations, and rules governing such provinces and reference is made thereto for the complete text of such provisions. Such provisions may contain limitations and statutory defences not described herein, upon which the MFA and other applicable parties may rely. Subscribers should refer to the applicable provisions of the securities legislation of their province for the particulars of these rights or consult with a legal advisor.

The rights described below are in addition to and without derogation from any other right or remedy which Canadian purchasers may have at law and are intended to correspond to the provisions of the relevant securities legislation and are subject to the defenses contained therein.

### **Manitoba**

The right of action for damages or rescission described herein is conferred by section 141.1 of *The Securities Act* (Manitoba) (the "**Manitoba Act**"). The Manitoba Act provides, in relevant part, that in the event that an offering memorandum contains a misrepresentation, as defined in the Manitoba Act, a purchaser who purchases a security offered by the offering memorandum is deemed to have relied on the misrepresentation, if it was a misrepresentation at the time of purchase. Such purchaser has a statutory right of action for damages against the issuer of the security, every director of the issuer at the date of the offering memorandum, and every person or company who signed the offering memorandum. Alternatively, while still an owner of the securities, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer or the directors. Pursuant to section 141.4(2) of the Manitoba Act, no such action may be commenced to enforce the right of action for rescission or damages more than (a) 180 days after the day of the

transaction that gave rise to the cause of action, in the case of an action for rescission; or (b) the earlier of (i) 180 days after the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) two years after the day of the transaction that gave rise to the cause of action, in any other case.

The Manitoba Act provides a number of limitations and defenses, including the following:

- a. no person or company is liable if the person or company proves that the purchaser purchased the security having knowledge of the misrepresentation;
- b. in the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation; and
- c. in no case will the amount recoverable in any action exceed the price at which the securities were offered under the offering memorandum.

All persons or companies referred to above that are found to be liable, or who accept liability, are jointly and severally liable. A defendant who is found liable to pay a sum in damages may recover a contribution in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all circumstances of the case, the court is satisfied that it would be just and equitable.

In addition, a person or company, other than the issuer, will not be liable

- a. if such person or company proves that the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent, and that, after becoming aware that it was sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the person's or company's knowledge and consent;
- b. if such person or company proves that after becoming aware of the misrepresentation, the person or company withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it;
- c. with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, if the person or company did not have any reasonable grounds to believe and did not believe that (i) there had been a misrepresentation, or (ii) the relevant part of the offering memorandum (A) did not fairly represent the expert's report, opinion, or statement; or (B) was not a fair copy of, or an extract from, the expert's report, opinion or statement; or
- d. with respect to any part of the offering memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or (ii) believed there had been a misrepresentation.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, an offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum.

### **New Brunswick**

The right of action for damages or rescission described herein is conferred by section 150 of the *Securities Act* (New Brunswick) (the "**New Brunswick Act**"). The New Brunswick Act provides, in relevant part, that where an offering memorandum contains a misrepresentation, as defined in the New Brunswick Act, a purchaser who purchases securities offered by the offering memorandum shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and

- a. the purchaser has a right of action for damages against the issuer and any selling security holder(s) on whose behalf the distribution is made; or
- b. where the purchaser purchased the securities from a person referred to in paragraph (a), the purchaser may elect to exercise a right of rescission against the person, in which case the purchaser shall have no right of action for damages against the person.

This statutory right of action is available to New Brunswick purchasers, whether or not such purchasers relied on the misrepresentation. However, there are various defenses available to the issuer and the selling security holder(s). In particular, no person will be liable for a misrepresentation if such person proves that the purchaser had knowledge of the misrepresentation when the purchaser purchased the securities. Moreover, in an action for damages, the amount recoverable will not exceed the price at which the securities were offered and any defendant will not be liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation.

If the purchaser intends to rely on the rights described in (a) or (b) above, such purchaser must do so within strict time limitations. The purchaser must commence an action for rescission within 180 days after the date of the transaction that gave rise to the cause of action. The purchaser must commence its action for damages within the earlier of (a) one year after the purchaser first had knowledge of the facts giving rise to the cause of action; or (b) six years after the date of the transaction that gave rise to the cause of action.

### **Newfoundland and Labrador**

The right of action for damages or rescission described herein is conferred by section 130.1 of the *Securities Act* (Newfoundland and Labrador) (the "**Newfoundland Act**"). The Newfoundland Act provides, in relevant part, that where an offering memorandum contains a misrepresentation, as defined in the Newfoundland Act, a purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the misrepresentation, (a) a statutory right of action for damages against (i) the issuer, (ii) every director of the issuer at the date of the offering memorandum, and (iii) every person or company who signed the offering memorandum; and (b) a right of rescission against the issuer. Where a purchaser elects to exercise a right of rescission against the issuer, such purchaser has no right of action for damages against the persons described above.

The Newfoundland Act provides a number of limitations and defenses in respect of such rights. Where a misrepresentation is contained in an offering memorandum, a person or company shall not be liable for damages or rescission

- a. where the person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- b. where the person or company proves that the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the knowledge and consent of the person or company;
- c. if the person or company proves that the person or company, on becoming aware of the misrepresentation in the offering memorandum, withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it;
- d. if, with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that (i) there had been a misrepresentation, or (ii) the relevant part of the offering memorandum (A) did not fairly represent the report, opinion or statement of the expert; or (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert;
- e. with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or (ii) believed there had been a misrepresentation;
- f. in the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation; and
- g. in no case will the amount recoverable in any action exceed the price at which the securities were offered under the offering memorandum.

Section 138 of the Newfoundland Act provides that no action shall be commenced to enforce these rights more than (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or (b) in the case of an action for damages, the earlier of: (i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or (ii) three years after the date of the transaction that gave rise to the cause of action.

### **Nova Scotia**

The right of action for damages or rescission described herein is conferred by section 138 of the *Securities Act* (Nova Scotia) (the "**Nova Scotia Act**"). The Nova Scotia Act provides, in relevant part, that in the event that an offering memorandum, together with any amendment thereto, or any advertising or sales literature, as defined in the Nova Scotia Act, contains a misrepresentation, as defined in the Nova Scotia Act, the purchaser will be deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and has, subject to certain limitations and defenses, a statutory right of action for damages against the issuer or other seller and, subject to certain additional defenses, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, while still the owner of the securities purchased by the purchaser, may elect instead to exercise a statutory right of rescission against the

issuer, in which case the purchaser shall have no right of action for damages against the issuer or other seller, directors of the issuer or any other person who has signed the offering memorandum, provided that, among other limitations,

- a. no action shall be commenced to enforce the right of action for rescission or damages by a purchaser resident in Nova Scotia later than 120 days after the date on which the initial payment was made for the securities;
- b. no person will be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- c. in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and
- d. in no case will the amount recoverable in any action exceed the price at which the securities were offered by the purchaser.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

- a. the offering memorandum or any amendment thereto was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;
- b. after delivery of the offering memorandum or any amendment thereto and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the offering memorandum or amendment thereto the person or company withdrew the person's or company's consent to the offering memorandum or any amendment thereto, and gave reasonable general notice of the withdrawal and the reason for it; or
- c. with respect to any part of the offering memorandum or any amendment thereto purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (A) there had been a misrepresentation; or (B) the relevant part of the offering memorandum or any amendment thereto did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Furthermore, no person other than the issuer is liable with respect to any part of the offering memorandum or an amendment to the offering memorandum not purporting to be made on the authority of an expert, or to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or (ii) believed that there had been a misrepresentation.

The liability of all persons or companies referred to above is joint and several with respect to the same cause of action. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person or company who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

## **Ontario**

The right of action for damages or rescission described herein is conferred by section 130.1 of the *Securities Act (Ontario)* (the "**Ontario Act**"). The Ontario Act provides, in relevant part, that every purchaser of securities pursuant to an offering memorandum shall have a statutory right of action for damages or rescission against the issuer and any selling security holder in the event that the offering memorandum contains a misrepresentation, as defined in the Ontario Act. A purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the misrepresentation, a right of action for damages or, alternatively, while still the owner of the securities, for rescission against the issuer and any selling security holder, provided that

- a. if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages as against the issuer and the selling security holders, if any;
- b. the issuer and the selling security holders, if any, will not be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- c. the issuer and the selling security holders, if any, will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and
- d. the issuer and the selling security holders, if any, will not be liable for a misrepresentation in "forward looking information" ("**FLI**"), as such term is defined under applicable Canadian securities laws, if it proves that

- i. the offering memorandum contains, proximate to the FLI, reasonable cautionary language identifying the FLI as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection set out in the FLI, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the FLI,
  - ii. the issuer had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the FLI, and
- e. in no case shall the amount recoverable exceed the price at which the securities were offered.

Section 138 of the Ontario Act provides that no action shall be commenced to enforce these rights more than

- a. in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- b. in the case of an action for damages, the earlier of (i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action or (ii) 3 years after the date of the transaction that gave rise to the cause of action.

Where an offering memorandum is delivered to a purchaser to whom securities are distributed, this right of action is applicable unless the purchaser is:

- a. a Canadian financial institution, meaning either (i) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under that Act, or (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;
- b. a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);
- c. the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or
- d. a subsidiary of any person referred to in paragraphs (a), (b) or (c), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of the subsidiary.

### Prince Edward Island

The right of action for damages or rescission described herein is conferred by section 112 of the *Securities Act* (Prince Edward Island) (the "**PEI Act**"). The PEI Act provides, in the relevant part, that if an offering memorandum contains a misrepresentation, as defined in the PEI Act, a purchaser who purchases a security offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages. Such purchaser has a statutory right of action for damages against the issuer, the selling security holder on whose behalf the distribution is made, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum. Alternatively, the purchaser who purchases a security offered by the offering memorandum during the period of distribution has a right of action for rescission against the issuer or the selling security holder on whose behalf the distribution is made, in which case the purchaser shall have no right of action for damages against the persons described above. No such action may be commenced to enforce the right of action for rescission or damages more than (a) 180 days after the day of the transaction that gave rise to the cause of action, in the case of an action for rescission; or (b) the earlier of (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action; or (ii) three years after the day of the transaction giving rise to the cause of action, in any other case.

The PEI Act provides a number of limitations and defenses, including the following:

- a. no person is liable if the person proves that the purchaser purchased securities with knowledge of the misrepresentation;
- b. in the case of an action for damages, the defendant is not liable for any damages that the defendant proves do not represent the depreciation in value of the security resulting from the misrepresentation; and
- c. the amount recoverable by a plaintiff in respect of such action must not exceed the price at which the securities purchased by the plaintiff were offered.

In addition, a person, other than the issuer and selling security holder, is not liable if the person proves that

- a. the offering memorandum was sent to the purchaser without the person's knowledge or consent, and that, upon becoming aware of its being sent, the person had promptly given reasonable notice to the issuer that it had been sent without the knowledge and consent of the person;
- b. the person, upon becoming aware of the misrepresentation in the offering memorandum, had withdrawn the person's consent to the offering memorandum and had given reasonable notice to the issuer of the withdrawal and the reason for it;
- c. with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe and did not believe that (i) there had been a misrepresentation, or (ii) the relevant part of the offering memorandum (A) did not fairly represent the report, statement or opinion of the expert; or (B) was not a fair copy of, or an extract from, the report, statement or opinion of the expert; or
- d. with respect to any part of an offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, unless the person (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had no representation, or (ii) believed that there had been an investigation.

In addition, a person is not liable with respect to a misrepresentation in FLI if:

- a. the offering memorandum containing the FLI also contains, proximate to the FLI (i) reasonable cautionary language identifying the FLI as such and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the FLI. and (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the FLI, and
- b. the person had a reasonable basis for drawing the conclusions or making the forecast or projections set out in the FLI.

The above paragraph does not relieve a person of liability respecting FLI in a financial statement required to be filed under Prince Edward Island securities laws.

### **Saskatchewan**

The right of action for damages or rescission described herein is conferred by section 138 of *The Securities Act, 1988* (Saskatchewan), as amended (the "**Saskatchewan Act**"). The Saskatchewan Act provides, in relevant part, that where an offering memorandum, or any amendment thereto, is sent or delivered to a purchaser and it contains a misrepresentation, as defined in the Saskatchewan Act, a purchaser who purchases a security covered by the offering memorandum or any amendment thereto has, without regard to whether the purchaser relied on the misrepresentation:

- a. a right of action for damages or rescission against the issuer or the selling security holder on whose behalf the distribution is made;
- b. a right of action for damages against every promoter and director of the issuer or the selling security holder, as the case may be, at the time the offering memorandum or any amendment thereto was sent or delivered;
- c. a right of action for damages against every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions, or statements that have been made by them;
- d. a right of action for damages against every person or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or any amendment thereto; and
- e. a right of action for damages against every person or company that sells securities on behalf of the issuer or the selling security holder under the offering memorandum or any amendment thereto.

Such rights of action for damages or rescission are subject to certain limitations including the following:

- a. if the purchaser elects to exercise its right of rescission against the issuer or selling security holder, it shall have no right of action for damages against that party;
- b. in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she, or it proves do not represent the depreciation in value of the securities resulting from the misrepresentation relied on;
- c. no person or company, other than the issuer or a selling security holder, will be liable for any part of the offering memorandum or any amendment thereto not purporting to be made on the authority of an expert and not purporting to

be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation;

- d. in no case shall the amount recoverable exceed the price at which the securities were offered; and
- e. no person or company is liable in an action for damages or rescission if that person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation.

In addition, no person or company, other than the issuer or selling security holder, will be liable if the person or company proves that:

- a. the offering memorandum or any amendment thereto was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered; or
- b. with respect to any part of the offering memorandum or any amendment thereto purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, the part of the offering memorandum or any amendment thereto did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion, or statement of the expert.

Not all defenses upon which an issuer, selling security holder or other person may rely are described herein. Canadian investors should refer to the full text of the Saskatchewan Act for a complete listing.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the Saskatchewan Act also provides that where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser is deemed to have relied on the misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for damages against the individual who made the verbal statement.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Financial and Consumer Affairs Authority of Saskatchewan.

Section 141(2) of the Saskatchewan Act also provides a right of action for damages or rescission to a purchaser of securities to whom an offering memorandum or any amendment thereto was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by section 80.1 of the Saskatchewan Act.

Section 147 of the Saskatchewan Act provides that no action shall be commenced to enforce any of the foregoing rights more than:

- a. in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- b. in the case of any other action, other than an action for rescission, the earlier of (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) six years after the date of the transaction that gave rise to the cause of action.

The Saskatchewan Act also provides a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act with a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended offering memorandum.

Furthermore, no person or company, other than the issuer, will be liable with respect to any part of the offering memorandum or any amendment thereto not purporting (a) to be made on the authority of an expert; or (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or (ii) believed that there had been a misrepresentation.

If a misrepresentation is contained in a record incorporated by reference into, or deemed to be incorporated by reference into, the offering memorandum or any amendment thereto, the misrepresentation is deemed to be contained in the offering memorandum or any amendment thereto.

### **General**

The foregoing summary is subject to the express provisions of the securities legislation of the applicable provinces and the rules, regulations and other instruments thereunder, and reference should be made to the complete text of such provisions. Such provisions may contain limitations and statutory defenses.

The rights of action described above are in addition to and without derogation from any other right or remedy which purchasers may have at law.

**"Book Entry Only" Form – SOUS FORME "D'INSCRIPTION EN COMPTE SEULEMENT"**



**MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA  
DISCOUNT / INTEREST BEARING PROMISSORY NOTE  
BILLET A ORDRE A ESCOMPTE / PORTANT INTERET**

**NO.00000**

**ISSUE DATE  
DATE D'EMISSION**

**DUE DATE  
DATE D'ESCHEANCE**

Municipal Finance Authority of British Columbia for value received  
*Municipal Finance Authority of British Columbia pour valeur recue*

hereby promises to pay to or to the order of  
*S'engage par les presents a payer a ou a l'ordre de*

on the due date, the sum of  
*a la date d'echeance, la somme de*

dollars  
*dollars*

in lawful money of  
*en monnaie legale*

with, in the case of an Interest Bearing Note, interest thereon  
*avec, dans le cas d'un billet portant interest, l'interet sur la somme*

at the rate of  
*precitee au taux de*

Percent ( %) per annum, from the Issue Date hereof to the Due Date  
*Pour cent ( %) l'an, a computer de la date d'emission de ce billet*

upon due presentation and surrender of this Note.  
*Jusqu'a sa date d'escheance sur presentation et remise du present billet.*

The aforesaid interest rate is calculated on the basis of a year of 365 days if the Note is denominated in Canadian currency.  
*Le taux d'interet susdit est calcule sur la base d'une annee de 365 jours si le billet est libelle en monnaie du Canada.*

**MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA**

This Note shall become valid only when it shall have been manually counter signed on behalf of Municipal Finance Authority of British Columbia

*Ce billet ne deviendra valide qu'apres avoir ete contresigne a la main pour le compte de*

*Municipal Finance Authority of British Columbia*  
Countersigned on behalf of MUNICIPAL FINANCE  
AUTHORITY OF BRITISH COLUMBIA

*Contresigne pour le compte de MUNICIPAL FINANCE*  
AUTHORITY OF BRITISH COLUMBIA

By / par \_\_\_\_\_

Per / Par:

Per / Par: