



Private Lender Protocol

The following section outlines a summary of considerations and policies surrounding Private Lending within Tribe Financial Group. Please ensure you follow these procedures for EVERY private transaction you are involved in. If you have any questions, do not hesitate to contact us.

Summary

1) The brokerage is required to have proper documentation/information for ALL private lenders/investors we deal with.

The Principal Broker MUST approve all Private lenders/investors. If you are in contact with a new lender/investor, please have them complete and submit for approval to principal broker before engaging in business activities:

- i) Private lender profile form
- ii) If applicable, Designated Class of Lenders and Investors form.

2) Investor Disclosures:

- a) Every Private Lender must be presented with the appropriate Ontario Investor /Lender Disclosure Statement(s). It is NOT at your discretion whether a disclosure is required...If you think that one is not required, please contact us for approval.
- b) The disclosure should be provided to the private lender as soon as possible, and ideally, before a commitment has been provided.
- c) The proper order of signing a disclosure is: Principal broker signs, and then the private lender/investor

****The above is just a snapshot for what Tribe Financial Group expects when dealing with private lenders/investors. The following pages provide more information and guidance, and should be reviewed on a regular basis if your business includes private mortgage transactions. Please contact the brokerage with any questions/concerns you have****

1.6 Private Lenders

1.6.1 Introduction

Private Lenders (also known as Investors by the *MBLAA, 2006*) are a special case in our industry. Mortgages provided to Borrowers from Private Lenders must be treated with greater care and due-diligence due to the nature of our relationship to both the Borrower and Lender in these cases. The following section outlines some of the special considerations, policies, and documentation surrounding Private Lending within Tribe Financial Group.

It is imperative that these rules be followed, as FSCO may be performing full audits of mortgage brokerages in Ontario to verify that this information is in place, and that these policies and procedures are being followed.

1.6.2 Agents Must Not Sign Investment Disclosure Forms

In accordance to the *MBLAA, 2006*, NO AGENT representing Tribe Financial Group is permitted to sign an investment disclosure form to a private lender. It is a further condition of Tribe Financial Group that no agent may present an investment disclosure document to a private lender.

1.6.3 Principal Broker Must Approve All Private Lenders

It is the policy of Tribe Financial Group to evaluate and approve all Private Lenders used by any Mortgage Broker/Agent within this Brokerage. This means that a physical file containing full Private Lender information must be maintained at Tribe Financial Group's head office. A full Investor Risk Profile conducted on the Private Lender must also be in the file in order to verify the suitability of all mortgage investment presented to them.

It is important to note that, while the Principal Broker must approve all Private Lenders and maintain a file on them, it does not mean that this Private Lender will be accessible directly to all Mortgage Brokers/Agents in the firm. This process should ensure the protection of these private sources of funds because once a file is created at Tribe Financial Group's head office, only the Mortgage Broker/Agent who provided the information to the Principal Broker will be permitted to work directly with the Private Lender.

1.6.4 Know Your Client for Private Lenders

In order for any Mortgage Broker/Agent to work with a Private Lender, the first step is to ensure that you know your Client is aware of the risk associated with the investment, and that risk is suitable given their age, needs, etc. It is mandatory under the *MBLAA, 2006* (O. Reg. 188/08 s.10 & 11) for there to be documentation on each Private Lender used by Mortgage

Brokers/Agents of Tribe Financial Group at our company’s head office, for the purposes of a FSCO audit. Therefore, at a bare minimum, basic information about the Client may include copies of their identification, and declarations of “know your client” must be kept in this file.

We follow Anti-Money-Laundering legislation and verify that funds for our mortgages are coming from within the financial system, not from large cash deposits. In addition, a copy of the appropriate Investor/Lender Disclosure Statement(s) for Brokered Transactions for each mortgage funded by any specific Private Lender needs to be retained by the Brokerage in our files. Even if this is someone you have worked with for years, this documentation is mandatory, and will be examined by the Regulator during an audit. Ensure you notify the Principal Broker of each and every Private Lender you work with, and ensure there is a file for each at Tribe Financial Group’s main office.

It is the responsibility of the Broker to ensure that Brokers/Agents of this Brokerage are not being used to facilitate dishonesty, fraud, crime or illegal conduct.

1.6.5 Investor Disclosure Form

Every Private Lender must be presented with the appropriate Ontario Investor /Lender Disclosure Statement(s) for Brokered Transactions for each and every mortgage transaction in which they are a participant (O. Reg. 188/08 s.31). Once signed by the Private Lender, a copy of this/these form(s) must be included in both the Client mortgage transaction file, and the Private Lender file at Tribe Financial Group’s head office – note that only a Broker licensed person may sign the Lender/Investor Disclosure(s) (O. Reg. 188/08 s.31 (1)).

1.6.6 Designated Class of Lenders or Investors

In some cases, you may end up working with a Private Lender or consortium that belongs to (or should belong to) what the *MBLAA, 2006* Regulations calls a “Designated Class of Lenders or Investors” (O. Reg. 188/08 s. 2). The most common conditions you will face under which Private Lenders would be part of this class are as follows:

- A person or entity who is registered as an Adviser or Dealer under the Securities Act when the person or entity is acting as a Principal, or Agent, or Trustee for accounts that are fully managed by the person or entity;
- An individual, who, alone or together with his or her spouse, has net assets of at least \$5 million and who provides written confirmation of this to the Brokerage;
- An individual who, alone or together with his or her spouse, beneficially owns financial assets (being cash, securities within the meaning of the Securities Act, the cash surrender value of a life insurance contract, a deposit or evidence of a deposit) that have an aggregate realizable value that, before taxes but net of any related liabilities, exceeds \$1 million and who provides written confirmation of this to the Brokerage;

- An individual whose net income before taxes in each of the two most recent years exceeded \$200,000 or whose net income before taxes in each of those years combined with that of his or her spouse in each of those years exceeded \$300,000, who has a reasonable expectation of exceeding the same net income or combined net income, as the case may be, in the current year and who provides written confirmation of this to the Brokerage.

In these cases, if we have the relevant information on file as outlined above, it is not mandatory to provide a copy of the Ontario Investor/Lender Disclosure Statement(s) for Brokered Transactions to the Lender for each transaction. It is suggested that one be presented so as to avoid any conflicts if the mortgage goes into default with a sustaining loss.

1.6.7 Borrower Enhanced Due Diligence for Private Lenders

In the case of Private Lenders, complete the appropriate Investor/Lender Disclosure Statement(s) for Brokered Transactions, including the following:

- Brokers must perform Enhanced Due Diligence and provide documentary evidence of the borrower’s ability to meet the mortgage payments for the life of the loan;
- If it is a construction loan, document due diligence on the developers and the property to reduce the risk of mortgage fraud;
- Document the risks of the rank of the mortgage; and
- Document situations where the Investor may be required to contribute additional funds.

Appraisals will be required in almost all instances. In the event an appraisal is not required, document the rationale in the file. If the appraiser does not hold a CRA or AACI designation document the rationale in the file.

Tribe Financial Group

FSCO Licence Number: 12782

PRIVATE LENDER PROFILE FORM

Lender Name:	Primary Contact:
Address:	Preferred Contact Method:
City:	Telephone:
Province:	Mobile:
Postal:	Email:

Identification Type:	Identification Number:
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Total Approximate Amount Available for Mortgage Investments:

Approximate Income	
¢	Under \$25,000
¢	\$25,000-\$49,999
¢	\$50,000-\$74,999
¢	\$75,000-\$99,999
¢	\$100,000-\$199,999
¢	\$200,000-\$999,999
¢	Over \$1,000,000

Approximate Net Worth	
¢	Under \$20,000
¢	\$20,000-\$34,999
¢	\$35,000-\$59,999
¢	\$60,000-\$99,999
¢	\$100,000-\$199,999
¢	\$200,000-\$999,999
¢	Over \$1,000,000

Investment Objectives			
¢	Safety	¢	Growth
¢	Income	¢	Aggressive Growth
¢	Balanced	¢	Speculative

Other Objectives	
¢	Tax Savings
¢	Retirement Planning
¢	Education Planning
¢	Estate Planning

Risk Tolerance	
¢	None
¢	Extremely Low
¢	Very Low
¢	Low
¢	Low-Medium
¢	Medium
¢	Medium-High
¢	High
¢	Aggressive
¢	Speculative

Time Horizon	
¢	< 1 Year
¢	1 - < 3 Years
¢	3 - < 5 Years
¢	5 - < 10 Years
¢	11 - < 20 Years
¢	20 + Years

Mortgage Lending Experience	
¢	< 1 Year
¢	1 - < 3 Years
¢	3 - < 5 Years
¢	Over 5 Years

Mortgage Knowledge	
¢	Sophisticated
¢	Good
¢	Fair
¢	Novice

Assets/Liabilities Breakdown			
Investments		Mortgages	
RRSP		Loans	
Princ. Res		Other	
Total Assets		Total Liab.	
Total Net Worth			

Signatories below hereby certify that the information provided above is complete and accurate to the best of our knowledge. We understand that you will use this information in part to recommend suitable mortgage investments, and will also consider any underwriting guidelines which we will provide to you for your files. We understand that mortgage investments are in no way guaranteed by the client, the Agent or Broker, the Brokerage, or the Government of Ontario, and understand the inherent risks associated with these types of transactions.

Client Signature

Joint Signature

Date

Date

Agent/Broker Signature

Date

Principal Broker Approval

Date

CERTIFICATION FORM
DESIGNATED CLASS OF LENDERS AND INVESTORS

The Mortgage Brokerages, Lenders and Administrators Act, 2006 of Ontario defines the designated classes of lenders and investors as follows:

Initial on appropriate line(s)

1. An administrator or trustee of a registered pension plan within the meaning of subsection 248 (1) of the *Income Tax Act* (Canada). _____
2. A person or entity who is registered as an adviser or dealer under the *Securities Act* when the person or entity is acting as a principal or as an agent or trustee for accounts that are fully managed by the person or entity. _____
3. A person or entity who is registered under securities legislation in another province or territory of Canada with a status comparable to that described in paragraph 2 when the person or entity is acting as a principal or as an agent or trustee for accounts that are fully managed by the person or entity. _____
4. A person or entity, other than an individual, who has net assets of at least \$5 million as reflected in its most recently-prepared financial statements and who provides written confirmation of this to the brokerage. _____
5. An individual who, alone or together with his or her spouse, has net assets of at least \$5 million and who provides written confirmation of this to the brokerage. _____
6. An individual who, alone or together with his or her spouse, beneficially owns financial assets (being cash, securities within the meaning of the *Securities Act*, the cash surrender value of a life insurance contract, a deposit or evidence of a deposit) that have an aggregate realizable value that, before taxes but net of any related liabilities, exceeds \$1 million and who provides written confirmation of this to the brokerage. _____
7. An individual whose net income before taxes in each of the two most recent years exceeded \$200,000 or whose net income before taxes in each of those years combined with that of his or her spouse in each of those years exceeded \$300,000, who has a reasonable expectation of exceeding the same net income or combined net income, as the case may be, in the current year and who provides written confirmation of this to the brokerage. _____
8. A person or entity in respect of which all of the owners of interests, other than the owners of voting securities required by law to be owned by directors, are persons or entities described in paragraphs 1 to 8 (para. 1 to 12 of *O.R. 188/08 (2)*). _____

As a designated lender / investor the Brokerage is not obligated to give you the investor disclosure form or other supporting documentation that may be required under the *Mortgage Brokerages, Lender and Administrators Act, 2006*. You are entitled to received this form if you request it, and to receive any supporting documentation that you feel is necessary in making an informed decision about the mortgage investment being offered to you an any given time. You may sign a mortgage commitment immediately upon being offered a mortgage investment should you so elect.

Tribe Financial Group will always be representing (circle one) The Lender / Both the Lender and the Borrower(s) / The Borrower(s) in the mortgages we offer you unless we advise you in writing otherwise.

At the time of application we will make our best efforts to identify the borrower(s) in all of our mortgage applications. If we cannot do so for any reason, we will require the solicitor acting on your behalf to do so on closing, or advise you that we have been unable to identify the borrower(s).

All mortgage investments are accompanied by a level of risk. These risks may include the fact that the borrower may not be able to repay the mortgage on the maturity date, may be unable to meet his payments on your and or another mortgage on the property, may allow the property taxes to go into arrears and or the insurance may lapse or be cancelled, the property value may decrease during the term of the mortgage, and other risks that are inherent in any mortgage investment.

Thank you for investing in mortgages through Tribe Financial Group, 394 Appleby Line, Burlington, ON, L7L 2X8

Broker Name

Broker Lic. No.

Broker Signature

I hereby certify that I qualify under one or more of the definitions of a designated classes of lenders and investors as indicated above.

Dated at _____ this ____ day of _____, 20__.

Investor Name

Investor Signature