

FISGARD CAPITAL CORPORATION

OFFERING MEMORANDUM

(Form 45-106F2 - Offering Memorandum for Non-Qualifying Issuers)

The Issuer is a “connected issuer” and a “related issuer”, within the meaning of applicable securities legislation, of the Manager given the role of the Manager as manager of the Issuer and given that each of the Manager and the Issuer are “related issuers” to Wayne Strandlund, the sole shareholder, the President and a director of the Manager and a shareholder, the President and Chief Executive Officer and a director of the Issuer. See “Item 7: Compensation Paid to Sellers and Finders”.

Date: March 16, 2017

The Issuer

Name: Fisgard Capital Corporation (the “Issuer”)
Head Office: 3378 Douglas Street
Victoria BC V8Z 3L3
Phone: (250) 382-9255 or 1-866-382-9255
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Currently listed or quoted? No. **These securities do not trade on any exchange or market.**

Reporting issuer? No.

SEDAR filer? No.

The Offering

Securities offered: Class B (5-year maturity) Non-Voting shares
Class D (3-year maturity) Non-Voting shares
Class F (1-year maturity) Non-Voting shares
(collectively, “Shares” and individually, a “Share”)

See “Item 5: Securities Offered – Terms of Securities” for a description of the terms of the Shares.

Price per security: \$1.00 per Share

Minimum/Maximum offering: **\$0 / no maximum.**

There is no minimum or maximum offering. You may be the only purchaser. Funds available under this offering may not be sufficient to accomplish our proposed objectives. Shares have been sold in prior offerings. For certain information on prior sales of Shares, see “Item 4: Capital Structure – 4.3 Prior Sales”.

Minimum subscription amount: There is no minimum subscription amount an investor must invest.

Payment terms: Cheque or bank draft payable to the Issuer at the time of subscription. See “Item 5: Securities Offered – 5.2 Subscription Procedure”.

Proposed closing date(s): Continuous offering. Closings will occur periodically at the discretion of the Issuer. See “Item 5: Securities Offered – 5.2 Subscription Procedure”.

Income tax consequences: There are important tax consequences to these securities. See “Item 6: “Income Tax Consequences”.

Selling agent? No. The Issuer may pay a sales commission to registered dealers (including Fisgard Asset Management Corporation, defined below as the “Manager”) or, where permitted, other persons in an amount determined by the Issuer (to a maximum of 7% of the subscription amount). See “Item 7: Compensation Paid to Sellers and Finders”.

Resale Restrictions

You will be restricted from selling your securities for an indefinite period. However, Shares are retractable in certain circumstances. See “Item 10: Resale Restrictions” and “Item 5: Securities Offered”.

Purchaser's Rights

You have two business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue for damages or to cancel the agreement. See "Item 11: Purchasers' Rights".

No securities regulatory authority has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See "Item 8: Risk Factors".

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FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes forward-looking statements with respect to the Issuer. A statement is forward-looking when it uses what we know and expect today to make a statement about the future. Forward-looking statements may include words such as “anticipate”, “believe”, “intend”, “expect”, “goal”, “may”, “outlook”, “plan”, “seek”, “should”, “strive”, “target”, “could”, “continue”, “potential” and “estimated”, or the negative of such terms or comparable terminology. You should not place undue reliance on the forward-looking statements. In particular and without limitation, this Offering Memorandum contains forward-looking statements pertaining to the following: the intended course of conduct and future operations of the Issuer, the intended mortgage portfolios and limited partnership investments, the Issuer’s intended use of proceeds, the Issuer’s short and long term objectives and the Issuer’s continuing intention to qualify as a MIC. These statements are based on assumptions made by the Issuer about the success of the Issuer’s investment policies in certain economic and market conditions, relying on the experience of the Issuer’s and the Manager’s (as defined below) directors, officers and employees and their knowledge of historical economic and market trends including: our expectations regarding the composition of the mortgage portfolios, our expectation that we will complete the Offering, the ability of the Issuer to establish and maintain relationships and agreements with key strategic partners, the ability of the Issuer to maintain its mortgage broker license, the ability of the Issuer to adjust the mix of mortgages in the mortgage portfolio in response to market conditions and investment opportunities and anticipated costs and expenses of the Offering. Investors are cautioned that the assumptions the Issuer makes and the success of the Issuer’s investment policies are subject to a number of mitigating factors. Economic and market conditions may change, which may materially impact the success of the Issuer’s policies as well as the Issuer’s actual course of conduct. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual results or events to differ materially from those anticipated in such forward looking statements. Investors are urged to consider various factors when considering these statements, including, but not limited to the risks discussed under “Item 8: Risk Factors”. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. These forward-looking statements are made as of the date of this Offering Memorandum and we disclaim any intention and have no obligation or responsibility, except as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

INCORPORATION BY REFERENCE OF CERTAIN MARKETING MATERIALS

Certain written marketing materials delivered or made available to prospective purchasers in relation to the distribution of Shares under this Offering Memorandum are incorporated by reference into this Offering Memorandum and are considered to form part of this Offering Memorandum just as if they were printed as part of it. In particular, in Alberta, Saskatchewan, Ontario, Quebec, New Brunswick and Nova Scotia all OM marketing materials (as defined below) related to a distribution under this Offering Memorandum that are delivered or made reasonably available to prospective purchaser before the termination of the distribution are hereby incorporated by reference into this Offering Memorandum. For these purposes, “OM marketing materials” means a written communication, other than an OM standard term sheet (as defined below), intended for prospective purchasers regarding a distribution of securities under an Offering Memorandum delivered under section 2.9 of National Instrument 45-106 *Prospectus Exemptions* (“NI 45-106”) that contains material facts relating to the Issuer, Shares or otherwise to the offering of Shares. An “OM standard term sheet” means a written communication intended for prospective purchasers regarding a distribution of Shares under this Offering Memorandum delivered under section 2.9 of NI 45-106 that contains only certain prescribed information set out in NI 45-106.

ITEM 1: USE OF AVAILABLE FUNDS

1.1 Funds

The net proceeds of this offering that will be available to the Issuer after this offering are as follows:

	Assuming minimum offering ¹	Assuming maximum offering ¹
A. Amount to be raised by this offering	\$0 ¹	\$15,000,000 ¹
B. Selling commissions and fees	\$0	(\$1,050,000) ²
C. Estimated offering costs (e.g. legal, accounting, audit)	(\$50,000)	(\$50,000)
D. Net proceeds: D = A – (B + C)	(\$50,000)	\$13,900,000
E. Additional sources of funding required	\$0 ³	\$0 ³
F. Working capital deficiency	\$0 ⁴	\$0 ⁴
G. Total: G = (D+E) - F	(\$50,000)	\$13,900,000

Notes:

- ¹ There is no minimum or maximum offering. The amount shown under “Assuming maximum offering” is an assumed amount for illustrative purposes only. As of February 28, 2017, the Issuer had a total of 200,304,315 Shares issued and outstanding for gross proceeds of \$200,304,315.
- ² This assumes the Issuer pays the maximum permitted sales commission. The Issuer may pay an aggregate of up to 7% of subscription proceeds to sellers of the Shares. See “Item 7: Compensation Paid to Sellers and Finders”.
- ³ Although the Issuer intends to fund its investments primarily through capital raised from the issuance of Shares or other equity financings, the Issuer may also fund investments through the use of leverage by issuing debt obligations or otherwise borrowing funds subject to limits applicable to the Issuer as a “mortgage investment corporation” and other limits imposed by the Issuer’s Board of Directors from time to time. As at the date of this Offering Memorandum, the amount of any funds that may be raised through the use of leverage is not known. See “2.3 Development of Business”.
- ⁴ As at the date of this Offering Memorandum, the Issuer does not have a working capital deficiency.

1.2 Use of Available Funds

The available funds (see G. above) will be used as follows:

Intended use of available funds listed in order of priority	Assuming minimum offering ¹	Assuming maximum offering ¹
Investments in mortgages ²	\$0	\$13,480,000 ²
Operating expenses ³	\$50,000	\$420,000 ^{2, 3}
Total (equal to item G in the table above under “Item 1.1: Funds”)	\$0	\$13,900,000

¹ There is no minimum or maximum offering. The amounts shown under “Assuming maximum offering” are for illustrative purposes only based on an assumed maximum offering of \$15,000,000. As of February 28, 2017, the Issuer had a total of 200,304,315 Shares issued and outstanding for gross proceeds of \$200,304,315.

² The available funds (see G. above) will be invested primarily in mortgages secured by Canadian real estate property. Available funds not immediately invested or otherwise required for operating expenses or general working capital purposes will generally be held in cash and deposited with a Canadian financial institution. For further information, see “Item 2.2: Our Business” and “Item 2.3 Development of Business”.

³ The operating expenses of the Issuer include fees payable to Fisgard Asset Management Corporation (defined below as the “**Manager**”) for its general management and advisory services equal to 1.8% per year of the Aggregate Capital (as defined below). Based on the assumed maximum offering of \$15,000,000, these fees would amount to \$270,000 per year in relation to the funds raised

as part of this offering. See “2.6 Material Agreements – Management Services Agreement. Other operating expenses are estimated to be approximately 1% of the funds raised. Based on the assumed maximum offering of \$15,000,000, these other operating expenses would amount to approximately \$150,000 per year.

1.3 Reallocation

The Issuer intends to allocate available funds as stated. The Issuer will reallocate funds only for sound business reasons. Any reallocation will likely result in a change to the investment portfolio mix relating to percentage held in mortgages and other investments.

ITEM 2: BUSINESS OF THE ISSUER

2.1 Structure

Fisgard Capital Corporation (defined above as the “**Issuer**”) is a corporation continued under the laws of British Columbia on March 13, 2000 and was originally incorporated under the federal laws of Canada on April 11, 1994.

The Issuer intends to carry on business as a “mortgage investment corporation” within the meaning of the *Income Tax Act* (Canada) (defined below as the “**Tax Act**”) by investing primarily in a portfolio of mortgages on real estate properties located in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. To the extent that available funds are not invested in mortgages, such funds will be generally held in cash and deposited with a Canadian financial institution. The Issuer’s investments will be made in accordance with its investment policies from time to time. See “Item 2.2: Our Business”. For a summary of the criteria that must be met for the Issuer to qualify as a “mortgage investment corporation”, see “Item 2.2: Our Business – Income Tax Act MIC Criteria”.

Fisgard Asset Management Corporation (the “**Manager**”) is the manager of the Issuer pursuant to the Management Services Agreement (as defined below). See “2.6 Material Agreements”. The Manager’s principal place of business is located at 3378 Douglas Street, Victoria, British Columbia V8Z 3L3.

2.2 Our Business

General

In the course of its business, particularly its mortgage investments, the Issuer will fund mortgage loans with a higher risk level than conventional lenders such as banks, credit unions and trust companies. This is consistent with the essential reason for private as opposed to conventional lending and follows the pattern of higher risk-higher return. The Issuer funds mortgage loans including senior (first) mortgages, junior (second or third) mortgages, and real estate investments that do not necessarily fall within the lending and investment parameters of conventional lenders. A risk premium is charged by the Issuer for the extra due diligence, administration and risk associated with atypical and non-standard mortgages.

Most conventional mortgages are first mortgage charges with loan-to-value (“**LTV**”) ratios that are prescribed by government regulation. These restrictions do not apply to the Issuer as the Issuer is not a regulated lender such as a bank, credit union or trust company. The Issuer sets LTV ratios on individual mortgage loans in accordance with the Manager’s loan management experience, due diligence policy, valuation expertise, risk appetite and desired expectation of return. Individual mortgages will not exceed a 75% LTV ratio at the time of origination.

The Issuer intends to engage in funding mortgage loans that are junior mortgages with a non-issuer lender sitting in a senior position to the Issuer’s mortgage. These will generally be ordinary residential mortgages where the Issuer has closely examined the amount and terms of the senior mortgage and is satisfied that they are reasonable and are unlikely to present unusual problems in the event of default and foreclosure. In these junior mortgage situations, the Issuer will apply its usual level of diligence on each property as well as the borrower(s), guarantor(s) and covenantor(s) to assure itself that the aggregate principal of the senior and junior mortgages fall within the maximum LTV ratio prescribed by the Issuer.

The Issuer will from time to time engage in mortgage lending on new and renovation development and construction projects. This type of lending requires considerably more due diligence, expertise, management and on-going administration. The risk in this type of lending is the relative uncertainty of construction and development costs, uncertainty as to eventual sales of the

finished product, fluctuation in interest rates the end buyer may face when negotiating to buy the finished product (a home for instance) and uncertainty as to the cost and availability of materials and labour. These risks are considered by the Issuer during the due diligence process, but the extent to which any risk, or combination of risks, may change during the construction and development stage is unknown. A risk premium is charged by the Issuer for the extra due diligence, management and risk associated with this type of lending.

The Issuer prefers a senior (first mortgage) position for mortgages on construction and development: however, junior mortgage positions are considered and may be taken in exceptional circumstances subject to special approval from the Manager's Credit Committee and, depending on the size of the mortgage loan, the Issuer's Board of Directors.

The Manager's Credit Committee consists of six members, including some members of the Manager's executive team, mortgage portfolio manager and mortgage investment specialists. It is the committee's responsibility to review and approve / decline mortgage investments that are between \$1,000,000 and \$5,000,000 and any mortgage investments that the Board has deemed require an additional level of approval.

Where the Issuer elects to engage in mortgage lending on development and construction projects, a specialized diligence valuation of the property both as is where is (prior to development and construction) and valuation of the product 'as complete' will be conducted. This type of mortgage is termed by the Issuer as a '**progressive performance draw mortgage**' and will be administered by the Manager accordingly. In short, in a progressive performance draw mortgage the Issuer advances funds to the borrower in stages and upon certain degrees of completion. This type of mortgage usually involves a series of site inspections of the property by professionals including appraisers and quantity surveyors, and funds are advanced by the Issuer based on satisfactory reports from such professionals.

The Issuer will from time to time engage in mortgage lending on raw (un-serviced) land, serviced lots and land development. The Issuer lends on land on a case by case basis and usually not for land speculation purposes. Typically the Issuer lends up to 65% of land value however, this is dependent upon the location and mortgage type. If the land is to be developed for construction, the Issuer may consider a construction mortgage as well.

Canada is a large country and greatly varied in terms of real estate values which may range between smaller rural communities and vastly different, densely populated urban areas such as Toronto, Vancouver, Montreal, Calgary, Edmonton, Winnipeg, etc.. To minimize risk, enhance its security and strengthen its investment portfolio, the Issuer pays close attention to considerations such as diversification and concentration and closely examines each mortgage loan on a case-by-case basis to ensure that loans are made predominately in areas of Canada that demonstrate economic stability and a reasonable likelihood of growth over time.

When funding mortgage loans, an important consideration for the Issuer is whether there is a reasonably active real estate market for the properties accepted by the Issuer as security for each mortgage loan so that in the event of a mortgage default and legal (foreclosure) action, the subject property(s) have a market in which to be sold. The Issuer takes into consideration and prefers locales where there is a reasonable possibility of conventional mortgage funds (known in the industry as take-out financing) available to replace the Issuer's private mortgage loan as and when necessary. Since most of the Issuer's mortgage loans are shorter term loans, as compared to conventional loans, it is important to the Issuer when funding its loans to be able to clearly identify an exit strategy (a way for borrowers to retire the Issuer's mortgages) as the Issuer's mortgages mature.

Competition in all sectors of the investment market is strong. The Issuer must vigorously compete at all times. This involves constant awareness of the needs and preferences of the borrowing and investing public, and a professional and mature understanding of and sensitivity to the relationship between risk and reward at any given time. The Issuer aims to be adept at gathering, assimilating and assessing an array of data, and must act promptly and effectively without compromising diligence and taking undue risk. The Issuer recognizes that many competitors are much larger than the Issuer and have greater financial resources and staying power.

The mortgage lending business is inextricably linked to the real estate market because the underlying security of a mortgage is the value of the real estate charged by the mortgage. As the vast majority of the Issuer's investments are mortgages, the strength of the Issuer's assets are tied directly to the real estate market and the value of the property(s) that secure the Issuer's mortgages. History has shown that real estate values fluctuate. While it is generally conceded that real estate property tends to increase in value over time, the time required may be quite long (perhaps decades). At the same time, there may be fairly sharp fluctuations in real estate value over short periods. **For these reasons, the Issuer believes that the Shares are an investment an investor should consider only if the investor understands the long-term nature of the investment and is not investing just for the**

short-term as short-term fluctuations in real estate values may have an adverse effect on dividend returns and the Issuer's ability to redeem the investor's Shares.

As described above, the Issuer is a "mortgage investment corporation" (known colloquially as a "MIC") within the meaning of the Tax Act. Unlike a regular taxable Canadian corporation, the Tax Act and regulations permit the Issuer, so long as it qualifies as a MIC, to be a tax-exempt flow-through conduit of income, as well as capital gains or losses, to its shareholders. Since MIC dividends are treated as expenses to the MIC for tax purposes, the MIC itself is not taxed. MICs appear to have been designed to provide smaller retail investors with an opportunity to invest in real estate related products, including mortgages, in cash or through Canadian registered plans such as RRSPs, RRIFs, TFSAs, LIFs, LRIFs, LIRAs, IPPs, RESPs and RDSPs. Registered plans are generally not permitted to invest in real estate or borrow. In exchange for these tax benefits, MICs are subject to certain constraints as described below under "Income Tax Act MIC Criteria".

Investment Policy

Although the Tax Act's MIC criteria would permit the Issuer to invest in a broader range of investments (including, among other things, equity investments in real estate and investments in stocks and securities of Canadian companies), it is the Issuer's policy to invest its capital exclusively in:

- (a) mortgages secured by Canadian real estate property, primarily (i.e., greater than 50%) residential real estate property;
- (b) cash or deposits with banks or other financial institutions; and
- (c) investments in real property which are held directly or indirectly through units of limited partnerships or other vehicles, as a result of action taken to enforce the Issuer's rights as a secured lender (for example, in a foreclosure situation).

For information on the investment guidelines applicable to the Issuer's investments, see below under "Mortgage Investment Guidelines" and "Non-Mortgage Investment Guidelines".

Non-mortgage Investments

As noted above, the Issuer intends to invest primarily in a portfolio of mortgages on real estate properties. To the extent that available funds are not invested in mortgages, such funds will generally be held in cash and deposited with a Canadian financial institution. In addition, from time to time the Issuer may experience defaults and impairments in its mortgage investments and these defaults may result in foreclosures which the Issuer may resolve by taking title to the mortgaged property directly or by having title to the property held indirectly through a limited partnership or other vehicle. Accordingly, although the Issuer does not intend to raise capital for the purpose of investing in real property it may from time to time acquire investments in real property a result of action taken to enforce the Issuer's rights as a secured lender. Any investments in real property held by the Issuer (including indirectly through investments in limited partnerships or other vehicles) will be made and held in accordance with the investment guidelines established by the Issuer for non-mortgage investments.

As noted, in a situation where the Issuer will acquire title to a mortgaged property, it will do so either by taking title to the property directly or by having title held indirectly through a limited partnership or other vehicle depending on the Issuer's assessment of the structure that is in the best interests of the Issuer. The use of a limited partnership or other vehicle may be preferable for a number of reasons, including to ensure that the Issuer maintains its status as a "mortgage investment corporation" under the Tax Act (for example, to comply with the prohibition on managing or developing real property) and to maximize the potential sale value of a property. In addition, when a limited partnership or other vehicle is used, the Issuer will implement that structure in a way that it believes is in the best interests of the Issuer. The guidelines for non-mortgage investments below reflects certain elements of the typical structure used by the Issuer for these investments.

For further information, see below under "Non-Mortgage Investment Guidelines".

Use of Borrowing

As a MIC under the Tax Act, the Issuer is strictly regulated as to the amount it can borrow to fund mortgage loans and other types of investments. In general terms, under these requirements if 66% of the Issuer's capital is invested in mortgages secured by residential property, then the Issuer may borrow a maximum of five times its shareholder capital, and if only 50% of the Issuer's capital is invested in mortgages secured by residential property, the Issuer may only borrow a maximum of three times

its shareholder capital. As a result, the Issuer's ability to borrow (leverage) is considerably limited compared to the borrowing (leverage) power of institutions such as banks, credit unions and trust companies which have vastly higher borrowing limits including deposit-taking capability, sometimes taking on debt (GICs, bank deposits, etc.) at a ratio of twenty-five times its shareholder capital.

While leverage can be lucrative it also carries risk, particularly if borrowings are at floating as opposed to fixed rates of interest. It is up to the Manager and the directors of the Issuer to use leverage carefully and wisely. It is important that the Issuer's shareholders are aware that the Issuer, after appropriate diligence, will entertain borrowing up to the maximum allowed under the Tax Act, and will borrow from conventional banks, credit unions and trust companies as well as private lenders, at no more than acceptable commercial rates of interest.

It is highly unlikely that the Issuer would be able to borrow five times its capital as the Issuer is not a deposit-taking company; nor would the market lend to that level. It is highly improbable that the Issuer would find a lender that will lend more than 25% of the value of the Issuer's assets or five times the value of its assets (approximating 500% of its capital). To a certain extent, this controls and minimizes the leverage (exposure to debt). Notwithstanding the above, any borrowing or debt of the Issuer represents a risk to the Issuer and its shareholders.

The Issuer may enter a demand operating loan facility with a Canadian financial institution to provide revolving working capital including bridging maturing mortgages and/or investor contributions. This facility will be collateralized by a general security agreement that provides the lender with a first charge on all the Issuer's assets and undertakings. Any amount borrowed under such a loan facility will be within the borrowing limits applicable to the Issuer as a MIC.

Lending Flexibility

As a MIC, the Issuer is not a conventional lender, such as a bank, credit union or trust company, but is a private lender with more flexible lending criteria. A MIC's main value (and one of the reasons the Issuer was formed to operate as a MIC) is that it can often fund the mortgages of certain borrowers that conventional lenders cannot. Generally speaking a MIC's interest rates may be higher than a conventional lender and the default risk may also be greater.

The Issuer's lending flexibility extends to the following:

- (a) Geographical Areas. The geographical areas of Canada in which the Issuer may lend and invest. This area will be the length and breadth of Canada – necessary prerequisites such as language, licensing, registration and market, permitting.
- (b) Mortgage Type. The full array of real estate property types including, but not limited to, residential (freehold and strata) property, and non-residential (commercial and industrial).
- (c) Mortgage Term. The term of its mortgage loans which will range from three months to five years or longer, but generally being one to two years. Such short term lending is designed to provide the Issuer with greater ability to adapt to changing real estate market values and interest rates.
- (d) LTV Ratios. Latitude in dealing with LTV ratios. While LTV ratios are generally regulated amongst conventional lenders such as banks, credit unions and trust companies, the Issuer's LTV ratio is not regulated. The Issuer sets its own LTV ratios and commensurate fees, interest rates and other financial terms for the mortgages it funds. The Issuer believes that in order to succeed financially, particularly in a low interest rate environment, it must maximize its flexibility, including LTV ratios, and assess each mortgage investment on its own merits. The Issuer does not have a fixed LTV ratio.
- (e) Due Diligence. Leeway to apply as it deems appropriate due diligence to each loan, valuing the property in many ways, including third-party appraisals, property tax assessment data and opinions from realtors, leasing agents, property managers and other valuations. The Issuer also assesses the strength and credit worthiness of borrowers, covenantors and guarantors and their ability to sustain payments and to repay the mortgage loan in each particular circumstance.
- (f) Priority. The ranking or priority of its mortgage loans. The Issuer does not intend to restrict itself to investing in senior (first) mortgages only and intends to also invest in junior mortgages such as second and third mortgages.

- (g) Concentration of Mortgage Funds. The concentration of mortgage funds. For example, the ranking or priority of the portfolio may have a significant weighting of first mortgages. The Issuer does its best to avoid unreasonable concentration of mortgage loans with a particular borrower or group of related borrowers, a particular locale or community or a particular type of real estate product (for example, commercial, industrial, raw land development, construction, fee simple, strata property, etc.) except to the extent such concentration is required to ensure the Issuer is considered to be a “mortgage investment corporation” within the meaning of the Tax Act (for example, with respect to holdings in loans secured on certain residential properties).

Operating Costs

It is the Issuer’s assessment that the Issuer’s costs associated with managing its mortgage portfolio are approximately 2.5% to 3% of capital per year, including, but not limited to, management, administration, licencing and registration, legal and accounting, advertising and promotion. In addition to these costs, the Issuer will do its best to provide for doubtful accounts by setting aside specific and general reserves.

Income Tax Act MIC Criteria

Section 130.1 of the Tax Act sets out the criteria that must be satisfied to qualify as a MIC. In summary, as at the date of this Offering Memorandum in order to qualify as a MIC for the purposes of Section 130.1 of the Tax Act for a taxation year a company must have met the following criteria throughout that taxation year:

1. Its only undertaking was the investing of its funds and it did not manage or develop real property.
2. It did not invest in:
 - (a) mortgages or property outside Canada;
 - (b) shares of companies not resident in Canada; or
 - (c) real property or leasehold interests outside Canada.
3. It had at least 20 shareholders and no one shareholder, together with related parties to that shareholder, held between them more than 25% of the issued shares of any class of shares of the company.
4. At least 50% of the company’s assets were comprised of:
 - (a) loans secured on “houses” or on property included in a “housing project”, as those terms are defined in the *National Housing Act* (Canada)¹;
 - (b) deposits insured by the Canada Deposit Insurance Corporation (or Quebec DIC);
 - (c) deposits in a credit union; and/or
 - (d) cash.
5. No more than 25% of the company’s assets consisted of real property (excluding real property acquired by foreclosure).
6. The MIC did not exceed, generally speaking, a 3:1 debt-to-equity ratio, or a 5:1 debt-to-equity ratio if more than two-thirds of the company’s property consisted of (a) residential mortgages and/or (b) deposits insured by the Canada Deposit Insurance Corporation (or the Régie de l’assurance-dépôts du Québec) or with a credit union.

¹ The *National Housing Act* (Canada) provides that: “‘house’ means a building or movable structure, or any part thereof, that is intended for human habitation and contains not more than two family housing units, together with any interest in land appurtenant to the building, movable structure or part thereof;” and that “‘housing project’ means

- (a) any building or movable structure, or any part thereof, that is intended for human habitation,
- (b) any property that is intended to be improved, converted or developed to provide housing accommodation or services in support of housing accommodation, or
- (c) any property that is associated with housing accommodation, including, without limiting the generality of the foregoing, land, buildings and movable structures, and public, recreational, commercial, institutional and parking facilities;”

As a MIC under the Tax Act the Issuer is entitled to deduct from its income the amount of taxable dividends it pays to its shareholders. The Issuer's Articles require it to pay as dividends substantially all of its net income and net realized capital gains every year (subject to the directors' discretion to establish loan loss provisions for the Issuer) and, as a result, the Issuer anticipates that it will not be liable to pay income tax in any year. See "Item 6: Income Tax Consequences".

Mortgage Investment Guidelines

All mortgage loans made by the Issuer will be made in accordance with the following investment guidelines:

1. The Issuer will not make a mortgage loan unless it is permitted for a "mortgage investment corporation" within the meaning the Tax Act and will not result in the Issuer ceasing to qualify as a "mortgage investment corporation" under the Tax Act.
2. The Issuer will (a) have 50% or more of its capital invested in residential mortgages as opposed to non-residential mortgages, (b) ensure that individual mortgages, except in the case of special circumstance loans, do not exceed a 75% LTV ratio at the time of origination, and (c) require that individual mortgages above \$5,000,000 receive approval by the Board of Directors.
3. The Issuer will make mortgage loans only to borrowers that the Issuer or the Manager approve based on an assessment of the value of the property or properties available as security, and the borrower's income, net worth, creditworthiness and history of repayment.
4. Mortgage loans will not be made to directors or officers of the Issuer. The Issuer may make mortgage loans to family members of directors or officers of the Issuer.
5. Mortgage loans will not be made to a person who is both: (i) an annuitant beneficiary or employer under a registered retirement savings plan, deferred profit sharing plan or registered retired income fund as defined under the Tax Act, and (ii) a shareholder of the Issuer (a "**Trust Party**"), or to any other person who is a relative of or otherwise does not deal at arm's length with a Trust Party, or to anyone else who would cause Shares not to be a qualified investment under Regulation 4900(1)(c) of the Tax Act.
6. All mortgage loans will be secured in favour of the Issuer, its agent or nominee, either as sole mortgagee or co-mortgagee, and each mortgage will be registered in the appropriate land title office as a charge against the real property subject to the mortgage.
7. Security for mortgage loans will consist of any one or more of the following:
 - (a) A first mortgage against real estate having a principal amount not exceeding 75% of the value of such real estate as at the date of initial advance of the loan or, in the case of real estate under development, having a principal amount not exceeding 75% of the value of such real estate upon completion of the development.
 - (b) A junior (second or third) mortgage secured by real estate having a principal amount which, when added to the principal amount of prior (senior) mortgages, does not exceed 75% of the value of such real estate as at the date of initial advance of the loan or, in the case of real estate under development, does not exceed 75% of the value of such real estate upon completion of the development.
 - (c) An inter-alia mortgage (i.e., a blanket mortgage over two or more properties) secured by real estate having a combined principal amount (including prior mortgages) not exceeding 75% of the value of such real estate as at the date of initial advance of the loan or, in the case of real estate under development, a combined principal amount (including prior mortgages) not exceeding 75% of the value of such real estate upon completion of the development.
 - (d) A raw land mortgage (residential or non-residential) secured by real estate having a combined principal amount (including prior mortgages) not exceeding 65% of the value of such real estate as at the date of initial advance of the loan or, in the case of real estate under development, a combined principal amount (including prior mortgages) not exceeding 65% of the value of such real estate upon completion of the development.

- (e) At the date of renewal of any mortgage loan the principal amount including any prior charges may exceed 75% of the value of such real estate or, in the case of real estate under development or redevelopment, the principal amount (including prior mortgages) may exceed 75% of the value of such real estate upon completion of the development or redevelopment.

Notwithstanding the guidelines above, in certain limited circumstances the LTV ratio for a mortgage may be greater than 75% where approved by the Manager's Credit Committee. See "Item 2.2: Our Business – General". This may occur for a variety of reasons such as renewal fees, legal fees and/or declining property value. The mortgage may be renewed based on the borrower's payment history, the borrower's capacity to pay or other factors satisfactory to the Manager's Credit Committee.

The Issuer believes that there is no single perfect method of real estate valuation, and arriving at value is at best the result of assembling information from many sources including, but not limited to, Accredited Appraiser of the Canadian Institute ("AACT") appraisals. The Issuer tends not to completely rely on a single valuation method. The AACI appraisal, for example, is just one valuation source among many including the Realtor CMA (Comparative Market Analysis) and valuation provided by professional property managers and leasing agents, particularly for commercial real estate. Valuation is a best efforts attempt to compile current and relevant data from as many sources as possible to arrive at an estimate of value. Relevant data can generally be obtained from sources such as property tax assessment rolls, CMHC and various other real estate and mortgage market reports and publications. Data and opinions of value may be obtained from quantity surveyors, developers and builders, engineers, building inspectors, accountants and lawyers specializing in development and business. When the Issuer refers to 'value', it is generally referring to that value arrived at after appropriate market research. Value is essentially a combination of opinions and data from a variety of sources. In the end, 'value' is an estimate, not an absolute.

8. Additional security may be obtained by the Issuer, as and when available, in the form of a general security agreement, depending on applicable provincial laws. A general security agreement secures personal property assets of the borrower. These assets will not be considered for LTV ratio calculation purposes.
9. The term of a mortgage loan will generally not exceed 24 months after which time a mortgage loan may be renewed or extended, subject to a mortgage underwriting review.
10. **Workout loan agreements** – A 'workout loan agreement' is an agreement between a lender and borrower to renegotiate terms on a loan that is technically in default, so as to avoid foreclosure or liquidation. From time to time, the Issuer may enter into workout loan agreements in relation to the Issuer's existing mortgage loans where it can be demonstrated that the workout mortgage loan agreement will likely result in an improved position for the Issuer. Workout loan agreements are the result of a borrower cooperating with the Issuer to explore alternatives to foreclosure or liquidation. This may involve the Issuer receiving additional collateral, extending the term of the loan, providing additional mortgage funding to make the repairs and improvements necessary to sell the property at its optimum price, rescheduling repayments, or other negotiated terms and conditions. The goal of a workout loan is to help the defaulting borrower bring the mortgage loan back into good standing and avoid foreclosure and possible loss to the Issuer. Workout loans may, depending on the circumstances, exceed the Issuer's 75% LTV ratio ceiling and must be approved by the Manager's Credit Committee. Depending on the size of the loan, approval of the Issuer's Board of Directors may also be required.

As at the date of this Offering Memorandum, the Issuer has four mortgage loans within the "workout loan agreement" category, all of which are performing.

11. **Special circumstance loan agreements** - From time to time the Issuer, may find itself in a position where it has foreclosed on a property and is attempting to mitigate a possible loss. A buyer may be interested in purchasing the subject property at a price that is attractive to the Issuer but only provided the Issuer is prepared to finance the purchase on mortgage terms that are more favourable than the buyer can obtain elsewhere in the mortgage market. These special circumstance terms may include, a lower interest rate, lower payments, a longer term and a higher LTV ratio or other terms that are favourable and acceptable to the buyer in exchange for the buyer paying a higher price for the property, which eliminates, or at least mitigates, the Issuer's possible loss on its investment. These loans are termed by the Issuer as 'special circumstance loans' and are made only in unusual and atypical circumstances including those described above. Typically such loans fall outside of the usual lending policy of the Issuer in one aspect or another, generally involving a higher LTV ratio (reduced cash requirement on the part of the

buyer) and a reduced interest rate. Special circumstance loans must be approved by the Manager's Credit Committee and depending on the amount of the loan, by the Issuer's Board of Directors.

As at the date of this Offering Memorandum, there is one mortgage loan classified in this category, which is performing.

12. The Issuer seeks to maximize the amount of funds invested in mortgage loans at all times. As a result, the Issuer may elect to renew mortgage loans as they come due. Factors considered by the Issuer when determining whether or not to renew mortgage loans may include the LTV ratio at the time of renewal, the borrower's intended use of the property, proposed timelines and loan payment history, the length of the borrower's working relationship with the Issuer and other factors.
13. The Issuer may, from time to time, provide senior or junior equity mortgage financing to builders and developers for residential and non-residential projects.
14. The Issuer may, from time to time, provide interim, mezzanine or bridge mortgage loans (senior and junior) to finance new construction and renovation, development and re-development of residential and non-residential property.
15. The Issuer may, from time to time, provide senior or junior mortgage loans to land developers not only to finance the purchase of the land but to finance the development as well (cost of services including clearing, hauling, installation of water, sewer, power, telephone, cable, gas, roads, curbs, gutters, sidewalks, street-lighting, signage and other services). Such financing may also include amounts to pay for permits, plans, bonding, inspections, strata materials and filings, development cost charges and other costs and fees associated with the development. These mortgages are likely to be progressive performance draw mortgages with amounts advanced from time to time in accordance with development performance and progress.

Non-Mortgage Investment Guidelines

General - All investments in the Issuer's non-mortgage portfolio will be made in accordance with the following investment guidelines:

1. The Issuer will not make a non-mortgage investment unless it is permitted for a "mortgage investment corporation" within the meaning the Tax Act and will not result in the Issuer ceasing to qualify as a "mortgage investment corporation" under the Tax Act.
2. The Issuer's non-mortgage investments will be limited to:
 - (a) cash, deposits with banks or other financial institutions insured by the Canada Deposit Insurance Corporation or the Régie de l'assurance-dépôts du Québec, or deposits with a credit union; and
 - (b) investments in real property which are held directly or indirectly through limited partnerships or other vehicles, as a result of action taken to enforce the Issuer's rights as a secured lender (for example, in a foreclosure situation) and meet the guidelines described below. See below for further guidelines regarding these real property investments.
3. The Issuer will subject all non-mortgage investments to appropriate due diligence.

Guidelines for any real property investments – As discussed above, although the Issuer does not intend to raise capital for the purpose of investing in real property, it may from time to time acquire investments in real property as a result of action taken to enforce the Issuer's rights as a secured lender (for example, in a foreclosure situation). These investments may be held directly by the Issuer or indirectly through limited partnerships or other vehicles based on the Manager's assessment of what is in the best interests of the Issuer, including to ensure that the Issuer maintains its status as a "mortgage investment corporation" under the Tax Act (for example, to comply with the prohibition on managing or developing real property) and to maximize the potential sale value of a property.

Any investments in real property held by the Issuer directly will be made in accordance with the following investment guidelines:

1. The real property must have been subject to a mortgage held by the Issuer which was in a state of foreclosure or in other circumstances where an investment in the property is considered necessary to enforce the Issuer's rights as a secured lender.
2. The Issuer or the Manager believes that the value of the real property may be enhanced or its value may not be discounted to the same degree if the property can be sold as a 'non-distressed' property. A distressed property is a property that is in foreclosure.
3. The real property must be held for sale only, and must not be developed or managed.
4. The investment must be approved by the Board of Directors of the Issuer.

Additional guidelines for any investments in real property held through limited partnerships or other vehicles - In addition to the guidelines above in relation to investments in real property held by the Issuer directly (with the exception of #3), any investments in real property held by the Issuer indirectly through investments in limited partnerships or other vehicles (which will be unsecured investments) will also be made in accordance with the following investment guidelines:

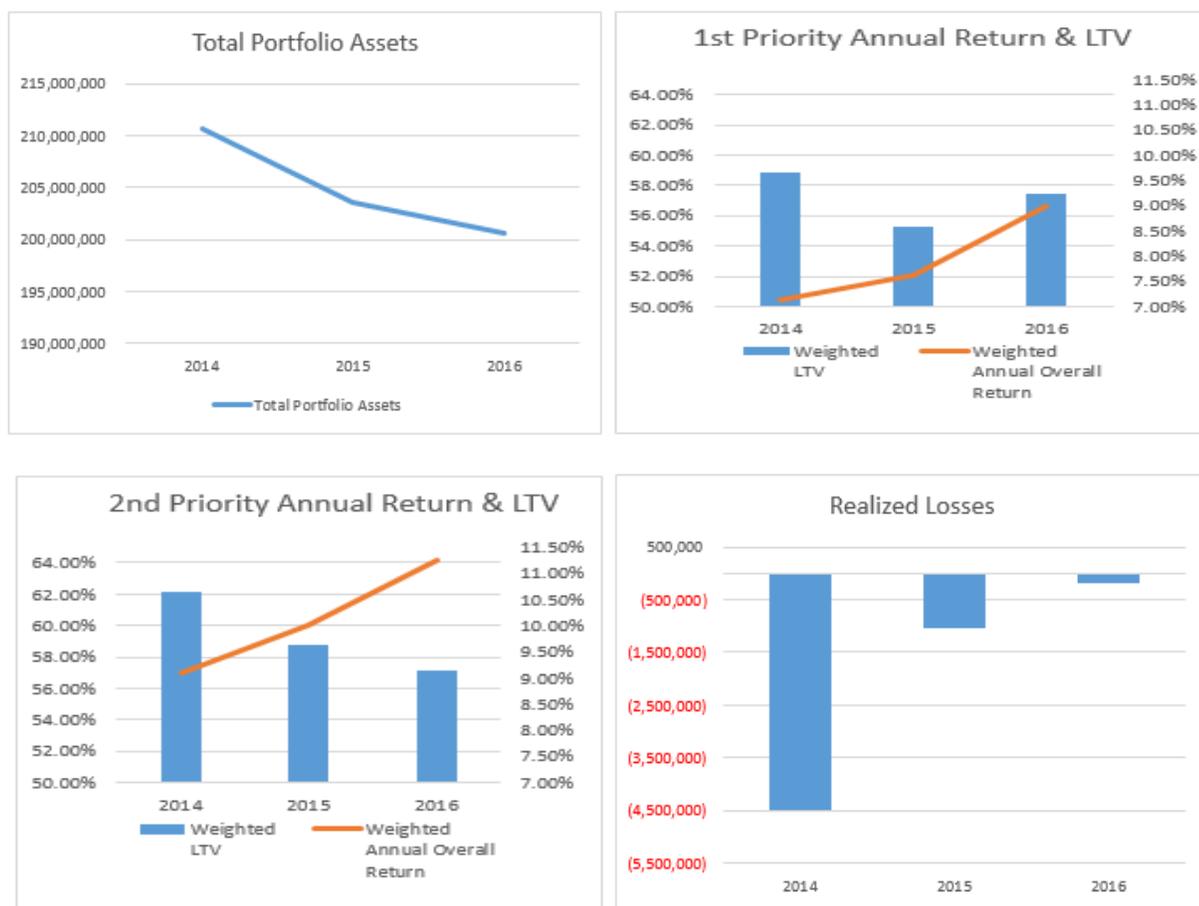
5. The Issuer will participate in the limited partnership or other vehicle only as a limited partner or shareholder (as applicable) and will not have any control in or over the management of the limited partnership or other vehicle and, in the case of a limited partnership, the general partner of the limited partnership will not be a "related party" to the Issuer as defined under the Tax Act. For financial statement and disclosure purposes the Issuer follows international financial reporting standards where the related party definition differs in that it includes reporting transactions which include close family members.
6. The general partner or other party responsible for management of the limited partnership or other vehicle will review on-going cash and capital requirements and determine the best option to meet on-going cash and capital requirements from time to time. The general partner or other party will have the ability to obtain additional capital from other sources, such as a mortgage or a loan from a bank, credit union or other lenders, including raising capital from limited partners or shareholders. Any mortgage or loan will have priority over the assets of the limited partnership or other vehicle.
7. The co-mingling of assets in a single limited partnership or other vehicle may increase potential exposure based on spreading liability, capital gains or capital losses across the assets. Consideration must be given to limit and avoid this contamination with all initial investments to either a new or existing shell limited partnership or other vehicles.
8. Assets acquired by a limited partnership or other vehicle must be acquired at fair market value. This may result in the Issuer recognizing a loss on the mortgage loan.
9. The Issuer must have a right of first refusal, exercisable in its discretion, in relation to any additional capital required by the limited partnership or other vehicle so as not to dilute its investment; however, in no circumstances will the Issuer be obligated to provide additional capital beyond the amount of its investment in the limited partnership or other vehicle.
10. The Issuer may provide a mortgage loan to a limited partnership or other vehicle, subject to meeting the mortgage loan investment guidelines.

2.3 Development of Business

The Issuer began business in May 1994. The Issuer is qualified as a MIC under the Tax Act and has been engaged in raising capital for investments described under “Item 2.2: Our Business”.

Mortgage and Investment Portfolio Trends Previous 3 years (As at December 31)

As at December 31 in each of the previous three years the Issuer’s mortgage and investment portfolio was comprised as follows:



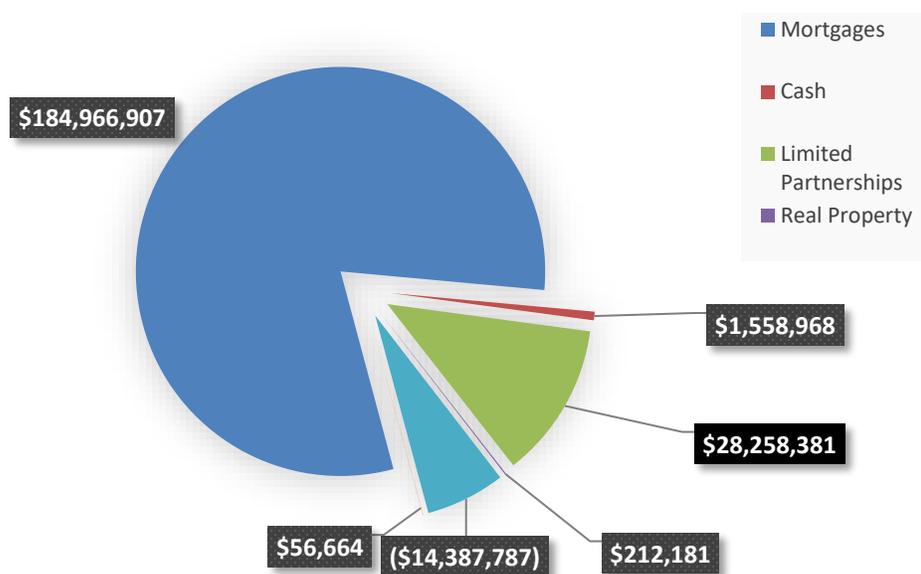
Mortgage and Investment Portfolio Summary (As at December 31, 2016)

As at December 31, 2016, the Issuer’s investment portfolio was comprised as follows:

1. \$184,966,907 in mortgage receivables consisting of \$186,609,980 in mortgage balances (409 mortgages) less \$1,643,073 in provisions.
2. (\$14,387,787) drawn down from an available \$40,000,000 demand operating loan facility.
3. \$1,558,968 in cash available for new mortgage funding.
4. \$56,664 in other current assets.
5. \$28,258,381 in limited partnership(s) (See Note 7 of the December 31, 2016 Financial Statements for further details of the Issuer’s investment in the limited partnerships) representing:
 - i. 6,054,603 units (representing 99.999% of all outstanding units) in Transtide Investments Limited Partnership at a price of \$0.96346 per unit.

- ii. 8,079,271 units (representing 99.999% of all outstanding units) in Transtide Coquitlam Lanes Limited Partnership at a price of \$1.01072 per unit.
 - iii. 1,310,632 units (representing 99.999% of all outstanding units) in Transtide Westmount Estates Limited Partnership at a price of \$0.98174 per unit.
 - iv. 12,985,100 units (representing 99.999% of all outstanding units) in Transtide KingsView Limited Partnership at a price of \$0.99901 per unit.
6. \$212,181 in real property.

Portfolio Summary

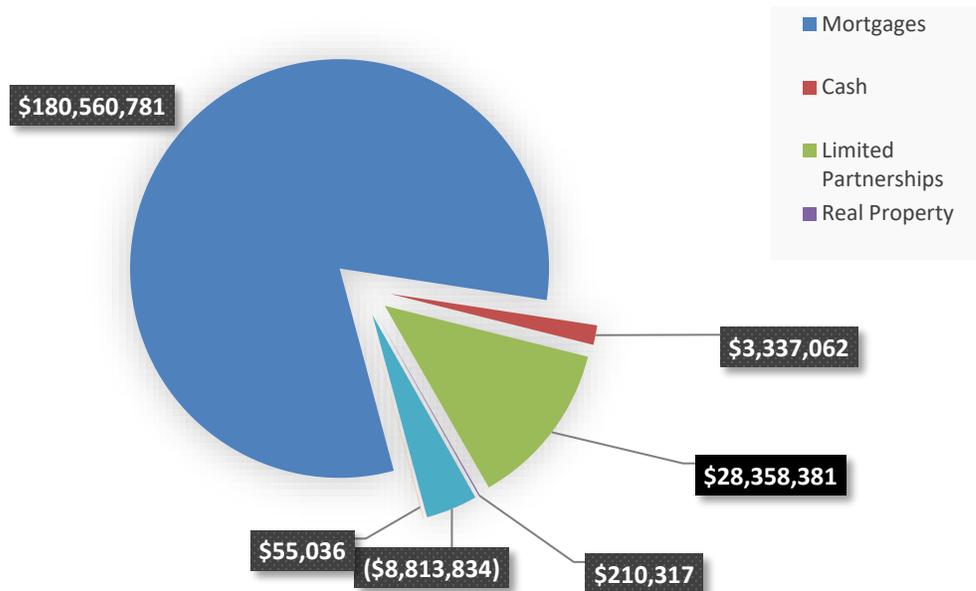


Mortgage and Investment Portfolio Summary (As at February 28, 2017)

As at February 28, 2017, the Issuer's investment portfolio was comprised as follows:

- 7. \$180,560,781 in mortgage receivables consisting of \$182,203,855 in mortgage balances (389 mortgages) less \$1,643,073 in provisions.
- 8. (\$8,813,834) drawn down from an available \$40,000,000 demand operating loan facility.
- 9. \$3,337,062 in cash available for new mortgage funding.
- 10. \$55,036 in other current assets.
- 11. \$28,358,381 in limited partnership(s) representing:
 - i. 6,054,604 units (representing 99.999% of all outstanding units) in Transtide Investments Limited Partnership at a price of \$0.96219 per unit.
 - ii. 8,079,271 units (representing 99.999% of all outstanding units) in Transtide Coquitlam Lanes Limited Partnership at a price of \$1.01058 per unit.
 - iii. 1,310,632 units (representing 99.999% of all outstanding units) in Transtide Westmount Estates Limited Partnership at a price of \$0.98174 per unit.
 - iv. 13,085,198 units (representing 99.999% of all outstanding units) in Transtide KingsView Limited Partnership at a price of \$0.99901 per unit.
- 12. \$210,317 in real property.

Portfolio Summary



Mortgage Portfolio (As at February 28, 2017)

The average size of each residential mortgage is \$407,641, each representing on average 0.223% of the portfolio. The average size of each non-residential mortgage is \$1,268,169, each representing on average 0.696% of the portfolio. The largest loan in the portfolio totals 3.57% of the portfolio. Only 4 of 389 current mortgages are for amounts greater than 2.5% of the portfolio. For borrowers that require a greater loan amount than what the Issuer is prepared to offer itself or to reduce the risk of a specific borrower to the Issuer, the Issuer may participate in the mortgage with another mortgage lender, who will then share the risk of the mortgage with the Issuer (referred to as a “syndicated mortgage”).

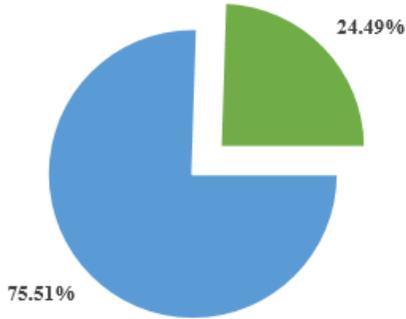
At this time, the Issuer primarily invests in mortgages in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. The main focus is lending in recognized communities where management feels there is an active market. Mortgages in smaller communities are considered on a case-by-case basis; however, in the event that such an investment is made, the amount of the mortgage relative to the value of the property will typically be reduced. For example, while the Issuer may lend up to 75% of the value of a property in Victoria, British Columbia, it would only lend up to 65% of the value in a smaller community like Merritt, British Columbia. In the portfolio, 191 mortgages (67.83%) are in British Columbia, 85 mortgages (17.03%) are in Alberta, 8 mortgages (0.84%) are in Saskatchewan, 26 mortgages (2.31%) are in Manitoba and 79 mortgages (11.99%) are in Ontario.

The Issuer is heavily concentrated in first mortgages with 95.30% of the portfolio’s funds comprising first mortgages. The Issuer will consider second mortgage loans, and feels there is some room to increase second mortgages as a percentage of the total portfolio, but first mortgages will always form the major part of the mortgage investments.

Residential mortgage categories include (but are not limited to), single family homes, apartment buildings, condominiums and townhouses, residential land, residential construction and mixed use properties (residential and non-residential combined). In the portfolio, the residential component currently makes up 75.51% and non-residential mortgages total 24.49% by dollar volume of the portfolio. Approximately 11.42% by dollar volume of the Issuer’s mortgages are secured against raw land for purposes of development in the future. Of these land mortgages, approximately 10.04% by dollar volume are for residential purposes, while 1.38% by dollar volume are for non-residential purposes.

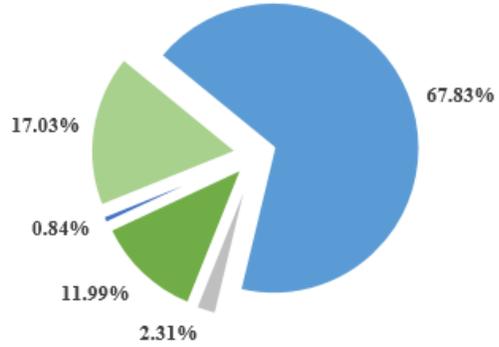
Mortgage Concentration Graphs (As at February 28, 2017)

BY TYPE



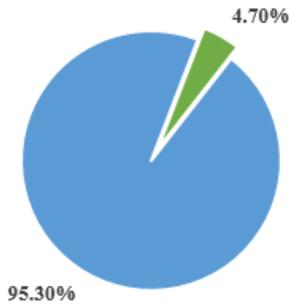
Residential	\$137,581,936
Non-Residential	\$44,621,919

BY PROVINCE



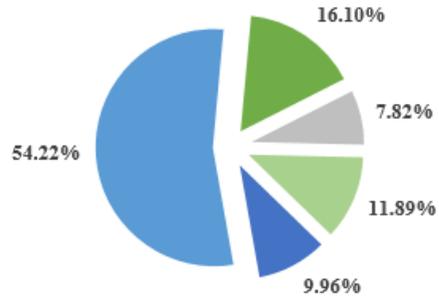
AB	\$31,028,989	BC	\$123,583,061
MB	\$4,212,774	ON	\$21,842,153
SK	\$1,536,879		

BY RANK



1st Mortgages	\$173,645,262
2nd Mortgages	\$8,558,593

BY VOLUME



\$1 - \$1,000,000	\$98,798,552
\$1,000,001 - \$2,500,000	\$29,337,612
\$2,500,001 - \$3,500,000	\$14,254,688
\$3,500,001 - \$5,000,000	\$21,669,855

Mortgage Concentration Graphs (As at February 28, 2017) – cont.

BY PAYMENT TYPE



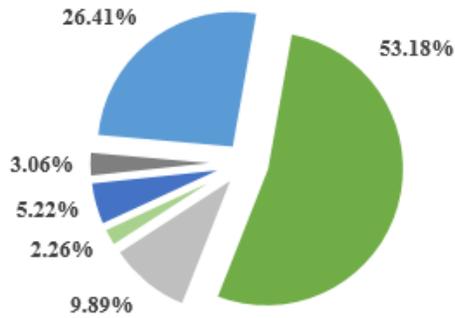
■ Principal and Interest	\$27,183,370
■ Interest Only	\$155,020,485

BY PREPAYMENT TERMS



■ Closed - 3 months interest	\$9,712,052
■ Open - Without penalty	\$172,491,803

BY DURATION



■ 1 year or less	\$48,111,898
■ 1-2 years	\$96,892,002
■ 2-3 years	\$18,013,365
■ 3-4 years	\$4,109,384
■ 4-5 years	\$9,502,358
■ 5 years or more	\$5,574,849

Mortgage Concentration Table (As at February 28, 2017)

Mortgage Concentration:

Percentage of Dollar Volume based on the Current Balance

	Original Balance	Current Balance	% of Dollar Volume	# of Mortgages	% of # of Mortgages	Weighted LTV
BY TYPE						
Residential						
Apartment Building	110,000	111,328	0.06%	1	0.26%	55.66%
Hospitality	5,885,000	5,913,286	3.25%	2	0.51%	40.74%
Land Acreage	130,000	130,491	0.07%	1	0.26%	50.19%
Land Development	8,302,772	7,437,454	4.08%	5	1.29%	43.99%
Land Lot	10,906,021	10,863,426	5.96%	21	5.40%	48.90%
Mixed Use	6,623,100	2,635,065	1.45%	5	1.29%	50.50%
Other	1,512,925	1,345,457	0.74%	3	0.77%	42.51%
Residential Construction Multi Family	11,846,462	9,274,207	5.09%	3	0.77%	48.60%
Residential Construction Single Family	10,264,250	5,231,012	2.87%	9	2.31%	45.29%
Single-Family Condominium	13,614,500	13,169,513	7.23%	36	9.25%	56.36%
Single-Family Duplex	4,201,550	2,627,432	1.44%	14	3.60%	55.64%
Single-Family House	75,536,182	73,482,382	40.33%	228	58.61%	58.77%
Single-Family Mobile	195,000	192,173	0.11%	3	0.77%	43.67%
Single-Family Townhouse	5,195,125	5,168,711	2.84%	23	5.91%	56.99%
	154,322,886	137,581,936	75.51%	354	91.00%	54.51%
Non-Residential						
Commercial Commercial	983,950	888,347	0.49%	3	0.77%	62.40%
Commercial Industrial	12,920,250	13,011,192	7.14%	7	1.80%	54.29%
Commercial Land	2,548,050	2,512,738	1.38%	4	1.03%	48.58%
Commercial Office	4,890,500	4,877,687	2.68%	3	0.77%	45.04%
Commercial Pub	250,000	248,990	0.14%	1	0.26%	28.46%
Commercial Retail	24,834,575	22,449,411	12.32%	14	3.60%	74.80%
Commercial Strata/Condo	666,000	633,553	0.35%	3	0.77%	64.49%
	47,093,325	44,621,919	24.49%	35	9.00%	63.44%
SUMMARY	201,416,211	182,203,855		389		56.70%
BY PROVINCE						
AB	33,660,980	31,028,989	17.03%	85	21.85%	58.85%
BC	139,479,816	123,583,061	67.83%	191	49.10%	55.66%
MB	4,277,375	4,212,774	2.31%	26	6.68%	61.16%
ON	22,464,291	21,842,153	11.99%	79	20.31%	58.44%
SK	1,533,750	1,536,879	0.84%	8	2.06%	59.29%
SUMMARY	201,416,211	182,203,855		389		56.70%
BY RANK						
1st Mortgages	192,880,807	173,645,262	95.30%	361	92.80%	56.68%
2nd Mortgages	8,535,405	8,558,593	4.70%	28	7.20%	57.13%
SUMMARY	201,416,211	182,203,855		389		56.70%
BY VOLUME						
\$1 - \$1,000,000	112,312,569	98,798,552	54.22%	357	91.77%	57.33%
\$1,000,001 - \$2,500,000	32,923,772	29,337,612	16.10%	19	4.88%	54.89%
\$2,500,001 - \$3,500,000	16,120,000	14,254,688	7.82%	5	1.29%	47.07%
\$3,500,001 - \$5,000,000	21,959,871	21,669,855	11.89%	5	1.29%	45.56%
\$5,000,001+	18,100,000	18,143,147	9.96%	3	0.77%	77.04%
SUMMARY	201,416,211	182,203,855		389		56.70%
BY PAYMENT TYPE						
Principal and Interest	33,033,389	27,183,370	14.92%	72	18.51%	72.42%
Interest Only	168,382,822	155,020,485	85.08%	317	81.49%	53.94%
SUMMARY	201,416,211	182,203,855		389		56.70%
BY PREPAYMENT TERMS						
Closed - 3 months interest	9,877,665	9,712,052	5.33%	21	5.40%	57.23%
Open - Without penalty	191,538,546	172,491,803	94.67%	368	94.60%	56.67%
SUMMARY	201,416,211	182,203,855		389		56.70%
BY DURATION						
1 year or less	53,450,786	48,111,898	26.41%	126	32.39%	57.48%
1-2 years	101,281,508	96,892,002	53.18%	166	42.67%	52.67%
2-3 years	23,491,955	18,013,365	9.89%	50	12.85%	56.86%
3-4 years	4,264,500	4,109,384	2.26%	15	3.86%	53.99%
4-5 years	9,076,740	9,502,358	5.22%	15	3.86%	97.60%
5 years or more	9,850,722	5,574,849	3.06%	17	4.37%	51.75%
SUMMARY	201,416,211	182,203,855		389		56.70%

Mortgage Performance Table (As at February 28, 2017)

Mortgage Performance:

Percentage of Dollar Volume based on the Current Balance

	Original Balance	Current Balance	Average Mortgage Amount	Average Term (Months)	Weighted Interest Rate	Weighted Annualized Fee	Weighted Annual Overall Return
BY TYPE							
Residential							
Apartment Building	110,000	111,328	110,000	12	6.59%	0.99%	7.58%
Hospitality	5,885,000	5,913,286	2,942,500	15	8.13%	0.87%	9.00%
Land Acreage	130,000	130,491	130,000	12	9.38%	0.00%	9.38%
Land Development	8,302,772	7,437,454	1,660,554	11	8.23%	2.18%	10.41%
Land Lot	10,906,021	10,863,426	519,334	12	8.32%	0.71%	9.03%
Mixed Use	6,623,100	2,635,065	322,390	19	7.97%	0.69%	8.65%
Other	1,512,925	1,345,457	504,308	16	7.87%	0.08%	7.95%
Residential Construction Multi Family	11,846,462	9,274,207	3,948,821	11	8.23%	2.25%	10.48%
Residential Construction Single Family	10,264,250	5,231,012	869,207	12	8.71%	4.10%	12.80%
Single-Family Condominium	13,614,500	13,169,513	365,259	13	8.20%	0.63%	8.83%
Single-Family Duplex	4,201,550	2,627,432	216,829	13	8.61%	0.81%	9.42%
Single-Family House	75,536,182	73,482,382	327,201	12	8.53%	0.31%	8.84%
Single-Family Mobile	195,000	192,173	65,000	12	9.38%	0.00%	9.38%
Single-Family Townhouse	5,195,125	5,168,711	225,875	13	8.39%	0.47%	8.86%
	154,322,886	137,581,936	407,641	12	8.41%	0.79%	9.21%
Non-Residential							
Commercial Commercial	983,950	888,347	327,983	15	8.32%	0.83%	9.15%
Commercial Industrial	12,920,250	13,011,192	1,845,750	12	9.13%	1.36%	10.49%
Commercial Land	2,548,050	2,512,738	637,013	15	9.48%	1.40%	10.88%
Commercial Office	4,890,500	4,877,687	1,630,167	12	7.50%	0.05%	7.55%
Commercial Pub	250,000	248,990	250,000	12	8.84%	0.00%	8.84%
Commercial Retail	24,834,575	22,449,411	1,580,512	16	6.82%	0.84%	7.66%
Commercial Strata/Condo	666,000	633,553	222,000	12	8.09%	0.82%	8.91%
	47,093,325	44,621,919	1,268,169	14	7.78%	0.93%	8.71%
SUMMARY	201,416,211	182,203,855	485,066	12	8.26%	0.83%	9.08%
BY PROVINCE							
AB	33,660,980	31,028,989	379,353	12	8.50%	0.73%	9.23%
BC	139,479,816	123,583,061	674,632	13	8.09%	0.97%	9.05%
MB	4,277,375	4,212,774	164,514	12	8.66%	0.26%	8.92%
ON	22,464,291	21,842,153	275,695	12	8.76%	0.32%	9.08%
SK	1,533,750	1,536,879	191,719	14	8.98%	0.14%	9.12%
SUMMARY	201,416,211	182,203,855	485,066	12	8.26%	0.83%	9.08%
BY RANK							
1st Mortgages	192,880,807	173,645,262	499,045	12	8.15%	0.83%	8.98%
2nd Mortgages	8,535,405	8,558,593	304,836	12	10.45%	0.81%	11.26%
SUMMARY	201,416,211	182,203,855	485,066	12	8.26%	0.83%	9.08%
BY VOLUME							
\$1 - \$1,000,000	112,312,569	98,798,552	287,097	12	8.60%	0.53%	9.13%
\$1,000,001 - \$2,500,000	32,923,772	29,337,612	1,604,336	13	8.28%	1.30%	9.58%
\$2,500,001 - \$3,500,000	16,120,000	14,254,688	3,224,000	11	8.96%	2.28%	11.25%
\$3,500,001 - \$5,000,000	21,959,871	21,669,855	4,391,974	13	7.76%	0.79%	8.55%
\$5,000,001+	18,100,000	18,143,147	5,878,275	30	6.39%	0.55%	6.95%
SUMMARY	201,416,211	182,203,855	485,066	12	8.26%	0.83%	9.08%
BY PAYMENT TYPE							
Principal and Interest	33,033,389	27,183,370	373,004	14	7.40%	0.61%	8.01%
Interest Only	168,382,822	155,020,485	510,519	12	8.41%	0.87%	9.27%
SUMMARY	201,416,211	182,203,855	485,066	12	8.26%	0.83%	9.08%
BY PREPAYMENT TERMS							
Closed - 3 months interest	9,877,665	9,712,052	470,365	14	8.05%	0.69%	8.74%
Open - Without penalty	191,538,546	172,491,803	485,905	12	8.27%	0.83%	9.10%
SUMMARY	201,416,211	182,203,855	485,066	12	8.26%	0.83%	9.08%
BY DURATION							
1 year or less	53,450,786	48,111,898	399,405	12	8.62%	1.11%	9.73%
1-2 years	101,281,508	96,892,002	607,327	12	8.31%	0.85%	9.16%
2-3 years	23,491,955	18,013,365	392,372	13	8.38%	0.71%	9.09%
3-4 years	4,264,500	4,109,384	284,300	12	8.58%	0.10%	8.68%
4-5 years	9,076,740	9,502,358	588,449	16	5.50%	0.04%	5.54%
5 years or more	9,850,722	5,574,849	284,681	13	8.33%	0.18%	8.51%
SUMMARY	201,416,211	182,203,855	485,066	12	8.26%	0.83%	9.08%

In the foregoing tables:

The “Original Balance” value reflects the original approved amount of the mortgage loan at the time of funding.

The “Current Balance” reflects the current balance of the mortgage loan.

The “Weighted Interest Rate” for a specific aggregate line item is computed as the sum of the (individual current balances divided by the aggregate current balances total for the line item) multiplied by the individual mortgage loan rate.

The “Weighted Annualized Fee” for a specific aggregate line item is computed as the sum of the (individual current balance divided by the aggregate current balances total for the line item) multiplied by (the lender fee annualized based upon the specific term of the mortgage loan).

The “Weighted LTV” for a specific aggregate line item is computed as the sum of the (individual current balance divided by the aggregate current balances total for the line item) multiplied by the individual mortgage loan LTV (as defined below). The value of the property used in calculating the LTV reflects the most recent valuation on file. While in the majority of cases this is the value that existed at the time the mortgage loan was made, it may be a more recent value conducted at renewal or upon entering the foreclosure process.

On an individual mortgage loan, the LTV is determined as follows:

The Issuer determines a property’s value by obtaining an appraisal and may also obtain other third party evidence of value (such as an assessment issued by the British Columbia Assessment Authority or current market analysis by a licensed realtor) of each property prior to or as of the date of the initial advance of each mortgage loan. From time to time a subsequent property valuation may be performed which alters the property value (i.e., renewal, foreclosure) and therefore the new property value is used in the calculation. As well, where the Issuer takes collateral security for the mortgage loan in the form of mortgage security on other property, the Issuer obtains an appraisal or other third party evidence of value in respect of such other property.

The property value is the aggregate value of the property taken as primary and collateral security or, in the case of real estate under development or redevelopment, the value of such real estate upon completion of its development or redevelopment. The property value also reflects any authorized release of any collateral security occurring after the initial advance of the loan.

The individual mortgage LTV is calculated as the percentage obtained by dividing: (a) the outstanding current balance of the mortgage loan plus the outstanding amount of any financing which has priority over the mortgage loan; by (b) the aggregate property value taken as primary and collateral security.

The information provided under the heading “By Duration” reflects the amount of time a mortgage will have been in the Issuer’s mortgage portfolio at its current maturity date and includes time as a result of completed mortgage renewals or extensions. Although a mortgage loan term in the Issuer’s portfolio will generally not exceed 24 months, a mortgage loan may be renewed or extended, subject to an underwriting review process, and thereby have a longer duration.

Real Property and Limited Partnership Investments (As at February 28, 2017)

The Issuer currently holds one direct investment in real property acquired through foreclosure proceedings at a market value of \$210,317. There is an unconditional offer on the property from a third party with a close date on April 17, 2017.

The Issuer also holds interests in certain real property indirectly through investments in units of limited partnerships that hold interests in foreclosed properties of the Issuer. The limited partnership structure used by the Issuer to hold interests in foreclosed properties was the subject of a tax ruling obtained by the Issuer in 2013.

A description of the limited partnership investments held by the Issuer as at February 28, 2017 is as follows:

(a) Transtide Investments Limited Partnership

Transtide Investments Limited Partnership (“**Transtide LP**”) was formed on January 30, 2014 for the purpose of holding interests in certain foreclosed properties of the Issuer. The Issuer is the sole limited partner of Transtide LP and holds a 99.99% equity interest. The general partner of Transtide LP is Transtide Investments Ltd. (“**Transtide GP**”) and holds a 0.01% equity interest. Transtide GP has entered into an agreement with the Manager under the terms of which the Manager provides administrative services to Transtide LP. Rafer Strandlund is the President, sole director and owner of Transtide GP. Rafer Strandlund is a son of Wayne Strandlund, the sole shareholder, the President and a director of the Manager and a shareholder, the President and Chief Executive Officer and a director of the Issuer. Prior to resigning in September 2014, Trevor Strandlund, Wayne Strandlund’s brother, served as the President and sole director of Transtide GP. In 2016, Transtide LP paid \$275 in management fees and \$11,798 in compensation to Transtide GP.

Maple Ridge Property

Transtide LP acquired a foreclosed property located in Maple Ridge from the Issuer in 2014 for \$1,600,000 (the “**Maple Ridge Property**”) in exchange for 1,600,000 limited partnership units. Subsequently, an additional 30,000 units of Transtide LP having a value of \$30,000 were issued to the Issuer.

The Maple Ridge Property was sold later in 2014 for \$1,600,000, resulting in a loss on the sale of approximately \$60,000 after deducting property taxes and real estate commissions.

A net loss of \$103,021 to Transtide LP for 2014, consisting of the loss on disposal of the Maple Ridge Property and administrative costs, including approximately \$20,000 for management fees and \$10,500 for compensation paid to Transtide GP, was allocated on a pro-rated basis (99.99%) to the Issuer.

Transtide LP redeemed 1,610,000 units held by the Issuer in the amount of \$1,514,000. Since that time, Transtide LP held no properties and had limited capital until October 2015.

Nanoose Properties

On October 9, 2015, the Issuer purchased 5,845,000 limited partnership units of Transtide LP for \$5,845,000 in cash. Transtide LP used those funds to purchase certain real estate assets, having an estimated fair market value of \$5,845,000, from an arm’s-length receiver. The real estate assets were security for a mortgage loan receivable of the Issuer that was in default and under foreclosure. The receiver used the proceeds to settle the mortgage loan receivable by the Issuer. The Issuer realized a loss of \$697,257, which was drawn from the Issuer’s provision for mortgage losses.

The Issuer had a mortgage that was in foreclosure on certain residential condominiums and several fractional interests in Nanoose Bay, B.C. along with residual land (the “**Nanoose Properties**”). It was determined that the best course of action was for Transtide LP to acquire the Nanoose Properties to remove the assets from a receivership and in a distressed situation and permit the building to be consolidated to increase its value.

The real estate market for fractional interests has declined significantly over the past few years so it was determined that the best way to maximize the value of the assets was to acquire a 100% interest in all units within that building, which included numerous individual owners. Transtide LP was successful in negotiating with all fractional owners to acquire their fractional interest. The ownership interest in the asset of Transtide LP is 100% of all units in the building. Having a 100% interest allows condominiums to be sold as ‘regular’ strata units and not fractional interests.

Transtide LP has hired a property manager to manage the rental of the units on both a long term, and short term vacation rental basis to provide it with income. Transtide LP also owns a vacant parcel of land that can be developed in the future but there is no intention at this point to develop the land. As the building can provide rental income, the building will be put up for sale, or individual units will be sold to individual buyers.

As at December 31, 2016 Transtide LP recognized a gain of \$11,421 which resulted in the per unit value increasing from \$0.96158 to \$0.96346 bringing the Issuer’s holdings to a total of 99.99% of the total outstanding units having a stated

value of \$5,833,426. As at December 31, 2015 Transtide LP recognized a loss of \$220,287 which resulted in the per unit value reducing from \$1.00 to \$0.96158.

Transtide LP issued an additional 70,000 units with a stated value of \$70,000 to the Issuer between October, 2015 and December 31, 2015. In 2016, Transtide LP issued 119,603 units with a stated value of \$115,000 bringing the Issuer's holdings to a total of 99.99% of the total outstanding units having a stated value of \$5,814,298.

In 2016, Transtide LP distributed capital of \$49,999.99 to the Issuer from profit earned.

Commercial Center

Transtide LP intends to purchase certain real estate assets (the "**Commercial Center**"), having an estimated fair market value of \$5,500,000, from an arm's-length receiver by way of assuming the mortgage with the Issuer in the amount of \$5,500,000. The Issuer intends to structure the terms of the mortgage as a special circumstance loan agreement which will be on a performing basis.

The mortgage is on the commercial center component within the "Nanoose Properties" and is currently in foreclosure with the Issuer. It was determined by Transtide GP that the best course of action was for Transtide LP to acquire the Commercial Center as an additional asset to the "Nanoose Properties", to remove the assets from the receivership and in a distressed situation and to permit the Commercial Center to be consolidated with the other Nanoose Properties increasing the overall value and salability of the "Nanoose Properties".

The Commercial Center is security for a mortgage loan receivable of the Issuer that was in default and under foreclosure. The Issuer will realize a loss of approximately \$950,000 which will be drawn from the Issuer's provision for mortgage losses.

Transtide GP intends to wind up Transtide LP when a sale of all the Nanoose Properties has completed and any net income, capital gains or losses are distributed to the limited partners.

(b) Transtide Westmount Estates Limited Partnership

Transtide Westmount Estates Limited Partnership ("**Westmount LP**") was formed on September 30, 2014 for the purpose of holding interests in certain foreclosed properties of the Issuer. The Issuer is the sole limited partner of Westmount LP and holds a 99.99% equity interest. The general partner of Westmount LP is Transtide Westmount Estates Ltd. ("**Westmount GP**") and holds a 0.01% equity interest. Westmount GP has entered into an agreement with the Manager under the terms of which the Manager provides administrative services to Westmount LP. Westmount GP is owned by Rafer Strandlund who is the president and sole director of Westmount GP. Rafer Strandlund, is the son of Wayne Strandlund, the sole shareholder, the President and a director of the Manager and a shareholder, the President and Chief Executive Officer and a director of the Issuer. In 2016, Westmount LP paid \$275 in management fees and \$2,547 in compensation to Westmount GP.

During 2014, the Issuer purchased 1,250,000 limited partnership units from Westmount LP for \$1,250,000 in cash. Westmount LP used those funds to purchase certain real estate assets, having an estimated fair market value of \$1,250,000, from an arm's-length receiver. The real estate assets were security for a mortgage loan receivable of the Issuer that was in default and under foreclosure. The receiver used the proceeds to settle the mortgage loan receivable by the Issuer. The Issuer realized a loss of \$920,322.50, which was drawn from the Issuer's provision for loan losses.

Sechelt Properties

Westmount LP acquired two contiguous lots totalling approximately five acres in Sechelt, British Columbia (the “**Sechelt Properties**”) and sought to obtain development approvals from the governing municipality which would permit the property to be developed into 50 bare land strata lots.

Westmount LP issued an additional 10,000 units with a stated value of \$10,000 to the Issuer in 2014. Westmount LP issued an additional 10,000 units with a stated value of \$10,000 to the Issuer in 2015. In 2016 Westmount LP issued an additional 50,632 units with a stated value of \$50,000 bringing the Issuer’s holdings to a total of 99.99% of the total outstanding units having a stated value of \$1,296,835. In late 2016 Westmount GP listed the Sechelt Properties for sale with a local realtor. Approvals were granted for the development by the municipality in early 2017. On September 26, 2016 the Sechelt Properties were placed under contract to sell for \$1,415,000, which closed on March 2, 2017. This will result in a gain on the sale of approximately \$70,000 after deducting property taxes and real estate commissions.

As at December 31, 2015 Westmount LP recognized a loss of \$10,915 which resulted in the per unit value reducing from \$1.00 to \$0.98947. As at December 31, 2016 Westmount LP recognized a loss of \$10,129 which resulted in the per unit value decreasing from \$.98947 to \$.98174.

Westmount GP intends to wind up Westmount LP in 2017 and distribute any remaining net income, capital gains or losses to the limited partners.

(c) Transtide Coquitlam Lanes Limited Partnership

Transtide Coquitlam Lanes Limited Partnership (“**Coquitlam LP**”) was formed on November 14, 2014 for the purpose of holding interests in certain foreclosed properties of the Issuer. The Issuer is the sole limited partner of Coquitlam LP and holds a 99.99% equity interest. The general partner of Coquitlam LP is Transtide Coquitlam Lanes Ltd. (“**Coquitlam GP**”) and holds a 0.01% equity interest. Coquitlam GP has entered into an agreement with the Manager under the terms of which the Manager provides administrative services to Coquitlam LP. Coquitlam GP is owned by Rafer Strandlund who is the president and sole director of Coquitlam GP. Rafer Strandlund, is the son of Wayne Strandlund, the sole shareholder, the President and a director of the Manager and a shareholder, the President and Chief Executive Officer and a director of the Issuer. In 2016, Coquitlam LP paid \$17,667 in management fees and \$17,557 in compensation to Coquitlam LP.

During 2015, the Issuer purchased 9,476,100 limited partnership units from Coquitlam LP for \$9,476,100 in cash. Coquitlam LP used those funds to purchase certain real estate assets from an arm’s- length receiver for the estimated fair market value of the assets of \$9,476,100. The real estate assets were security for a mortgage loan receivable of the Issuer that was in default and under foreclosure. The receiver used the proceeds from sale to settle the mortgage loan receivable of the Issuer, and the Issuer realized a loss on settlement of \$561,297, which was drawn from the Issuer’s provision for loan losses.

Zone Bowling Coquitlam and Big River Restaurant

In February 2015, Coquitlam LP acquired two large commercial strata units in Coquitlam, British Columbia which were security for the Issuer’s mortgage that was in foreclosure and receivership. Within the two commercial strata units is Zone Bowling Coquitlam and Big River Restaurant. During 2016, Coquitlam LP sold Big River Restaurant to an arm’s length third party for a purchase price of \$1,300,000. Coquitlam LP distributed the net proceeds as a return of capital in the amount of \$1,227,360 (1,224,682 units) after costs of \$72,640 for real estate commissions, property tax adjustments and legal fees on a prorated basis (99.99%) bringing the Issuer’s holdings to a total of 99.99% of the total outstanding units having a stated value of \$8,269,471. Coquitlam LP continues to operate Zone Bowling Coquitlam, a 36 lane bowling centre. Zone Bowling Coquitlam is currently listed for sale.

Coquitlam LP has arranged a revolving credit facility with a chartered bank in the amount of \$250,000 should any further funds be required for the ongoing operation. Since inception, Coquitlam LP has not requested any further capital injections from the limited partners.

During 2015, Coquitlam LP distributed capital of \$100,000 to the Issuer. During 2016, Coquitlam LP repurchased 172,197 units (\$172,524) bringing the Issuer’s holdings to a total of 99.99% of the total outstanding units having a stated value of \$8,079,271.

As at December 31, 2016 Coquitlam LP recognized a profit of \$317,841 of which \$249,999.97 was distributed as capital to the Issuer. Coquitlam LP recognized a gain of \$67,841 which resulted in the per unit value increasing from \$1.00219 to \$1.01072 bringing the Issuer's holdings to a total 99.99% of the total outstanding units having a stated value of \$8,165,896. As at December 31, 2015 Coquitlam LP recognized a gain of \$22,524 which resulted in the per unit value increasing from \$1.00 to \$1.00219.

Coquitlam GP intends to wind up Coquitlam LP when a sale on the final property has completed and any net income, capital gains or losses are distributed to the limited partners.

(d) Kingsview LP

Transtide Kingsview Limited Partnership ("**Kingsview LP**") was formed on January 5, 2016 for the purpose of holding interests in certain foreclosed properties of the Issuer. The Issuer is the sole limited partner of Kingsview LP and holds a 99.99% equity interest. The general partner of Kingsview LP is Transtide Kingsview Development Ltd. ("**Kingsview GP**") and holds a 0.01% equity interest. Kingsview GP has entered into an agreement with the Manager under the terms of which the Manager provides administrative services to Kingsview LP. Kingsview GP is owned by Rafer Strandlund who is the president and sole director of Kingsview GP. Rafer Strandlund, is the son of Wayne Strandlund, the sole shareholder, the President and a director of the Manager and a shareholder, the President and Chief Executive Officer and a director of the Issuer. In 2016, Kingsview paid \$200 in management fees and \$5,886 in compensation to Kingsview GP.

During 2016, the Issuer purchased 12,725,100 limited partnership units from Kingsview LP for \$12,725,100 in cash. Kingsview LP used those funds to purchase certain real estate assets from an arm's-length borrower for the estimated fair market value of the assets of \$12,725,100. The real estate assets were security for a non-performing mortgage loan receivable of the Issuer that was in previously in default and in foreclosure. The proceeds from the sale were used to settle the mortgage loan receivable of the Issuer.

The Cliffs Over Maple Bay

Kingsview LP acquired five previously foreclosed properties located in Maple Bay, British Columbia (previously the "The Cliffs Over Maple Bay" residential development referred to in "Significant Mortgage Defaults and Limited Partnership Capital Losses in Previous Three Years" below) (the "Maple Bay Properties") which were secured by a syndicated mortgage between the Issuer and Liberty Mortgage Excel Holdings Ltd. each with a 50% interest in the mortgage.

These properties are currently zoned for a residential community and a golf course. Kingsview LP is in the process of rezoning the properties to remove the golf course component of the development and replace it with increased density of residential units which will significantly increase the value and marketability of the properties. The District of North Cowichan which governs the property has responded favorably to the proposal for rezoning the properties to approximately 1,100 residential units from its current zoning.

Kingsview LP has municipal approval to develop phase one (59 lots) and intends to develop these lots and put them up for sale in 2017. Upon rezoning of the remaining properties, the Kingsview GP may sell the entire property to a developer.

As at December 31, 2016 Kingsview LP recognized a loss of \$12,747 which resulted in the per unit value decreasing from \$1.00 to \$.99901. Kingsview LP assets are in the early stages of development so there has been no income generated to date. Kingsview GP anticipates that phase one will generate income as lots are sold. Kingsview GP anticipates that further capital will be required to develop phase one as well as proceed with the rezoning. This capital may be sourced through further investment by the limited partners or through mortgage financing.

The Issuer holds 99.99% of total outstanding units of Kingsview LP having a value of \$12,985,100. On January 26, 2017, Kingsview LP issued an additional 100,098 units with a value of \$100,000 to the Issuer. Kingsview LP issued an additional 260,000 units with a value of \$260,000 to the Issuer in 2016. These funds were used to further develop phase one.

When a sale on all the lands has completed, Kingsview GP intends to wind up the limited partnership and any net income, capital gains or losses are distributed to the limited partners.

Foreclosures and Non-Performing Mortgage Loans

From time to time in the normal course of business, mortgage borrowers will default on their loans. This may happen for a variety of reasons including, but not limited to, non-payment or late payment of mortgage payments, non-payment of property taxes, non-payment of property insurance or not maintaining adequate property insurance, non-payment of strata fees and other strata assessments and non-payment of the mortgage balance at maturity.

Depending on the severity of the default and the length of time and difficulty incurred in working through the default and recovery process, the costs to the Issuer can be substantial, and often only part of such costs can be recovered. Actual costs often exceed those costs that are allowed by a court. A prolonged foreclosure action, particularly a complex action, vigorously opposed and perhaps taking place during a market down-turn, can be costly and involve many professionals such as lawyers, receivers, appraisers, quantity surveyors, accountants, leasing agents, property managers and realtors. Often the Issuer must pay property taxes, property insurance, strata fees and assessments, property maintenance, etc. in order to keep the property in good condition and marketable. If the Issuer's mortgage happens to be a junior (second) mortgage, the Issuer, to protect its position, may also have to keep the senior (first) mortgage current and in good standing which may require making payments on the first mortgage. There may also be lienholders and other senior charges that have to be dealt with and satisfied in priority to the Issuer's mortgage. These default action requirements take time, administration and money, and may result in a mortgage deficiency when the property is eventually sold. This mortgage deficiency may be pursued further through personal judgment against borrower(s), guarantor(s) and covenantor(s) until exhausted.

In accordance with the Issuer's mortgage contract any of these defaults constitute a default in the mortgage and give rise to legal action by the Issuer against the borrower(s), guarantor(s) and covenantor(s). The legal action taken is governed by law with enforcement and collection processes varying from province to province. The default and recovery process is organized and strictly managed by a standing department of the Manager.

While the process undertaken upon default varies from mortgage to mortgage and circumstance to circumstance, generally speaking a default proceeds along the following lines:

1. Notice of default and a request to rectify are sent by the Issuer or the Issuer's lawyer to the borrower.
2. Notice of demand to repay the loan in full is sent to the borrower if the loan impairment is not rectified within the legal time limit prescribed in the notice of demand.
3. Petition to court demanding payment in full of all outstanding principal, interest, costs and judgment against the borrower(s), guarantor(s) and covenantor(s), as approved by the court. The petition will be circulated to as many respondents as are impacted by the foreclosure action and will include such respondents as senior mortgage holders, lien holders, guarantors, covenantors, and other vested interests as the case may be.
4. Petition to court to set a redemption date for the borrower to pay the loan and costs.
5. After the redemption date, and if the loan has not been paid as prescribed, a petition to court for a court-ordered sale and conduct of sale by the Issuer. This may also involve a court order for vacant possession of the subject property or the right of the Issuer to collect rents if the property is an income-generating property.

During this process, and as prescribed by the court, the subject property(s) securing the Issuer's mortgage will undergo a new valuation (the "**Revised Property Value**"), so that the borrower's equity can be established. The length of the redemption period set by the court is often determined by the amount of equity the borrower has in the property(s).

After establishing the value of the property(s) and determining the LTV based on the Revised Property Value, the Manager will measure the probability of a loss and set aside an appropriate reserve accordingly. If the probability of a loss is remote the Manager may choose not to set aside a reserve.

From time to time and as appropriate in the particular circumstance a Receiver may be appointed. This is most likely to take place if the subject property requires such attention as on-going management, rent collection, maintenance, completion of construction or development, protection of the property and so forth. The Issuer, being a "mortgage investment corporation" under the Tax Act, is not permitted to manage or develop property; therefore, a receiver may be required to manage such affairs.

From time to time and depending on the particular circumstance the Issuer, instead of selling the property and sustaining a loss, may choose to petition the court for an order absolute and take title to the property. Provided the property does not involve management or development, the Issuer may hold the property awaiting a more favourable market in which to sell or, as referenced above, have a receiver manage the property on behalf of the Issuer. From time to time, and as appropriate, the Issuer may choose to have the property sold to a qualifying limited partnership or other vehicle in which the Issuer may have a significant interest in (up to 99.99%) as discussed under “Item 2.2: Our Business – Non-Mortgage Investments”.

If a sale of the subject property or properties results in a shortfall and loss to the Issuer the Issuer will pursue recovery of the shortfall through personal judgment against the borrower(s), guarantor(s) and covenantor(s), a process which is administered through the Manager’s collection department.

The Manager, deciding on a case-by-case basis, may set up specific reserves for mortgage loans that are not necessarily impaired or in default but are simply considered as having diminishing equity or experiencing problems or potential problems that warrant extra care and attention.

The Issuer, as a precautionary measure, may classify a mortgage loan as non-performing even though it may not be in default. In such cases the Issuer may choose to recognize the principal balance of the mortgage loan in its financial records but cease to accrue interest on the mortgage loan. If in the end the mortgage loan does in fact perform, the interest portion will be taken back into income

As at February 28, 2017 the total number of mortgages in foreclosure or non-performing was twelve. This represents 3.08% of the number of mortgages in the Issuer’s mortgage portfolio and 5.94% of the value of the Issuer’s mortgage portfolio as at that date. The total number foreclosure mortgages where there is a specific provision and/or an expectation for a loss is three.

The table below outlines all mortgage loans in foreclosure and/or non-performing as at February 28, 2017 (the mortgage is in foreclosure unless specifically indicated otherwise).

Foreclosures and Non-Performing Mortgage Loans

12	<u>1st</u>	<u>2nd</u>	3.08% of 389 mortgages	10,829,932	5.94% of total portfolio current balance 182,203,855
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Rec. Status	City	Prov	Rank	Original Principal Amount	Balance Owing	Original LTV	Revised Valuation Date	Prior Charges	Revised Value	Revised LTV
Residential										
Land Lot										
1	F	Maple Ridge	BC	1st	250,000	271,674	40.00%	12-Sep-16	1,100,000	24.70%
Single-Family Condominium										
2	F	Edmonton	AB	1st	275,000	301,542	62.79%	19-Jan-17	380,000	79.35%
Single-Family House										
3	F	Sturgeon County	AB	1st	393,750	481,378	75.00%	15-Feb-17	430,000	111.95%
4	F	Drumheller	AB	1st	288,000	300,969	53.83%	21-Nov-16	600,000	50.16%
5	F	Morinville	AB	1st	190,000	203,845	61.89%	21-Sep-16	290,000	70.29%
6	F	Calgary	AB	1st	124,690	129,135	34.40%	27-Jan-17	296,000	43.63%
7	F	Calgary	AB	1st	293,335	308,358	56.41%	17-Jan-17	465,000	66.31%
8	F	Calgary	AB	1st	889,262	908,661	58.70%	27-Jan-17	1,300,000	69.90%
Single-Family Townhouse										
9	F	Edmonton	AB	1st	231,000	249,313	75.00%	5-Dec-16	268,000	93.03%
Non-Residential										
Commercial Commercial										
10	F	Calgary	AB	1st	230,000	212,267	62.16%	21-Dec-16	330,000	64.32%
Commercial Industrial										
11	F	Powell River	BC	1st	900,000	959,659	44.78%	13-Dec-16	1,075,000	89.27%
Commercial Retail										
12	F	Nanoose Bay	BC	1st	6,000,000	6,503,131	73.98%		5,500,000	118.24%
SUMMARY										
12					10,065,037	10,829,932		0	12,034,000	

In the foregoing table:

1. The “Original Balance” value reflects the original approved amount of the mortgage loan at the time of funding. This balance also includes any authorized release of any collateral security occurring after the initial advance of the loan.
2. The “Original LTV” shows the loan to value of the mortgage loan at the time the loan was originally initiated.
3. The “Status” shows as an “F” if the mortgage is in foreclosure or “NP” if the mortgage is non-performing.
4. **Notes depicting current status of the individual mortgage files in the foregoing table:**
 1. Once conduct of sale is obtained the property will be listed for sale. Based on the “Revised Value” expectations are to receive all of the balance owing.
 2. The property is listed for sale. Based on the “Revised Value” expectations are to receive all of the balance owing.
 3. The property is listed for sale. Based on the “Revised Value”, expectations are of incurring a loss on the balance owing.
 4. Once conduct of sale is obtained the property will be listed for sale. Based on the “Revised Value” expectations are to receive all of the balance owing.
 5. Once conduct of sale is obtained the property will be listed for sale. Based on the “Revised Value” expectations are to receive all of the balance owing.
 6. The property is listed for sale. Based on the “Revised Value” expectations are to receive all of the balance owing.
 7. The property is listed for sale. Based on the “Revised Value” expectations are to receive all of the balance owing.
 8. The property is listed for sale. Based on the “Revised Value” expectations are to receive all of the balance owing.
 9. Once conduct of sale is obtained the property will be listed for sale. Based on the “Revised Value”, expectations are of incurring a loss on the balance owing.
 10. The property is listed for sale. Based on the “Revised Value” expectations are to receive all of the balance owing.
 11. The property is listed for sale. Based on the “Revised Value”, expectations are of incurring a loss on the balance owing.
 12. The property is sold and closing in April 2017 with a loss realized on the sale. See “Item 2.3: Development of Business - Significant Mortgage Defaults in Previous Three Years”.

Significant Mortgage Defaults in Previous Three Years

1. “The Cliffs Over Maple Bay” Residential Development

This loan involved a residential development with golf course in Duncan/Maple Bay B.C. The Issuer holds a 50% interest in a first mortgage secured by a large acreage between Duncan and Maple Bay. (The other 50% ownership interest in the first mortgage is held by Liberty Mortgage Services Ltd. which ranks equally. The property was listed at a price of \$27,000,000 reflecting a 2007 appraisal. However the Issuer’s view is that the actual value is \$22,000,000.

The project was originally contemplated as a high-end multi-use residential community including a Greg Norman-designed 18-hole professional golf course and over 700 residential units. The project, due in large part to a dramatically slowed market in 2008, stalled after brisk sales of 70 residential lots in phase one. These lots sold at the high end of the price spectrum. The project also experienced a serious and unexpected problem in obtaining water for the maintenance of the golf course. The result was foreclosure, with the new arm’s length owner, 0844246 BC

Ltd., taking on the mortgage at 100% loan to value secured by a syndicated mortgage between the Issuer and Liberty Mortgage Excel Holdings Ltd. whom both held a 50% interest in the mortgage. The Issuer's balance included costs paid to date.

The new owner came to hold its ownership interest in the property by taking title to the property in the name of a numbered company, subject to the first mortgage. The new ownership consists of the second mortgage investors on the development and Liberty Mortgage Services Ltd. (which had other interests in the development in addition to a 50% interest in the first mortgage). By taking ownership these investors obtained a chance to recover some money if the property was to be sold for an amount greater than the balance (including accrued interest and costs) of the first mortgage. Those investors will only get money back after the first mortgage is paid in full.

The foreclosure process was lengthy, complex and incurred significant costs. These costs included the appointment of a receiver manager, operational costs, property taxes, and extensive legal efforts working through the "*Companies' Creditors Arrangement Act*" protection application of the borrower.

All accrued interest is still applicable and due to the first mortgage holders originating from the initial funding date, including all additional costs (i.e. foreclosure costs). As a special circumstance loan agreement, when the property emerged from foreclosure the terms of the loan were amended for the new owner removing all accrued interest and all additional costs (i.e. foreclosure) from the outstanding balance and requiring that the amount be paid as a special bonus (not accruing interest) once the property has been sold. The first mortgage also made available to the new owners a further \$2,000,000 in funding to pay the foreclosure costs, install a site manager, and perform the work required to reconfigure the property for resale at its maximum value. As monies were received it was allocated on a 50/50 basis to the Issuer and Liberty Mortgage Services Ltd. representing their proportionate interest in the first mortgage.

This has reduced net income for the Issuer over the time this loan has been non-performing, the increased costs of foreclosure and the new owner's efforts to sell the property.

This was a non-performing and non-accruing mortgage loan of \$10,265,272 which resulted in the reduction of the portfolio's dividend income by approximately \$819,168 in 2014. In addition and based upon the property valuation, upon sale of the property the Issuer believes that the sale amount will be greater than the principal balance outstanding, but most likely less than the total amount outstanding on the first mortgage, therefore full recovery of past write offs and non-accruals are a low probability.

The property has been acquired by Kingsview LP. See "Item 2.3: Development of Business - Real Property and Limited Partnership Investments (As at February 28, 2017)".

2. Shopping Center in Edmonton

This mortgage loan has been paid out and is closed.

The Issuer held a first mortgage on a shopping center in Edmonton, Alberta. A court-appointed receiver-manager was established in September 2012. The property was listed for sale. The court approved the sale at \$2,500,000 closing on June 15, 2014.

To facilitate the sale by clearing the title of all charges, the judge ordered a separate court action to commence relating to a dispute between the Issuer and another party registered on the land title. The dispute centered on the Issuer's view that it has priority ahead of the other party in the amount \$165,000. This amount was paid by the Issuer in trust to the court. The Issuer's legal advisor was confident and proved to be correct with the successful court action having the Issuer prevail.

The final payout inclusive of accrued interest on the mortgage and the amount paid to the court in trust resulted in a loss of \$1,548,483. The Issuer expects to reduce the shortfall after finalization of the receiver income and costs as well as resolution of the court action. The Issuer will aggressively pursue full recovery of the shortfall against both the principal debtor and the additional guarantor.

In 2015, the shortfall was reduced as the Issuer recovered \$321,241 as a result of the successful court action and recovery from the guarantor. No further recovery has been received in 2016.

3. Commercial Center in Nanoose Bay

The Issuer has a mortgage that is in foreclosure on the Commercial Center. It was determined by the Transtide GP that the best course of action was for Transtide LP to acquire the Commercial Center from the receiver as an additional asset to the Nanoose Properties. By removing the asset from the receivership and in a distressed situation permitted the commercial building to be consolidated with the Nanoose Properties thereby increasing the overall value and salability of the entire complex.

It is anticipated that in the first quarter of 2017, Transtide LP will purchase the Commercial Center, having an estimated fair market value of \$5,500,000, from an arm's-length receiver by way of assuming the mortgage with the Issuer in the amount of \$5,500,000. The Issuer intends to structure the terms of the mortgage as a special circumstance loan agreement on a performing basis with the new owner.

The real estate assets are security for the mortgage loan receivable of the Issuer that is in default and under foreclosure. The Issuer expects to realize a loss of \$950,000 which will be drawn from the Issuer's provision for mortgage losses.

See "Item 2.3: Development of Business - Real Property and Limited Partnership Investments (As at February 28, 2017)".

Significant Real Property Investment Losses in Previous Three Years

There have been no significant real property losses in the last three years.

Significant Limited Partnership Investment Losses in Previous Three Years

There have been no significant limited partnership losses in the last three years.

Reduction of Annual Portfolio Dividend Income

The tables below shows the reduction of annual portfolio dividend income as a result of non-performance of significant mortgage loan defaults and the reduction of annual portfolio dividend income as a result of the non-performance of significant mortgage loan defaults when a limited partnership or other investment vehicle is used by the Issuer:

Significant Mortgage Defaults

Year Ending	Mortgage Outstanding Balance	Dividend Income Reduction ¹
2014	\$16,848,026	\$1,344,472
2015	\$10,310,160	\$893,890
2016	\$6,461,306	\$586,751
2017 YTD	\$6,503,131	\$98,609

¹ The average mortgage portfolio return is utilized to calculate "Dividend Income Reduction" had the capital been deployed versus the non-performance of the mortgage loan.

Significant Mortgage Defaults - Limited Partnership and Real Property Investments

Year Ending	Total Investments	Total Net Return ¹	Dividend Income Reduction ²
2014	\$1,630,000	\$(103,021)	\$97,433
2015	\$16,671,200	\$100,000	\$1,445,393
2016	\$28,257,274	\$356,386	\$2,566,043

2017 YTD	\$28,358,381	\$0	\$430,007
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¹The average mortgage portfolio return for a corresponding year is utilized to calculate “Dividend Income Reduction” had the capital been deployed in mortgage investments versus limited partnership(s).

²“Total Net Return” includes net income distributions, capital gains and capital losses for a corresponding year.

Past Performance

From January 1, 2014 through December 31, 2016:

- i. the Issuer raised \$18,217,927 through the sale of Class B Shares, \$1,597,088 through the sale of Class D Shares and \$3,310,142 through the sale of Class F Shares,
- ii. investors reinvested dividends of \$20,867,113 in Class B Shares, \$307,559 in Class D Shares and \$553,463 in Class F Shares,
- iii. investors received cash dividends of \$7,927,835 from Class B Shares, \$254,038 from Class D Shares and \$422,289 from Class F Shares, and
- iv. the Issuer redeemed \$53,749,629 in Class B Shares, \$496,549 in Class D Shares and \$10,426,366 in Class F Shares, bringing the Issuer’s total equity capital to \$199,124,588 as at December 31, 2016.

From January 1, 2017 through February 28, 2017:

- i. the Issuer raised \$3,057,147 through the sale of Class B Shares, \$212,116 through the sale of Class D Shares and \$298,399 through the sale of Class F Shares,
- ii. investors reinvested dividends of \$480 in Class B Shares, \$23 in Class D Shares and \$34 in Class F Shares,
- iii. investors received cash dividends of \$3,515 from Class B Shares, \$22 from Class D Shares and \$62 from Class F Shares, and
- iv. the Issuer redeemed \$1,214,415 in Class B Shares, \$13,239 in Class D Shares and \$77,889 in Class F Shares, bringing the Issuer’s total equity capital to \$200,304,316 as at February 28, 2017.

The Issuer has distributed a dividend every quarter since beginning MIC operations in 1994. Dividends fluctuate, and are not guaranteed. The following table details the average yearly net dividend in each of the last three years. **Past performance is not indicative of future returns.**

<u>Shares</u>	<u>2014¹</u>	<u>2015¹</u>	<u>2016¹</u>
Class B Shares (5 year term)	5.000%	5.000%	5.000%
Class D Shares (3 year term)	4.000%	4.000%	4.000%
Class F Shares (1 year term)	3.000%	3.000%	3.000%

¹ Rates of return are based on cash distributions. If dividends are reinvested, the rate of return will be compounded quarterly.

The rate of return the Issuer earns from its mortgage investments fluctuates with prevailing market demand for short-term mortgage financing. In some cases the Issuer’s mortgage investments may not meet financing criteria for conventional mortgages from institutional sources and, as a result, these investments generally earn a higher rate of return than those normally attained from conventional mortgage investments. The Issuer attempts to minimize risk by being prudent in its credit decisions and in assessing the value of the underlying Canadian real estate property offered as security.

2.4 Short and Long-Term Objectives

As in the past, over the long term the Issuer intends to qualify as a MIC, raise investment capital, and invest substantially all of its capital in Canadian mortgages, except for amounts of capital invested as a result of foreclosure in real property and/or limited partnership(s) and maintained in short-term bank deposits awaiting mortgage placement. Most of the mortgages the Issuer intends to invest in will be shorter term (less than two years) first mortgages secured by residential real estate property in Canada. The Issuer may place some of its capital in longer-term mortgages, second mortgages and non-residential mortgages.

The Issuer anticipates expanding its mortgage base to other provinces in Canada, beyond British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

The short term and long term objectives of the Issuer are to raise additional capital through the issuance of Shares, to invest available funds in a portfolio of investments that grow in value over time and generate income sufficient to allow the Issuer to pay monthly dividends to shareholders and meet valid redemption requests as received, and to carry on business in a manner that ensures its qualification as a “mortgage investment corporation” under the Tax Act.

The Issuer intends to do the following to meet its objectives for the next 12 months:

What we must do and how we will do it	Target completion date (or, if not known, number of months to complete)	Our cost to complete
Continue raising funds through the sale of Shares by sourcing investments from potential investors through the Manager, arm’s length third parties and contacts of the Issuer and the Manager and their respective directors, officers and employees	Ongoing	\$50,000 ¹
Source and invest in mortgages and other qualified investments originated by the Manager or others, and administer the Issuer’s portfolio of investments through the Manager	Ongoing as funds are raised and mortgages are retired and replaced from time to time	\$100,000 ²

¹ Estimated costs of the offering including legal, audit and other professional services.

² The costs of documenting loans is paid for by the borrowers; however, there are some due diligence costs associated with the mortgage loans borne by the Issuer, such as a comparative market analysis.

2.5 Insufficient Funds

It is anticipated that the funds available as a result of the offering will be sufficient to accomplish the Issuer’s proposed objectives. There is no assurance that alternative financing will be available.

2.6 Material Agreements

Management Services Agreement

The Issuer and the Manager have entered into a management services agreement dated January 1, 2012 (the “**Management Services Agreement**”) under which the directors of the Issuer have delegated to the Manager the management and administration of the Issuer’s business affairs on a day-to-day basis, including providing a business office for and on-going advice to the Issuer, raising investment capital for the Issuer and, as may be required from time to time, providing the Issuer with real estate, mortgage and financing services.

The Manager and the Issuer are related companies. Wayne Strandlund controls the Manager (he holds 100% of its voting shares) and is its sole director and president. He is also the founder and a director of the Issuer and the holder of 25% of the Issuer’s issued voting shares. Hali Noble is Wayne Strandlund’s daughter, a director of the Issuer, and the holder of 25% of its issued voting shares. The Issuer will pay a management fee to the Manager under the Management Services Agreement for providing on-going management and operations including, but not limited to, executive leadership, exempt market dealer activities (capital raising), sourcing, identifying and evaluating mortgage investments, mortgage portfolio management, investment management for non-mortgage investments, general financial management and accounting, compliance, licensing, information technology, human resources, and reporting.

For the Manager's general management and advisory services as set out in the Management Services Agreement, the Issuer pays the Manager a management fee equal to 1.8% per year (0.15% per month) of the aggregate sum of: (a) the loan capital borrowed by the Issuer, plus (b) the paid up capital of the Issuer's issued and outstanding shares (together, the "**Aggregate Capital**"). In addition, for other services provided by the Manager from time to time on an ad hoc basis (including property management, mortgage origination or brokerage, real estate marketing or capital raising services), the Issuer will pay the Manager the fees as may be agreed to from time to time when the service is initiated.

The Manager is responsible for payment of its own expenses, such as its office rent and the salaries of its employees. The Issuer reimburses the Manager for all out-of-pocket expenses incurred in connection with the provision of its services, including without limitation certain expenses set out in the Management Services Agreement.

Though the Issuer and the Manager expressly agree in the Management Services Agreement that neither the Management Services Agreement nor the relationship between the Issuer and the Manager establish the Manager as a fiduciary to the Issuer, the Manager intends to exercise its powers and discharge its duties under the Management Services Agreement honestly in good faith and in what it reasonably believes to be in the best interests of the Issuer.

The Manager will be given reasonable advance notice of and agendas of the Issuer's meetings, and the Manager has the right to attend and be heard at all meetings of the Issuer's shareholders, the Issuer's Board of Directors and any committees established by the board, and the Manager will be provided the minutes including any and all resolutions passed at all meetings within a reasonable time after the meeting.

The Issuer acknowledges that the Manager and its shareholders, directors and officers have or will have interests and dealings in other companies, joint ventures, limited partnerships and/or MICs which are presently, or may in the future, be actively engaged in similar businesses as the Issuer. The Issuer agrees that neither the Manager nor its shareholders, directors or officers will be liable to the Issuer for any conflict of interest as a result of such other interests or dealings and that such interests and dealings do not and will not constitute a breach of the Management Services Agreement even if competitive with the business of the Issuer, and even if the business opportunity could have been pursued by the Issuer.

The Manager will not be liable to the Issuer for any loss or damage suffered by the Issuer, including any loss or diminution in the net assets (that is, the value of the Issuer's assets less its liabilities) of the Issuer, unless such loss or damage is a direct result of gross negligence, gross willful misconduct, or dishonesty by the Manager in relation to its duties and responsibilities under the Management Services Agreement. The Management Services Agreement also provides that the Issuer will indemnify the Manager and its directors, officers and employees from any claims arising in relation to the Manager's duties and responsibilities under the Management Services Agreement.

The terms of the Management Services Agreement, including in relation to fees and expenses, may not be amended except by written agreement between the Issuer and the Manager.

In addition to the management fee and the other compensation payable to it under the Management Services Agreement, the Manager may also receive a commission from the Issuer in connection with the sale of Shares by the Manager. See "Item 7: Compensation Paid to Sellers and Finders".

Termination by the Issuer

The Issuer may not terminate the Management Services Agreement or the appointment of the Manager except:

- (a) for Cause (as defined in the Management Services Agreement); or
- (b) for any other reason, provided such termination has been approved by:
 - (i) a written resolution executed by at least seventy-five percent of the members of the Issuer's board of directors; and
 - (ii) a resolution approved by not less than seventy-five percent of the holders of all of the issued and outstanding voting shares of the Issuer; and
 - (iii) a resolution approved by at least seventy-five percent of the holders of all of the issued and outstanding non-voting shares of the Issuer.

Where the Manager is terminated in accordance with the provisions of sub-paragraph (b) above, the Issuer will forthwith pay to the Manager a termination fee equal to three times the highest aggregate annual fees paid by the Issuer to the Manager in any fiscal year of the Issuer during the ten year period immediately preceding the year in which the Manager is terminated.

The Issuer must give the Manager written notice, of not less than one calendar year, of any termination of the Management Services Agreement pursuant to sub-paragraph (b).

Under the Management Services Agreement, “Cause” will be deemed to exist, among others, where:

- (a) in providing services the Manager has acted or has otherwise failed to act in a manner which is found by a court of competent jurisdiction to constitute bad faith, wilful malfeasance or gross negligence; or
- (b) a receiver is appointed over the affairs of the Manager or over any significant part of the Manager’s assets or properties at the insistence of any one or more of the Manager’s creditors, for a period in excess of 90 days.

Termination by the Manager

The Manager may terminate the Management Services Agreement at any time on written notice of not less than one year allowing reasonable time for the Issuer to transition its required services from other sources.

Agreements with Fisgard Capital II Corporation

Between April and July 2015, the Issuer entered into agreements with Fisgard Capital II Corporation, a related party to the Issuer, to sell 17 mortgages held by the Issuer to Fisgard II Capital Corporation. Under these agreements, the Issuer assigned full benefits of all powers and all covenants and provisos under each mortgage and in the security provided for in the mortgage, and the full power and authority to enforce the performance of the covenants with respect to the security to Fisgard Capital II Corporation. All mortgages were in good standing at the time the Issuer sold them and were paid in cash representing the full amount outstanding under the mortgages. As at February 28, 2017, 3 of these mortgages remain in Fisgard Capital II Corporation’s portfolio representing \$247,287 of the total portfolio inclusive of two in foreclosure. Fisgard Capital Corporation was not paid a finder’s fee or a commission in connection with these transactions.

ITEM 3: DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 Compensation and Securities Held

Directors and Officers of the Issuer

The following table sets out the specified information about each director, officer and promoter of the Issuer and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Issuer (a “principal holder”).

Name and municipality of principal residence	Positions held / date of obtaining position	Compensation paid by the Issuer in the financial year ended December 31, 2016 and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the Issuer held after completion of minimum offering ⁴	Number, type and percentage of securities of the Issuer held after completion of maximum offering ^{2,4}
Wayne Francis Strandlund Victoria, BC	President, May 1, 2013 CEO, September 1, 2008 Director, February 5, 1997, Principal holder, September 24, 2014	\$0 / \$0 ¹	120 Class A Voting Shares (25%) 7,107 Class B Non-Voting Shares (0.0039%)	120 Class A Voting Shares (25%) 7,107 Class B Non-Voting Shares (0.0039%)
Hali Nevada Noble Sidney, BC	Past President, January 15, 2003 to May 1, 2013 Director, April 11, 1994 Principal holder, June 29, 1994	\$0 / \$0 ³	120 Class A Voting Shares (25%)	120 Class A Voting Shares (25%)
Graeme James Nye Saanich, BC	Past President, November 23, 1994 to January 15, 2003 Principal holder, June 29, 1994	\$0 / \$0	120 Class A Voting Shares (25%)	120 Class A Voting Shares (25%)
Roberta Dawn Paniz Victoria, BC	Director September 30, 2014 Chief Financial Officer August 28, 2008 Secretary /Treasurer, January 2, 2003 Principal holder, June 29, 1997	\$0 / \$0 ³	120 Class A Voting Shares (25%) 66,981 Class B Non-Voting Shares (0.037%) 712 Class D Non-Voting Shares (0.0075%) 2077 Class F Non-Voting Shares (0.0221%)	120 Class A Voting Shares (25%) 66,981 Class B Non-Voting Shares (0.037%) 712 Class D Non-Voting Shares (0.0075%) 2077 Class F Non-Voting Shares (0.0221%)
Joel Joseph Rosenberg Victoria, BC	Chairman of the Board, May 1, 2013 Director, April 5, 2013	\$0 / \$0 ³	132,898 Class B Non-Voting Shares (0.0733%)	132,898 Class B Non-Voting Shares (0.0733%)
Alan Arvid Frydenlund Vancouver, BC	Director April 19, 2012	\$0 / \$0	57,191 Class B Non-Voting Shares (0.0315%)	57,191 Class B Non-Voting Shares (0.0315%)

1. Wayne Strandlund receives income as the sole owner of the Manager. During the year ended December 31, 2016, the Issuer paid the Manager fees totalling \$4,021,345. The management fees expected to be paid in 2017 will be approximately \$4,000,000. See “2.6: Material Agreements” for a discussion of the services provided to the Issuer by the Manager and the fees it receives for such services.

2. The directors and officers may acquire Shares as part of the offering; however, the amount of any Shares they may acquire is not known.

3. Hali Noble, Dawn Paniz and Joel Rosenberg are employees of the Manager and receive a salary from the Manager.

4. There is no minimum or maximum offering.

The Manager

The Manager is licensed under the *Real Estate Services Act* (British Columbia), the *Mortgage Brokers Act* (British Columbia), the *Real Estate Act of Alberta* (Alberta), the *Mortgage Brokers Act* (Manitoba) and the *Mortgage Brokerages, Lenders, and Administrators Act, 2006* (Ontario).

Manager Expertise and History

The Manager is owned by Wayne Strandlund who is its President and Chief Executive Officer. The company's roots extend back to Wayne's initial involvement in the real estate and mortgage financing business starting in June, 1968 and the formation of his first licensee company in August, 1974. Through a number of name iterations, most recently United Homes Victoria Ltd. which evolved into the Manager, the Manager has always been licensed as a realtor and mortgage broker and since 2010 has been registered as an Exempt Market Dealer in certain provinces.

The Issuer chose to contract with an external manager as opposed to internalizing management within the Issuer, and chose the Manager as its external manager. The Manager was chosen for its extensive background in real estate marketing, valuation, construction, development, project management experience, public company experience and experience as a trustee and receiver. The Manager has extensive experience and expertise in the mortgage lending and mortgage brokerage field and it is important to the Issuer that the Manager be licensed and bonded in all the appropriate ways necessary to properly and expertly manage a mortgage investment corporation. It is important that the senior managers of the Manager are also of good reputation and are properly licensed, registered and bonded where appropriate.

In addition to managing a number of trusts over the years, the Manager has managed a number of MICs since 1994 including:

- Fisgard Financial Corporation
- Fisgard Mortgage Investment Corporation
- Fisgard Investors Ltd.
- Fisgard Capital Corporation
- Fisgard Capital II Corporation

(collectively, the "**Fisgard MICs**")

Excluding the Issuer and Fisgard Capital II Corporation, the other three Fisgard MICs were systematically wound up at various times between 2006 to 2008. Under the oversight of the various Fisgard MICs' boards of directors, administration and supervision of the Manager, the Fisgard MICs were wound up with all shareholders receiving 100% of their capital plus all accrued dividends. Most notable features at wind-up were as follows:

1. No defaults in dividend distributions throughout the duration of the Fisgard MICs.
2. No redemption defaults (all required redemptions were made at 100% of outstanding capital plus accrued dividends) throughout the duration of the Fisgard MICs.

The strength of the Issuer's Manager lies in a number of important areas:

1. The Manager's reputation in the business community, particularly the real estate and mortgage lending community;
2. The Manager's adequate and appropriate licenses and registrations;
3. The Manager's employees' years of experience and depth of expertise in MIC management and administration;
4. The Manager's years of experience as a realtor, giving rise to a level of connections and expertise in real estate assessment and valuation across Canada;
5. The Manager's years of experience and cooperation with its low-cost back office administration and Trustee, including direct online connection between the Manager and the back-office/Trustee;
6. The Manager's qualification and ability to handle the full array of Canada's registered funds;
7. The Manager's proprietary MIC management and administration software system, "MIST" (Mortgage Investment Software Technology);
8. The Manager's simplicity and transparency in terms of management fees;
9. The Manager's transparency in terms of conflict; i.e. management fees are based solely on the amount of capital under management, and the Manager does not profit share nor participate in any way in brokerage fees charged to the Issuer's borrowers; and
10. The Manager's protection of the Fisgard trademark.

See "2.6: Material Agreements" for a discussion of the Management Services Agreement between the Issuer and the Manager. The Manager is registered as an Exempt Market Dealer under the securities legislation in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

Directors and Officers of the Manager

The directors and officers of the Manager are as follows:

Name and municipality of principal residence	Positions held	Date of obtaining position
Wayne Francis Strandlund Victoria, BC	Chief Executive Officer President Director	August 28, 2008
Joel Joseph Rosenberg Victoria, BC	Chief Operating Officer	September 17, 2012
Roberta Dawn Paniz Victoria, BC	Chief Financial Officer Senior Vice-President, Investment Markets	August 28, 2008 November 1, 2012
Kelly Lee Phillips Victoria, BC	Chief Compliance Officer	October 28, 2011
Hali Nevada Noble Sidney, BC	Senior Vice-President Residential Mortgage Investments & Broker Relations	November 1, 2012
Charles Rafer Lake Strandlund Victoria, BC	Senior Vice-President Commercial Mortgage Investments & Corporate Development	November 1, 2012

3.2 Management Experience

Wayne (Francis) Strandlund is a founder, president and CEO of Fisgard Capital Corporation as well as the founder, president and CEO of Fisgard Capital II Corporation, both British Columbia-based investment funds, the former established in 1994. He is also the founder, president and CEO of Fisgard Asset Management Corporation, the manager of both of the above-referenced investment funds which are designed to accommodate cash investments as well as investments through the full array of Canadian registered savings and registered pension funds.

An honours graduate of the University of Victoria, Wayne has been a member of the Canadian Real Estate Association since 1968 and a past president of the Victoria Real Estate Board and the British Columbia Real Estate Association. He is a former member of the Real Estate Council of British Columbia (a provincial regulatory body) and Governor of the British Columbia Notary Foundation. Other professional memberships of the Manager include the Canadian Association of Accredited Mortgage Professionals, the Mortgage Brokers Association of British Columbia, the Mortgage Investment Association of British Columbia, the National Exempt Market Association and the Private Capital Markets Association of Canada.

Wayne has published a number of articles on real estate and investment matters and been a speaker on panels concerning property and mortgage lending. He has represented the real estate industry on the Treaty Negotiations Advisory Committee and the British Columbia Expropriation Association. He is a founding member of the Canadian College for Chinese Studies where he lectured to foreign students on the subject of Canadian Securities. He is a former receiver and trustee for special situations including beneficiary groups of up to 2,300 people and the founder of a publicly-traded real estate developer. Wayne has spent his business career since 1967 in real estate-related business activity including construction, development, property management, project supervision, mortgage investment banking and management. In 2013, Wayne was appointed a director of the Real Estate Compensation Fund Corporation.

Wayne Strandlund is the Chancellor and Chair of the Board of Governors of Royal Roads University in Victoria BC where he is a member of the Governance and Nominating Committee, the Finance and Audit Committee, the Program and Research

Council and the Standing Committee on Appeals. He also chairs the Royal Roads University Foundation and Standing Committee on Appeals.

With his family he is very active in community support, being a former Chairman of the Board of Governors of the Victoria Conservatory of Music, former director of the Pacific Rim Artisan Association, a member of the Government House Foundation and a former member of the Open Space arts society. He is a major supporter of the Victoria Symphony and has contributed to its success in many ways over the years. He has been a director of the Victoria Symphony Society and currently participates on the Symphony's Business Advisory Council. He is the patron of Maestra Tania Miller, Victoria Symphony's music director and conductor. His *Extra Strings* program and concert sponsorships have enabled the Victoria Symphony to greatly expand its repertoire. Wayne has sponsored a number of fundraising music events, concerts and festivals including a multi-year sponsorship of *Symphony in the Summer*, the *Mozart Festival*, the nine-concert *Beethoven Festival*, the *Beethoven 5-Concerti Cycle* and the Lieutenant-Governor's *Sing Me a Song* program. An Honorary Life Member of the Victoria Symphony, Wayne was presented in 2014 with the *Unforgettable Award for Outstanding Service to the Arts in Victoria*.

Wayne, his family and the Manager sponsor and contribute to a number of community initiatives involving education, arts, culture, charities and amateur sports. Among these are clubs, cultural organizations and arts organizations such as Victoria Ballet and Dance Victoria. The family is also a regular contributor to charitable organizations such as the Salvation Army, The Open Door and the Mustard Seed Food Bank.

Joel (Joseph) Rosenberg is a Director and Chairman of the Board of the Issuer, Fisgard Capital Corporation, founded in 1994. He is also a founding shareholder, a Director and Chairman of the Board of Fisgard Capital II Corporation. Both of the above investment funds are managed by Fisgard Asset Management Corporation of which Joel is a Chief Operating Officer and member of the Credit Committee.

Joel is a graduate of the University of Saskatchewan with a B.Sc. (Advanced) in Computational Science. He also holds a Masters of Business Administration in Leadership from Royal Roads University in Victoria and is a Fellow of the Life Management Institute. Joel served as a member of the Royal Roads Board of Governors for six years and spent five years as Chair of the Finance & Audit Committee while also serving on a various Ad Hoc Committees. At Royal Roads he was respected and recognized by his colleagues for his role in developing financial sustainability during difficult economic times, and he played a significant role in the progress of the institution in terms of establishing a program of modest prudent growth, international expansion, presidential evaluation and director recruitment.

Prior to joining Fisgard Asset Management Corporation in September 2012 Joel served Coast Capital Savings Credit Union as its Chief Operating Officer and Chief Information Officer for eighteen years. At Coast Capital Savings Joel was a key member of the senior executive team that developed Coast Capital into the second largest credit union in Canada by strengthening its focus on helping members and their communities by offering innovative products and services. He was a member of the senior executive team that merged Pacific Coast Savings in Victoria with Richmond Savings, and later Surrey Metro Savings. As Chief Operating Officer, directly leading 1,200 employees, Joel was responsible for all customer touch points and service in a network of fifty-one branches including retail lending, commercial lending, financial planning, mutual fund investments, leasing and general insurance operations.

During Joel's tenure at Coast Capital Savings, the credit union was named as a prestigious platinum club member of "Canada's 50 Best Managed Companies". The award is the country's highest and most recognized distinction available to Canadian private enterprise. Platinum membership is reserved for companies that have won the Best Managed award for at least six years in a row. Coast Capital Savings had been named to the list nine times since 1999.

Spanning a business career of thirty years Joel has served as Director of Information Technology at Pioneer Life Assurance and Senior Systems Analyst - Information Services at the British Columbia Ferry Corporation. He was also the principal creator of E-Commerce initiative *Inovera Solutions* in Vancouver which was eventually sold to Central 1 Credit Union to become the provider of customized online financial service solutions to many of Canada's individual credit unions as well as other financial institutions across Canada. Joel was the Chair of Inovera as well as a member of Central 1's Operations Committee and its Technology Committee.

Joel is a career senior executive with proven success in meeting customer expectations and leading highly competitive and complex organizations by employing values-based leadership and driving innovation within a framework of the three pillars of sustainability: financial, environmental and social.

Joel is a proven professional at setting strategic direction, achieving organizational goals and vision, leveraging competitive advantage, and maximizing opportunities while managing risk. He is an innovative problem solver and leader in the transformation of business organizations in generating profitability through revenue growth and cost control, optimizing and leveraging resources, facilitating change in a multi-stakeholder business, achieving efficiencies and developing and implementing effective solutions in complex and geographically diverse environments.

Joel has been recognized throughout his career as an innovator and leader. During his tenure at Pioneer Life he was honored with the “*Employee of the Year Award*” for leadership in innovative business integration in software development. While at Coast Capital Savings he was named by Computerworld Magazine as one of the “*Top 100 Premier IT Leaders*” in North America for his innovation efforts in the application and development of software for financial institutions. As a student at Royal Roads University he was honored by his fellow students to receive the “*Royal Roads Leadership Award*”.

(Roberta) Dawn Paniz is a founding shareholder and director of Fisgard Capital Corporation where she holds the office of Chief Financial Officer. She is also a founding shareholder and director and holds the office of Chief Financial Officer of Fisgard Capital II Corporation.

In addition to her roles with the two above-mentioned MICs Dawn is a charter member and Past President of the British Columbia MIC Managers Association and the Chief Financial Officer and Senior Vice President, Investment Markets, of Fisgard Asset Management Corporation where she supervises Fisgard’s Dealing Representative team. Although she does not occupy a Compliance Officer role at Fisgard Asset Management Corporation, Dawn qualifies as a Compliance Officer and is a member of Fisgard’s Credit Committee and Executive Committee where she is involved in mortgage investment policy development, mortgage investment selection and Capital Market strategies. Fisgard Asset Management Corporation manages over \$200 million in mortgage assets, the capital for which has been raised primarily through its internal exempt market dealing representatives. Approximately \$20 million has been raised through third party investment specialists.

With over twenty years’ experience in the mortgage and investment industry Dawn’s responsibilities at Fisgard Asset Management Corporation include information technology oversight, internal accounting, audit and record keeping, securities reporting and supervision of judicial and private trusts.

In addition to her career-long involvement in the mortgage lending and investment industry she has participated in the real estate industry as a former member of the Victoria Real Estate Board, the Vancouver Island Real Estate Board, the British Columbia Real Estate Association, the Canadian Real Estate Association and the Canadian Home Builders Association. Dawn is a member of the Mortgage Brokers Association of British Columbia and the Private Capital Markets Association of Canada and has held her mortgage broker’s license with the British Columbia Financial Institutions Commission since January 1997.

She is also a past director of the National Exempt Market Association (NEMA) headquartered in Calgary, Alberta. NEMA is a national organization that advocates on behalf of Canadian investors and Securities Issuers for the Exempt Market in Canada. NEMA publishes a quarterly magazine, the Exempt Edge.

Hali (Nevada) Noble is a real estate and mortgage specialist having spent her entire professional business career, beginning in her late teens, as a realtor, mortgage broker and mortgage lender. She holds the necessary licenses, registrations and certifications to qualify her for all areas of business activity applicable to her role with Fisgard Asset Management Corporation (where she has been licensed since 1989).

She has been involved extensively in related trade association, education and regulatory activity, having been the President of the *provincial* British Columbia Mortgage Brokers Association as well as Chair of the *national* Canadian Association of Accredited Mortgage Professionals.

Hali has received several industry awards for innovation, dedication, education, business practices and ethics. Most notable of these recognitions are the induction to the Canadian Mortgage Hall of Fame and being presented with the British Columbia Mortgage Brokers Association Pioneer Award for Lifetime Achievement in the Mortgage Industry. In 2016 she was named as the Business Development Manager (BDM) of the Year by Mortgage Professionals Canada, in 2014 she was named one of WCN Canada’s Top 100 Most Powerful Women in the category of Trailblazers and Trendsetters and in 2003 she was a nominee for the YWCA Woman of Distinction Award.

Hali is a founding director Fisgard Capital Corporation, established in 1994 as well as Fisgard Capital II Corporation. She represented Fisgard Capital Corporation as its President, holding that position until 2013 at which time she changed official offices to work nationally as Fisgard's Senior Vice President in charge of mortgage broker and lender communication and business advancement.

Hali is a highly-respected and sought-after speaker, guest panelist and moderator at trade and regulatory conferences nationally and internationally dealing with professional mortgage industry and regulatory activity. She is regularly interviewed in local, national and industry-related media on real estate, mortgage lending and related topics, and she is regarded as one of Canada's leaders and authorities in the private mortgage field.

In her personal life Hali is respected and recognized as a life-long advocate and community supporter of education, arts, culture, charities and amateur sports, dedicating time and financial resources to social imperatives including support for Our Place Society, Mustard Seed Food Bank, Salvation Army, Victoria Conservatory of Music and the Victoria Symphony. Hali is one of the founders of Ballet Victoria.

(Charles) Rafer (Lake) Strandlund is a member of the Credit Committee and the Senior Vice President, Commercial Mortgage Investments & Corporate Development, of the Manager. In this position he underwrites and supervises the majority of commercial lending. He has underwritten and managed over 1,000 mortgages with a combined principal in excess of \$750 Million.

A graduate in business from the British Columbia Institute of Technology, Rafer has spent his professional career since 1989 in the real estate, banking, mortgage financing and investment business. During his career he has been licensed as a realtor and mortgage broker. He has successfully completed the Canadian Securities course, Mortgage Brokers course, Partners, Directors and Officers course, Personal Financial Planning course and the Conducts and Practices course. Early in his professional career as a realtor he held memberships in the Victoria Real Estate Board, British Columbia Real Estate Association and Canadian Real Estate Association. In addition to being licensed and registered with the Superintendent of Financial Institutions in the province of British Columbia he is also licensed and registered to conduct mortgage business in the provinces of Alberta, Saskatchewan, Manitoba and Ontario. He is a member of the Mortgage Brokers Association of British Columbia, the Mortgage Investment Association of British Columbia and a former member of the Canadian Association of Accredited Mortgage Professionals.

In 1983 Rafer became the first – and youngest – student of Mandarin Studies in the Canadian College for Chinese Studies in Victoria. After graduating from Victoria High School and spending one year at the University of Victoria concentrating in Mandarin studies Rafer spent time in Taiwan teaching English to private students in Taipei.

During his career Rafer has held positions with the Canadian Imperial Bank of Commerce and Coast Capital Savings Credit Union. He was a member of the mortgage credit committee at Coast Capital Savings.

Rafer is the President and Director of Transtide Investments Ltd (a real estate manager and developer), President and Director of Transtide Westmount Estates Ltd (a real estate manager and developer), President and Director of Transtide Coquitlam Lanes Ltd (a real estate manager and developer) and President and Director of Transtide Kingsview Development Ltd (a real estate manager and developer).

Alan (Arvid) Frydenlund is a Director of the Issuer. He is a lawyer who practices commercial law with a specialty in real estate security realization and perfection. Alan graduated from Simon Fraser University in 1979, with B.A. in Economics and Commerce, and from the University of Victoria with his law degree in 1982. Called to the bar in 1983, he is a shareholder of Owen Bird Law Corporation in Vancouver, B.C. Alan's clients include Canadian Chartered Banks, Foreign Banks, Trust Companies, Savings and Loan Companies, Finance Companies, Life Insurance Companies, Crown Corporations, Mortgage Investment Companies, Credit Unions, Pension Funds, REITs, Receivers, Trustees, Real Estate Developers, Hotels, Time Share Corporations, lawyers and high net worth individuals. He also has experience in real estate and resort development, time shares and fractional real estate ownership. Alan is also a Director of a number of private companies and is a former Director of Glacier National Life Insurance Company.

Kelly (Lee) Phillips is the Chief Compliance Officer of the Exempt Market Dealer, Fisgard Asset Management Corporation, where she oversees compliance of the Manager's Exempt Market Dealer activities. Fisgard Asset Management Corporation currently distributes securities for Fisgard Capital Corporation and Fisgard Capital II Corporation, both mortgage investment corporations. She is also the General Manager as well as Human Resources Manager of Fisgard Asset Management Corporation.

Since high school graduation Kelly has spent her entire career in the real estate and mortgage fields, starting with her role as a secretary, general and trust account book-keeper, property conveyancer and record keeper with a British Columbia Notary firm.

After moving to Victoria she assumed similar responsibilities with Fisgard Asset Management Corporation starting in 2003 and soon became registered as a real estate licensee and expanded her responsibilities at Fisgard to include management and administration of private as well as court-appointment trusts.

Kelly completed the Canadian Securities Course and the Partners, Directors and Officers course. With these qualifications together with her extensive real estate, mortgage and investment experience, Kelly was appointed to the position of Chief Compliance Officer at Fisgard Asset Management Corporation.

In her role as Chief Compliance Officer Kelly ensures compliance by the firm and its employees with Legislative Acts and regulations for Exempt Market Dealers (Regulations such as National Instrument 31 – 103) as well as mortgage brokers and real estate licensees.

3.3 Penalties, Sanctions and Bankruptcy

Neither the Issuer, nor the Manager, nor their directors, officers or voting shareholders have within the 10 years before the date of this Offering Memorandum, been subject to any penalties or sanctions or any cease trade order that has been in effect for a period of more than 30 consecutive days imposed by a court, mortgage regulatory authority, real estate regulatory authority or securities regulatory authority relating to the sale, lease, promotion, or management of mortgages, real estate or securities, or to theft or fraud, except as set out below.

Neither the Issuer, nor the Manager, nor their directors, officers or voting shareholders have within the ten years before the date of this Offering Memorandum, been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

No director, officer or voting shareholder of the Issuer or the Manager has within the ten years prior to the date of this Offering Memorandum, been a partner, director, officer or principal holder of any other issuer that, while that person was acting in that capacity:

1. was subject to any penalties or sanctions imposed by a court, mortgage regulatory authority, real estate regulatory authority or securities regulatory authority relating to the sale, lease, promotion, or management of mortgages, real estate or securities or to theft or fraud; or
2. was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

The Saskatchewan Securities Commission approved settlement agreements on September 21, 2009 and March 8, 2010 with the Issuer. Subsection 2.9(4) of NI 45-106 states that no commissions or finder's fees may be paid to any person, other than a registered dealer, in connection with a trade to a purchaser in Saskatchewan under section 2.9(2) of that Instrument. The Issuer had paid commissions to two dealers that were not registered in Saskatchewan. The Issuer agreed to penalties in the amount of \$800.00 and \$41,584.95 as an administrative penalty equal to the sum of the commissions paid contrary to the provisions of subsection 2.9(4) of NI 45-106.

3.4 Indebtedness to the Issuer

As at the date of this Offering Memorandum, none of the directors and officers, promoters or principal holders of the Issuer is indebted or has been indebted to the Issuer. The Issuer has two mortgage loans to a company controlled by the sister-in-law of a director of the Issuer. These loans are on standard business terms in the total amount of \$1,265,955 and mature in 2017.

It is anticipated that in the first quarter of 2017 that a mortgage loan currently in foreclosure by the Issuer will be assumed by Transtide LP in the amount of approximately \$5,500,000 as a special circumstance mortgage loan on a performing basis. The Issuer holds 99.99% of all outstanding units in Transtide LP.

ITEM 4: CAPITAL STRUCTURE

4.1 Share Capital

The following table sets out information about the Issuer's outstanding securities, including options, warrants and other securities convertible into Shares.

Description of Security	Number authorized to be issued	Price per security	Number outstanding as at February 28, 2017	Number outstanding after minimum offering ¹	Number outstanding after maximum offering ¹
Class A Voting Shares	unlimited	\$1.00	480	480 ²	480 ²
Class B Non-Voting Shares	unlimited	\$1.00	181,423,920	181,423,920	181,423,920
Class C Non-Voting Shares	unlimited	\$1.00	0	0	0
Class D Non-Voting Shares	unlimited	\$1.00	9,466,345	9,466,345	9,466,345
Class E Non-Voting Shares	unlimited	\$1.00	0	0	0
Class F Non-Voting Shares	unlimited	\$1.00	9,414,050	9,414,050	9,414,050
Options	Nil		Nil	Nil	Nil
Warrants	Nil		Nil	Nil	Nil

¹ There is no minimum or maximum offering.

² The Class A Voting Shares of the Issuer are not available for purchase under this Offering Memorandum.

4.2 Short Term Debt Securities

Description of Short Term Debt	Interest Rate	Repayment terms	Amount Outstanding ¹
Demand Operating Loan Facility	Bank Prime + 0.80%	On Demand	(\$8,813,834)

¹ As at February 28, 2017

The Issuer has a demand operating loan facility (the "Facility") to provide revolving working capital including bridging maturing mortgages and/or investor contributions. The Facility is with a major Canadian Chartered Bank for up to \$40,000,000. As at February 28, 2017, the Issuer had drawn down \$8,813,834 from the Facility. The Facility is structured as a general security agreement representing a first charge on all the Issuer's assets and undertaking, and registered in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario consisting of: (a) residential eligible mortgages: first and second mortgages on serviced land lots and on completed properties, including owner occupied single family residential at time of funding, single family detached residences, condominiums, townhouses, and multi-unit apartment buildings, limited to where the Bank would provide conventional residential mortgage financing, and (b) non-residential: first mortgages on completed properties in larger urban centres.

4.3 Long-Term Debt

As at the date of this Offering Memorandum, the Issuer does not have any long-term debt.

4.4 Prior Sales

Within the last twelve (12) months ending February 28, 2017, the Issuer has issued the following securities at \$1.00 per share (no securities were issued for other than cash):

Date of Issuance	Number of Class B Shares Issued	Number of Class D Shares Issued	Number of Class F Shares Issued	Price per Share	Total funds received ¹
March 2016	1,190,549	107,883	73,794	\$1.00	\$1,372,226
April 2016	973,814	718,488	334,723	\$1.00	\$2,027,025
May 2016	292,963	22,141	141,968	\$1.00	\$457,072
June 2016	-	-	-	\$1.00	-
July 2016	1,959,054	1,168,106	690,776	\$1.00	\$3,817,937
August 2016	626,325	544,568	126,357	\$1.00	1,297,250
September 2016	165,199	159,983	4,639	\$1.00	\$329,821
October 2016	266,756	306,892	581,579	\$1.00	\$1,155,227
November 2016	373,752	50,903	20,650	\$1.00	\$445,305
December 2016	364,794	508,429	350,890	\$1.00	\$1,224,114
January 2017	1,106,264	36,938	108,320	\$1.00	\$1,251,522
February 2017	478,069	23,140	61,825	\$1.00	\$563,034

¹ The information shown does not include securities issued upon the reinvestment of dividends and does not include internal transfers into the the same class of share. This does include shares that have been transferred between classes as well as new capital.

4.5 Redemption History

The following table summarize the Issuer's redemption history over the last three fiscal years and the current period to February 28, 2017:

	Class B Shares		Class D Shares		Class F Shares		Total
	Number of	Value (\$)	Number of	Value (\$)	Number of	Value (\$)	Value (\$)
2014							
Unpaid redemption requests, beginning of year	0	\$0	0	\$0	0	\$0	\$0
Redemption requests	19,596,070	\$19,596,070	7,204	\$7,204	3,222,805	\$3,222,805	\$22,826,079
Redemptions paid out	19,596,070	\$19,596,070	7,204	\$7,204	3,222,805	\$3,222,805	\$22,826,079
Unpaid redemption requests, end of year	0	\$0	0	\$0	0	\$0	\$0
2015							
Unpaid redemption requests, beginning of year	0	\$0	0	\$0	0	\$0	\$0
Redemption requests	18,450,946	\$18,450,946	34,851	\$34,851	3,877,102	\$3,877,102	\$22,362,899
Redemptions paid out	18,450,946	\$18,450,946	34,851	\$34,851	3,877,102	\$3,877,102	\$22,362,899
Unpaid redemption requests, end of year	0	\$0	0	\$0	0	\$0	\$0
2016							
Unpaid redemption requests, beginning of year	0	\$0	0	\$0	0	\$0	\$0
Redemption requests	15,702,613	\$15,702,613	454,494	\$454,494	3,326,459	\$3,326,459	\$19,483,566
Redemptions paid out	15,702,613	\$15,702,613	454,494	\$454,494	3,326,459	\$3,326,459	\$19,483,566
Unpaid redemption requests, end of period	0	\$0	0	\$0	0	\$0	\$0
2017							
Unpaid redemption requests, beginning of year	0	\$0	0	\$0	0	\$0	\$0
Redemption requests	1,214,415	\$1,214,415	13,239	\$13,239	77,890	\$77,890	\$1,305,544
Redemptions paid out	1,214,415	\$1,214,415	13,239	\$13,239	77,890	\$77,890	\$1,305,544
Unpaid redemption requests, end of period	0	\$0	0	\$0	0	\$0	\$0

Note: Redemptions include full and partial redemptions and RRIF payments.

ITEM 5: SECURITIES OFFERED

5.1 Terms of Securities

A description of the material terms of the Shares is set out below. The rights and restrictions of the Shares are set out in the Articles of the Issuer and the description below is subject to the terms of the Articles. A copy of the Articles may be obtained upon request but contacting the Issuer as set out on the cover page of the Offering Memorandum.

- (a) **Identifying Name and Investment Period:** The securities offered under this Offering Memorandum are the following Shares of the Issuer (defined above collectively as “**Shares**” and individually as a “**Share**”), each class with an associated investment period (as explained below), as follows:

Identifying Name	Investment Period ¹
Class B Shares	5 years
Class D Shares	3 years
Class F Shares	1 year

¹ The investment period is determined from the date of issuance of a Share, and “resets” or “restarts” upon the Retraction Date (as defined below) for as long as the Share remains outstanding. Each class of Shares will have a designated base dividend rate that corresponds to the stated investment period. See below under “Dividends”.

- (b) **Voting** – The holders of Shares are not entitled to notice of or to attend or vote at meetings of the Issuer.
- (c) **No Investment Period** – Although Shares are issued as a continuing security without a fixed term, each Share issued has a stated investment period expressed in years which is used for identification only to correspond with designated dividend rates for the particular class of Shares from time to time.

The investment period for each class of Shares is determined from the date of issuance of a Share and “resets” or “restarts” upon the Retraction Date (as defined below) for as long as the Share remains outstanding. For example, for an issuance of Class D Shares, the initial investment period applicable to the Shares will end on the Retraction Date that is three years from the last day of the quarter in which the Shares were subscribed, unless the Shares have been retracted on or prior to such date, the investment period will restart and continue for a further three year period and this will continue indefinitely for as long as the Shares remain outstanding.

Each class of Shares will have a Dividend Rate (as described below) that corresponds to the stated investment period. See below under “Dividends”. Each class of Shares will have Retraction Rights (as described below) that corresponds to the stated investment period.

- (d) **Redemption by Issuer** – Subject to the provisions of the *Business Corporations Act* (British Columbia) and the Articles of the Issuer, the Issuer may, at its option and in its sole discretion redeem all or any portion of a shareholder’s Shares at any time upon payment of the Redemption Amount (defined below). Upon completion of the redemption process the redeemed Shares are cancelled.

If not all of the outstanding Shares of any class or classes of Shares are to be redeemed, the Shares to be redeemed may be selected at the discretion of the directors and need not be selected either in proportion to the number of Shares registered in the name of each shareholder or from any or every particular shareholder.

The redemption amount to be paid by the Issuer in respect of each Share to be redeemed will be an amount equal to the paid up capital of the Share plus the aggregate of all dividends declared on the Share but unpaid plus the Share’s pro rata share of any undistributed net income and net capital gains or Capital loss (the “**Redemption Amount**”).

- (e) **Compassionate Early Redemption** – The Issuer, through the Manager, may consider applications for early redemption for compassionate reasons, but only under special circumstances where the spouse of a deceased shareholder holds the Issuer’s Class B (5-year maturity) Shares or Class D (3-year maturity).

The decision as to whether or not to grant an early redemption is at the sole discretion of the Manager and otherwise dependent upon the provisions of the *Business Corporations Act* (British Columbia) and the Issuer's Articles legally permitting such early redemption.

Should a shareholder pass away, the surviving spouse may apply to the Issuer for an early redemption of all or part of the deceased's Shares, provided that the date of application for early redemption is at least ninety days prior to the original redemption date.

The Manager may then consider redeeming the requested number of Shares on or before the last day of the quarter immediately following the quarter in which the request for compassionate early redemption is made by the surviving spouse.

Since the deceased shareholder would have been earning dividends based on the rate attributable to the class of the Share, but is redeeming earlier than the maturity date for the Share redemption fees will apply.

The Redemption Amount in respect of each Share to be redeemed will be an amount equal to (A) \$1.00 per Share (the "**Redemption Price**") plus (B) the aggregate of all dividends declared on the Share but unpaid less (C) any applicable redemption fees (as explained below), subject to adjustment as contemplated in the rights, privileges, restrictions or conditions attached to any particular series of Shares.

The redemption fee will be:

- (1) Firstly, an amount based on [the number of years of the investment period of the class less the number of days (expressed as years to 4 decimals) lapsed since the date of issue of the redeemed Share] multiplied by [1.8% of original investment amount]; plus
- (2) Secondly, an amount in respect of return of prior Dividends received (as described below) calculated based on the Redemption Price multiplied by the Dividend Rate Adjustment table (see below) multiplied by the number of days (expressed as years to 4 decimals) lapsed since the date of issue of the redeemed Share.

Dividend Rate Adjustment table:

Elapsed Years	Dividend Rate Adjustment
Less than 5 years and greater than 4 years	0.50%
Less than 4 years and greater than 3 years	1.00%
Less than 3 years and greater than 2 years	1.50%
Less than 2 years and greater than 1 years	2.00%
Less than 1 year	2.50%

The redemption fees described above will apply and be deducted from the Redemption Price as described above and the Redemption Amount will be payable to the holder.

Example: An investor invests \$10,000 on January 31, 2015 in Class B Shares at a \$1.00 per share. On March 15, 2017, the Issuer agrees to a compassionate early redemption in relation to those Shares (and the Shares issued on the reinvestment of dividends declared on those Shares) to redeem the Shares for cash. What would the redemption fee amounts be and how would it be calculated?

The discussion below assumes the following:

- Throughout the period, the Dividend Rate on Class B shares declared was 5.0%.
- Throughout the period, the investor elected to have all dividends declared reinvested in Shares resulting in the issuance of a total of 1,110.02 Shares.
- On the date of the redemption, the total value of the Shares to be redeemed is \$11,110.02 and this amount is the Redemption Price.
- At the date of the redemption, the investment would have been in place for a period of two years and 43 days which is less than the five-year investment period for the Shares. Since the investment was only in

place for two full years (rather than the five-year investment period contemplated), redemption fees would be determined as follows:

An amount reflecting ((1) above):

(i) The number of years of the investment period of the class (5 years) less number of days (expressed as years to 4 decimals) elapsed since the date of issue of the redeemed Shares (2.1205 years)	(5-2.1205)	2.8795
(ii) Multiplied by 1.8% of the original investment amount (1.8% of \$10,000)	\$180.00	\$518.30
Redemption fee (1)		\$518.30

Dividend rate of return adjustment ((2) above):

(i) The Redemption Price		\$11,110.02
(ii) Multiplied by Dividend Rate Adjustment from the Dividend Rate Adjustment table (see above)	1.5%	\$166.65
(iii) Multiplied by the number of days (expressed as years to 4 decimals) elapsed since the date of issue of the redeemed Shares	2.1205	\$353.39
Redemption fee (2)		\$353.39

Therefore, the total redemption fees would be \$871.69 (i.e., \$518.30 + \$353.39), and based on the Redemption Price of \$11,110.02 (as noted above), the Redemption Amount paid to the investor would be \$10,238.33 (i.e., \$11,110.02 - \$871.39).

Retraction Rights at Request of Holder – The Shares have retraction rights, meaning their holders have a right to present all or some of their Shares to the Issuer for cancellation and payment to the shareholders of the retracted Shares Redemption Amounts.

The shareholders' right to retract their Shares is subject to the provisions of the *Business Corporations Act* (British Columbia), and to the rights, privileges, restrictions or conditions attached to the Shares in the Articles of the Issuer.

There are only certain dates on which Shares may be retracted (each a "**Retraction Date**"). The Class B Share Retraction Date is five years from the last day of the quarter in which the Shares were subscribed. The Class D Share Retraction Date is three years from the last day of the quarter in which the Shares were subscribed. The Class F Share Retraction Date is one year from the last day of the quarter in which the Shares were subscribed. Shares acquired by way of re-invested dividends have the same retraction date as the date upon which the original Shares were subscribed.

A shareholder wishing to retract Shares on a Retraction Date may do so by providing the Issuer with 60 days written notice prior to the applicable Retraction Date of the shareholder's wish to retract. If a Share Retraction date passes without the Share being retracted, then the new Retraction Date for the Share is (i) in the case of a Class B Share, five years from the expired Retraction Date; (ii) in the case of a Class D Share, three years from the expired Retraction Date; and (iii) in the case of a Class F Share, one year from the expired Retraction Date.

- (f) **Other Restrictions on Redemption**– A holder’s right to demand retraction of a Share is subject to section 27.1 of the Issuer’s Articles which provides as follows:

27.1 Mortgage Investment Corporation

The directors will use their best efforts to ensure that the Company at all relevant times qualifies as a “Mortgage Investment Corporation” pursuant to the *Income Tax Act* (Canada). Without limiting the generality of the foregoing, in addition to any other power and authority the Directors may have, and notwithstanding any other provision of these Articles, the Directors may in their sole discretion reject any applications for stock dividends or share subscriptions, transfers, redemptions or retractions where in the view of the Directors such would not be in the Company’s best interests as a “Mortgage Investment Corporation” under the *Income Tax Act* (Canada).

The directors may exercise their discretion to reject a retraction application in certain situations, such as where: (a) the retraction would put the Issuer offside of the Tax Act’s MIC criteria regarding shareholders, which requires that a MIC have at least twenty shareholders, and no one shareholder together with related parties to that shareholder holds between them more than 25% of the issued Shares of any class of Shares of the MIC, (b) the Issuer is insolvent or if such redemption will render the Issuer insolvent, (c) such redemption will reduce the Issuer’s cash reserves below a level which the Directors determine, in their sole discretion, to be prudent; and where such redemption will cause the Issuer to breach the requirement that at least 50% of the cost amount of its property must consist of bank deposits or mortgage loans made in respect of residential properties.

- (g) **Dividends** – The Issuer’s Articles require it to pay as dividends substantially all of its net income and net realized capital gains every year, subject to the directors’ discretion to establish loan loss provisions for the Issuer. The Issuer will distribute dividends among the different classes of issued Shares such that when the dividends are expressed as a percentage rate of annualized return on capital invested the relative percentage rates between the classes of issued Shares will be as follows:

<u>Share Class</u>	<u>Dividend Rate</u>
Class B Shares (5-year maturity)	Base rate
Class D Shares (3-year maturity)	Base rate less 1.0%
Class F Shares (1-year maturity)	Base rate less 2.0%

For example, if the base rate is 5%, the rate for Class B Shares (5-year maturity) will be 5%, the rate of Class D Shares (3-year maturity) will be 4% and the rate for Class F Shares (1-year maturity) will be 3%.

For Dividend Shares (as defined below), the Retraction Date will be deemed to be the same date as the Retraction Date of the Shares originally subscribed and that gave rise to the Dividend Shares.

The Board of Directors of the Issuer has the authority to suspend payment of dividends, pay or accrue any amount in respect of a dividend payment, or vary or alter the dividend rate applicable to the dividends or any particular payment thereof, as may be necessary or prudent in the discretion of the Board of Directors in order to maintain the financial well-being or the legal status of the Issuer.

There is no guarantee that dividends payable to shareholders will be declared.

Other matters - Investors will receive a T5 tax slip for interest income on cash investments, including reinvested dividends.

Under the Issuer’s current policy investors may elect to receive dividends either in cash or in the form of additional Shares. When paying a Dividend Share, rather than paying the dividend in cash, the Issuer pays the dividend by issuing to the investor Shares of the same class of Shares on which the dividend is being paid (the “Dividend Shares”). Dividend Shares will be issued at the price of \$1.00 per Dividend Share, or such other price per Dividend Share as the Issuer gives investors not less than 90 days prior written notice of.

Investors may change their election as to cash or Dividend Shares by giving the Issuer notice of their election change not less than 60 days before the change in election is to take effect. The Issuer reserves the right to amend or cancel its policy regarding the manner of payment of dividends.

- (h) **No Pre-emptive Rights** – Except as otherwise required by law the holders of Shares are not entitled as such to subscribe for, purchase, or receive any part of any issue of shares, bonds, debentures or other securities of the Issuer.
- (i) **Liquidation, Dissolution, or Winding-Up** – In the event of the liquidation, dissolution or winding-up of the Issuer, whether voluntary or involuntary, or in the event of any other distribution of assets of the Issuer among its shareholders for the purpose of winding up its affairs, the Issuer will distribute the assets of the Issuer among the shareholders in the following priority:
 - (i) first, all holders of every class of Shares will receive the return of the paid-up capital on their Shares. If there are insufficient assets to fully return the paid-up capital the assets will be distributed among all the shareholders pro rata in proportion to their paid-up capital;
 - (ii) second, any remaining assets will be distributed among the holders of the different classes of Shares in the same proportions as if it were a dividend distribution, calculated on the basis of the paid-up capital on the books of the Issuer prior to the application of paragraph (i).
- (j) **No Certificates** – Certificates are not issued for Shares.

5.2 Subscription Procedure

Persons wishing to subscribe for Shares under this offering may do so by completing the following three steps:

- (a) **Subscription Forms** – Investors must complete the appropriate Subscription Agreement for their respective jurisdiction as provided by the Manager.
- (b) **Purchase Price and Method for Payment** – Investors must pay the purchase price for the Shares subscribed for by cheque or bank draft made payable to the Issuer in an amount equal to \$1.00 per Share multiplied by the number of Shares being subscribed.
- (c) **Submitting Subscriptions** – Investors may deliver the completed subscription form and payment of the purchase price to the Issuer by mail or in person to:

Fisgard Capital Corporation
 3378 Douglas Street Victoria BC V8Z 3L3
 Phone: (250) 382-9255 or Toll Free 1-866-382-9255
 Fax: (250) 384-1498 or Toll Free 1-866-384-1498

- (d) **Two-Day Hold Period** – An investor's subscription funds will be held until midnight on the second business day after the investor signs the Subscription Agreement.
- (e) **Acceptance of Subscriptions and Closings** – Subscriptions may be accepted by the Issuer, subject to the terms and conditions of the Subscription Agreement signed by the investor. Subscriptions will be received subject to prior sale and subject to rejection or allotment, in whole or in part, by the Issuer prior to any closing.

Subscriptions may be accepted or rejected by the Issuer in its sole discretion. The Issuer is not obligated to accept any subscription nor to accept subscriptions in the order the Issuer receives them. If the Issuer rejects a subscription, the subscription funds received will be returned to the investor, without interest or deduction, along with notification of the rejection.

This offering is not subject to any minimum subscription level, and there are no conditions of closing; therefore, any funds received from an investor are available to the Issuer and need not be refunded to the investor. Closings will take place periodically at the Issuer's discretion.

This offering may be terminated at the sole discretion of the Issuer. For example, the Issuer might choose to terminate the offering upon the occurrence of events such as any material adverse change in the business, personnel or financial condition of the Issuer or the Manager. If this offering is terminated for any reason, the Subscription Agreements and cash funds received by the Issuer prior to the termination will be returned to investors without interest or deduction as if the Investors' subscriptions had been rejected (whether or not the subscription(s) had previously been accepted by the Issuer).

A prospective investor will become a shareholder upon execution of a Subscription Agreement, acceptance of the Subscription Agreement by the Issuer, payment of the subscription price, and entry of the investor's name in the register of members of the Issuer as a shareholder.

- (f) **Investor Qualifications** – Investor qualifications differ depending on the province or territory of residence of the investor and the prospectus exemption being relied upon. A brief summary of the applicable qualifications as at the date of this Offering Memorandum is set out below. The summary below is for reference only and is qualified by the terms of the applicable exemptions, and the terms of the Subscription Agreement.

Offering Memorandum Exemption

In any Canadian province or territory, an investor may purchase Shares in reliance on the “offering memorandum” exemption contained in section 2.9 of NI 45-106 if (a) the investor purchases the Shares as principal (i.e., not for the benefit of others), (b) at the same time or before the investor signs an agreement to purchase the Shares, the Issuer (i) delivers a copy of this Offering Memorandum to the investor, and (ii) obtains a risk acknowledgement in the required form from the investor, and (c) certain other requirements are complied with. In addition, if an investor is located in a province or territory other than British Columbia and Newfoundland and Labrador, the investor must either (A) qualify as an “eligible investor”, or (B) comply with certain investment limits. For these purposes, an “eligible investor” includes:

- (a) a person or company whose:
 - (i) net assets, alone or with a spouse, in the case of an individual, exceed \$400,000;
 - (ii) net income before taxes exceeded \$75,000 in each of the two most recent calendar years, and who reasonably expects to exceed that income level in the current calendar year; or
 - (iii) net income before taxes alone or with a spouse, in the case of an individual, exceeded \$125,000 in each of the two most recent calendar years, and who reasonably expects to exceed that income level in the current calendar year; and
- (b) a company of which a majority of the voting securities are beneficially owned by eligible investors or a majority of the directors are eligible investors.

Further information on the definition of “eligible investor” is set out in the required form of Subscription Agreement.

Accredited Investor Exemption

In any Canadian province or territory, an investor may purchase Shares in reliance on the “accredited investor” prospectus exemption contained in section 2.3 of NI 45-106 if the investor qualifies as an “accredited investor” within the meaning of NI 45-106, purchases the Shares as principal (i.e., not for the benefit of others) and if an individual, provides a risk acknowledgement in the required form. Under NI 45-106, an “accredited investor” includes:

- (a) an individual who beneficially owns, or who together with a spouse beneficially own, financial assets having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds \$1,000,000 of net investable assets;

- (b) any individual whose net income before taxes exceeded \$200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of those years, and who, in either case, has a reasonable expectation of exceeding the same net income level in the current calendar year;
- (c) a company, limited partnership, limited liability partnership, trust or estate, other than a mutual fund or non-redeemable investment fund, that had net assets of at least \$5,000,000 as reflected in its most recently prepared financial statements; or
- (d) a person or company in respect of which all of the owners of interests, direct or indirect, legal or beneficial, are persons or companies that are accredited investors.

Further information on the categories of “accredited investor” is set out in the required form of Subscription Agreement.

\$150,000 Minimum Amount Investment Exemption – Non-Individuals Only

In any Canadian province or territory, an investor that is not an individual may purchase Shares in reliance on the “minimum amount investment” prospectus exemption contained in section 2.10 of NI 45-106 if the investor purchases Shares with an aggregate purchase price of not less than \$150,000 and purchases the Shares as principal (i.e., not for the benefit of others).

Family, Friends and Business Associates Exemptions

In any Canadian province or territory, an investor that has a certain prescribed relationship to the Issuer or its directors, executive officers, control persons, affiliates or founders and purchases the Shares as principal (i.e., not for the benefit of others) may purchase Shares in reliance on the “family, friends and business associates” prospectus exemptions contained in NI 45-106 (as applicable depending on the jurisdiction where the investor is located). An investor may qualify to purchase in reliance on this exemption the investor is:

- (a) a director, executive officer or control person of the Issuer, or of an affiliate of the Issuer;
- (b) a spouse, parent, grandparent, brother, sister, child or grandchild of a director, executive officer or control person of the Issuer, or of an affiliate of the Issuer;
- (c) a parent, grandparent, brother, sister, child or Issuer of the spouse of a director, executive officer or control person of the Issuer or of an affiliate of the Issuer;
- (d) a close personal friend of a director, executive officer or control person of the Issuer, or of an affiliate of the Issuer;
- (e) a close business associate of a director, executive officer or control person of the Issuer, or of an affiliate of the Issuer;
- (f) a founder of the Issuer or a spouse, parent, grandparent, brother, sister, child, grandchild, close personal friend or close business associate of a founder of the Issuer;
- (g) a parent, grandparent, brother, sister, child or grandchild of a spouse of a founder of the Issuer;
- (h) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in (a) to (g); or
- (i) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons described in (a) to (g).

Further information on the investors eligible to purchase in reliance on these exemptions is set out in the required form of Subscription Agreement.

ITEM 6: INCOME TAX CONSEQUENCES

6.1 Independent Tax Advice

You should consult your own professional advisers to obtain advice on the income tax consequences that apply to you.

No application has been made for an advance income tax ruling with respect to the investment described in this Offering Memorandum, nor is it intended that any application be made.

6.2 Summary of the Principal Federal Income Tax Consequences

The Issuer has prepared the following commentary which it believes is a fair and adequate summary of the principal federal income tax consequences arising under the Tax Act to an investor who is an individual resident in Canada who acquires Shares under this Offering Memorandum.

The income tax consequences will not be the same for all investors, but may vary depending on a number of factors including the province or provinces in which the investor resides or carries on business, whether Shares acquired by him will be characterized as capital property, and the amount his taxable income would be but for his participation in this offering.

The following discussion of the Canadian income tax consequences is of a general and limited nature only, is not intended to constitute a complete analysis of the income tax consequences, and should not be interpreted as legal or tax advice to any particular investor. This summary does not address provincial or territorial laws of Canada or any tax laws of any jurisdiction outside of Canada. Each prospective investor should obtain advice from the investor's own independent tax advisor as to the federal and provincial income tax consequences of his or her acquisition of Shares, as such consequences can vary depending upon the particular circumstances of each investor.

This summary is based on the Issuer's understanding of the current provisions of the Tax Act, the Regulations to the Tax Act, and the current administrative and assessing practices of Canada Revenue Agency, Taxation ("CRA").

This summary outlines the Canadian federal income tax consequences to an investor based on important facts and assumptions as set out by the Issuer in the Offering Memorandum and particularly on additional facts and assumptions as follows:

- (a) Investors are, and will not cease to be, individuals resident in Canada;
- (b) Investors acquire Shares pursuant to this Offering Memorandum and hold the Shares as capital property;
- (c) Investors hold Shares for the purpose of earning income and have a reasonable expectation of earning a profit from holding the Shares; and
- (d) The Issuer will qualify at all material times as a MIC for the purposes of the Tax Act.

It is incumbent upon prospective investors to fully investigate and substantiate the expectations above and, with respect to the assumption stated in (c) above, it is incumbent on an investor to investigate and substantiate the investor's expectation of earning a profit from holding Shares, having regard to his expected financing costs and any projections the investors may wish to obtain from the Issuer.

There is no assurance that the Tax Act and related Regulations will not be amended in a manner that fundamentally alters the income tax consequences to investors who acquire or dispose of Shares. This summary does not take into account any changes in law, whether by way of legislative or judicial action.

There has been no application for an Advance Income Tax Ruling from CRA on any aspect of the transactions proposed in the Offering Memorandum, nor is it intended that such an application will be made. No opinion from the Issuer's legal counsel or accountants has been given with respect to these income tax considerations. The analysis contained herein is not all-encompassing and should not be construed as specific advice to any particular investor and is not a substitute for careful tax planning, particularly since certain of the income tax consequences of an investment will not be the same for all taxpayers. Regardless of tax consequences a decision to purchase the Shares offered should be based on the merits of the investment as such and on an investor's ability to bear any loss that may be incurred.

The Issuer

As a MIC the Issuer is subject to special rules under the Tax Act that permit the Issuer to be operated, in effect, as a tax-free “flow through” conduit of its profit to its shareholders. The income of the Issuer for purposes of the Tax Act includes interest earned and the taxable portion of any net realized capital gains. The Issuer is permitted to deduct from its net income all taxable dividends it pays to its shareholders, other than capital gains dividends, and the taxable portion of its net realized capital gains distributed to shareholders as capital gains dividends within the periods prescribed by the Tax Act. If and to the extent the Issuer has income after these and other applicable deductions, such income is subject to the prevailing tax rates applicable to a public corporation.

Shareholders

Dividends

Taxable dividends, except capital gains dividends, received by a Shareholder are taxable in the hands of the Shareholder as interest and not as dividends. Capital gains dividends received by a Shareholder are treated as capital gains of the Shareholder, one-half of which must be included as a “taxable capital gain” in computing the Shareholder’s taxable income. Such capital gains are not eligible for the capital gains exemption.

Dispositions

The cost to a Shareholder of his Shares (plus or minus certain adjustments required under the Tax Act) will be the adjusted cost base of the Shares at any particular time, against which a capital gain or capital loss will be measured on a sale or other deemed disposition of the Shares.

A Shareholder will be considered to have disposed of his Shares when he assigns or sells his Shares, his Share is the subject of a gift, he dies, or where the Issuer is wound up or otherwise terminated. A Share which is the subject of a gift or which is held by a Shareholder when he dies is generally deemed to be disposed of for proceeds equal to fair market value at that time. However, in certain circumstances a capital gain or capital loss will be deferred where gift or bequest transfers the Share to the Shareholder’s spouse.

Generally a Shareholder will realize a capital gain (or sustain a capital loss) equal to the amount by which the proceeds received or deemed to have been received on the disposition of a Share exceed, or are exceeded by, the adjusted cost base of the Share.

Shareholders will include one-half of any capital gain in computing taxable income as a “taxable capital gain”. Similar proportions of a capital loss will be “allowable capital loss” that may be used to offset taxable capital gain in the year that the capital loss is sustained. To the extent the allowable capital loss is not offset against taxable capital gain in that year it may be carried back three (3) years and forward indefinitely to offset taxable capital gain realized in those years.

Interest on Money Borrowed to Purchase Shares

An investor will generally be entitled to deduct from his income reasonable interest paid or payable with respect to monies borrowed to acquire Shares, provided he has a reasonable expectation of profit from holding the Shares. Interest expense deducted by an investor will be included in computing his cumulative net investment losses.

After the disposition of a Share by a taxpayer reasonable interest expense on money borrowed for the purpose of acquiring that Share will generally continue to be deductible until the borrowing is repaid regardless of whether a gain or loss was realized on the disposition of the Share, except to the extent any proceeds of disposition attributable to that borrowed money are used to make personal expenditures by the taxpayer or are not otherwise used for the purpose of earning income.

6.3 Deferred Income Plans

Eligibility for Investment by Deferred Income Plans

As long as the Issuer is qualified as a MIC under the Tax Act the Shares will be qualified investments for trusts governed by a registered retirement savings plan (“RRSP”), deferred profit sharing plans and registered retirement income funds, provided

the Issuer does not hold any debt of an annuitant or a related party (as defined by the Tax Act) and provided that the annuitant (or parties related to the annuitant) does not own more than 10% of the issued and outstanding shares of any class of the Issuer.

Interest Expense Regarding RRSP Contributions

Interest and other borrowing costs incurred by a Shareholder for the purpose of making a contribution to an RRSP are not deductible. Therefore, if a Shareholder holds Shares in an RRSP the Shareholder would not be eligible to deduct from his income any interest expense on money borrowed for the purpose of acquiring the Shares held in the RRSP.

Distributions Received From Issuer by RRSP

As noted, taxable dividends are deemed to be interest income to the Shareholder, which, together with one-half of capital gains dividends, are added to the Shareholder's taxable income if the Shares are held personally by the Shareholder. Such distributions paid on Shares held by an RRSP, however, will not be subject to tax in the hands of the RRSP, provided the RRSP has not borrowed money or carried on business and the annuitant under the RRSP is alive. An RRSP will not carry on business merely by holding Shares. The distributions paid to the RRSP will be taxable to the annuitant under the RRSP on withdrawal of the funds from the RRSP, which must occur no later than the year the annuitant becomes 71 years old.

RRSP Contribution Limits

An individual may contribute cash or eligible property (such as a Share) to an RRSP in a calendar year or within sixty days after the end of the year, and may claim a deduction for that calendar year to the extent that the amount contributed does not exceed the limits specified by CRA. The amount of an individual's contribution will be equal to the fair market value of any property contributed as of the day of contribution. A seven (7) year carry forward of unused RRSP deduction room is available in the event contributions made to an RRSP for a particular year are less than the allowable contribution for that year.

The transfer of a Share to an RRSP will result in the deemed disposition for income tax purposes at an amount equal to the fair market value of the Share at the time of the transfer. For an individual Shareholder who holds a Share as capital property the disposition will result in a capital gain equal to the excess of the fair market value of the Share over its adjusted cost base. Should the fair market value of the Share be less than its adjusted cost base upon contribution to the RRSP, no capital loss will be allowed.

Funds or property withdrawn from an RRSP are taxable to the annuitant under the RRSP in the year of withdrawal. The amount of any non-qualified investment acquired by an RRSP in a year is included in the income of the annuitant for the year.

EACH PROSPECTIVE INVESTOR IS ADVISED TO SEEK INDEPENDENT ADVICE IN RESPECT OF THE INCOME TAX CONSEQUENCES OF HIS PARTICIPATION IN THE ISSUER, TAKING INTO ACCOUNT HIS OWN PARTICULAR CIRCUMSTANCES.

ITEM 7: COMPENSATION PAID TO SELLERS AND FINDERS

Type and Estimated Amount of Compensation

The Shares will be sold by the Manager on a best effort basis or by agents authorized by the Issuer. In its discretion, the Issuer may pay a sales commissions to the Manager, to other registered dealers or their representatives or where permitted, to other persons. The maximum commission payable is 7% of the subscription amount. Any such commissions may be paid in cash upon acceptance of the subscription or on other terms agreed to. Notwithstanding the foregoing, the Issuer will not pay a commission to its directors, officers or employees. Although there is no maximum offering size, as an example, in the event that \$15,000,000 of Shares are issued as part of this offering, the total maximum commission payable by the Issuer would be \$1,050,000. In the fiscal year ending December 31, 2016 the Issuer has paid a commission to the Manager in connection with the distribution of Shares in the amount of \$41,860.

The Issuer may enter into exclusive or non-exclusive agency agreements with agents under which the agents offer the Shares for sale to investors on a best efforts or other basis and the Issuer would be responsible for payment of any commissions or other compensation payable to such agents. As of the date of this Offering Memorandum, no such agreements have been entered into.

Relationship between the Issuer and Figgard Asset Management Corporation

The Issuer is a “connected issuer” and a “related issuer”, within the meaning of applicable securities legislation, of the Manager given the role of the Manager as manager of the Issuer and given that each of the Manager and the Issuer are “related issuers” to Wayne Strandlund, the sole shareholder, the President and a director of the Manager and a shareholder, the President and Chief Executive Officer and a director of the Issuer. See “2.6 Material Agreements – Management Services Agreement” and “Item 3: Directors, Management, Promoters and Principal Holders”. Wayne Strandlund and the Manager were involved in the decision to distribute the Shares and the determination of the terms of the distribution. The Manager, which is wholly-owned by Wayne Strandlund, will be entitled to a sales commission in connection with the offering of Shares (see above under this Item) and a management fee for its services as manager of the Issuer. See “Item 7: Compensation Paid To Sellers and Finders” and “2.6 Material Agreements – Management Services Agreement”.

ITEM 8: RISK FACTORS

This is a speculative offering. The purchase of Shares involves a number of risk factors and is suitable only for investors who are aware of the risks inherent in the real estate industry and who have the ability and willingness to accept the risk of loss of their invested capital and who have no immediate need for liquidity. There is no assurance of any return on an investor’s investment.

The Issuer advises that prospective investors should consult with their own independent professional legal, tax, investment and financial advisors before purchasing Shares in order to determine the appropriateness of this investment in relation to their financial and investment objectives and in relation to the tax consequences of any such investment.

In addition to the factors set forth elsewhere in this Offering Memorandum prospective investors should consider the following risks before purchasing Shares. Any or all of these risks, or other as yet unidentified risks, may have a material adverse effect on the Issuer’s business and/or the return to the investors.

Investment Risk

Risks that are specific to the Shares being offered under this offering include the following:

1. **Speculative Nature of Investment** - This is a speculative offering. The purchase of Shares involves a number of significant risk factors and is suitable only for investors who are aware of the risks inherent in mortgage investments and the real estate industry and who have the ability and willingness to accept the risk of the total loss of their invested capital and who have no immediate need for liquidity.
2. **Return on Investment** - There is no assurance that sufficient revenue will be generated by the Issuer from which dividends can be declared by the directors and paid to the investors.
3. **No Guaranteed Dividends** - The dividends in which the investors are entitled to participate are not cumulative and will not be paid unless such dividends have been declared by the directors. The directors have the sole discretion as to whether or not any such dividends are declared. Therefore, there is no guarantee that dividends payable to shareholders will be declared.
4. **No Review by Regulatory Authorities** - This Offering Memorandum constitutes a private offering of the Shares by the Issuer only in those jurisdictions where and to those persons to whom, they may be lawfully offered for sale under exemptions in applicable securities legislation. This Offering Memorandum is not, and under no circumstances is to be construed as a prospectus, advertisement or public offering of these Shares. Subscribers to this Offering Memorandum will not have the benefit of a review of the material by any regulatory authority.
5. **Restrictions on the Transfer or Assignment of Shares** - The Shares cannot be transferred or assigned, unless such transfer or assignment is approved by the directors and is in compliance with applicable securities laws. The Shares are subject to onerous resale restrictions under applicable securities legislation. See “Item 10: Resale Restrictions” regarding resale restrictions applicable to the Shares. However, Shares are retractable in certain circumstances. See “Item 5: Securities Offered”.

6. **No Market for Shares** – There is no market through which the Shares may be sold, and the Issuer does not expect that any market will develop pursuant to this offering or in the future. Accordingly, an investment in Shares should only be considered by investors who do not require liquidity.
7. **Retraction Liquidity** – The Shares are retractable, meaning that investors have the right to require the Issuer to redeem them, upon appropriate advance notice from the investor to the Issuer. The different classes of Shares have different retraction dates, as measured from the date on which the investor is issued the Shares to the date on which the investor is entitled to call for their redemption by the Issuer, with the Class B shares having a five year retraction period, the Class D shares have a three year retraction period and the Class F shares a one year retraction period. **If the investor does not provide the Issuer with the appropriate notice of retraction, the right of retraction is suspended until an additional time period has elapsed.** See “5.1: Terms of Securities”.

The Issuer gives no assurance that any investor will be able to retract any or all of their Shares at any time. Retraction and redemption of the Shares is subject to the Issuer having access to sufficient cash, or other liquid assets, and being in compliance with applicable corporate and securities legislation, and is subject to the terms in this Offering Memorandum, all as determined solely by the Issuer. Retraction and redemption of the Shares is also subject to the discretion of the directors to act in the best interests of the Issuer under the Tax Act. Accordingly this investment is unsuitable for those prospective investors who may require liquidity.

8. **Absence of Management Rights** – The Shares being sold under this offering do not carry voting rights, and consequently an investor’s investment in Shares does not carry with it any right to take part in the control or management of the Issuer’s business, including the election of directors.

In assessing the risks and rewards of an investment in Shares, potential investors should appreciate that they are relying solely on the good faith, judgment and ability of the directors, officers and employees of the Issuer and the Manager to make appropriate decisions with respect to the management of the Issuer, and that they will be bound by the decisions of the Issuer’s and the Manager’s directors, officers and employees. It would be inappropriate for investors unwilling to rely on these individuals to this extent to purchase Shares.

9. **Lack of Separate Legal Counsel** – The investors, as a group, have not been represented by separate counsel. Neither counsel for the Issuer nor counsel for the Manager purport to have acted for the investors nor to have conducted any investigation or review on their behalf.

Issuer Risk

Risks that are specific to the Issuer include the following:

1. **Reduction of Annual Portfolio Dividend Income** – The Issuer has one current non-performing loan, and four limited partnership investments and had one prior significant loan in default which have caused a reduction in the dividends otherwise payable to shareholders. See “Item 2.3: Reduction of Annual Portfolio Dividend Income”.
2. **Financial Risk** – Asset risk is the possibility of devaluation of the Issuer’s securities (its assets), real estate and otherwise. This is a market condition variable that cannot be controlled by the Issuer. Interest rate risk is the possibility of an adverse mismatch between the Issuer’s cost of borrowing and the amount of interest it receives on its mortgage investments.
3. **Higher Risk Loans** – The Issuer will undertake higher risk loans than many conventional lenders such as banks and as a result, there is a greater risk of default. Although the Issuer performs due diligence with respect to each loan and attempts to reduce risk by diversification of its portfolio, defaults on significant loans may affect the dividends payable to shareholders. See “Item 2.2: Our Business”.

The Issuer does its best to avoid unreasonable concentration of mortgage funds in a particular borrower or group of related borrowers, concentration in a particular locale or community and concentration in a particular type of real estate product (e.g. commercial, industrial, raw land development, construction, fee simple vs strata property) with the obvious exception of residential real estate which type is a statutory requirement applicable to the Issuer as a mortgage investment corporation.

4. **Higher Risk Unsecured Non-Reporting Equity Investments** – From time to time, the Issuer may experience defaults and impairments in its mortgage investments, and these defaults may result in foreclosures which the Issuer may resolve by taking title to the mortgaged property or by having title to the property held by a limited partnership or other vehicle. See “Item 2: Our Business”. The investment in these limited partnerships or other vehicles will generally be unsecured and are typically higher risk than investments in secured debt securities. There is no guarantee that these investments will earn a positive return and in fact, there is a risk that the Issuer could lose its entire investment. In addition, as these limited partnerships and other vehicles will generally be private, non-reporting entities, there may be additional risks associated with the more limited disclosure provided by these types of entities.
5. **MIC Tax Designation** – Under the Issuer’s Articles, the Issuer’s directors are required to use their best efforts to ensure that the Issuer qualifies as a MIC pursuant to the Tax Act. As well, the Issuer’s Articles grant the directors the discretion to reject any applications for dividend shares or share subscriptions, transfers, redemptions or retractions where, in the view of the directors, such action would not be in the Issuer’s best interests as a MIC under the Tax Act.

There can be no assurance, however, that the Issuer will be able to meet the Tax Act’s MIC qualifications at all material times.

As the Issuer is qualified as a MIC, the Issuer may deduct taxable dividends it pays from its income, and the normal gross-up and dividend tax credit rules will not apply to dividends paid by the Issuer on the Shares. Rather, the dividends will be taxable in the hands of shareholders as if they had received an interest payment. If for any reason the Issuer fails to maintain its MIC qualification in a particular year, the dividends paid by the Issuer on the Shares would cease to be deductible from the income of the Issuer for that year and the dividends it pays on the Shares would be subject to the normal gross-up and dividend tax credit rules. In addition, the Shares might cease to be qualified investments for trusts governed by RRSPs, Deferred Profit Sharing Plans and Registered Retirement Income Funds, with the effect that a penalty tax would be payable by the investor.

6. **Reliance on Figard Asset Management Corporation** – In accordance with the terms of the Management Services Agreement between the Issuer and the Manager, the Manager has significant responsibility for assisting the Issuer to conduct its affairs. Any inability of the Manager to perform competently or on a timely basis will negatively affect the Issuer.
7. **Key Personnel** – The operations of the Issuer and the Manager are highly dependent upon the continued support and participation of their key personnel. The loss of their services may materially affect the timing or the ability of the Issuer to implement its business plan.

The Manager’s management team consists of several key personnel. In order to manage the Issuer successfully in the future it may be necessary to further strengthen its management team. The competition for such key personnel is intense, and there can be no assurance of success in attracting, retaining, or motivating such individuals. Failure in this regard would likely have a material adverse effect on the Issuer’s business, financial condition, and results of operations.

8. **Bank Borrowing** - The Issuer will borrow funds whenever funds are required and available provided it is economical and prudent to do so. These borrowings may take the form of lines-of-credit from banks and other lending institutions, as the case may be. It is probable that debt instruments will form part of a floating charge against the assets and equity of the Issuer, and in the event of liquidation or wind-up, will rank in priority to the outstanding shares of the Issuer and/or may force the Issuer to de-leverage (repay borrowings) on short notice, perhaps having to use cash reserves and/or sell assets to repay short-term borrowings.
9. **Conflict of Interest** – Conflicts of interest exist, and others may arise, between investors and the directors and officers of the Manager and the Issuer and their associates and affiliates.

There is no assurance that any conflicts of interest that may arise will be resolved in a manner favorable to investors. Persons considering a purchase of Shares pursuant to this offering must rely on the judgment and good faith of the directors, officers and employees of the Manager and the Issuer in resolving such conflicts of interest as may arise.

The Issuer and Manager are affiliates and negotiations between them have not been, and will not be, conducted at arm’s length. Therefore, the Issuer may be subject to various conflicts of interest arising from its relationship with

the Manager. The risk exists that such conflicts will not be resolved in the best interests of the Issuer. However, the Manager will make any decision involving the Issuer honestly and in good faith.

The Manager is not in any way limited or affected in its ability to carry on business ventures for its own account and for the account of others and may be engaged in the ownership, acquisition and operation of businesses, which compete with the Issuer. In addition, the Manager may establish in the future other investment vehicles which have or may have investment objectives that are the same as or similar to those of the Issuer and may act as advisor and/or manager to such vehicles.

10. **Termination of the Management Services Agreement** - The Management Services Agreement between the Issuer and the Manager can be terminated for (a) cause and (b) *any other reason* duly approved by the Issuer. If the Management Services Agreement is terminated for *any other reason* there are specific terms and conditions (i.e. notice period of one year) that apply. This provision would cause increased costs to the Issuer.
11. **Cyber Security Risk** - The Issuer's and its service providers' use of internet, technology, and information systems may expose the Issuer to potential risks linked to cyber security breaches of those technological or information systems. Cyber security breaches, amongst other things, could allow an unauthorized party to gain access to proprietary information, customer data, or assets, or cause the Issuer and/or its service providers to suffer data corruption or lose operational functionality.

Industry Risk

There are also risks faced by the Issuer because of the industry in which it operates. Real estate investment is subject to significant uncertainties due, among other factors, to uncertain costs of construction, development and financing, uncertainty as to the ability to obtain required licenses, permits and approvals, and fluctuating demand for developed real estate. The higher returns expected from the Issuer's mortgage investments reflect the greater risks involved in making these types of loans as compared to long-term conventional mortgage loans.

Prospective investors should take note of the following:

1. **General Economic Risk (External Economic and Political Environment)** - The Issuer cannot predict the real estate market's future values which may include declines in values. It is not possible for the Issuer to predict with any accuracy influences such as world affairs, global and local politics and economies, labour markets and environmental impacts. These are unknowns and the Issuer makes no representations or warranties as to being an authority on these causes and effects. Real estate markets and certain economies may result in declining real estate values and lower interest rates, either or both of which may result in lower returns to the Issuer and lower dividends to its shareholders.
2. **General Risks of Real Estate Investments** - Investments in real estate are subject to many risks, including those posed by the highly competitive nature of the real estate industry, changes in general or local conditions, changes in property values, increases in interest rates, the lack of available financing, increases in real estate tax rates and vacancy rates, overbuilding, changes in governmental regulations and monetary policies, and other factors that are beyond the control of the Issuer.

The real estate investment, including the mortgage investment, is generally large compared to other investments such as stocks, bonds, term deposits, GICs, and so forth. Being of considerable size, a real estate property investment or portfolio, generally speaking, is relatively less liquid than other investments, so the Issuer and its shareholders may find that it takes longer to sell real estate property than it does to sell smaller and more liquid investments such as stocks, bonds, mutual funds and so forth.

Real estate values are also subject to other costs that can change quickly and unpredictably, materially affecting value. Such costs may include property taxes, property insurance, property maintenance and management, strata corporation fees and other levies. Degree of demand for land to develop and build on and demand for finished real estate products will affect value and cannot be accurately anticipated.

In the case of real estate and construction some of the myriad factors that may affect real estate values are supply and demand, employment, availability of services (sewer, water, electricity, telephone, gas, cable), costs of development and construction (permits, licenses, labour, materials, plans, marketing, insurance, bonding), world affairs, local

politics, environmental concerns, interest rates and so forth. Another important factor is sheer competition amongst developers and builders.

3. **Higher Risk Mortgage Loans** – The potential higher returns associated with the Issuer’s mortgage investments reflects the greater risks associated with the Issuer’s mortgage portfolio and the type of mortgages in which the Issuer invests; for example, mortgages that are junior as well as senior, mortgages on construction and development, mortgages that are high ratio LTV, and so forth. Should any of these risks materialize they may adversely affect the return to the Issuer in connection with its mortgage loans and therefore may adversely affect returns to investors.
4. **Prior Mortgages and Charges** - The Issuer invests in junior (second mortgages, for instance) as well as senior (first) mortgages. When the Issuer invests in a junior mortgage its mortgage will be subject to a senior (first mortgage) charge sitting in front of the Issuer’s mortgage. Financial charges for construction and other financing funded by conventional third party lenders may also rank in priority to the mortgages registered in favor of the Issuer. In the event of a default in the first mortgage the Issuer may find itself in a position of having to protect its interest by either paying out the first mortgage or maintaining payments on the first mortgage to keep it in good standing and keep it from foreclosing. If foreclosure takes place, the property is sold, and the sale price is not sufficient to cover both the first mortgage and the Issuer’s mortgage, the Issuer may not recover all or part of its mortgage investment, resulting in a loss.
5. **High Loan Ratios** - The Issuer may make mortgage loans in excess of what a typical conventional lender might make in terms of LTV ratio. For example, conventional mortgage loans may be in the range of 65% to 70% LTV whereas the Issuer may decide to lend, for example, in the range of 70% to 75% or higher in special circumstances.

The Issuer may also lend against development and construction projects where the LTV depends on the value of the project as it progresses through development and construction. These development and construction mortgage loans depend for their success on a variety of variables and forces including cost of labour and materials, weather, market and other unknowns. The risk is that these unknown influences could, without prior warning, have an adverse effect on the value of the property and may even result in the project faltering or stalling or not being completed, resulting in a loss to the Issuer should the property end up being sold for an amount less than the Issuer’s mortgage balance.

6. **High Recovery Costs** - There are many costs associated with default action and recovery against a borrower, not the least of which are legal and Court costs, receiver costs, payment of arrears of property taxes, insurance, strata fees and assessment, property upkeep, valuation costs, marketing costs and so forth. These costs associated with loan recovery can often be high and, particularly in a declining real estate market requiring a long hold and marketing period, can result in the property being sold for less than the Issuer’s mortgage balance, resulting in a loss.
7. **Potential Liability under Environmental Protection Legislation** - Environmental and ecological legislation has become increasingly important and onerous, and the amount of regulation and penalties for non-compliance is growing. This represents a risk to lenders as well as property owners and borrowers as it is possible that the liability for non-compliance can pass to the lender (the Issuer) if the property owner/borrower defaults in terms of environmental requirements. Under various laws it is possible that the Issuer could become liable for the costs of removal of toxic or hazardous substances and remediation of the subject property as well as neighboring property(s). Where the Issuer suspects possible environmental issues, the Issuer will complete environmental diligence including obtaining necessary professional environmental reports and clearances.
8. **Mortgage Insurance and Property Insurance** - The Issuer’s mortgage loans will not usually be insured in whole or in part by default insurers such as Canadian Mortgage and Housing Corporation (CMHC). As well, there are certain inherent risks in the real estate industry, some of which the Issuer may not be able to insure against or which the Issuer may elect not to insure due to the cost of such insurance. The effect of these factors cannot be accurately predicted.

The Issuer requires that property insurance be carried by the borrower on all property(s) securing the Issuer’s mortgage. The risk is that the borrower may not obtain adequate insurance coverage or the right type of coverage or may not maintain the insurance in good standing, letting it lapse. To mitigate this risk the Issuer retains the right to maintain adequate insurance and apply the cost of premiums to its mortgage.

9. **Default** – If there is default on a mortgage it may be necessary for the Issuer, in order to protect the investment, to engage in foreclosure or sale proceedings and to maintain prior encumbrances in good standing. In such cases it is possible that the total amount recovered by the Issuer may be less than the total investment, resulting in a loss to the

Issuer. Equity investments in real property may involve fixed costs in respect of mortgage payments, real estate taxes, and maintenance costs, which could adversely affect the Issuer's income.

10. **Yield** - Yields on real estate investments, including mortgages, depend on many factors including economic conditions and prevailing interest rates, the level of risk assumed, conditions in the real estate industry, opportunities for other types of investments, legislation, government regulation and tax laws. The Issuer cannot predict the effect that such factors will have on its operations.
11. **Competition** - Earnings of the Issuer depend on the Issuer's ability, with the assistance of the Manager, to source suitable opportunities for the investment of the Issuer's funds and on the yields available from time to time on mortgages and other investments. The investment industry in which the Issuer operates is subject to much competition from competitors many of whom have greater financial and technical resources than the Issuer. Such competition may adversely affect the Issuer's success in the marketplace. There is no assurance that the Issuer will be able to successfully maintain its business plan or operate profitably.
12. **Unsecured Equity Investments** - There are risks faced by the Issuer due to the nature of the industries in which it invests through equity units of the limited partnerships. There is a higher risk of a lower return on capital invested as well as a risk of loss of the invested capital.

Limited partnerships are actively managed businesses in a wide variety of potential industries including but not limited to: real estate development, construction, leasing, manufacturing, retail, wholesale and distribution businesses. In essence whatever the underlying property or business that was associated with a prior mortgage provided by the Issuer may become or be a part of the business of the limited partnerships. Depending on the business carried out by each of the limited partnerships the Issuer invests in may have significant risks associated with them.

All businesses are subject to significant uncertainties due to, among other factors, costs of business operations, development and financing, uncertainty as to the ability to generate sufficient net income, uncertainty of obtaining required licenses, permits and approvals, and fluctuating demand for their products. The anticipated higher returns associated with the Issuer's investment reflect the greater risks involved in making these types of investments as compared to continuing the process of foreclosure on an existing mortgage loan of the Issuer. Inherent in these investments are completion risks as well as financing risks.

13. **"Interest Only" Mortgages** – A significant portion of the Issuer's investment portfolio may be invested in "interest only" mortgages. An interest only mortgage is a mortgage which, for a set term, the borrower pays only the interest on the principal balance, with the principal balance unchanged. Because these types of mortgages do not involve the borrower making payments towards the principal balance during the term of the loan, they may expose the Issuer to greater risks than a mortgage that involves payments towards the principal balance (i.e., because the principal balance remains outstanding in full). The risks associated with interest only mortgages will generally be less for short term mortgages because in a short term mortgage the outstanding principal is only slightly reduced during the term (i.e., meaning that the risk associated with such a mortgage not being repaid on maturity is not materially different from other mortgages).

ITEM 9: REPORTING OBLIGATIONS

9.1 Documents

The Issuer is not a "reporting issuer" as that term is defined in applicable securities legislation, nor will it become a reporting issuer following the completion of the offering. As a result, the Issuer will not be subject to the continuous disclosure requirements of such securities legislation that are applicable to reporting issuers. However, investors will receive quarterly statements reflecting their investment in the Issuer, quarterly dividend cheques, if applicable, and yearly T5 tax returns for cash investment income.

The Issuer's fiscal year commences January 1 in each year and ends December 31 of the same year. The Issuer will prepare audited financial statements for each fiscal year and make the statements available to investors on its website at <http://figardcapital.com> within the secure "client login" area accessed on the header bar.

9.2 Availability of Information

This Offering Memorandum and certain other documents about the Issuer are available via the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) at www.sedar.com. Additionally, certain corporate or securities information about the Issuer is available on the following websites:

- British Columbia Securities Commission – www.bcsc.bc.ca
- Alberta Securities Commission – <http://www.albertasecurities.com>
- Ontario Securities Commission – www.osc.gov.on.ca

ITEM 10: RESALE RESTRICTIONS

10.1 General Statement

Shares will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the Shares unless you comply with an exemption from the prospectus and registration requirements under securities legislation. However, Shares are retractable in certain circumstances. See “Item 5: Securities Offered”.

10.2 Restricted Period

The Issuer is not:

- (a) a reporting issuer in any Canadian province or territory, or
- (b) a SEDAR filer and a reporting issuer in any Canadian province or territory.

Unless permitted under securities legislation, you cannot trade Shares before the date that is four months and a day after the date the Issuer becomes a reporting issuer in any province or territory in Canada. The Issuer will not become a reporting issuer upon completion of this offering, and does not currently anticipate becoming a reporting issuer. The resale restriction on Shares may therefore never expire. However, Shares are retractable in certain circumstances. See “Item 5: Securities Offered”.

10.3 Manitoba Resale Restrictions

Unless permitted under securities legislation, you must not trade Shares in Manitoba without the prior written consent of the regulator in Manitoba unless:

- (a) the Issuer has filed a prospectus with the regulator in Manitoba with respect to the Shares you have purchased, and the regulator in Manitoba has issued a receipt for that prospectus, or
- (b) you have held the Shares for at least 12 months.

The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest. However, Shares are retractable in certain circumstances. See “Item 5: Securities Offered”.

ITEM 11: PURCHASERS’ RIGHTS

If you purchase Shares you will have certain rights, some of which are described below. For more information about your rights you should consult a lawyer.

The following summaries of investors’ legal rights are subject to the express provisions of the securities laws of the applicable province in which they are resident and reference is made thereto for the complete text of such provisions. The rights of action described below are in addition to and without derogation from any right or remedy available at law to the investor and are intended to correspond to the provisions of the relevant securities legislation and are subject to the defences contained therein.

As used herein, except where otherwise specifically defined, “misrepresentation” means 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 a statement in this Offering Memorandum not misleading in light of the circumstances in which it was made.

Two Day Cancellation Right – You can cancel your agreement to purchase Shares. To do so, you must send a notice to the Issuer by midnight on the second business day after you sign the agreement to buy the Shares.

Statutory Rights of Action in Event of a Misrepresentation

British Columbia Investors – Statutory Rights of Action in the Event of a Misrepresentation

If this Offering Memorandum, together with any amendment hereto, is delivered to a purchaser resident in British Columbia who purchases Shares in reliance on the “offering memorandum” exemption set out in section 2.9 of NI 45-106 and contains a misrepresentation and it was a misrepresentation at the time of purchase, you have a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy the Shares, or
- (b) for damages against the Issuer, every director of the Issuer at the date of this Offering Memorandum, and every person who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, the above noted parties have a defense if you knew of the misrepresentation when you purchased the Shares.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to buy Shares. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and three year after you signed the agreement to purchase the Shares.

Alberta Investors – Statutory Rights of Action in the Event of a Misrepresentation

Where an offering memorandum, such as this Offering Memorandum, together with any amendment to it, is delivered to a purchaser of Shares resident in Alberta in connection with the distribution of Shares in reliance on the “offering memorandum” prospectus exemption set out in section 2.9 of NI 45-106 or the “minimum amount investment” exemption in section 2.10 of NI 45-106 and contains a misrepresentation, you have a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy the Shares, or
- (b) for damages against the Issuer, every director of the Issuer at the date of this Offering Memorandum and every person or company who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Shares.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to buy the Shares. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three year after you signed the agreement to purchase the Shares.

Manitoba Investors – Statutory Rights of Action in the Event of a Misrepresentation

If this Offering Memorandum is delivered to a purchaser of Shares resident in Manitoba and contains a misrepresentation, you have a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy the Shares, or
- (b) for damages against the Issuer, every director of the Issuer at the date of this Offering Memorandum, and every person or company who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, the above noted parties have a defense if you knew of the misrepresentation when you purchased the Shares.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to buy the Shares. You must commence your action for damages within the earlier of 180 days after the day you first had knowledge of the facts giving rise to the cause of action and two years after you signed the agreement to purchase the Shares.

Ontario Investors – Statutory Rights of Action in the Event of a Misrepresentation

If this Offering Memorandum, together with any amendment hereto, is delivered to a purchaser of Shares resident in Ontario and contains a misrepresentation, subject to the qualifications set forth below, you have a statutory right of action against the Issuer:

- (a) to cancel your agreement to buy the Shares, or
- (b) sue for damages.

This statutory right of action is available to you whether or not you relied on the misrepresentation if such statement or omission was a misrepresentation at the time of your purchase of the Shares. However, there are various defences available to the persons or companies that you have a right to sue. In particular, the Issuer has a defense if it proves that you purchased the Shares with knowledge of the misrepresentation.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement to buy the Shares within 180 days of the date upon which you entered into such agreement. You must commence your action for damages no later than the earlier of (i) 180 days after you first received knowledge of the facts giving rise to the cause of action; and (ii) three years after the date upon which you entered into the agreement to purchase the Shares.

Saskatchewan Investors – Statutory Rights of Action in the Event of a Misrepresentation

If this Offering Memorandum, or any amendment to it, is sent or delivered to a purchaser of Shares resident in Saskatchewan and it contains a misrepresentation, a purchaser who purchases a security covered by this Offering Memorandum or any amendment to it is, has a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy these Shares, or
- (b) for damages against:
 - (i) the Issuer;
 - (ii) every promoter and director of the Issuer at the time this Offering Memorandum or any amendment to it was sent or delivered;
 - (iii) 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;
 - (iv) every person who or company that, in addition to the persons or companies mentioned above, signed this Offering Memorandum or the amendment to this Offering Memorandum; and
 - (v) every person who or company that sells Shares on behalf of the issuer or selling security holder under this Offering Memorandum or amendment to this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Shares.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to buy the Shares. You must

commence your action for damages within the earlier of one year after you first had knowledge of the facts giving rise to the cause of action and six years from the date upon which you entered into the agreement to purchase the Shares.

New Brunswick Investors – Statutory Rights of Action in the Event of a Misrepresentation

If this Offering Memorandum, or any amendment to it, is sent or delivered to a purchaser of Shares resident in New Brunswick and it contains a misrepresentation, a purchaser who purchases a security covered by this Offering Memorandum or any amendment to it is, has a statutory right of action against the Issuer:

- (a) to cancel your agreement to buy the Shares, or
- (b) sue for damages against the Issuer, the selling security holder or whose behalf the distribution is made, every person who was a director of the issuer at the date of the Offering Memorandum and every person who signed the offering memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Shares.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to buy the Shares. You must commence your action for damages within the earlier of one year after you first had knowledge of the facts giving rise to the cause of action and six year after you signed the agreement to purchase the Shares.

Nova Scotia Investors – Statutory Rights of Action in the Event of a Misrepresentation

If this Offering Memorandum, or any amendment to it, is sent or delivered to a purchaser of Shares resident in Nova Scotia and it contains a misrepresentation at the time of the purchase, a purchaser who purchases a security covered by this Offering Memorandum or any amendment to it is, has a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy the Shares, or
- (b) for damages against the Issuer, every director of the Issuer at the date of this Offering Memorandum and every person or company who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Shares.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement or for damages within 120 days after the date on which payment was made for the Shares or after the date on which the initial payment for the securities was made where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to.

Prince Edward Island Investors – Statutory Rights of Action in the Event of a Misrepresentation

If this Offering Memorandum, or any amendment to it, is sent or delivered to a purchaser of Shares resident in Prince Edward Island and it contains a misrepresentation, a purchaser who purchases a security covered by this Offering Memorandum or any amendment to it is, has a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy the Shares, or
- (b) for damages against the Issuer, every director of the Issuer at the date of this Offering Memorandum and every person or company who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Shares.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to buy the Shares. You must

commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three year after you signed the agreement to purchase the Shares.

Newfoundland and Labrador Investors – Statutory Rights of Action in the Event of a Misrepresentation

If this Offering Memorandum, or any amendment to it, is sent or delivered to a purchaser of Shares resident in Newfoundland and Labrador and it contains a misrepresentation, a purchaser who purchases a security covered by this Offering Memorandum or any amendment to it is, has a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy the Shares, or
- (b) for damages against the Issuer, every director of the Issuer at the date of this Offering Memorandum and every person or company who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Shares.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to buy the Shares. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three year after you signed the agreement to purchase the Shares.

Yukon Investors – Statutory Rights of Action in the Event of a Misrepresentation

If this Offering Memorandum, or any amendment to it, is sent or delivered to a purchaser of Shares resident in Yukon and it contains a misrepresentation, a purchaser who purchases a security covered by this Offering Memorandum or any amendment to it is, has a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy the Shares, or
- (b) for damages against the Issuer, every director of the Issuer at the date of this Offering Memorandum and every person or company who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Shares.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to buy the Shares. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three year after you signed the agreement to purchase the Shares.

Northwest Territories Investors – Statutory Rights of Action in the Event of a Misrepresentation

If this Offering Memorandum, or any amendment to it, is sent or delivered to a purchaser of Shares resident in Northwest Territories and it contains a misrepresentation, a purchaser who purchases a security covered by this Offering Memorandum or any amendment to it is, has a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy the Shares, or
- (b) for damages against the Issuer, every director of the Issuer at the date of this Offering Memorandum and every person or company who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Shares.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to buy the Shares. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three year after you signed the agreement to purchase the Shares.

Nunavut Investors – Statutory Rights of Action in the Event of a Misrepresentation

If this Offering Memorandum, or any amendment to it, is sent or delivered to a purchaser of Shares resident in Nunavut and it contains a misrepresentation, a purchaser who purchases a security covered by this Offering Memorandum or any amendment to it is, has a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy the Shares, or
- (b) for damages against the Issuer, every director of the Issuer at the date of this Offering Memorandum and every person or company who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Shares.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to buy the Shares. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three year after you signed the agreement to purchase the Shares.

Contractual Rights of Action in Event of a Misrepresentation

Rights for Investors in Québec

Notwithstanding that the securities legislation in Québec does not provide or require the Issuer to provide to purchasers resident in Québec any rights of action in circumstances where this Offering Memorandum or any amendment to this Offering Memorandum contains a misrepresentation, the Issuer grants to such purchasers the same rights of action for damages or rescission as those afforded to residents of British Columbia who purchase Shares in reliance on the “offering memorandum” exemption set out in section 2.9 of NI 45-106, as described above under “British Columbia Investors - Statutory Rights of Action in the Event of a Misrepresentation”.

Rights for Investors in British Columbia Purchasing as “Accredited Investors”, in Reliance on the “Friends, Family and Business Associates” Exemption or under the “Minimum Amount Investment” Exemption

Investors resident in British Columbia who purchase Shares in reliance on the “accredited investor”, the friends, family and business associates, or the “minimum amount investment” exemptions set out in sections 2.3, 2.5 and 2.10 of NI 45-106, respectively, will be entitled to the same rights of action for damages or rescission as those afforded to residents of British Columbia who purchase Shares in reliance on the “offering memorandum” exemption set out in section 2.9 of NI 45-106, as described above under “British Columbia Investors - Statutory Rights of Action in the Event of a Misrepresentation”.

Rights for Investors in Alberta Purchasing as “Accredited Investors” or in Reliance on the “Friends, Family and Business Associates” Exemption

Investors resident in Alberta who purchase Shares in reliance on the “accredited investor” or the friends, family and business associates, or the exemption set out sections 2.3 and 2.5 in NI 45-106 will be entitled to the same rights of action for damages or rescission as those afforded to residents of Alberta who purchase Shares in reliance on the “offering memorandum” exemption set out in section 2.9 of NI 45-106, as described above under “Alberta Investors - Statutory Rights of Action in the Event of a Misrepresentation”.

ITEM 12: FINANCIAL STATEMENTS

12.1: Audited Financial Statements (December 31, 2016)

FISGARD CAPITAL CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2016

FISGARD CAPITAL CORPORATION

DECEMBER 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Fisgard Capital Corporation

We have audited the accompanying financial statements of Fisgard Capital Corporation, which comprise the statement of financial position as at December 31, 2016, and the statement of changes in equity, statement of comprehensive income, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

Fisgard Capital Corporation previously had a policy to include lender fees and renewal fees in income when the mortgage was issued which is not in accordance with IFRS 7 paragraph 20. Fisgard Capital Corporation has now changed its policy to conform to IFRS 7 paragraph 20. The change was not applied retrospectively. See note 2(e).

Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respect, the financial position of Fisgard Capital Corporation as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Victoria, BC
March 15, 2017



CHARTERED PROFESSIONAL ACCOUNTANTS

Schell & Associates
204 - 2840 Nanaimo Street
Victoria, BC V8T 4W9

Chartered Professional Accountants

FISGARD CAPITAL CORPORATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT		
Cash	\$ 1,558,968	\$ 1,668,183
Mortgage loans receivable (note 4)	170,996,968	162,755,168
Other current assets (note 5)	<u>56,664</u>	<u>217,924</u>
	172,612,600	164,641,275
MORTGAGE LOANS RECEIVABLE (note 4)	13,969,939	22,539,938
ASSETS HELD FOR SALE (notes 3(f) and 6)	212,181	-
INVESTMENTS IN ASSOCIATES (note 7)	<u>28,258,381</u>	<u>16,450,671</u>
	<u>\$ 215,053,101</u>	<u>\$ 203,631,884</u>

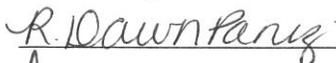
LIABILITIES

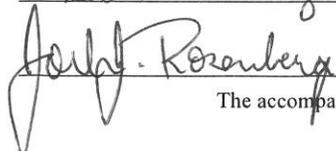
CURRENT		
Bank indebtedness and LOC (note 8)	\$ 14,387,787	\$ -
Accounts payable and accruals	28,000	33,423
Deferred revenue and interest reserve (notes 3(c) and 9)	1,507,510	1,102,847
Other current liabilities	-	67,082
Redeemable shares (note 10(a))	<u>61,575,151</u>	<u>42,248,322</u>
	77,498,448	43,451,674
REDEEMABLE SHARES (note 10(a))	<u>137,549,437</u>	<u>160,400,259</u>
	<u>215,047,885</u>	<u>203,851,933</u>

SHAREHOLDERS' EQUITY

COMMON SHARES (note 9(b))	480	480
RETAINED EARNINGS (DEFICIT)	<u>4,736</u>	<u>(220,529)</u>
	<u>5,216</u>	<u>(220,049)</u>
	<u>\$ 215,053,101</u>	<u>\$ 203,631,884</u>

These financial statements were approved for issue by the Board of Directors on March 15, 2017 and are signed on its behalf by:

 Director

 Director

The accompanying notes are an integral part of these financial statements

Schell & Associates
Chartered Professional Accountants

FISGARD CAPITAL CORPORATION

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2016

	Share Capital	Retained Earnings (Deficit)	Total Equity
Balances at January 1, 2015	\$ 480	\$ (1,909,889)	\$ (1,909,409)
Share redemption revaluation (note 10(a))	-	207,776	207,776
Change in equity for 2015:			
Dividends - cash	-	(2,850,098)	(2,850,098)
Dividends - reinvested in shares	-	(7,164,675)	(7,164,675)
Total income and comprehensive income	-	11,496,357	11,496,357
Balances at December 31, 2015	480	(220,529)	(220,049)
Balances at January 1, 2016	480	(220,529)	(220,049)
Share redemption revaluation (note 10(a))	-	24,054	24,054
Change in equity for 2016:			
Dividends - cash	-	(2,688,016)	(2,688,016)
Dividends - reinvested in shares	-	(7,163,046)	(7,163,046)
Total income and comprehensive income	-	10,052,273	10,052,273
Balances at December 31, 2016	\$ 480	\$ 4,736	\$ 5,216

The accompanying notes are an integral part of these financial statements

FISGARD CAPITAL CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
INTEREST AND FEES EARNED		
Interest on mortgage loans (note 2b)	\$ 14,744,337	\$ 13,144,902
Other revenue (note 11)	<u>1,116,217</u>	<u>2,075,648</u>
	<u>15,860,554</u>	<u>15,220,550</u>
INTEREST AND SIMILAR EXPENSES		
Financing costs	70,155	55,613
Mortgage interest adjustment	184	1,977
Interest on loans payable	<u>64,385</u>	<u>-</u>
	<u>134,724</u>	<u>57,590</u>
NET INTEREST AND FEE INCOME	<u>15,725,830</u>	<u>15,162,960</u>
OPERATING EXPENDITURES		
Advertising and promotion	31,840	43,844
Management fees (note 12)	4,000,526	2,660,000
Mortgage security valuation	72,248	90,265
Office and administration	518,668	104,680
Professional fees	99,272	221,771
Provision for mortgage losses (note 4)	951,003	337,365
Equity in losses of associates (note 7)	<u>-</u>	<u>208,678</u>
	<u>5,673,557</u>	<u>3,666,603</u>
TOTAL INCOME AND COMPREHENSIVE INCOME	<u>\$ 10,052,273</u>	<u>\$ 11,496,357</u>

The accompanying notes are an integral part of these financial statements

Schell & Associates
Chartered Professional Accountants

FISGARD CAPITAL CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Cash (used in) provided by operations		
Net income	\$ 10,052,273	\$ 11,496,357
Add (deduct): charges to income not involving cash		
Provision for mortgage losses	951,003	337,365
Equity in (profit) loss of associates	-	208,678
Net change in non-cash working capital balances related to operations		
Other current assets	161,260	(217,079)
Accounts payable and accruals	(5,423)	6,430
Deferred revenue and interest reserve	404,663	(481,238)
Other current liabilities	<u>(67,082)</u>	<u>29,884</u>
	<u>11,496,694</u>	<u>11,380,397</u>
FINANCING ACTIVITIES		
Redeemable shares subscription	9,047,925	7,174,582
Redeemable shares redemption	(19,483,566)	(22,362,899)
Cash dividends	<u>(2,688,016)</u>	<u>(2,850,098)</u>
	<u>(13,123,657)</u>	<u>(18,038,415)</u>
INVESTING ACTIVITIES		
Net decrease (increase) in mortgage loans receivable	(12,657,858)	(352,113)
Assets held for sale	<u>(212,181)</u>	<u>-</u>
	<u>(12,870,039)</u>	<u>(352,113)</u>
DECREASE IN CASH	(14,497,002)	(7,010,131)
CASH, beginning of year	<u>1,668,183</u>	<u>8,678,314</u>
CASH, (DEFICIT) end of year	<u>\$ (12,828,819)</u>	<u>\$ 1,668,183</u>
CASH CONSISTS OF THE FOLLOWING:		
Cash	\$ 1,558,968	\$ 1,418,056
Cheques on deposit	-	250,127
Bank indebtedness	<u>(14,387,787)</u>	<u>-</u>
	<u>\$ (12,828,819)</u>	<u>\$ 1,668,183</u>

* See also note 12

The accompanying notes are an integral part of these financial statements

Schell & Associates
Chartered Professional Accountants

FISGARD CAPITAL CORPORATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016

1. NATURE OF OPERATIONS:

Fisgard Capital Corporation (the "Corporation") makes investments and operates its business at all times in such a manner as to qualify as a mortgage investment corporation ("MIC") under the provisions of the Canadian "Income Tax Act".

The Corporation's principal office is located at 3378 Douglas Street, Victoria, BC V8Z 3L3.

The Corporation was originally incorporated under Canadian federal jurisdiction on April 11, 1994. It is now registered extra-provincially in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario under the various provincial Corporation Act. Extra-provincial registration in Northwest Territories was cancelled on September 13, 2012. The company may also register extra-provincially in the future to conduct business in other Canadian jurisdictions, as may be approved by the company's directors.

2. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS:

(a) **Statement of compliance:**

The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) **Basis of measurement:**

The financial statements have been prepared on the historical cost basis except for investment in associates which is recorded on an equity basis.

(c) **Functional and presentation currency:**

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(d) **Use of estimates and judgements:**

The preparation of financial statements, in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the reporting date, and the reported amounts of revenues and expenses during the reporting period.

Significant judgement made by the Corporation relates to the classification of redeemable shares between equity and liability (see note 10(a)).

The most significant estimates that the Corporation is required to make relate to the impairment of the mortgage investments (notes 3(b) and 4). These estimates may include assumptions regarding local real estate market conditions, interest rates and the availability of credit, cost and terms of financing, the impact of present or future legislation or regulation, prior encumbrances and other factors affecting the mortgage and underlying security of the mortgage investments.

These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events. Illiquid credit markets and volatile equity markets have combined to increase the uncertainty inherent in such estimates and assumptions. Accordingly, by their nature, estimates of impairment are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated fair value could vary by a material amount.

FISGARD CAPITAL CORPORATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016

(e) Compliance to IFRS 7 paragraph 20:

The Corporation previously had a policy to include lender fees and renewal fees in income when the mortgage was issued which is not in accordance with IFRS 7 paragraph 20. The Corporation has now changed its policy to conform to IFRS 7 para 20. The change was not applied retrospectively. Had the Corporation followed IFRS 7 paragraph 20 in 2015, the deferred revenue would have been increased by \$760,855.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Corporation's accounting policies and its standards of financial disclosure set out below are in accordance with IFRS and have been applied consistently to all periods presented in these financial statements.

(a) Cash:

The Corporation's policy is to disclose bank balances under cash, including bank overdrafts with balances that fluctuate from being positive to overdrawn.

(b) Mortgage investments:

Mortgage investments are classified as mortgage loans receivable. Such investments are classified as held to maturity and are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgage loans are measured at amortized cost using the effective interest method less any impairment losses.

The mortgage investments are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of an asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of the mortgage investments measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the statement of comprehensive income and reflected in an allowance account against the mortgage investments. Interest on the impaired asset continues to be recognized through the unwinding of the discount if it is considered collectable. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(c) Revenue recognition:

Interest income on loans is recorded using the accrual method. Accrued but uncollected interest is reversed whenever a loan is considered to have become impaired. A loan is classified as impaired generally when, in the opinion of management, there is reasonable doubt as to the collectability of principal or interest. Thereafter, interest income is recognized on a cash basis, only after any specific provisions or partial write-offs have been recovered and provided there is no further doubt as to the collectability of principal. Lender and renewal fee income is amortized to income over the contractual term of mortgages.

(d) Income taxes:

The Corporation is a mortgage investment corporation pursuant to the *Income Tax Act* (Canada). As such, the Corporation is entitled to deduct, from its taxable income, dividends paid to shareholders during the year or within 90 days of the end of the year. The Corporation intends to maintain its status as a mortgage investment corporation and intends to distribute sufficient dividends in the year and in future years to ensure that the Corporation is not subject to income taxes. Accordingly, for financial statement reporting purposes, the tax deductibility of the Corporation's dividends results in the Corporation being effectively exempt from

FISGARD CAPITAL CORPORATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016

taxation and no provision for current or deferred income taxes is required.

(e) Financial instruments:

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables, or fair value through profit or loss.

Financial assets classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive income. Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive loss except for losses in value that are considered other than temporary.

Transaction costs associated with financial assets at fair value through profit or loss are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss or other financial liabilities. Financial liabilities classified as other financial liabilities are measured at amortized cost.

Financial liabilities classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive income.

(f) Assets held for sale:

Assets held for sale are measured at the lower of the asset's carrying amount and the fair value less costs to sell. Impairment losses and reversal shall be recognized for any initial or subsequent write-down of the assets held for sale to fair value less costs to sell. Any gain or loss resulting from a change in the fair value are included on profit or loss in the period in which they arise.

(g) Distributions:

The Corporation distributes all net investment receipts to shareholders quarterly, calculated to the last day of each quarter. All distributions are 100% participating, pro-rated to shareholders of record on the last business day of the quarter.

(h) Redeemable shares:

The Corporation classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Corporation has three classes of redeemable shares in issue: Class B, Class D and Class F. The Class B shares are redeemable after five years, Class D shares are redeemable after three years and Class F are redeemable after one year, from the end of the quarter of the date of issue, at a price equal to their original issue amounts plus the amount of dividends declared and unpaid and a pro-rata share of retained earnings (deficit) at the time notice of redemption is received and hence are classified as financial liabilities.

(i) Common shares:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity.

FISGARD CAPITAL CORPORATION**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016****(j) Investments in associates:**

From time to time, the Corporation may foreclose on real estate pledged to secure mortgage loans, generally in circumstances where a borrower has failed to make principal and interest payments when due and otherwise has not made satisfactory arrangements to cure its default of its contractual obligations to the Corporation. As a MIC, the Corporation is prohibited from managing and developing real estate, and hence the Corporation structures certain foreclosures such that control of the real estate is vested with a third-party general partner. In connection with this, the Corporation has, in concert with the third-party general partner, established three limited partnerships in which the Corporation holds 99.999% of the equity interests, represented by limited partner units, and in which the third-party general partner holds a 0.001% equity interest, represented by the general partner unit.

The Corporation has determined that the investments in limited partner units are investments in associates as defined in IAS 28 *Investments in associates and joint ventures*. An associate is an entity over which the Corporation has significant influence, but not control, generally through the holding of equity interests in the associate and also with consideration of the relationship between the Corporation and associates.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at fair value, and the carrying amount is increased or decreased to recognize the Corporation's share of the profit or loss of the associate after the date of acquisition. The Corporation's share of post-acquisition profit or loss is recognized in the income statement with a corresponding adjustment to the carrying amount of the investment. The Corporation evaluates, at each reporting date, whether there is evidence that the carrying amount of the investments in associates are impaired. If an investment in the associate is found to be impaired, the Corporation would recognize an impairment loss of the difference between the estimated recoverable amount of the investment and its carrying amount.

(k) New standards and interpretations not yet adopted:

The following is an overview of accounting standard changes that the Corporation will be required to adopt in future years. The Corporation does not expect to adopt any of these standards before their effective dates. The Corporation continues to evaluate the impact of these standards on its financial statements.

IFRS 9 - Financial Instruments. This standard partially replaces IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 measures financial assets, after initial recognition, at either amortized cost or fair value. Existing IAS 39 classifies financial assets into four measurement categories. The standard is effective for annual periods beginning on or after January 1, 2018. In the year of adoption, the Corporation is required to provide additional disclosures relating to the reclassified financial assets and liabilities. The Corporation may, but is not required to, apply the standard retroactively. In and after the year of adoption, certain disclosures relating to financial assets will change to conform to the new categories.

IFRS 15 - Revenue from Contracts with Customers. The standard is effective for annual periods beginning on or after January 1, 2018. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 - Revenue, IAS 11 - Construction Contracts, and a number of revenue-related interpretations. The new standard will apply to nearly all contracts with customers; the main exceptions are leases, financial instruments and insurance contracts.

FISGARD CAPITAL CORPORATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016

4. MORTGAGE LOANS RECEIVABLE:

Total mortgage loans receivable are carried at the unpaid principal amount less specific provisions. On a periodic basis, the management reviews the mortgage portfolio and the overall general real estate market. The management increases or decreases the allowance for potential future mortgage losses as deemed necessary, based on any payment arrears, known risks, historical mortgage loss and current economic conditions and trends. Mortgage loans receivable consists of following:

	<u>2016</u>	<u>2015</u>
Mortgage loans receivable - beginning of year	186,609,980	186,160,342
Provisions for mortgage losses	<u>1,643,074</u>	<u>865,236</u>
Mortgage loans receivable - end of year	<u>\$ 184,966,906</u>	<u>\$ 185,295,106</u>

The following table presents a continuity of the specific provision for the mortgage losses:

	<u>2016</u>	<u>2015</u>
Balance - beginning of year	865,236	1,569,491
Provision (reduction) for mortgage losses	951,003	337,365
Mortgage losses for the year	<u>(173,165)</u>	<u>(1,041,620)</u>
Balance - end of year	<u>\$ 1,643,074</u>	<u>\$ 865,236</u>

Mortgage loans receivable of \$13,969,939 (2015 - \$22,539,938) that have a due date of more than one year are classified as a long term asset.

At year-end approximately \$147,180,748 (2015 - \$147,538,820) of the mortgage loans receivable are residential and \$39,429,232 (2015 - \$38,621,522) are commercial. Provision (reduction) for mortgage losses

5. OTHER CURRENT ASSETS:

All amounts are short-term. The net carrying value of other current assets is considered a reasonable approximation of fair value.

All of the Corporation's other current assets have been reviewed for indicators of impairment.

6. ASSETS HELD FOR SALE:

Assets held for sale are properties acquired by the Corporation following the foreclosure on loans that are in default. These properties were recorded at the lower of the asset's carrying amount and the fair market value less costs to sell applied consistently with by the Corporation.

7. INVESTMENTS IN ASSOCIATES:

Investments in associates represent real properties that are held indirectly through holdings in units of limited partnerships ("LPs") or other vehicles that are the result of a foreclosure action taken to enforce the Corporation's rights as a secured lender.

FISGARD CAPITAL CORPORATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016

The Corporation participates only as a limited partner in the LPs and does not have control in or over the LPs. The Corporation is restricted from becoming the General Partner of the LPs.

- (a) Transtide Coquitlam Lanes Limited Partnership ("Coquitlam LP") was formed on November 14, 2014 for the purpose of holding certain real estate assets. The Corporation is the sole limited partner of Coquitlam LP and holds a 99.999% equity interest. The sole director of the GP is the son of one of the Directors and voting shareholders of the Corporation. The GP holds a 0.001% equity interest in Coquitlam LP.

During 2015, the Corporation purchased 9,476,100 limited partnership units from Coquitlam LP for \$9,476,100 in cash. Coquitlam LP used those funds to purchase certain real estate assets from an arm's-length receiver for the estimated fair market value of the assets of \$9,476,100. The real estate assets were security for a mortgage loan receivable of the Corporation that was in default and under foreclosure. The receiver used the proceeds from sale to settle the mortgage loan receivable of the Corporation, and the Corporation realized a loss on settlement of \$561,297, which was drawn from the Corporation's provision for loan losses.

As result of this transaction, Coquitlam LP is operating a 36 lane bowling centre, commonly known as Zone Bowling Coquitlam, and Big River Restaurant and owns two commercial strata units.

As at December 31, 2016 Coquitlam LP recognized a profit of \$122,524. The Corporation received \$100,000 in cash from Coquitlam LP for the distribution of profit and recognized a gain of \$22,524.

In 2016, Coquitlam LP sold one of the real estate assets, to arm's length parties, for \$1,300,000 and incurred transaction costs of approximately \$72,640 for property taxes, management fees and real estate commissions. Coquitlam LP distributed cash of \$1,227,360 to the Corporation.

In 2016, the Corporation received \$172,524 in cash from Coquitlam LP for the repurchase of limited partnership units.

As at December 31, 2016 Coquitlam LP recognized a profit of \$317,841. The Corporation received \$249,999.97 in cash from Coquitlam LP for the distribution of profit and recognized a gain of \$68,949.

- (b) In January 2014 Transtide Investments Limited Partnership ("Investment LP") was formed for the purpose of holding certain real estate assets of the Corporation. The Corporation is the sole limited partner of Investment LP and holds a 99.999% equity interest. The sole director of the General Partner (GP) was the brother of one of the Directors and voting shareholders of the Corporation. The GP holds a .001% equity interest in Investment LP.

In September 2014, the sole director of the GP resigned and was replaced by the son of one of the Directors and voting shareholders of the Corporation at which time Investment LP held no properties and had limited capital.

In October 2015, the Corporation purchased 5,845,000 Investment LP limited partnership units for \$5,845,000 in cash. Investment LP used those funds to purchase certain real estate assets, having an estimated fair market value of \$5,845,000, from an arm's-length receiver. The real estate assets were security for a mortgage loan receivable of the Corporation that was in default and under foreclosure. The receiver used the proceeds to settle the mortgage loan receivable by the Corporation. The Corporation realized a loss of \$697,257, which was drawn from the Corporation's provision for mortgage losses.

Also during 2015, the Corporation purchased an additional 70,000 limited partnership units from Investment LP, for \$70,000 in cash, to fund the ongoing management of the real estate assets.

As at December 31, 2015 the Corporation recognized a loss of \$220,287 in Investment LP.

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As at December 31, 2016 Investment LP recognized a profit of \$61,421. The Corporation received \$49,999.99 in cash from Investment LP for the distribution of profit and recognized a gain of \$11,421.

- (c) Transtide Westmount Estates Limited Partnership ("Westmount LP") was formed on September 30, 2014 for the purpose of holding certain real estate assets. The Corporation is the sole limited partner of Westmount LP and holds a 99.999% equity interest. The sole director of the GP is the son of one of the Directors and voting shareholders of the Corporation and holds a .001% equity interest in Westmount LP.

During 2014, the Corporation purchased 1,250,000 limited partnership units from Westmount LP for \$1,250,000 in cash. Westmount LP used those funds to purchase certain real estate assets, having an estimated fair market value of \$1,250,000, from an arm's-length receiver. The real estate assets were security for a mortgage loan receivable of the Corporation that was in default and under foreclosure. The receiver used the proceeds to settle the mortgage loan receivable by the Corporation.

The Corporation realized a loss of \$920,322.50, which was drawn from the Corporation's provision for loan losses.

The Corporation purchased an additional 10,000 limited partnership units from Westmount LP for \$10,000 in cash during 2015 to cover costs related to expenses and ongoing development of the property.

As at December 31, 2015 the Corporation recognized a loss of \$10,915 in Westmount LP.

In 2016, the Corporation purchased an additional 50,632 limited partnership units from Westmount LP, for \$50,000 in cash to fund the ongoing management of the real estate assets.

As at December 31, 2016 the Corporation recognized a loss of \$10,129 in Westmount LP.

- (d) Transtide Kingsview Limited Partnership ("Kingsview LP") was formed on January 5, 2016 for the purpose of holding certain real estate assets. The Corporation is the sole limited partner of Kingsview LP and holds a 99.999% equity interest. The sole director of the GP is the son of one of the Directors and voting shareholders of the Corporation. The GP holds a 0.001% equity interest in Kingsview LP.

In 2016, the Corporation purchased 12,725,100 limited partnership units from Kingsview LP for \$12,725,100 in cash. Kingsview LP used those funds to purchase certain real estate assets from an arm's-length borrower for the estimated fair market value of the assets of \$12,725,100. The real estate assets were security for a non-performing mortgage loan receivable of the Corporation that was in previously in default and in foreclosure. The proceeds from sale were used to settle the mortgage loan receivable of the Corporation.

During 2016, the Corporation purchased an additional 260,000 limited Partnerships units from Kingsview LP, for \$260,000 in cash to cover costs related to expenses and ongoing development of the property.

As at December 31, 2016 the Corporation recognized a loss of \$12,747 in Kingsview LP.

Under the Limited Partnership Agreements entered by the Corporation for the above investments, the Corporation, as a limited partner, will share in the net income or net loss of the limited partnerships pro rata to the number of units owned by the Corporation. During the year, the Corporation owned 99.999% of the limited partner units with the general partner owning 0.001%.

The following discloses the Corporation's investments in associates and changes therein during 2015 and 2016:

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	<u>Coquitlam LP</u>	<u>Investment LP</u>	<u>Westmount LP</u>	<u>Kingsview LP</u>	<u>Total</u>
Balance, January 1, 2015	\$ (1,693)	\$ 12,292	\$ 1,247,750	\$ -	\$ 1,258,349
Contributions	9,476,000	5,915,000	10,000	-	15,401,000
Equity in profits (losses)*	<u>22,524</u>	<u>(220,287)</u>	<u>(10,915)</u>	<u>-</u>	<u>(208,678)</u>
As of January 1, 2016	9,496,831	5,707,005	1,246,835	-	16,450,671
Contributions	-	115,000	50,000	12,985,100	13,150,100
Equity in profits (losses)*	68,949	11,421	(10,129)	(12,747)	57,494
Repurchased	<u>(1,399,884)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,399,884)</u>
As of December 31, 2016	<u>\$ 8,165,896</u>	<u>\$ 5,833,426</u>	<u>\$ 1,286,706</u>	<u>\$ 12,972,353</u>	<u>\$ 28,258,381</u>

* of associates.

8. BANK INDEBTEDNESS AND LINE OF CREDIT:

The corporation has a Business Line of Credit available from Canadian Western Bank with a maximum limit of \$40,000,000 at prime lending rate plus 0.80%. The amount of the Line of Credit may be subject to and dependent upon the balance of the mortgage loans receivable.

9. DEFERRED REVENUE AND INTEREST RESERVE:

Lender and renewal fee income is amortized to income over the contractual terms of mortgages. Income from investment in associates is recognized when earned and is deferred until it is declared to be distributed by the General Partner of the associates.

Interest Reserve pertains to the amount that was held back by the Corporation from the drawdown of some mortgages. The interest reserve will be used for the borrowers' interest payments. Once the interest reserve is fully utilized, the borrower will be responsible to make the monthly interest payments. The Corporation does not pay interest to the borrower on any funds held in an interest reserve account.

10. SHARE CAPITAL:

(a) Redeemable Shares:

The Corporation has authorized an unlimited number of Class B, D, F, non-voting, participating, redeemable shares. At year-end, the issued and outstanding shares as provided in the statement of financial position are as follows:

	<u>Current</u>		<u>Non-Current</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Class B common shares	\$ 50,215,965	\$ 31,890,211	\$ 130,300,021	\$ 153,548,318
Class D common shares	2,136,789	625,304	7,249,416	6,851,940
Class F common shares	<u>9,222,397</u>	<u>9,732,807</u>	<u>-</u>	<u>-</u>
	<u>\$ 61,575,151</u>	<u>\$ 42,248,322</u>	<u>\$ 137,549,437</u>	<u>\$ 160,400,258</u>

Schell & Associates
Chartered Professional Accountants

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During the year, there is a \$24,054 (2015 - \$207,776) share redemption revaluation from investors who redeemed shares as part of the share in the deficit in the retained earnings. At year end, the Corporation has the following outstanding Class B, D, and F shares:

	<u>2016</u>	<u>2015</u>
Class B	180,515,986	185,438,528
Class D	9,386,205	7,477,244
Class F	<u>9,222,397</u>	<u>9,732,807</u>
	<u>\$ 199,124,588</u>	<u>\$ 202,648,579</u>

During the year the following external share transactions occurred at the issue price of \$1.00 and a redemption price of \$1.00 (2015 - \$0.991) per share:

	<u>2016</u>		<u>2015</u>	
	<u>Subscriptions</u>	<u>Redemptions</u>	<u>Subscriptions</u>	<u>Redemptions</u>
Class B common	\$ 7,049,709	\$ 15,702,613	\$ 4,779,828	\$ 18,450,946
Class D common	405,653	454,494	924,982	34,851
Class F common	<u>1,592,563</u>	<u>3,326,459</u>	<u>1,469,772</u>	<u>3,877,102</u>
	<u>\$ 9,047,925</u>	<u>\$ 19,483,566</u>	<u>\$ 7,174,582</u>	<u>\$ 22,362,899</u>

The company follows the IFRS recommendations for accounting for financial instruments, whereby issued share capital which has attributes of a financial liability, is presented as such.

The Class F shares were classified as a current liability based on their one year maturity from the original issuance date. Class B shares that are maturing within one year were also classified as a current liability. Class D shares will start maturing in 2017. Of the total 2015 Class B outstanding shares, 8.5% were redeemed during the year (2015 - 9.36%) and 34.20% of the total 2015 Class F outstanding shares were redeemed during the year (2015 - 34.69%). Early redemptions during the year on Class D share represents 6.1% (2015 - 1.30%) of the total outstanding shares in 2015. Most of the Class B & F shares were renewed subsequently by the investors on the redemption date.

(b) Common Shares:

Authorized:

Unlimited Class A common shares, voting, participating, with no par value

	<u>2016</u>	<u>2015</u>
Issued and outstanding:		
480 Class A common shares	<u>\$ 480</u>	<u>\$ 480</u>

11. OTHER REVENUE

	<u>2016</u>	<u>2015</u>
Mortgage lender fees	\$ 509,485	\$ 1,306,279
Mortgage modification fees	147,309	207,330
Income from investment in associates	300,000	100,000
Other	<u>159,423</u>	<u>462,039</u>
	<u>\$ 1,116,217</u>	<u>\$ 2,075,648</u>

FISGARD CAPITAL CORPORATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016

12. NON-CASH TRANSACTIONS:

Transactions described in note 6 are being treated as non-cash transactions as per IFRS because there is no net cash flow impact on the Corporation's cash position.

The Corporation engaged in the following non-cash investing activities during the year:

	<u>2016</u>	<u>2015</u>
Westmount LP	\$ 50,000	\$ 10,000
Investment LP	115,000	5,915,000
Kingsview LP	12,985,100	-
Coquitlam LP	-	9,476,000
	<u>\$ 13,150,100</u>	<u>\$ 15,401,000</u>

13. RELATED PARTY DISCLOSURES:

Directors, officers and related family members who have investments in the Corporation received \$74,461 (2015 - \$63,007) in dividend income. Employees who also have investments in the Corporation received \$28,177 (2015 - \$16,850) in dividend income. In all cases, the dividends received were based on the same criteria as all other investors holding the same class of shares in the Corporation.

Under the terms of an agreement between the Corporation and Fisgard Asset Management Corporation (FAMC), the Corporation is to pay an annual fee of 1.8% of the sum of outstanding shares and borrowings for management and administrative services provided. The fee is based on the sum of outstanding shares and borrowings as of the first day of each month, payable on the first day of the month. The Corporation cost-shares certain other services with FAMC in relation to its level of business activity. A significant shareholder of the Corporation owns and controls FAMC. Management fees of \$4,000,526 (2015 - \$2,660,000) were paid during the year.

Under the terms of a trademark licence agreement between the Corporation and Strandlund Investments Ltd., the Corporation is to pay an annual fee amounting to 0.15% of the sum of the outstanding shares and borrowings. The annual fee that is payable at the beginning of each month is expensed monthly based on the sum of the outstanding shares and borrowings as of the first day of that month. The Corporation and Strandlund Investments Ltd. waived the trademark fee effective August 2011 and the waiver is still in effect as of the date of these financial statements.

From time to time, at the discretion of management and in accordance with the Corporation's Offering Memorandum, the company may pay referral fees to the manager, FAMC, for (a) raising investment capital in the form of shares and/or borrowings and (b) providing mortgages and other MIC-qualified assets for the Corporation to invest in. The Corporation paid FAMC for external Exempt Market Dealers \$41,859.16 (2015 - \$19,308).

The General Partner of the associates (see note 6) is not a "related party" to the Corporation as defined under the *Income Tax Act*. The director of the General Partner of the associates is the son of one of the directors and voting shareholders of the Corporation and is a "related party" to the Corporation as defined under IFRS.

During the period April to July 2015, the Corporation entered into agreements with Fisgard Capital II Corporation (FCIIC) to assign sixteen mortgages to FCIIC. Under the agreements, FCIIC assumed full benefits of all powers and all covenants and provisos under the Loan and in the Security in the name of the Corporation. In August 2015, FCC ceased to enter into new agreements with FCIIC for the assignment of mortgages. As of December 31, 2016, four of aforementioned mortgages are still outstanding with a total balance of \$294,674.

FISGARD CAPITAL CORPORATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016

14. FINANCIAL INSTRUMENTS:

The carrying values of the Corporation's financial instruments are classified into the following categories:

<u>Financial instrument</u>	<u>Category</u>	<u>2016</u>	<u>2015</u>
Cash	FVTPL	\$ 1,558,968	\$ 1,668,183
Mortgage loans receivable	Loans and receivables	184,966,907	185,295,106
Accounts payable and accruals	Other liabilities	1,535,510	1,203,352
Redeemable shares	Other liabilities	199,124,588	202,648,581

Fair value

IFRS 7 establishes a fair value hierarchy, for financial instruments measured at fair value, that reflects the significance of inputs in making fair value measurement as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and

Level 3 - inputs for the asset or liability that are not based upon observable market data

The recorded amounts for cash and mortgage loans payable and accruals approximate their fair value due to their short-term natures. The fair value of cash under the fair value hierarchy is determined using Level 1 inputs.

The fair value of mortgage loans receivable is not readily determinable due to the lack of an active and liquid market for such instruments. Mortgage loans receivable bear interest at market rates when funded and are secured by appropriate collateral, and are hence it is believed the carrying value of mortgage loans receivable approximately their fair value.

The fair value of redeemable shares is also not readily determinable. The carrying value of redeemable shares is the amount of cash that would be required to discharge the redeemable shares on an immediate basis, which is believed to approximate fair value.

Fair values are not necessarily representative of the amounts realizable in immediate settlement of the financial instruments. Fair values are also not necessary measurements for financial instruments carried at amortized cost.

Financial risk management objectives and policies

The Corporation's financial instruments include cash, mortgage loans and receivables, accounts payable and accruals, and redeemable shares. The risk associated with these financial instruments and the policies regarding their management are discussed below. Management monitors these risk exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Interest rate risk:

The Corporation's is not exposed to significant interest rate risk price or cash flow risk.

(b) Credit risk:

Credit risk is the risk that the Corporation will incur a loss because a borrower fails to meet an obligation. The Corporation does its best to avoid unreasonable concentration of mortgage funds in a particular borrower or group of related borrowers, concentration in a particular locale or community and concentration in a particular type of real estate product (e.g. commercial, industrial, raw land development, construction, fee simple vs. strata property) with the obvious exception of residential real estate which type is a statutory requirement of the *Income Tax Act* (Canada). Several risk management policies have been implemented by the Corporation's management. Other policies include the evaluation of the borrower's

FISGARD CAPITAL CORPORATION

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credit worthiness and ability to repay the mortgage when it is originally granted or subsequently renewed; and regular monitoring of borrower information such as delinquent and overdue accounts. The real estate industry can sometimes be subject to cyclical fluctuations affecting the borrower's ability to repay the mortgage.

(c) Liquidity Risk:

Liquidity risk arises as a result of changes in conditions which cause the Corporation to encounter difficulties in meeting financial obligations associated with financial liabilities. The redeemable shares mature at various future dates and management has approximately matched the maturity of mortgage loans receivable to provide reasonable assurance that liquidity will be available as redeemable shares mature.

15. CAPITAL RISK MANAGEMENT:

The Corporation defines capital as being the funds raised through the issuance Class B, D & F Shares for the purpose of investing in mortgages secured by real estate property and non-mortgage investments located in Canada. There is no market through which the Shares may be sold and the Corporation does not expect that any market will develop in the future. Accordingly an investment in Shares should only be considered by Investors who do not require liquidity. The Shares are redeemable at the request of the investor upon appropriate advance notice to the Corporation. The different shares have different stated "investment periods" varying from five years to one year. However, these periods do not represent automatic redemption dates, but rather are descriptive terms corresponding to dividend rates which attach to a particular share.

The Corporation gives no assurance that investors will be able to redeem any or all of their shares at any time. Redemption of the Shares is subject to the Corporation having access to sufficient cash or other liquid assets and being in compliance with applicable corporate and securities legislation, all as determined solely by the Corporation. Redemption of the Shares is also subject to the discretion of the Directors to act in the best interests of the Corporation under the *Income Tax Act* (Canada).

The Corporation manages the capital/equity structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Corporation may issue new shares or repay bank indebtedness and loans payable (if any).

The Corporation's investment guidelines, which can be varied at the discretion of the Board of Directors, incorporate various guideline restrictions and investment operating policies in mortgage and non-mortgage investments. The Corporation will have the majority of the mortgage portfolio (greater than 50%) in residential mortgages and will not invest more than 75% loan to value (LTV) except under certain circumstances for renewals, work out agreements or in special circumstances that are approved by management.

16. EVENTS AFTER THE REPORTING PERIOD:

- (a) As of March 2, 2017, Westmount LP real estate assets sold for \$1,415,000
- (b) The Corporation purchased an additional 100,098 limited units from Kingsview LP, for \$100,000 in cash to fund the ongoing management of the real estate assets.
- (c) An offer of \$207,400 for assets held for sale has been accepted and awaiting the subject to financing of the purchaser to be finalized (see also note 6).

ITEM 13: CERTIFICATE OF THE ISSUER

Dated the 16th day of March, 2017

This Offering Memorandum does not contain a misrepresentation

FISGARD CAPITAL CORPORATION



**Wayne Strandland
Director**



**Hali Noble
Director**



**Joel Rosenberg
Director**



**Dawn Paniz
Director**



**Alan Frydenlund
Director**

Statements made in this Offering Memorandum are those of the Issuer. No person is authorized to give any information or to make any representation in connection with this offering other than as referred to in this Offering Memorandum, and any information or representation not referred to in this Offering Memorandum must not be relied upon as having been authorized by the Issuer.