FISGARD
CAPITAL CORPORATION

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OFFERING MEMORANDUM

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(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 Chief Executive Officer 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 20, 2020
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 Fax: (250) 384-1498 or 1-866-384-1498 Email: info@fisgard.com
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 "mortgage investment corporation" under the Tax Act (defined below). 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 29, 2020, the Issuer had a total of 191,455,569 Shares issued and outstanding for gross proceeds of $191,455,569.
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	$13,457,500 [2]
Operating expenses [3]	$50,000	$442,500 [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 29, 2020, the Issuer had a total of 191,455,569 Shares issued and outstanding for gross proceeds of $191,455,569.

[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 1.95% per year of the Aggregate Capital (as defined below). Based on the assumed maximum offering of $15,000,000, these fees would amount to $292,500 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 qualify as a "mortgage investment corporation" within the meaning of the *Income Tax Act* (Canada) (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 –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. As a mortgage investment corporation under the Tax Act, the Issuer is generally permitted to deduct dividends it pays in computing its income. 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. "Mortgage investment corporations" appear to have been designed to provide smaller retail investors with an opportunity to invest in real estate related products, including mortgages, directly or through trusts governed by Canadian registered plans such as registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts, which are generally not permitted to invest in real estate or borrow. Due to this special tax treatment, "mortgage investment corporations" are subject to certain constraints as described below under "Item 2.2: Our Business –Tax Act MIC Criteria".

Investment Policy

Although the Tax Act's "mortgage investment corporation" 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 "mortgage investment corporation" 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. Although the Issuer expects that any such borrowings will be primarily from arm's length financial institutions, the Issuer may borrow funds from private lenders that have business or personal relationships with the Manager, Wayne Strandlund (the sole shareholder, the Chief Executive Officer and a director of the Manager and a shareholder, the President and Chief Executive Officer, and a director of the Issuer), or other directors and officers of the Manager or the Issuer, provided that such borrowings are on terms no less favourable than those available from arm's length third parties. Notwithstanding the foregoing, in no circumstances will the Issuer borrow funds from the Manager, any director, officer or shareholder of the Manager or any director or officer of the Issuer, or any immediate family member of or entity controlled by such persons.

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. See "Item 4.2 Short-Term Debt".

In addition, the Issuer may from time to time borrow funds by other means including through the issuance of short-term debenture (debt) instruments and promissory notes to third parties. Borrowings under these instruments may include corporate guarantees and covenants and may be secured by the assets of the Issuer. Any amounts borrowed under such instruments will be within the borrowing limits applicable to the Issuer as a MIC.

Lending Flexibility

As a "mortgage investment corporation", 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. The main value of a mortgage investment corporation (and one of the reasons the Issuer was formed to operate as a mortgage investment corporation) is that it can often fund the mortgages of certain borrowers that conventional lenders cannot. Generally speaking, interest rates of a mortgage investment corporation 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. For further information, see below under "Mortgage Investment Guidelines".

(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.

Tax Act MIC Criteria

A corporation is a "mortgage investment corporation" throughout a taxation year if, throughout the year, it satisfies the following conditions set out in subsection 130.1(6) of the Tax Act:

(a) the corporation was a Canadian corporation;

(b) the corporation's only undertaking was the investing of funds of the corporation and it did not manage or develop any real or immovable property;

(c) none of the property of the corporation consisted of

(i) debts owing to the corporation that were secured on real or immovable property situated outside Canada,

(ii) debts owing to the corporation by non-resident persons, except any such debts that were secured on real or immovable property situated in Canada,

(iii) shares of the capital stock of corporations not resident in Canada, or

(iv) real or immovable property situated outside Canada, or any leasehold interest in such property;

(d) there were 20 or more shareholders of the corporation and no person was a "specified shareholder" (see the following paragraph on page 8 below) of the corporation for the purposes of paragraph 130.1(6)(d) of the Tax Act;

(e) any holders of preferred shares (as defined in the Tax Act) of the corporation had a right, after payment to them of their preferred dividends, and payment of dividends in a like amount per share to the holders of the common shares (as defined in the Tax Act) of the corporation, to participate *pari passu* with the holders of the common shares in any further payment of dividends;

(f) at least 50% of the corporation's assets (as determined by the cost amount of the assets to the corporation) were comprised of

i) loans secured on "houses" or on property included in a "housing project", as those terms are defined in the *National Housing Act* (Canada) [1]

ii) deposits insured by the Canada Deposit Insurance Corporation (or Quebec DIC);

iii) deposits in a credit union, and/or

iv) cash.

(g) the cost amount (as defined in the Tax Act) to the corporation of all real or immovable property of the corporation, including leasehold interests in such property, (except real or immovable property acquired by the corporation by foreclosure or otherwise after default made on a mortgage, hypothec or agreement of sale of real or immovable property) did not exceed 25% of the cost amount to it of all of its property;

(h) where at any time in the year the cost amount to the corporation of such of its property as consisted of property described in above paragraph (f) was less than 2/3 of the cost amount to it of all of its property, the corporation does not exceed a 3:1 debt to equity ratio; and

(i) where above paragraph (h) is not applicable, the corporation does not exceed a 5:1 debt to equity ratio.

For the purposes of above paragraph (d), a person will generally be a specified shareholder of a corporation if the person, alone or together with any person related (as defined in section 251 of the Tax Act and as modified in paragraph (d) of section 130.1(6) of the Tax Act) to the person, owns directly or indirectly, more than 25% of the issued shares of any class of the capital stock of the corporation. "Related persons" include a corporation and the person or persons that control the corporation, a parent corporation and its subsidiary corporation(s) and corporations that are part of the same corporate group, and an individual and that individual's spouse, common-law partner or child under 18 years of age. The rules in the Tax Act defining "specified shareholders" and "related persons" are complex, and investors should consult with their own tax advisors in this regard.

As a "mortgage investment corporation" 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" under the Tax Act and will not result in the Issuer ceasing to qualify as a mortgage investment corporation under the Tax Act.

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[1] "House", as defined in The *National Housing Act* (Canada), 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

"Housing project", as defined in The *National Housing Act* (Canada), 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.

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. The Issuer does not intend to hold any mortgage loan to or other indebtedness of a person who is an annuitant, beneficiary, subscriber or employer under a trust governed by a registered retirement savings plan, registered retirement income fund, deferred profit sharing plan, registered education savings plan, registered disability savings plan or tax-free savings account (each as defined under the Tax Act) that holds Shares (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" to the particular trust under 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 ("**AACI**") 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 no 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" under 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.

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.

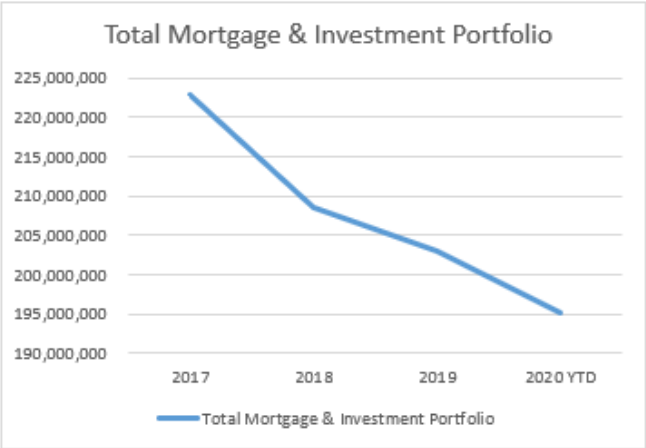
2.3 Development of Business

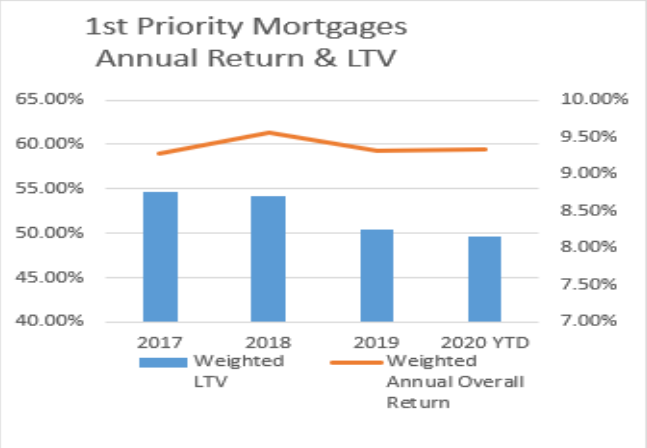
The Issuer began business in May 1994. The Issuer is qualified as a "mortgage investment corporation" under the Tax Act and has been engaged in raising capital for investments described under "Item 2.2: Our Business".

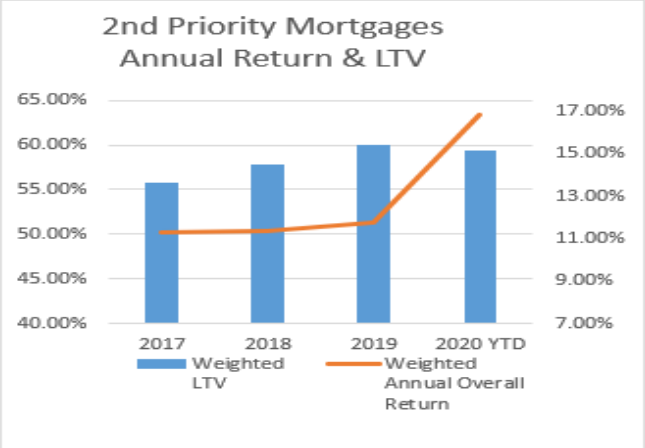
The information contained in this section is as at the dates shown. The actual investments held, and the makeup of these investment holdings will fluctuate over time and are not indicative of the future. All investments are made in accordance with the information and guidelines described in "Item 2.2: Our Business".

Mortgage and Investment Portfolio Trends Previous 3 years

As at December 31 in each of the previous three years and as at February 29, 2020 the Issuer's mortgage and investment portfolio was comprised as follows:



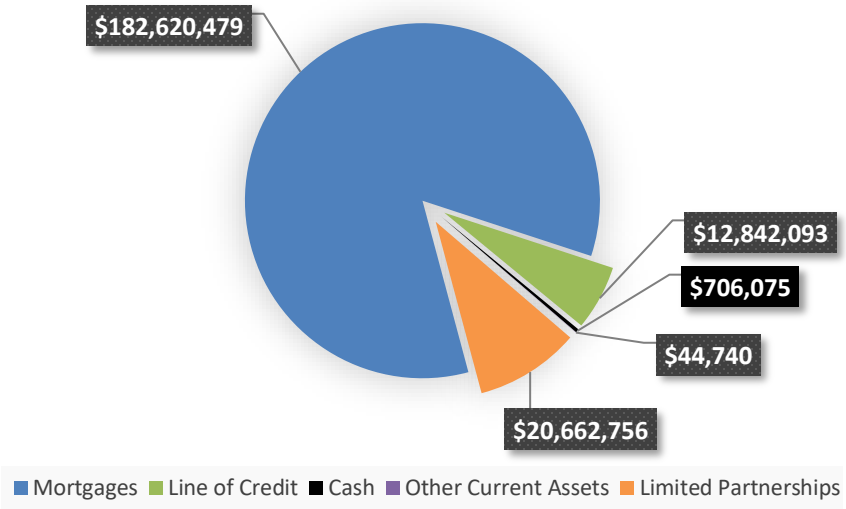




Mortgage and Investment Portfolio Summary (As at December 31, 2019)

As at December 31, 2019, the Issuer's investment portfolio was comprised as follows:

1. $181,645,600 in mortgage receivables consisting of $182,620,479 in mortgage balances (348 mortgages) less $487,603 in provisions for mortgage losses and less $487,276 in unamortized lender and modification fees.[1]
2. ($12,842,093) drawn down from an available $40,000,000 demand operating loan facility.
3. $706,075 in cash available for new mortgage funding.
4. $44,740 in other current assets.
5. $20,662,756 in investments in associates consisting of $19,425,433 in limited partnership(s), $1,237,323 in receivables from limited partnership(s) (See Note 6 of the December 31, 2019 Financial Statements for further details of the Issuer's investment in the limited partnerships) representing:
    i. 6,569,604 units (representing 99.999% of all outstanding units) in Transtide Investments Limited Partnership at a price of $0.969546 per unit.
    ii. 13,085,100 units (representing 99.999% of all outstanding units) in Transtide Kingsview Limited Partnership at a price of $0.99776 per unit.



Mortgage and Investment Portfolio Summary (As at February 29, 2020)

As at February 29, 2020, the Issuer's investment portfolio was comprised as follows:

1. $173,638,836 in mortgage receivables consisting of $174,613,714 in mortgage balances (327 mortgages) less $487,603 in provisions for mortgage losses and less $487,275 in unamortized lender and modification fees.[1]
2. ($1,579,796) drawn down from an available $40,000,000 demand operating loan facility.

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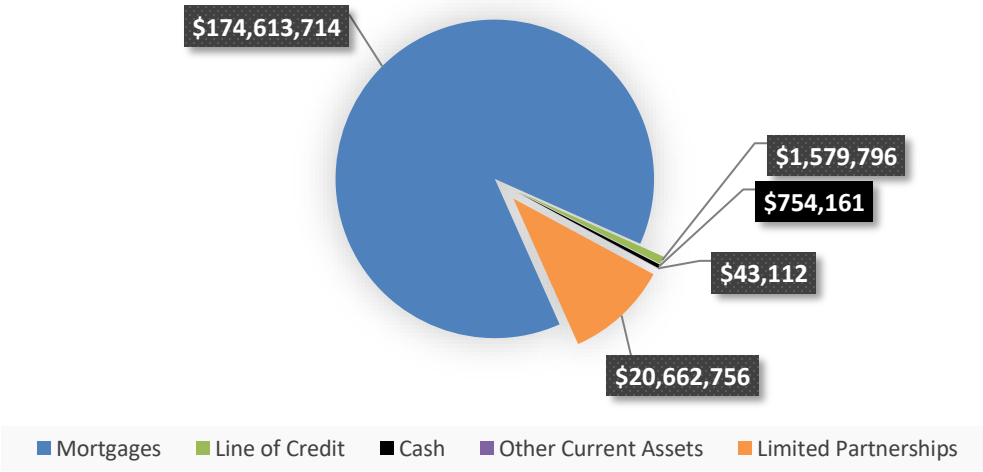
[1] Unamortized lender and modification fees are determined by summing the unamortized fees for each mortgage within the mortgage portfolio where these lender and modification fees were collected. On each mortgage, the unamortized amount is determined by dividing the fees collected, by the term of the mortgage (in months) and multiplying by the number of months remaining to the mortgage's maturity date.

3. $754,161 in cash available for new mortgage funding.

4. $43,112 in other current assets.

5. $20,662,756 in investments in associates consisting of $19,425,433 in limited partnership(s), $1,237,323 in receivables from limited partnership(s) representing:
    i. 6,569,604 units (representing 99.999% of all outstanding units) in Transtide Investments Limited Partnership at a price of $0.969546 per unit.
    ii. 13,085,100 units (representing 99.999% of all outstanding units) in Transtide Kingsview Limited Partnership at a price of $0.99776 per unit.



Mortgage Portfolio (As at February 29, 2020)

The average size of each residential mortgage is $488,793, each representing on average 0.28% of the portfolio. The average size of each non-residential mortgage is $1,625,589 each representing on average 0.93% of the portfolio. The largest loan in the portfolio totals 5.54% of the portfolio. Only 6 of 327 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 invests in senior (1st) mortgages and in junior (2nd) mortgages in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario communities where management feels there is a definable active real estate market. Mortgage loans are considered on a case-by-case basis recognizing that the amount of the mortgage will vary in relation to the value of the property. For example, the Issuer may lend up to 75% of the value of a property located in a community that evidences a robust real estate market, but only lend 65% of the value of a property located in a community that evidences a less robust real estate market. In the portfolio, 126 mortgages (69.14%) are in British Columbia, 34 mortgages (5.01%) are in Alberta, 14 mortgages (1.64%) are in Saskatchewan, 11 mortgages (1.17%) are in Manitoba and 142 mortgages (23.05%) are in Ontario.

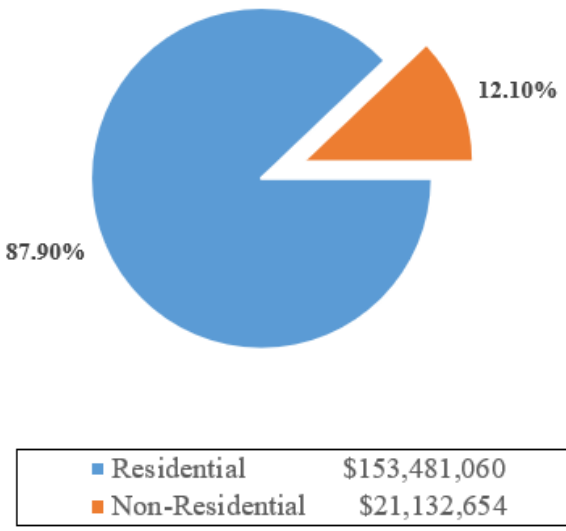
The Issuer holds a significant portion of its mortgage portfolio in senior mortgages with 97.97% of the portfolio's funds invested in senior mortgages. While senior mortgages are a major emphasis, the Issuer invests in junior mortgage loans and feels there is some room to increase junior mortgages as a percentage of the total mortgage portfolio.

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 87.90% and non-residential mortgages total 12.10% by dollar volume of the portfolio. Approximately 22.26% by dollar volume of the Issuer's mortgages are secured against raw land and

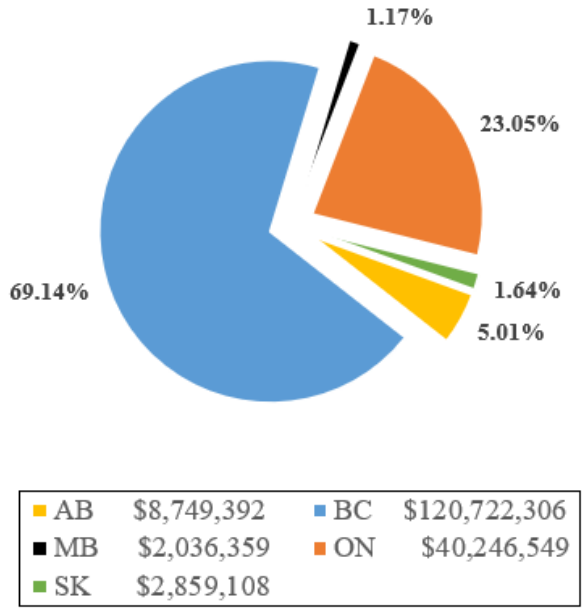
land development. Of these land mortgages, approximately 18.60% by dollar volume are for residential purposes, while 3.66% by dollar volume are for non-residential purposes.

Mortgage Allocation Graphs (As at February 29, 2020)

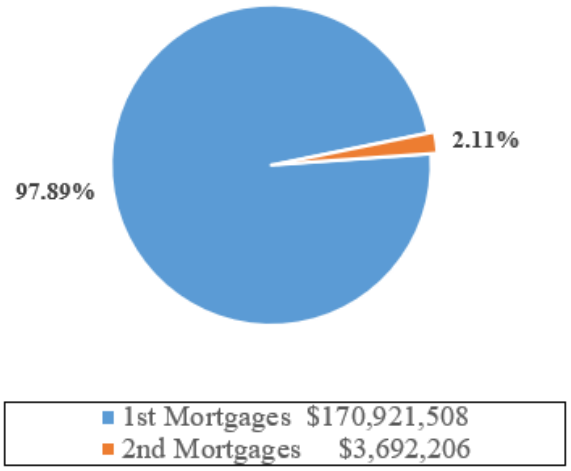
BY TYPE



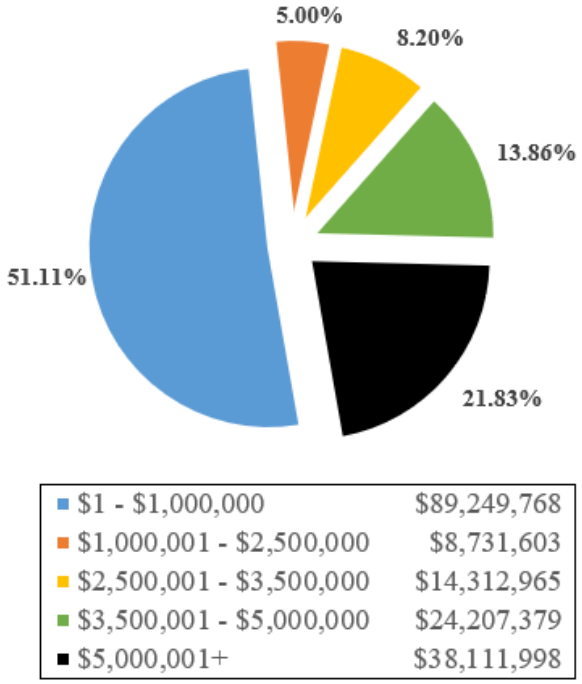
BY PROVINCE



BY RANK



BY VOLUME

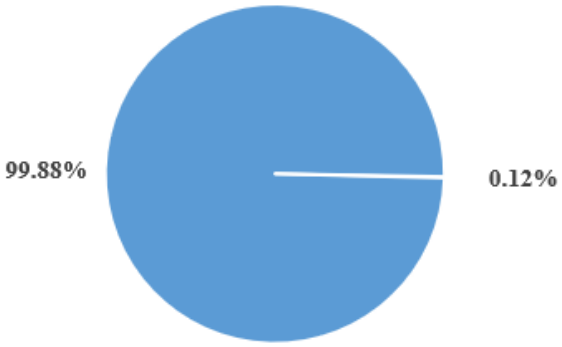


Mortgage Allocation Graphs (As at February 29, 2020) – cont.

BY PAYMENT TYPE

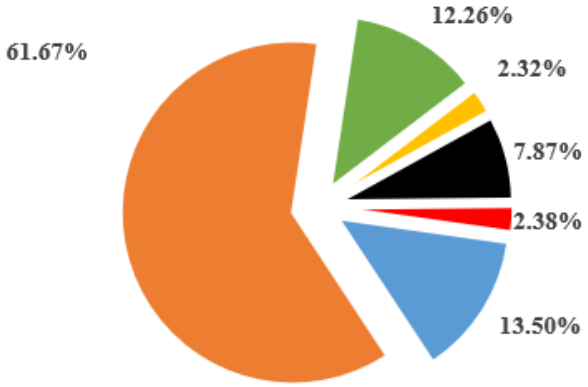
Principal and Interest	$9,902,279
Interest Only	$164,711,434

BY PREPAYMENT TERMS



Closed - 3 months interest	$212,727
Open - Without penalty	$174,400,986

BY DURATION



1 year or less	$23,565,940
1-2 years	$107,690,550
2-3 years	$21,407,224
3-4 years	$4,059,616
4-5 years	$13,733,461
5 years or more	$4,156,923

Mortgage Allocation Table (As at February 29, 2020)
FCC MortgageConcentration

Mortgage Allocation:

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	14,825,000	14,903,860	8.54%	2	0.61%	48.14%
Hospitality	10,000,000	8,492,671	4.86%	1	0.31%	35.82%
Land Acreage	130,000	131,247	0.08%	1	0.31%	27.63%
Land Serviced Lot & Development	33,087,239	31,933,809	18.29%	14	4.28%	48.53%
Land Unserviced Raw Land	398,750	400,155	0.23%	1	0.31%	55.19%
Mixed Use	5,920,000	3,928,747	2.25%	3	0.92%	42.20%
Other	2,299,000	2,279,583	1.31%	3	0.92%	45.23%
Residential Construction Multi Family	9,100,000	5,820,483	3.33%	2	0.61%	31.75%
Residential Construction Single Family	2,560,500	2,466,095	1.41%	4	1.22%	45.59%
Single-Family Condominium	10,116,352	9,747,841	5.58%	42	12.84%	54.23%
Single-Family Duplex	5,103,500	5,124,947	2.94%	18	5.50%	62.28%
Single-Family House	63,068,491	60,124,617	34.43%	196	59.94%	55.94%
Single-Family Mobile	164,000	161,650	0.09%	2	0.61%	37.52%
Single-Family Townhouse	7,964,711	7,965,353	4.56%	25	7.65%	55.38%
	164,737,543	153,481,060	87.90%	314	96.02%	50.96%
Non-Residential						
Commercial Industrial	4,338,000	4,322,965	2.48%	2	0.61%	34.11%
Commercial Land	9,160,000	6,390,947	3.66%	3	0.92%	42.26%
Commercial Office	741,250	516,676	0.30%	2	0.61%	52.65%
Commercial Retail	9,839,800	9,902,066	5.67%	6	1.83%	44.26%
	24,079,050	21,132,654	12.10%	13	3.98%	41.78%
SUMMARY	**188,816,593**	**174,613,714**		**327**		**49.85%**
BY PROVINCE						
AB	9,047,691	8,749,392	5.01%	34	10.40%	54.62%
BC	133,088,384	120,722,306	69.14%	126	38.53%	47.22%
MB	2,214,000	2,036,359	1.17%	11	3.36%	54.62%
ON	41,622,543	40,246,549	23.05%	142	43.43%	56.05%
SK	2,843,975	2,859,108	1.64%	14	4.28%	55.56%
SUMMARY	**188,816,593**	**174,613,714**		**327**		**49.85%**
BY RANK						
1st Mortgages	185,126,593	170,921,508	97.89%	324	99.08%	49.64%
2nd Mortgages	3,690,000	3,692,206	2.11%	3	0.92%	59.42%
SUMMARY	**188,816,593**	**174,613,714**		**327**		**49.85%**
BY VOLUME						
$1 - $1,000,000	95,898,843	89,249,768	51.11%	305	93.27%	55.18%
$1,000,001 - $2,500,000	11,702,750	8,731,603	5.00%	6	1.83%	49.10%
$2,500,001 - $3,500,000	17,050,000	14,312,965	8.20%	5	1.53%	46.78%
$3,500,001 - $5,000,000	24,340,000	24,207,379	13.86%	6	1.83%	40.34%
$5,000,001+	39,825,000	38,111,998	21.83%	5	1.53%	44.74%
SUMMARY	**188,816,593**	**174,613,714**		**327**		**49.85%**
BY PAYMENT TYPE						
Principal and Interest	10,239,586	9,902,279	5.67%	47	14.37%	55.22%
Interest Only	178,577,007	164,711,434	94.33%	280	85.63%	49.53%
SUMMARY	**188,816,593**	**174,613,714**		**327**		**49.85%**
BY PREPAYMENT TERMS						
Closed - 3 months interest	220,000	212,727	0.12%	1	0.31%	51.26%
Open - Without penalty	188,596,593	174,400,986	99.88%	326	99.69%	49.85%
SUMMARY	**188,816,593**	**174,613,714**		**327**		**49.85%**
BY DURATION						
1 year or less	23,489,939	23,565,940	13.50%	68	20.80%	56.46%
1-2 years	114,232,864	107,690,550	61.67%	152	46.48%	47.67%
2-3 years	22,058,465	21,407,224	12.26%	60	18.35%	54.30%
3-4 years	5,585,675	4,059,616	2.32%	19	5.81%	51.89%
4-5 years	16,887,150	13,733,461	7.87%	14	4.28%	49.67%
5 years or more	6,562,500	4,156,923	2.38%	14	4.28%	44.43%
SUMMARY	**188,816,593**	**174,613,714**		**327**		**49.85%**

Mortgage Performance Table (As at February 29, 2020)

FCC_MortgagePerformance

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	14,825,000	14,903,860	7,451,930	16	8.59%	0.73%	9.32%
Hospitality	10,000,000	8,492,671	8,492,671	24	4.07%	0.00%	4.07%
Land Acreage	130,000	131,247	131,247	12	9.65%	0.15%	9.80%
Land Serviced Lot & Development	33,087,239	31,933,809	2,280,986	13	9.70%	0.81%	10.51%
Land Unserviced Raw Land	398,750	400,155	400,155	12	9.38%	0.00%	9.38%
Mixed Use	5,920,000	3,928,747	1,309,582	16	10.19%	0.77%	10.96%
Other	2,299,000	2,279,583	759,861	14	13.28%	0.73%	14.01%
Residential Construction Multi Family	9,100,000	5,820,483	2,910,242	11	8.73%	1.08%	9.80%
Residential Construction Single Family	2,560,500	2,466,095	616,524	12	8.91%	0.51%	9.42%
Single-Family Condominium	10,116,352	9,747,841	232,091	12	8.82%	0.09%	8.91%
Single-Family Duplex	5,103,500	5,124,947	284,719	12	9.23%	0.00%	9.23%
Single-Family House	63,068,491	60,124,617	306,758	12	8.89%	0.21%	9.10%
Single-Family Mobile	164,000	161,650	80,825	12	9.69%	0.00%	9.69%
Single-Family Townhouse	7,964,711	7,965,353	318,614	12	8.90%	0.03%	8.93%
	164,737,543	153,481,060	488,793	12	8.87%	0.41%	9.27%
Non-Residential							
Commercial Industrial	4,338,000	4,322,965	2,161,483	13	9.75%	1.04%	10.79%
Commercial Land	9,160,000	6,390,947	2,130,316	12	9.38%	0.66%	10.03%
Commercial Office	741,250	516,676	258,338	18	8.30%	1.32%	9.62%
Commercial Retail	9,839,800	9,902,066	1,650,344	15	11.14%	0.95%	12.09%
	24,079,050	21,132,654	1,625,589	14	10.26%	0.89%	11.14%
SUMMARY	**188,816,593**	**174,613,714**	**533,987**	**12**	**9.03%**	**0.47%**	**9.50%**
BY PROVINCE							
AB	9,047,691	8,749,392	257,335	12	8.98%	0.29%	9.27%
BC	133,088,384	120,722,306	958,114	12	9.08%	0.60%	9.68%
MB	2,214,000	2,036,359	185,124	12	9.01%	0.00%	9.01%
ON	41,622,543	40,246,549	283,426	12	8.92%	0.14%	9.06%
SK	2,843,975	2,859,108	204,222	13	9.03%	0.13%	9.16%
SUMMARY	**188,816,593**	**174,613,714**	**533,987**	**12**	**9.03%**	**0.47%**	**9.50%**
BY RANK							
1st Mortgages	185,126,593	170,921,508	527,536	12	8.89%	0.45%	9.34%
2nd Mortgages	3,690,000	3,692,206	1,230,735	10	15.67%	1.13%	16.80%
SUMMARY	**188,816,593**	**174,613,714**	**533,987**	**12**	**9.03%**	**0.47%**	**9.50%**
BY VOLUME							
$1 - $1,000,000	95,898,843	89,249,768	292,622	12	8.94%	0.18%	9.12%
$1,000,001 - $2,500,000	11,702,750	8,731,603	1,455,267	12	10.69%	0.59%	11.28%
$2,500,001 - $3,500,000	17,050,000	14,312,965	2,862,593	11	10.30%	1.32%	11.61%
$3,500,001 - $5,000,000	24,340,000	24,207,379	4,034,563	14	10.13%	1.06%	11.19%
$5,000,001+	39,825,000	38,111,998	7,622,400	18	7.70%	0.41%	8.11%
SUMMARY	**188,816,593**	**174,613,714**	**533,987**	**12**	**9.03%**	**0.47%**	**9.50%**
BY PAYMENT TYPE							
Principal and Interest	10,239,586	9,902,279	210,687	13	8.96%	0.12%	9.08%
Interest Only	178,577,007	164,711,434	588,255	12	9.04%	0.49%	9.52%
SUMMARY	**188,816,593**	**174,613,714**	**533,987**	**12**	**9.03%**	**0.47%**	**9.50%**
BY PREPAYMENT TERMS							
Closed - 3 months interest	220,000	212,727	212,727	24	8.84%	0.50%	9.34%
Open - Without penalty	188,596,593	174,400,986	534,972	12	9.03%	0.47%	9.50%
SUMMARY	**188,816,593**	**174,613,714**	**533,987**	**12**	**9.03%**	**0.47%**	**9.50%**
BY DURATION							
1 year or less	23,489,939	23,565,940	346,558	12	8.68%	0.70%	9.38%
1-2 years	114,232,864	107,690,550	708,490	12	9.12%	0.58%	9.70%
2-3 years	22,058,465	21,407,224	356,787	12	9.12%	0.03%	9.14%
3-4 years	5,585,675	4,059,616	213,664	13	9.18%	0.03%	9.21%
4-5 years	16,887,150	13,733,461	980,961	13	8.87%	0.01%	8.88%
5 years or more	6,562,500	4,156,923	296,923	12	8.86%	0.39%	9.25%
SUMMARY	**188,816,593**	**174,613,714**	**533,987**	**12**	**9.03%**	**0.47%**	**9.50%**

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 29, 2020)

The Issuer currently holds no investments in real property.

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 29, 2020 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 Chief Executive Officer 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 2018, Transtide LP paid $300 in management fees and $23,014 in compensation to Transtide GP.

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. 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 permit all the buildings to be consolidated to increase its value.

The real estate market for fractional interests had declined significantly over the 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 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.

In 2017, Transtide LP issued 50,000 units with a stated value of $48,173 bringing the Issuer's holdings to a total of 99.99% of the total outstanding units having a stated value of $5,881,600.

Commercial Center

Transtide LP purchased certain real estate assets (the "**Commercial Center**"), having an estimated fair market value of $5,500,000, from a Receiver by way of assuming the mortgage with the Issuer in the amount of $5,500,000. The Issuer structured the terms of the mortgage as a special circumstance loan agreement which is on a performing basis.

The mortgage is on the commercial center component and interalia with the rest of the "Nanoose Properties". 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" and to remove the assets from receivership.

The Issuer realized a loss of $1,044,527 which was drawn from the Issuer's provision for mortgage losses.

In 2017, Transtide LP's has declared income of $120,000 to the Issuer from profit earned.

In September 2018 Transtide GP made a conditional offer to purchase a 100% interest in 63 condominiums (including chattels) within the condominium complex where it currently owns 34.5% of the total condominiums. The conditional offer was accepted and is expected to complete in early 2019. Transtide LP's ownership would increase to 89.7% of the entire condominium complex. Amongst other conditions Transtide GP has a condition to obtain financing. The Issuer's Board of Directors will consider a further investment (LP units or mortgage) or not in Transtide LP based on a business case and financial proforma presented by Transtide GP.

In 2018, Transtide LP issued 465,000 units to the Issuer with a stated value of $447,940. As of December 31, 2018 Transtide, LP recognized a loss of $80,000.

The Issuer's holdings a total of 99.99% of the total outstanding units having a stated value of $6,329,539.

Subsequent to the 2018-year end, the Issuer approved a loan of $10,000,000 to Transtide LP to payout the existing first mortgage owing to the Issuer of approximately $5,500,000 to fund the purchase of 63 residential town houses, and to provide working capital. The mortgage has a term of 24 months and pays interest of 2.5% per annum for the first year, and 4.00% per annum for the second year. The Issuer received $120,000 from the income declared in 2017.

In 2019, 6 properties with total costs of $367,612 were sold to arm's length third parties for a total purchase price of $2,576,500. After accounting for 2019 costs, Transtide LP recognized revenue of $1,077,323.

As at February 29, 2020 the mortgage loan to Transtide LP in the amount of $8,492,671 is a special circumstance mortgage loan on a performing basis.

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 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 Chief Executive Officer and a director of the Manager and a shareholder, the President and Chief Executive Officer and a director of the Issuer. In 2018, Coquitlam LP paid $4,385 in management fees and $7,522 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 was Zone Bowling Coquitlam and Big River Restaurant. Coquitlam LP operated Zone Bowling Coquitlam, a 36-lane bowling Centre.

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 arranged a revolving credit facility with a chartered bank in the amount of $250,000 to fund 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.

As at December 31, 2017 Coquitlam LP declared a profit of $500,000. The Issuer recorded an impairment provision of $769,646 due to a decrease in the market value.

As of September 30, 2018, the declared profit of $500,000 was paid to the Issuer.

During 2018, Coquitlam LP sold Zone Bowling Coquitlam to an arm's length third party for a purchase price of $7,195,000. Coquitlam LP distributed the net proceeds as a return of capital in the amount of $7,112,948 (7,766,869 units) after costs of $82,052 for real estate commissions, property tax adjustments and legal fees on a prorated basis (99.99%).

Prior to the process of winding up Coquitlam LP, the Issuer recorded an impairment provision of an additional $44,000 bringing the total impairment provision to $813,646.

On December 20, 2018 the Coquitlam LP was wound up after recognizing 2018 income of $219,045 offset by additional $249,768 in a loss which resulted in a net loss of $800,368.

(c) 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 Chief Executive Officer and a director of the Manager and a shareholder, the President and Chief Executive Officer and a director of the Issuer. In 2018, Kingsview paid $275 in management fees and $6,577 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 have now been zoned for a residential community allowing for a density of residential units which will significantly increase the value and marketability of the properties. Kingsview LP has completed the phased development agreement.

Kingsview LP has municipal approval to develop phase one (68 lots) and intends to develop these lots and put them up for sale in 2018.

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.

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.

As at December 31, 2017 Kingsview LP recognized a loss of $8,905 which resulted in the per unit value decreasing from $.99901 to $.99834.

The Issuer holds 99.99% of total outstanding units of Kingsview LP having a value of $13,072,353.

Kingsview LP assets are in the early stages of development. Kingsview GP anticipates that phase one will generate income as lots are sold unless the property is sold in its entirety.

In 2018 a single lot was sold to an arm's length third party for a purchase price of $450,000 resulting in net proceeds of $431,247.13 after costs of $18,752.87 for real estate commissions, property tax adjustments and legal fees. This will result in a small gain on the sale of $6,247.13 relative to the book value of $425,000. The GP intends to use the net proceeds towards the development of Phase 1. As at December 31, 2018 Kingsview LP recognized a $7,555 loss.

In 2019, 4 lots with costs of $473,394 were sold to arm's length third parties for a total purchase price of $740,000. After accounting for 2019 costs Kingsview LP recognized revenues of $280,000.

As at February 29, 2020 the Issuer holds a draw mortgage loan to Kingsview LP on standard business terms with a current balance of $9,677,354 on a performing basis.

The GP intends to also continue developing phase one, listing and selling the lots as well as the entire property is for sale.

When a sale 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 (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 29, 2020 the total number of mortgages in foreclosure or non-performing was eight. This represents 2.45% of the number of mortgages in the Issuer's mortgage portfolio and 2.76% of the value of the Issuer's mortgage portfolio as at that date. The total number of foreclosure mortgages where there is a specific provision and/or an expectation for a loss is nil.

The table below outlines all mortgage loans in foreclosure and/or non-performing as at February 29, 2020 (the mortgage is in foreclosure unless specifically indicated otherwise).

FCC Foreclosures

	1st	2nd			
8	8	0	2.45% of 327 mortgages	4,819,851	2.76% of total portfolio current balance 174,613,714

Rec.	Status	City	Prov	Rank	Original Principal Amount	Balance Owing	Original LTV	Revised Valuation Date	Prior Charges	Revised Value	Revised LTV
Residential											
Land Serviced Lot & Development											
1	F	Surrey	BC	1st	2,700,000	2,786,932	44.24%	25-Feb-18		6,102,600	45.67%
Single-Family Duplex											
2	F	Sherwood Park	AB	1st	190,450	206,595	65.00%	19-Feb-20		269,000	76.80%
Single-Family House											
3	F	Regina	SK	1st	168,750	184,250	75.00%	25-Mar-19		224,000	82.25%
4	F	Niagara Falls	ON	1st	350,000	361,846	43.75%	23-Oct-19		1,000,000	36.18%
5	F	Edmonton	AB	1st	255,000	261,919	35.53%	20-Jul-18	102,029	1,005,000	36.21%
6	F	Sooke	BC	1st	533,715	544,536	65.00%	30-Jul-18		825,000	66.00%
7	F	Kingston	ON	1st	234,000	244,748	65.00%	19-Sep-18		360,000	67.99%
8	F	Campbell River	BC	1st	220,000	229,025	57.14%	22-Jul-19		385,000	59.49%
SUMMARY											
8					**4,651,915**	**4,819,851**			**102,029**	**10,170,600**	

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.

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. Conduct of sale has been obtained. The property is listed for sale. Based on the "Revised Value" expectations are to receive all of the balance owing.

3. 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.

4. This mortgage was paid out in full on March 19, 2020.

5. Once conduct of sale is obtained the property will be listed for sale. Based on the "Revised Value" expectations are to receive all the balance owing.

6. Once conduct of sale is obtained the property will be listed for sale. Based on the "Revised Value" expectations are to receive all the balance owing.

7. Once conduct of sale is obtained the property will be listed for sale. Based on the "Revised Value" expectations are to receive all the balance owing.

8. Once conduct of sale is obtained the property will be listed for sale. Based on the "Revised Value" expectations are to receive all the balance owing.

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 was acquired by Kingsview LP in January 2016. See "Item 2.3: Development of Business - Real Property and Limited Partnership Investments (As at February 29, 2020)".

2. Commercial Center in Nanoose Bay

Transtide LP purchased 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 structured the terms of the mortgage as a special circumstance loan agreement which is on a performing basis.

The mortgage is on the commercial center component and interalia with the rest of the "Nanoose Properties". 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" and to remove the assets from receivership.

The Issuer realized a loss of $1,044,527 in April 2017 which was 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 29, 2020)".

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

(a) Transtide Coquitlam Lanes Limited Partnership

In 2018, Coquitlam LP sold its remaining assets to an arm's length third party for a purchase price of $7,195,000. Coquitlam LP distributed the net proceeds as a return of capital in the amount of $7,112,948 (7,766,869 units) after costs of $82,052 for real estate commissions, property tax adjustments and legal fees on a prorated basis (99.99%).

On December 20, 2018 the Coquitlam LP was wound up which resulted in an accumulated loss of $1,019,413 and a net loss of $800,368 after recognizing the 2018 income of $219,045.

Reduction of Annual Portfolio Dividend Income

The tables below show 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]
2017	$6,544,527	$193,630
2018	$nil	$nil
2019	$nil	$nil

2020 YTD	$nil	$nil

[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]
2017	$26,961,298	$620,000	$1,906,273
2018	$19,401,892	$211,492	$1,851,106
2019	$19,425,433	$1,357,323	$1,818,220
2020 YTD	$19,425,433	$nil	$308,864

[1] "Total Net Return" includes net income distributions, capital gains and capital losses for a corresponding year.

[2] The 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).

Past Performance

The Issuer raised the following share capital from January 2016 to February 29, 2020.

Series of Shares	2017	2018	2019	2020 YTD
Class B Shares (5 year term)	7,702,691	7,182,950	8,236,483	1,758,877
Class D Shares (3 year term)	3,425,738	4,345,244	4,895,249	959,849
Class F Shares (1 year term)	3,789,171	4,409,593	4,280,819	771,498

The Issuer has distributed a dividend every quarter since beginning mortgage investment corporation 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.**

Shares	2017[1]	2018[1]	2019[1]
Class B Shares (5 year term)	5.000%	5.125%	5.778%
Class D Shares (3 year term)	4.000%	4.125%	4.778%
Class F Shares (1 year term)	3.000%	3.125%	3.778%

[1] Rates of return are based on the yearly average 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.

Resumption of Management Services Agreement Fee and Distribution of Shares Commissions

In 2008 a significant global financial crisis hit followed by a slow economic recovery over the next decade. Many individuals, companies and markets experienced hard financial times resulting in certain borrowers being unable to continue with their mortgage loan payments, defaulting on their mortgage loans and not being able to get conventional financing from traditional lenders. In this environment, the Issuer experienced higher (than has been traditionally experienced) mortgage loan shortfalls.

This contributed to lower dividends to shareholders as well as the Issuer's retained earnings declining to $0.9747 per share (par value $1.00) in April of 2012. The retained earnings deficit improved to $0.9865 in January of 2013, $0.9876 in January of 2014, $0.9910 in January of 2015 and returned to a par value of $1.00 in May 2015.

The Manager in an orderly and prioritized manner developed and implemented strategic initiatives to improve the overall performance and risk management of the Issuer over time. Starting from a base of providing a consistent dividend and meeting all qualified redemption requests, the strategy first prioritized the reduction of the retained earnings deficit, followed by the building of a mortgage loss allowance, followed by the resumption of paying the full management services fees due, followed by the resumption of the distribution of shares commission, followed by a slight increase to the investor dividend, followed by a resumption of the trademark fee and finally in 2018 increasing investor dividends.

To help address the deficit, the Manager amended the Management Services Agreement in April 2012, January 2013, January 2014 and again in January 2015 by temporarily reducing the annual management fee (1.80%) by approximately $100,000 per month. In addition to reducing the management fees the Manager had also temporarily waived other fees of the Issuer:

- Waived distribution of shares commission of approximately of $25,000 per month, and
- Waived the trademark fee of approximately $25,000 per month (0.15%).

In 2015 the Issuer eliminated the retained earnings deficit and all shares were no longer subject to dilution in the event of investor redemption. Additionally, in 2015 the Issuer increased its allocations to mortgage loan loss allowances. In 2016 The Manager resumed collecting the contracted 1.80% in management services fees. The Manager continued waiving the distribution of shares commission and the trademark fee to continue supporting the Issuer.

Several limited partnerships addressing properties that were in foreclosure with the Issuer contributed to the income of the issuer over time. Ultimately these have been fully resolved which had contributed to the improved performance of the Issuer. Transtide Coquitlam Lanes Limited Partnership distributed income to the Issuer of $150,000 in 2016 as well $500,000 in income in 2017.

As the capital invested in the limited partnerships was redeemed by the Issuer through their wind up, the Issuer deployed the monies into mortgage loans which has increased the income to the Issuer and the dividends paid to investors as evidenced in the 4th quarter of 2018 share dividends paid.

In 2014 Transtide Investments limited partnership completed the sale of the Maple Ridge property with $1,500,000 being redeemed. In 2017 Transtide Westmount Estates Limited Partnership completed the sale of the Sechelt properties and the limited partnership was wound up with $1,290,202 being redeemed. In 2016 Transtide Coquitlam Lanes Limited Partnership sold the restaurant asset with $1,227,360 being redeemed and in 2018 all the remaining properties were sold, and the limited partnership was wound up with $7,365,528 being redeemed.

The Manager resumed receiving the contracted distribution of shares commission in May 2017 and resumed receiving the contracted trademark fee in November of 2017. The Manager and the Issuer agreed to combine the separate trademark fee (unchanged at 0.15%) with the overall management services fee (1.80%) so that the management services fee at 1.95% would be inclusive of both fees.

Investor Dividend Performance Since 2011

The net cash dividend for Class B shares (the "base rate" - see "item 5.1 Terms of Securities – Dividends") paid to investors each quarter remained consistent at 5.00% until the third quarter of 2017 when it increased by 0.25% to 5.25%. The net cash dividend remained until the third quarter of 2018 where is increased by 0.12% to 5.37% and increased again by 1.0305% in the fourth quarter of 2018 to 6.405%. The net cash dividend for the first quarter of 2019 was 5.340%, in the second quarter of 2019 it was 5.40%, in the third quarter of 2019 was 5.0% and in the fourth quarter of 2019 it was 7.37%. For further information,

see "Item 2.3 Development of Business - Resumption of Management Services Agreement Fee and Distribution of Shares Commissions".

2.4 Short and Long-Term Objectives

As in the past, over the long term the Issuer intends to qualify as a mortgage investment corporation, 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 September 20, 2019 (the "**Management Services Agreement**") under which the directors of the Issuer have contracted 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 Chief Executive Officer. He is also the founder and a director of the Issuer and holds 25% of the Issuer's issued voting shares. Hali Noble is Wayne Strandlund's daughter, a director of the Issuer and holds 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 scope of services as set out in the Management Services Agreement, the Issuer pays the Manager a management fee equal to 1.95% per year (0.1625% 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.

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; or

(b) for any other reason, provided such termination has been approved by:

i) a written resolution executed by at least seventy-five (75) percent of the Issuer's Board members; and

ii) a resolution approved by at least seventy-five (75) percent of the holders of all of the issued and outstanding voting shares in the Issuer; and

iii) a resolution approved by at least seventy-five (75) percent of the holders of all of the issued and outstanding non-voting shares in the Issuer.

In recognition of the protracted and exclusive relationship between the Issuer and the Manager, and the irreparable loss and damage that the Manager will suffer by reason of the termination of this Agreement according to the provisions of sub-paragraph (b) above, the Issuer agrees to promptly pay, on termination, a fee equal to five (5) times the highest aggregate annual fees paid by the Issuer to the Manager in any fiscal year of the Issuer during the ten (10) year period immediately preceding the year in which the Manager is terminated provided that at any time prior to the completion of the first ten (10) years of this agreement, the aggregate annual fees paid to be considered for purposes of determining the termination fee shall include fees paid, accrued or earned by the Manager during the year of termination itself, calculated on an annualized basis.

The Issuer must give the Manager written notice, not less than one (1) year or greater than three (3) years as mutually and reasonably agreed, of any termination of the Agreement pursuant to the provisions of sub-paragraph (b) above.

For the purposes of sub-paragraph (a) above, "Cause" will be deemed to exist only where:

(i) in providing the services described in the Management Services Agreement 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;

(ii) the Manager becomes subject to the provisions of the *Winding-up Act*, the *Companies' Creditors Arrangement Act*, the *Bankruptcy Act* or any similar legislation;

(iii) the Manager enters into or is the subject of any composition, arrangement, proposal or petition under applicable bankruptcy laws;

(iv) a receiver, receiver-manager or trustee in bankruptcy or similar officer, temporary or permanent, is appointed to take charge of the Manager's affairs or any of its property;

(v) dissolution proceedings are commenced by or against the Manager;

(vi) the Manager goes into liquidation, either voluntarily or under an order of a court of competent jurisdiction;

(vii) the Manager makes a general assignment for the benefit of its creditors or otherwise acknowledges its insolvency; or

(viii) there is a deemed assignment of this Agreement or an attempt by the Manager to assign this Agreement, contrary to the Management Services Agreement.

Termination by the Manager

The Manager may terminate this Agreement at any time on written notice of not less than one (1) year or greater than three (3) years as mutually and reasonably agreed with the Issuer.

ITEM 3: DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 Compensation and Securities Held

Directors, Officers and Promoters 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 most recently completed financial year 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[5]	Number, type and percentage of securities of the Issuer held after completion of maximum offering[2 5]
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, 4]	120 Class A Voting Shares (25%) 8,491 Class B Non-Voting Shares (0.0051%)	120 Class A Voting Shares (25%) 8,491 Class B Non-Voting Shares (0.0051%)
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%) 19,367 Class B Non-Voting Shares (0.0117%)	120 Class A Voting Shares (25%) 19,367 Class B Non-Voting Shares (0.0117%)
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%) 71,055 Class B Non-Voting Shares (0.0430%)	120 Class A Voting Shares (25%) 71,055 Class B Non-Voting Shares (0.0430%)
Joel Joseph Rosenberg Victoria, BC	Chairman of the Board, May 1, 2013 Director, April 5, 2013	$0 / $0[3]	134,604 Class B Non-Voting Shares (0.0814%)	134,604 Class B Non-Voting Shares (0.0814%)
Alan Arvid Frydenlund Vancouver, BC	Director April 19, 2012	$0 / $0	67,360 Class B Non-Voting Shares (0.0407%)	67,360 Class B Non-Voting Shares (0.0407%)
Fisgard Asset Management Corporation Victoria, BC	Promoter	$5,916,263 / $5,750,000	27,040 Class B Non-Voting Shares (0.0164%)	27,040 Class B Non-Voting Shares (0.0164%)

1. Wayne Strandlund receives income as the sole owner of the Manager.

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. During the year ended December 31, 2019, the Issuer paid the Manager compensation totalling $5,916,263. During the partial year ended February 29, 2020, the Issuer paid the Manager compensation totalling $773,411. The compensation anticipated to be paid in the current financial year is $5,750,000. Total compensation consists of the management fees plus commissions. 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. See "Item 7: Compensation Paid to Sellers and Finders" for a discussion on the commissions received by the Manager from the Issuer for selling shares of the Issuer.

5. There is no minimum or maximum offering.

The Manager

The Manager is licensed under 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 Founder, Chief Executive Officer and Past-President. 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 "mortgage investment corporations" 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 mortgage investment corporation 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 mortgage investment corporation 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 Director President	August 28, 2008 July 16, 1991 July 16, 1991 - August 23, 2017
Joel Joseph Rosenberg Victoria, BC	President Chief Operating Officer	August 23, 2017 September 17, 2012
Roberta Dawn Paniz Victoria, BC	Chief Financial Officer Senior Vice-President, Investment Markets	August 28, 2008 November 1, 2012
Joanna Lynn Beadle Victoria, BC	Chief Compliance Officer	July 31, 2018[1]
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

[1] Joanna was hired full time as the Chief Compliance Officer on July 31, 2018. Joanna acted in the Role of Chief Compliance Officer previously from October 2015 – November 2016 and May 2013 - January 2014 covering for a maternity leave of the previous Chief Compliance Officer. See "Item 3.2: Management Experience".

3.2 Management Experience

Wayne Francis Strandlund is a Founder, President and CEO of Fisgard Capital II Corporation as well as the Founder, President and CEO of Fisgard Capital Corporation, both British Columbia-based investment funds, the latter established in 1994. He is also the Founder, CEO and Past-President of Fisgard Asset Management Corporation, the manager of both of the above-referenced mortgage investment corporations 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 was the Chancellor and Chair of the Board of Governors of Royal Roads University in Victoria BC where he was 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 chaired 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 participated on the Symphony's Business Advisory Council. He sponsored the *Extra Strings* program and concerts which 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 founding shareholder, director and Chairman of the Board of the Issuer, Fisgard Capital II Corporation. He is also a director and Chairman of the Board of Fisgard Capital Corporation, founded in 1994. Both of the above investment funds are managed by Fisgard Asset Management Corporation of which Joel is President and member of the Credit Committee. In addition to his roles with the two above-mentioned MICs Joel is the current Vice President of the British Columbia MIC Managers Association.

Joel is a graduate of the University of Saskatchewan with a B.Sc. (Advanced) in Computational Science. He also holds a Master 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, levering 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 II 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 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 $230 million in mortgage assets, the capital for which has been raised primarily through its internal exempt market dealing representatives.

Dawn is currently an inaugural member of the British Columbia Securities Commission's advisory group, Corporate Finance Stakeholder Forum, which will help ensure that the Commission's regulation of issuers is efficient and effective.

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 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 communications, relationships and business advancement.

She is a real estate and mortgage banking specialist having spent her entire professional business career, 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 multi-faceted role with fund-manager, Fisgard Asset Management Corporation (where she has been licensed since 1989) and Fisgard's mortgage lending and investment funds.

She has been involved extensively in all 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 (Mortgage Professionals Canada).

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. She has provided consulting services to numerous international corporations regarding Canada's private and alternative mortgage markets.

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. She has also been awarded the Business Development Manager of the Year by Mortgage Professionals Canada, named one of WXN Canada's Top 100 Most Powerful Women in the category of Trailblazers and Trendsetters and a nominee for the YWCA Woman of Distinction Award. In 2018 Canadian Mortgage Professional Magazine featured Hali as an Industry Icon. Her latest recognition was being one of 28 Canadian mortgage professionals on the Mortgage Global 100 list which features the most dynamic mortgage professionals from around the world.

In her personal life Hali is respected and recognized as a life-long advocate and community supporter of education, arts, culture, charities and non-professional 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. She co-founded of KARES 'Kids At Risk Embracing Success' which focuses on youth between the ages of 16-24 who have been marginalized. She is a co-founder of the group WIMI (Women In the Mortgage Industry) which serves over 4000 mortgage brokers, lenders, mortgage insurers and industry service providers from all over Canada. She is extremely proud of her Metis heritage and is a member of the British Columbia Metis Nation.

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.

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

Joanna Lynn Beadle 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 Privacy Officer of Fisgard Asset Management Corporation.

Joanna has worked in the securities industry since 2010 and has been licensed as an Exempt Market Dealer Representative since 2012.

Joanna completed the Partners, Directors, and Officers certification and the Chief Compliance Officer qualifying exam in 2013. She acted as Chief Compliance Officer for Fisgard Asset Management Corporation from May 2013 to January 2014 as well as from October 2015 to November 2016, covering for a maternity leave of the previous Chief Compliance Officer and allowing continuity during both absences.

Committed to ongoing education, she has also completed courses in such topics as Estate Planning and most recently Anti-Money Laundering & Terrorist Financing for Securities Professionals. She also regularly attends relevant outreach webinars and conferences.

With these qualifications together with her extensive experience in both the selling and administration of Exempt Market Products, finance administration, and customer service, Joanna was appointed to the position of Chief Compliance Officer July 31, 2018 at Fisgard Asset Management Corporation.

In her role as Chief Compliance Officer Joanna ensures compliance by the firm and its employees with Legislative Acts and regulations for Exempt Market Dealers (Regulations such as National Instrument 31-103).

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.

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 holds a mortgage loan to Transtide LP in the amount of $8,492,671 as a special circumstance mortgage loan on a performing basis. The Issuer holds 99.99% of all outstanding units in Transtide LP.

The Issuer holds a mortgage loan to Transtide Kingsview LP on standard business terms in the amount of $9,677,354 on a performing basis. The Issuer holds 99.99% of all outstanding units in Transtide Kingsview 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 29, 2020	Number outstanding after minimum offering[1]	Number outstanding after maximum offering[1]
Class A Voting Shares	unlimited	$1.00	480[2]	480[2]	480[2]
Class B Non-Voting Shares	unlimited	$1.00	165,369,469	165,369,469	165,369,469
Class C Non-Voting Shares	unlimited	$1.00	0	0	0
Class D Non-Voting Shares	unlimited	$1.00	15,585,940	15,585,940	15,585,940
Class E Non-Voting Shares	unlimited	$1.00	0	0	0
Class F Non-Voting Shares	unlimited	$1.00	10,500,161	10,500,161	10,500,161
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

Description of Short-Term Debt	Interest Rate	Repayment terms	Amount Outstanding[1]
Demand Operating Loan Facility	Bank Prime + 0.80%	On Demand	($1,579,796)

1 As at February 29, 2020.

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 29, 2020, the Issuer had drawn down $1,579,796 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.

In addition, the Issuer may from time to time borrow funds by other means including through the issuance of short-term debenture (debt) instruments and promissory notes to third parties. Borrowings under these instruments may include corporate guarantees and covenants and may be secured by the assets of the Issuer. Any amounts borrowed under such instruments will be within the borrowing limits applicable to the Issuer as a MIC.

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 29, 2020, 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 2019	887,447	62,674	6,640	$1.00	956,761
April 2019	878,439	1,065,214	1,035,298	$1.00	2,978,951
May 2019	966,425	101,052	199,990	$1.00	1,267,468
June 2019	280,557	110,100	59,757	$1.00	450,414
July 2019	669,255	216,956	1,194,301	$1.00	2,080,512
August 2019	683,833	500,057	326,315	$1.00	1,510,205
September 2019	383,563	1,600	50,740	$1.00	435,903
October 2019	446,829	912,160	447,179	$1.00	1,806,168
November 2019	372,655	40,968	201,760	$1.00	615,383
December 2019	257,043	261,700	31,760	$1.00	550,503
January 2020	884,295	523,448	651,678	$1.00	2,059,421
February 2020	874,583	436,401	119,820	$1.00	1,430,804

[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 29, 2020:

	Class B Shares		Class D Shares		Class F Shares		Total
	Number of	Value ($)	Number of	Value ($)	Number of	Value ($)	Value ($)
2017							
Unpaid redemption requests, beginning of year	0	$0	0	$0	0	$0	$0
Redemption requests	18,225,447	$18,225,447	1,177,035	$1,177,035	2,124,403	$2,124,403	$21,526,885
Redemptions paid out	18,225,447	$18,225,447	1,177,035	$1,177,035	2,124,403	$2,124,403	$21,526,885
Unpaid redemption requests, end of period	0	$0	0	$0	0	$0	$0
2018							
Unpaid redemption requests, beginning of year	0	$0	0	$0	0	$0	$0
Redemption requests	15,453,748	$15,453,748	1,323,332	$1,323,332	2,725,125	$2,725,125	$19,502,205
Redemptions paid out	15,453,748	$15,453,748	1,323,332	$1,323,332	2,725,125	$2,725,125	$19,502,205
Unpaid redemption requests, end of period	0	$0	0	$0	0	$0	$0
2019							
Unpaid redemption requests, beginning of year	0	$0	0	$0	0	$0	$0
Redemption requests	14,484,994	$14,484,994	995,971	$995,971	3,880,610	$3,880,610	$19,361,575
Redemptions paid out	14,484,994	$14,484,994	995,971	$995,971	3,880,610	$3,880,610	$19,361,575
Unpaid redemption requests, end of period	0	$0	0	$0	0	$0	$0
2020 YTD							
Unpaid redemption requests, beginning of year	0	$0	0	$0	0	$0	$0
Redemption requests	855,877	$855,877	59,312	$59,312	107,730	$107,730	$1,022,919
Redemptions paid out	855,877	$855,877	59,312	$59,312	107,730	$107,730	$1,022,919
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 Redemption 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 Redemption 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 Redemption Date that is three years from the last day of the quarter in which the Shares were subscribed, unless the Shares have been redeemed 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 Redemption Rights (as described below) that corresponds to the stated investment period.

(d) **Retraction 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 retract all or any portion of a shareholder's Shares at any time upon payment of the Retraction Amount (defined below). Upon completion of the retraction process the retracted Shares are cancelled.

If not all of the outstanding Shares of any class or classes of Shares are to be retracted, the Shares to be retracted 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 retraction amount to be paid by the Issuer in respect of each Share to be retracted 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 "**Retraction 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 (defined below).

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 [1.95% 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 1.95% of the original investment amount (1.95% of $10,000)	$195.00	$561.50
Redemption fee (1)		$561.50

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	$353.38
Redemption fee (2)		$353.38

Therefore, the total redemption fees would be $914.88 (i.e., $561.50 + $353.38), and based on the Redemption Price of $11,110.02 (as noted above), the Redemption Amount paid to the investor would be $10,195.14 (i.e., $11,110.02 - $914.88).

Redemption Rights at Request of Holder – The Shares have redemption 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 redeemed Shares Redemption Amounts.

The shareholders' right to redeem 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 redeemed (each a "**Redemption Date**"). The Class B Share Redemption Date is five years from the last day of the quarter in which the Shares were subscribed. The Class D Share Redemption Date is three years from the last day of the quarter in which the Shares were subscribed. The Class F Share Redemption 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 redemption date as the date upon which the original Shares were subscribed.

A shareholder wishing to redeem Shares on a Redemption Date may do so by providing the Issuer with written notice of the shareholder's wish to redeem at least 21 days but not more than 60 days prior to the applicable Redemption Date. If a Share Redemption date passes without the Share being redeemed, then the new Redemption Date for the Share is (i) in the case of a Class B Share, five years from the expired Redemption Date; (ii) in the case of a Class D Share, three years from the expired Redemption Date; and (iii) in the case of a Class F Share, one year from the expired Redemption Date.

(f) **Other Restrictions on Redemption**– A holder's right to demand redemption 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 redemption application in certain situations, such as where: (a) the redemption would put the Issuer offside of the Tax Act's mortgage investment corporation criteria regarding shareholders, which requires that a mortgage investment corporation 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 mortgage investment corporation, (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:

Share Class	**Dividend Rate**
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 Redemption Date will be deemed to be the same date as the Redemption 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.

<u>Offering Memorandum Exemption</u>

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

Investors should consult their own professional advisers to obtain advice on the income tax consequences that apply to them.

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 which is, as of the date hereof, a fair and accurate summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Shares by certain

investors who acquire Shares pursuant to this Offering Memorandum. For the purposes of this summary, an otherwise undefined term in quotation marks means that term as defined for the purposes of the Tax Act.

This summary is generally applicable to an investor who, for the purposes of the Tax Act and at all relevant times (a) is resident in Canada, (b) deals at arm's length with and is not affiliated with the Issuer, (c) holds Shares as capital property, (d) is not a "financial institution" for the purposes of the "mark-to market" rules contained in the Tax Act, (e) is not a "specified financial institution", (f) does not report its "Canadian tax results" in a currency other than Canadian currency, and (g) does not hold Shares as a "tax shelter investment" and is not an entity that an interest in would be a "tax shelter investment", and is referred to hereafter as a "**Holder**". Generally, Shares will be considered to be capital property to an investor provided that the investor does not hold such Shares in the course of carrying on a business or as part of an adventure or concern in the nature of trade. Certain investors who are resident in Canada and whose Shares do not otherwise qualify as capital property may, in certain circumstances, make an irrevocable election to have their Shares and every other "Canadian security" owned by them deemed to be capital property.

This summary is based on the current provisions of the Tax Act, the Issuer's understanding of the current administrative policies and assessing practices of the CRA published by it prior to the date hereof and all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (such proposals referred to hereafter as the "**Tax Proposals**"). This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Shares and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Shares. Moreover, the income and other tax consequences of acquiring, holding or disposing of Shares will vary depending on an investor's particular circumstances, including the province or territory in which the investor resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any particular investor. Investors should consult their own professional advisors to obtain advice on the income tax consequences that apply to them.

The Issuer

The following summary assumes the Issuer qualifies as a "mortgage investment corporation" under the Tax Act at all relevant times. 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 – Tax Act MIC Criteria".

If the Issuer qualifies as a mortgage investment corporation throughout a taxation year, the Issuer will be deemed to be a "public corporation" for the purposes of the Tax Act; however the Issuer will generally be treated as a conduit for most purposes under the Tax Act: a mortgage investment corporation is entitled to deduct (a) the total amount of all taxable dividends, other than "capital gains dividends" which it pays during the year or within 90 days after the end of the year to the extent that such dividends were not deductible by the mortgage investment corporation in computing its income for the preceding year, and (b) provided the relevant election is made in the prescribed manner, one half of all "capital gains dividends" paid by the corporation during the period commencing 91 days after the commencement of the year and ending within 90 days after the end of the year.

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. To the extent the Issuer does not do so, any taxable income will be subject to tax under the rules and at the rates generally applicable to public corporations.

Shareholders

Dividends (other than "capital gains dividends") paid by the Issuer on the Shares to a Holder will be included in the Holder's income as interest, and not as dividends. Capital gains dividends paid by the Issuer on the Shares to a Holder will be treated as realized capital gains of the Holder, and will be subject to the general rules relating to the taxation of capital gains described below. **The ordinary gross up and dividend tax credit rules will not apply to dividends or capital gains dividends paid by the Issuer to a Holder who is an individual.**

If a Holder disposes or is deemed to dispose of Shares, the Holder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition of the Shares exceed (or are exceeded by) the Holder's adjusted cost base of the Shares and reasonable disposition costs.

Generally, if the Issuer redeems or acquires Shares held by a Holder, the Holder will be deemed to receive a dividend equal to the amount, if any, by which the amount paid by the Issuer to the Holder on the redemption or acquisition exceeds the "paid-up capital" of the Shares so redeemed or acquired. Any deemed dividend will be treated in the same manner as other dividends received by the Holder from the Issuer as described above, and its treatment will depend on whether the Issuer elects that the entire dividend be a capital gains dividend (to the extent the Issuer has realized sufficient capital gains, net of any applicable capital losses, in the year). The balance of the amount paid by the Issuer will be proceeds of disposition for the Shares for the purposes of calculating a capital gain (or capital loss).

Generally, one-half of the amount of any capital gain (a "**taxable capital gain**") realized in the year is required to be included in computing the Holder's income for a taxation year. Subject to and in accordance with the provisions of the Tax Act, one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a taxation year will be deducted from taxable capital gains realized in the year by a Holder. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following taxation year against taxable capital gains realized in such year to the extent and under the circumstances described in the Tax Act.

Capital gains realized and dividends received by a Holder that is an individual or a trust (other than certain trusts) may give rise to alternative minimum tax under the Tax Act and any such Holders should consult their own tax advisors with respect to the application of alternative minimum tax.

6.3 Eligibility for Investment by Deferred Income Plans

The Shares will be a qualified investment for trusts governed by a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), registered education savings plan ("**RESP**"), registered disability savings plan ("**RDSP**"), tax-free savings account ("**TFSA**") or deferred profit sharing plan (each one a "**Deferred Income Plan**") at a particular time provided (a) the Issuer qualifies as a mortgage investment corporation under the Tax Act at that time, and (b) the Issuer does not hold as part of its property at any time during a calendar year in which the particular time occurs any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, beneficiary, employer or subscriber under, or a holder (as applicable) of the Deferred Income Plan or of any other person who does not deal at arm's length with that person for the purposes of the Tax Act.

Notwithstanding the foregoing, the annuitant or holder (as applicable) of a Deferred Income Plan that is an RRSP, RRIF or TFSA will be subject to a penalty tax in respect of a Share held in the Deferred Income Plan if the Share is a "prohibited investment" of the Deferred Income Plan. A Share generally should not be a "prohibited investment" for an RRSP, RRIF or TFSA provided the annuitant or holder of the Deferred Income Plan does not hold a "significant interest" in the Issuer and the Issuer deals at arm's length with the annuitant or holder for the purposes of the Tax Act. Generally, an annuitant or holder will not have a significant interest in the Issuer unless the annuitant or holder owns 10% or more of the value of the Issuer's outstanding shares, either alone or together with persons and partnerships with which the annuitant or holder is related or does not deal at arm's length for the purposes of the Tax Act. In addition, a Share will not be a "prohibited investment" if the Share is "excluded property" for the Deferred Income Plan. Tax Proposals contained in the Canadian federal budget released on March 22, 2017 provide that the "prohibited investment" rules will also apply to a trust governed by a RESP or RDSP effective after March 22, 2017. Holders, subscribers and annuitants of a RRSP, RRIF, RESP, RDSP or TFSA should consult their own tax advisers with respect to whether a Share would be a prohibited investment having regard to their particular circumstances.

Prospective investors who intend to hold Shares in a Deferred Income Plan should consult their own professional advisers regarding the income tax consequences of investing in Shares of the Issuer. Not all securities are suitable for investment through a Deferred Income Plan.

EACH PROSPECTIVE INVESTOR IS ADVISED TO SEEK INDEPENDENT ADVICE IN RESPECT OF THE INCOME TAX CONSEQUENCES OF THEIR PARTICIPATION IN THE ISSUER, TAKING INTO ACCOUNT THEIR 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, 2019 the Issuer has paid a commission to the Manager in connection with the distribution of Shares in the amount of $1,822,506. The Issuer also paid a commission to external exempt market dealers of $5,589. For the period ending February 29, 2020 the Manager has earned commissions in connection with the distribution of Shares in the amount of $118,527 and external exempt market dealers have earned commissions in the amount of $nil.

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 Fisgard 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 Chief Executive Officer 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. **Redemption Liquidity** – The Shares are redeemable, 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 redemption 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 redemption period, the Class D shares have a three year redemption period and the Class F shares a one year redemption period. **If the investor does not provide the Issuer with the appropriate notice of redemption, the right of redemption 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 redeem 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 two current non-performing loan, and three limited partnership investments 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" under the Tax Act.

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 "mortgage investment corporation" under 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 mortgage investment corporation 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 "mortgage investment corporation", 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 mortgage investment corporation 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 Fisgard 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, and borrowings from private lenders be. It is probable that these borrowings will be secured by a 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 such borrowings. For further information, see "2.2 Our Business – Use of Borrowing", "4.2 Short-Term Debt" and "4.3 Long-Term Debt".

9. **Other Borrowings – Short-Term Debentures (Debt) Instruments and Promissory Notes** – The Issuer may from time to time borrow funds through the issuance of short-term debenture (debt) instruments and promissory notes to third parties. Borrowings under these instruments may include corporate guarantees and covenants and may be secured by the assets of the Issuer. Any amounts borrowed under such instruments will be within the borrowing limits applicable to the Issuer as a MIC.

   In the event of a liquidation or wind up of the Issuer, the borrowings under such debentures and promissory notes will rank in priority to any distributions of the assets of the Issuer among the holders of outstanding Shares of the Issuer and/or may force the Issuer to de-leverage (repay) the borrowings on short notice, which may require the Issuer to use its cash reserves and/or sell the Issuer's assets to repay the borrowings. For further information, see "2.2 Our Business – Use of Borrowing", "4.2 Short-Term Debt" and "4.3 Long-Term Debt".

10. **Conflicts of Interest** – Conflicts of interest exist, and may arise from time to time, 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 or its shareholders. However, the Manager will make any decision involving the Issuer honestly and in good faith.

    The Manager and its directors and officers are not in any way limited or affected in their ability to carry on business ventures for their 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.

    Additional specific conflicts of interest that may arise are described in the applicable sections of this Offering Memorandum.

11. **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.

12. **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 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 underling 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://fisgardcapital.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, 2019)

Financial Statements
(Expressed in Canadian dollars)

FISGARD CAPITAL CORPORATION

And Independent Auditors' Report thereon

Year ended December 31, 2019

KPMG LLP
800-730 View Street
Victoria BC V8W 3Y7
Canada
Tel 250-480-3500
Fax 250-480-3539

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Fisgard Capital Corporation

Opinion

We have audited the financial statements of Fisgard Capital Corporation (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of comprehensive income for the year then ended
- the statement of changes in equity (deficit) for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
March 16, 2020

FISGARD CAPITAL CORPORATION

Statement of Financial Position
(Expressed in Canadian dollars)

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	$ 706,075	$ 2,524,979
Mortgage loans receivable (note 5)	148,505,163	178,873,412
Other current assets	44,740	56,235
	149,255,978	181,454,626
Mortgage loans receivable (note 5)	33,140,438	8,634,545
Investments in associates (note 6)	20,662,756	19,425,433
	$ 203,059,172	$ 209,514,604
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities:		
Bank indebtedness (note 4)	$ 12,842,093	$ 18,895,159
Accounts payable and accruals	562,265	205,898
Interest reserve (note 7)	34,592	185,133
Redeemable shares (note 8)	42,999,785	48,022,178
	56,438,735	67,308,368
Redeemable shares (note 8)	146,620,172	142,275,615
	203,058,907	209,583,983
Shareholders' equity (deficiency):		
Common shares (note 9)	480	480
Deficit	(215)	(69,859)
	265	(69,379)
	$ 203,059,172	$ 209,514,604

See accompanying notes to financial statements.

On behalf of the Board:

R Dawn Parez Director

Jeff J. Rowley Director

FISGARD CAPITAL CORPORATION

Statement of Comprehensive Income
(Expressed in Canadian dollars)

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Interest and fees earned:		
Interest on mortgage loans	$ 15,406,967	$ 16,019,909
Other revenue (note 10)	1,400,546	1,701,389
	16,807,513	17,721,298
Expenses:		
Management fees (note 11)	4,093,757	4,314,684
Investment referral fees (note 11)	1,822,506	1,823,902
Financing costs	647,742	964,473
Provision for mortgage losses (note 5)	373,105	99,633
Office and general	69,195	65,324
Professional fees	65,895	56,875
Mortgage security valuation	43,120	47,066
Advertising and promotion	37,877	2,790
	7,153,197	7,374,747
Net income before undernoted items	9,654,316	10,346,551
Other income (expenses):		
Income from associates	1,357,323	131,492
Loss on disposal of assets held for sale	-	(249,768)
Dividends on redeemable shares	(10,941,995)	(10,360,753)
	(9,584,672)	(10,479,029)
Net income (loss) and comprehensive income (loss) for the year	$ 69,644	$ (132,478)

See accompanying notes to financial statements.

FISGARD CAPITAL CORPORATION

(Expressed in Canadian dollars)
Statement of Changes in Equity (Deficit)

Year ended December 31, 2019, with comparative information for 2018

	Share capital	Retained earnings (deficit)	Total equity
Balances at January 1, 2018	$ 480	$ 62,619	$ 63,099
Net loss and comprehensive loss for the year	-	(132,478)	(132,478)
Balance at December 31, 2018	480	(69,859)	(69,379)
Net income and comprehensive income for the year	-	69,644	69,644
Balance at December 31, 2019	$ 480	$ (215)	$ 265

See accompanying notes to financial statements.

FISGARD CAPITAL CORPORATION

Statement of Cash Flows
(Expressed in Canadian dollars)

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Net income (loss) and comprehensive income (loss) for the year	$ 69,644	$ (132,478)
Items not involving cash:		
Income from associates	(1,357,323)	(131,492)
Loss on disposal of assets held for sale	-	249,768
Provision for mortgage losses	373,105	99,633
Dividends on redeemable shares	10,941,995	10,360,753
	10,027,421	10,446,184
Changes in non-cash operating working capital:		
Net decrease in mortgage loans receivable	5,489,251	4,657,002
Decrease (increase) in other current assets	11,495	(3,638)
Increase in accounts payable and accruals	356,367	37,835
Decrease in interest reserve	(150,541)	(541,685)
	15,733,993	14,595,698
Financing:		
Redeemable shares subscriptions	10,971,545	8,486,537
Redeemable share redemptions	(19,575,182)	(19,815,873)
Dividends paid on redeemable shares	(3,016,194)	(2,806,846)
	(11,619,831)	(14,136,182)
Investing:		
Investments in associates	-	(447,941)
Distributions from associates	120,000	7,865,529
	120,000	7,417,588
Increase in cash and bank indebtedness	4,234,162	7,877,104
Cash and bank indebtedness, beginning of year	(16,370,180)	(24,247,284)
Cash and bank indebtedness, end of year	$ (12,136,018)	$ (16,370,180)
Cash and bank indebtedness consists of:		
Cash	$ 706,075	$ 2,524,979
Bank indebtedness	(12,842,093)	(18,895,159)
	$ (12,136,018)	$ (16,370,180)
Non-cash transactions:		
Dividends paid by way of issuance of redeemable shares	7,925,801	7,553,907

See accompanying notes to financial statements.

FISGARD CAPITAL CORPORATION

Notes to Financial Statements
(Expressed in Canadian dollars)

Year ended December 31, 2019

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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 *Income Tax Act* (Canada).

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 Acts. Extra-provincial registration in Northwest Territories was cancelled on September 13, 2012. The Corporation may also register extra-provincially in the future to conduct business in other Canadian jurisdictions, as may be approved by the Corporation'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).

These financial statements were authorized for issuance by the Board of Directors of the Corporation on March 16, 2020.

(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.

FISGARD CAPITAL CORPORATION

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2019

2. General information and statement of compliance with IFRS (continued):

(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 judgements made by the Corporation include the classification of redeemable preferred shares between equity and liability (see note 9).

The most significant estimates that the Corporation is required to make relate to the impairment of the mortgage investments (notes 3(b) and 5). 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.

3. Significant accounting policies:

Except for the changes explained in note 3(l), the Corporation has consistently applied the following accounting policies 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.

FISGARD CAPITAL CORPORATION

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2019

3. Significant accounting policies (continued):

(b) Impairment of mortgage receivables:

The Corporation recognizes loss allowances for expected credit losses (ECL) on its mortgage loans receivable. ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

The Corporation measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL; mortgage loans that are determined to have low credit risk at the reporting date (i.e. loans meeting payment requirements), and mortgage loans for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition (Stage 1).

When determining whether the credit risk of a mortgage loan has increased significantly since initial recognition and when estimating ECL (Stage 2), the Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Corporation's historical experience and informed credit assessment and including forward-looking information.

Qualitative information includes changes in daily activities of the borrower such as missed payments, stopped payments, default on the first mortgage when the Corporation is in the second position, or significant decline in the value of the property. The Corporation assumes that the credit risk on a mortgage loan has increased significantly if it is more than 60 days past due.

The Corporation considers a mortgage loan to be in default and impaired (Stage 3) when:

- the borrower is unlikely to pay its credit obligations to the Corporation in full, without recourse by the Corporation to actions such as realizing security; or

- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a mortgage loan receivable.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Corporation is exposed to credit risk.

FISGARD CAPITAL CORPORATION

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2019

3. Significant accounting policies (continued):

(b) Impairment of mortgages receivable (continued):

Measurement of ECLs:

ECLs are a probability-weighted estimate of credit losses.

ECLs are a function of the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD"), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment to reflect factors not captured in ECL models.

The PD represents the likelihood that a loan will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual loan is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions.

EAD is modelled on historic data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts, EAD includes an estimate of any further amounts to be drawn at the time of default.

LGD is the amount that may not be recovered in the event of default and is modelled based on historic data and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Corporation expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

FISGARD CAPITAL CORPORATION

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2019

3. Significant accounting policies (continued):

(b) Impairment of mortgages receivable (continued):

Credit-impaired financial assets:

At each reporting date, the Corporation assesses whether mortgage loans receivable are credit-impaired. A mortgage loan is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a mortgage loan is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Corporation on terms that the Corporation would not consider otherwise; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

Presentation of allowance for ECL in the statement of financial position:

Loss allowances for mortgage loans receivable are deducted from the gross carrying amount of the loan.

Write-off:

The gross carrying amount of a mortgage loan receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Corporation determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, mortgage loans receivable that are written off could still be subject to enforcement activities in order to comply with the Corporation's procedures for recovery of amounts due.

FISGARD CAPITAL CORPORATION

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2019

3. Significant accounting policies (continued):

(c) Revenue recognition:

Interest income on loans is recognized using the effective interest method. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the loan (when the loan is not credit-impaired). However, for loans that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the loan, reduced by impairment losses. If the loan is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(d) Income taxes:

The Corporation is a MIC 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 MIC 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 taxation and no provision for current or deferred income taxes is required.

(e) Financial assets:

(i) Recognition and initial measurement:

At initial recognition, the Corporation measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(ii) Classification and subsequent measurement:

The Corporation classifies its financial assets between those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and those to be measured at amortized cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Corporation changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

FISGARD CAPITAL CORPORATION

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2019

3. Significant accounting policies (continued):

(e) Financial assets (continued):

(ii) Classification and subsequent measurement (continued):

A financial asset is measured at amortized cost if it meets both of the following conditions, and is not designated as at fair value through profit or loss (FVTPL):

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at fair value through other comprehensive income (FVOCI) if it meets both of the following conditions, and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

Mortgage loans receivable are classified as financial assets at amortized cost which is consistent with the Corporation's business model of holding mortgages until maturity and solely for payments of principal and interest.

Mortgage loans receivable are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income and impairments are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

FISGARD CAPITAL CORPORATION

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2019

3. Significant accounting policies (continued):

(f) Financial liabilities:

Financial liabilities are recognized initially at fair value and are classified as either measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Financial liabilities not measured at FVTPL are measured at amortized cost using the effective interest method. Interest expense is recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Corporation classifies bank indebtedness, accounts payable and accruals, and redeemable shares as financial liabilities measured at amortized cost.

(g) 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.

(h) Distributions:

The Corporation distributes all net income to redeemable 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.

FISGARD CAPITAL CORPORATION

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2019

3. Significant accounting policies (continued):

(i) 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. Dividends are recognized as an expense in profit or loss.

Early redemptions of redeemable preferred shares are permitted at the request of holders and are subject to a discount. The early redemptions, which are to be paid in cash, are subject to a monthly limit in aggregate redemption price of redeemed preferred shares equal to 1% of the aggregate issue price of all issued redeemable preferred shares of the Corporation effective December 31 of the previous year, or such other limit and frequency as may be determined and declared by the directors of the Corporation from time to time. In any period where total redemption requests for cash exceed the limit for that period, the allowable redemption limit will be allocated pro-rata amongst accepted redemption requests.

If redeemable preferred shares are redeemed during the stated investment period, a redemption fee and discount will apply unless the redeemable preferred shares are being redeemed for the purpose of investing in a redeemable preferred share with a longer stated investment period.

(j) 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 Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2019

3. Significant accounting policies (continued):

(k) 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 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 statement of comprehensive income with a corresponding adjustment to the carrying amount of the investment. Distributions received from investments in associates are recorded as a reduction in the investment in associates. 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.

FISGARD CAPITAL CORPORATION

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2019

3. Significant accounting policies (continued):

(l) Change in accounting policy:

Effective January 1, 2019, the Corporation has adopted IFRS 16 Leases ("IFRS 16"), which supersedes IAS 17 Leases ("IAS 17") and related interpretations. Under IAS 17, leases were previously classified as either operating or financing for lessees based on an assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Corporation.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees, with a right-of-use asset ("ROU asset") representing the Corporation's right to use the underlying asset, and a lease obligation representing its obligation to make lease payments. Amortization expense for ROU assets and interest expense for lease obligations replaces the straight-line operating lease expense recognized under IAS 17.

The Corporation has elected to apply certain practical expedients which exempt contracts that were not previously identified as containing a lease under IAS 17 and IFRIC 4 from reassessment under IFRS 16 Leases. As the Corporation did not have any lease type arrangements in the current or comparative fiscal periods, this adoption did not have an impact on the financial statements.

(m) Standards issued but not yet effective:

A number of new standards are effective for annual periods beginning after January 1, 2019 and earlier application is permitted; however, the Corporation has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards are interpretations are not expected to have a significant impact on the Corporation's financial statements:

- *Amendments to References to Conceptual Framework in IFRS Standards*
- *Definition of a Business (Amendments to IFRS 3)*
- *Definition of Material (Amendments to IAS 1 and IAS 8)*
- *IFRS 17 Insurance Contracts*

FISGARD CAPITAL CORPORATION

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2019

4. Bank indebtedness:

The Corporation has a line of credit available from Canadian Western Bank with a maximum limit of $40,000,000, of which $12,842,093 was outstanding at December 31, 2019 (2018 - $18,895,159). Interest on outstanding balances is charged at the prime bank's lending rate plus 0.85%. The amount of the line of credit may be subject to and dependent upon the balance of the mortgage loans receivable.

The bank has imposed certain covenants based on cash flow coverage, debt to tangible net worth, and margin requirements. The Corporation was in compliance with the externally imposed capital requirements during the year.

5. Mortgage loans receivable:

Total mortgage loans receivable are carried at the unpaid principal amount less unamortized lender and modification fees and provisions for mortgage losses. Mortgage loans receivable consists of the following:

	2019				
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total	2018
Mortgage loans receivable	$ 174,889,838	$ 4,268,622	$ 3,462,019	$ 182,620,479	$ 188,547,406
Provisions for mortgage losses	(309,488)	(117,341)	(60,774)	(487,603)	(386,619)
Unamortized lender and modification fees	(487,276)	-	-	(487,276)	(652,830)
Mortgage loans receivable, net of provisions	$ 174,093,074	$ 4,151,281	$ 3,401,245	$ 181,645,600	$ 187,507,957

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

	2019				
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total	2018
Balance at January 1	$ 324,273	$ 8,213	$ 54,133	$ 386,619	$ 1,235,390
Transfer to lifetime ECL – not credit impaired	(308)	308	-	-	-
Transfer to lifetime ECL – credit impaired	(5,358)	-	5,358	-	-
Net remeasurement of loss allowance	8,894	3,611	327,538	340,043	393,496
New mortgage loans receivable originated	177,958	113,422	-	291,380	186,135
Mortgage loans repaid	(195,971)	(8,213)	(54,133)	(258,318)	(479,998)
Mortgage losses for the year, net of recoveries	-	-	(272,121)	(272,121)	-
Mortgages subject to write down (partial or in full)	-	-	-	-	(948,404)
Balance, December 31	$ 309,488	$ 117,341	$ 60,775	$ 487,603	$ 386,619

FISGARD CAPITAL CORPORATION

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2019

5. Mortgage loans receivable (continued):

Mortgage loans receivable typically have an initial term to maturity of one year. At December 31, 2019, mortgage loans receivable have maturity dates through to February 2021. Mortgage loans receivable of $33,140,438 (2018 - $8,634,545) that have a due date of more than one year are classified as a non-current asset.

All mortgages have fixed rates of interest. At December 31, 2019, the weighted average interest rate for the portfolio is 8.88% (2018 - 8.94%).

At December 31, 2019, approximately $161,480,583 (2018 - $158,209,649) of the mortgage loans receivable are residential and $21,151,864 (2018 - $31,326,356) are non-residential.

6. Investments in associates:

Investments in associates represent real estate 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. 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 Investments Limited Partnership ("Investments LP") was formed in 2014 for the purpose of purchasing certain real estate assets that were security for a mortgage loan receivable of the Corporation that was in default and under foreclosure. The Corporation is the sole limited partner of Investments 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 .001 % equity interest in Investments LP.

In 2019, the Corporation purchased nil (2018 - 447,941) limited partnership units from Investments LP for $nil (2018 - $447,941).

In 2019, 6 properties with total costs of $367,621 were sold to arm's length third parties for a total purchase price of $2,576,500. After accounting for 2019 costs, Investments LP recognized revenues of $1,077,323.

In 2019, the Corporation approved a loan of $10,000,000 to Investments LP to pay out an existing first mortgage owing to the Corporation of approximately $5,500,000, fund the purchase of 63 residential town houses, and to provide working capital. The mortgage has a term of 24 months and pays interest of 2.5% per annum for the first year and 4.0% per annum for the second year.

FISGARD CAPITAL CORPORATION

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2019

6. Investments in associates (continued):

(b) Transtide Kingsview Limited Partnership ("Kingsview LP") was formed in 2016 for the purpose of purchasing certain real estate assets that were security for a mortgage loan receivable of the Corporation that was in default and under foreclosure. 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 2019, 4 lots with total costs of $473,394 were sold to arm's length third parties for a total purchase price of $740,000. After accounting for 2019 costs Kingsview LP recognized revenues of $280,000.

In 2019, the Corporation amended the loan agreement to Kingsview LP to bring the total authorized amount to $10,000,000. This mortgage is to fund the development activities of the LP, and to provide working capital. The mortgage has a term of 24 months and pays interest of 8.5%.

	Investments LP 99.999%	Kingsview LP 99.999%	Total
Balance, January 1, 2018	$ 6,001,599	$ 13,063,448	$ 19,065,047
Contributions	447,941	-	447,941
Share of loss	(80,000)	(7,555)	(87,555)
Balance, December 31, 2018	6,369,540	13,055,893	19,425,433
Share of income	1,077,323	280,000	1,357,323
Distributions received	(120,000)	-	(120,000)
Balance, December 31, 2019	$ 7,326,863	$ 13,335,893	$ 20,662,756

FISGARD CAPITAL CORPORATION

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2019

6. Investments in associates (continued):

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%. A summary of the financial postiion and results of operations of the limited partnerships is:

	Investments LP 99.999%		Kingsview LP 99.999%	
	2019	2018	2019	2018
Current assets	$ 224,870	$ 296,535	$ 934,910	$ 12,935
Non-current assets	15,774,931	11,583,076	21,013,617	13,343,995
Current liabilities	162,200	123,998	131,005	2,100
Non-current liabilities	8,288,821	5,508,989	8,740,408	301,116
Revenue	4,256,582	1,372,255	301,989	19,749
Net income (loss)	1,077,323	(80,000)	280,000	(7,555)

During 2018, the general partner committed to a plan to sell the underlying properties of Kingsview LP, and the investment was reclassified from investments in associates to assets held for sale for financial statement purposes. Subsequently, management has determined that the Kingsview LP does not meet the definition of an asset held for sale and has reclassified the LP back to an investment in associate.

For financial statement comparability purposes, the prior year amount previously disclosed as Assets Held for Sale has been grouped with Investments in Associates.

The Corporation participates only as a limited partner in the LPs and does not have control in or over the LPs.

7. Interest reserve:

The interest reserve pertains to the amount that was held back by the Corporation from the drawdown of certain 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.

FISGARD CAPITAL CORPORATION

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2019

8. 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:

	Current		Non-Current	
	2019	2018	2018	2017
Class B preferred shares	$ 28,767,217	$ 35,028,078	$ 135,632,569	$ 35,028,078
Class D preferred shares	4,118,385	2,238,186	10,987,603	2,238,186
Class F preferred shares	10,114,183	10,755,914	-	10,755,914
	$ 42,999,785	$ 48,022,178	$ 146,620,172	$ 48,022,178

At year end, the Corporation has the following outstanding Class B, D, and F shares:

	Number	Amount
January 1, 2018	194,073,221	$ 194,073,221
Share subscriptions	60,081,076	60,081,076
Reinvested dividends	7,553,908	7,553,908
Shares redeemed	(71,410,412)	(71,410,412)
December 31, 2018	190,297,793	$ 190,297,793
Share subsciptions	52,715,104	$ 52,715,104
Reinvested dividends	7,922,219	7,922,219
Shares redeemed	(61,315,159)	(61,315,159)
December 31, 2019	189,619,957	$ 189,619,957

FISGARD CAPITAL CORPORATION

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2019

9. Common shares:

		2019		2018
Authorized:				
Unlimited Class A common shares, voting, participating, with no par value				
Issued:				
480 Class A common shares	$	480	$	480
	$	480	$	480

10. Other revenue:

		2019		2018
Mortgage lender fees	$	879,641	$	1,253,610
Mortgage modification fees		318,230		319,837
Other		202,675		127,942
	$	1,400,546	$	1,701,389

11. Related party disclosures:

(a) Entities with significant influence:

Directors, officers and related family members who have investments in the Corporation received dividends on redeemable shares of $47,531 (2018 - $42,363).

The Corporation pays for certain management and administrative services provided by Fisgard Asset Management Corporation ("FAMC"), an entity that is controlled by a Director with significant influence over the Corporation, for an annual fee of 1.95% of the sum of outstanding shares and borrowings. The Corporation pays for certain other services with FAMC in relation to its level of business activity. During the year, the Corporation paid management fees of $4,093,757 (2018 - $4,314,684).

FISGARD CAPITAL CORPORATION

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2019

11. Related party disclosures (continued):

(a) Entities with significant influence (continued):

During the year, the Corporation paid $181,642 (2018 - $197,941) in registered plan fees to FAMC which they collected from and remitted on behalf of investors.

From time to time, at the discretion of management and in accordance with the Corporation's Offering Memorandum, the Corporation may pay referral fees to the manager, FAMC, for raising investment capital in the form of shares and/or borrowings. The Corporation paid FAMC for referral fees of $1,822,506 (2018 - $1,823,902).

During the year, FAMC purchased $nil (2018 - 21,636) non-voting, participating, and redeemable Class B preferred shares in the Corporation for $nil (2018 - $24,512) and received dividends of $1,508 (2018 - $1,020) on this investment. The dividends received were based on the same criteria as all other investors holding the same class of shares in the Corporation.

An amount receivable from FAMC of $200 (2018 - $nil) is included in accounts receivable. This amount is non-interest bearing, unsecured, and has no specific terms of repayment.

An amount payable to FAMC of $nil (2018 - $806) is included in accounts payable and accruals. This amount is non-interest bearing, unsecured, and has no specific terms of repayment.

(b) Other related party transactions:

Employees who also have investments in the Corporation received dividends on redeemable shares of 31,336 (2018 - $21,092).

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.

FISGARD CAPITAL CORPORATION

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2019

12. Financial instruments:

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

	Category	2018	2017
Cash	FVTPL	$ 706,075	$ 2,524,979
Mortgage loans receivable	Amortized cost	181,645,601	187,598,589
Bank indebtedness	Amortized cost	12,842,093	18,895,159
Accounts payable and accruals	Amortized cost	269,942	205,898
Redeemable shares	Amortized cost	189,619,957	190,297,793

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, bank indebtedness and accounts 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, are mostly due within one to two years, are secured by appropriate collateral, and hence it is believed that the carrying value of mortgage loans receivable approximate their fair value. The fair value of mortgage loans receivable under the fair value hierarchy is determined using Level 3 inputs.

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. The fair value of redeemable shares under the fair value hierarchy is determined using Level 2 inputs.

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.

FISGARD CAPITAL CORPORATION

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2019

12. Financial instruments (continued):

Financial risk management objectives and policies:

The Corporation's financial instruments include cash, mortgage loans receivables, bank indebtedness, 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:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation's earnings are subject to fluctuations in interest rates and the degree of volatility of these rates. The Corporation's interest rate risk exposure arises due to its line of credit at the bank's prime lending rate plus 0.85%. Mortgage loans receivable bear a fixed rate of interest until renewal or maturity.

The Corporation manages its cash, mortgage loans receivable and bank indebtedness balances based on its cash flow needs in order to optimize its interest income and reduce its interest expense. The Corporation does not use derivative instruments to reduce its exposure to interest rate risk.

(b) Credit risk:

Credit risk is the risk that the Corporation will incur a loss because a third party fails to meet an obligation. The Corporation's maximum exposure to credit risk is equal to the carrying value of its cash and mortgage loans receivable.

The Corporation's cash is held with reputable financial institutions.

Credit risk associated with mortgage loans receivable is reduced by ensuring that the collateral value of the security adequately protects the advances, that there is a viable exit strategy for each investment, that the mortgages are made to experienced borrowers and by limiting amounts advanced in relation to the value of the property secured. The Corporation evaluates the borrower's credit worthiness and ability to repay the mortgage when it is originally granted or subsequently renewed; and regularly monitors borrower information such as delinquent and overdue accounts. As at December 31, 2019, the estimated value of collateral exceeds the value of loans outstanding.

FISGARD CAPITAL CORPORATION

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2019

12. Financial instruments (continued):

(b) Credit risk (continued):

The Corporation incorporates forward looking information such as interest rates, economic growth, unemployment and property value forecasts in evaluating credit risk. When loans are evaluated, critical risk factors of loan to value, property type, location, position and dollar amount are applied to each individual loan. Estimation techniques have been applied consistently year over year.

The Corporation avoids 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).

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 Corporation's objective in managing liquidity risk is to maintain sufficient cash balances in order to meet its operational requirements at any point in time.

Management controls liquidity risk through cash flow projections used to forecast funding requirements for mortgage investments and anticipated redemption of preferred shares. The Corporation also has the ability to manage liquidity risk through control of preferred share redemptions and the payment of dividends on shares.

Accounts payable and accruals are due and payable within 1 year. 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.

(d) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Corporation is not exposed to foreign currency risk as all of its financial instruments are denominated in Canadian dollars.

FISGARD CAPITAL CORPORATION

Notes to Financial Statements (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2019

13. Capital risk management:

The Corporation defines capital as being the funds raised through the issuance of Class B, D & F redeemable 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 redeemable shares may be sold and the Corporation does not expect that any market will develop in the future. Accordingly an investment in redeemable shares should only be considered by investors who do not require liquidity. The redeemable shares are redeemable at the request of the investor upon appropriate advance notice to the Corporation. The different redeemable 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 redeemable 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 redeemable 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 redeemable shares are 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.

The Corporation is subject to externally imposed capital requirements as required under the provisions of the *Income Tax Act* (Canada) in order to qualify as a mortgage investment corporation. The Corporation was in compliance with these capital requirements throughout the year. There has been no change with respect to the overall capital management strategy during the year ended December 31, 2019.

The Corporation is also required to comply with externally imposed loan covenants. Please refer to note 4.

ITEM 13: CERTIFICATE OF THE ISSUER

Dated the 20th day of March 2020

This Offering Memorandum does not contain a misrepresentation

FISGARD CAPITAL CORPORATION

Wayne Strandland
Director

Hali Noble
Director

JoeRosenberg
Director

Dawn Paniz
Director

Alan Frydenlund
Director

FISGARD ASSET MANAGEMENT CORPORATION (in its capacity as promoter)

Wayne Strandlund

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.

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