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**Continuous Offering**

**May 15, 2017**

**SECURE CAPITAL MIC INC.  
CONFIDENTIAL OFFERING MEMORANDUM**

**For Residents of Canada**

**THE ISSUER**

**Name:** Secure Capital MIC Inc. (the “Corporation” or “Secure Capital”)

**Head Office:** 28 Fulton Way, Unit 8-201  
Richmond Hill, ON L4B 1J5  
Phone: 905-709-8633  
Fax: 905-709-9463  
www.securecapitalmic.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 A Preferred Shares of the Corporation (individually a “Share” and collectively the “Shares”)  
**Price Per Share:** \$ 1.00  
**Continuous Offering:** Shares are being offered on a continuous basis subject to a maximum offering size of \$30,000,000 (30,000,000 Shares) (the “Offering”). **There is no minimum. You may be the only purchaser. Funds available under the offering may not be sufficient to accomplish our proposed objectives.**  
**Minimum Subscription Amount:** \$5,000, subject to applicable prospectus exemptions  
**Payment Terms:** Bank draft, cheque (see Item 5.2(b)), or money order payable to Secure Capital MIC Inc. accompanied by a fully completed Subscription Agreement, as more particularly described in Item 5.  
**Proposed Closing Dates:** On the last day of each month or as such other times as determined at the sole discretion of the Manager.  
**Tax Consequences:** There are important tax consequences to these securities. See Item 6.  
**Selling Agents:** A commission may be paid as compensation to certain selling agents and finders in respect the Offering equal to up to 6% of the aggregate purchase price of Shares sold to investors by such selling agents or finders, plus a trailer fee, in certain circumstances, equal to 0.75% in the first year, 1.00% in the second year, and, thereafter, 1.25% per year for each year that an investor retains those Shares. See Item 7.  
**Resale Restrictions:** You will be restricted from selling your securities for an indefinite period. See Item 10.  
**Purchaser’s Rights:** For purchasers who are purchasing through an “Offering Memorandum” exemption: You have 2 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 either for damages or to cancel your agreement to purchase these securities. See Item 11.

**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.**

<b>Maximum Subscription Amount:</b>	No one investor (together with his or her spouse, children under the age of 18 and companies controlled by any of them) may subscribe for, or otherwise hold, more than 25% of the outstanding Shares, as determined in the sole discretion of the manager, Secure Capital Group Inc. (the “ <b>Manager</b> ”).
<b>Use of Proceeds:</b>	To invest in a diversified portfolio of mortgages and general corporate purposes.
<b>Subscription Procedure:</b>	To subscribe for Shares, investors must complete the Corporation’s form of Subscription Agreement, including all applicable schedules and forms appended thereto.
<b>Currency:</b>	Unless otherwise specified, all dollar amounts in this Offering Memorandum, including the symbol “\$”, are expressed in Canadian dollars
<b>Risk Factors:</b>	<p>An investment in the Shares is subject to significant risks. There are investment risks, issuer risks, and industry risks which include, but are not limited to the following:</p> <ul style="list-style-type: none"> <li>a) the Shares will be subject to restrictions on resale</li> <li>b) the Shares will be subject to redemption liquidity</li> <li>c) there is no market for the Shares</li> <li>d) there is no guaranteed return for the Shares</li> <li>e) the nature of the Corporation’s business</li> <li>f) the Corporation being subject to competition from other corporations which may have greater financial and technical resources</li> </ul>

For a full discussion of these risk factors and others, refer to Item 8 - Risk Factors.

## GENERAL DISCLAIMERS

The information contained in this Offering Memorandum is intended only for the persons to whom it is transmitted for the purposes of evaluating the securities offered hereby. Prospective purchasers should only rely on the information in this Offering Memorandum. No persons are authorized to give any information or make any representation in respect of the Corporation or the securities offered herein and any such information or representation must not be relied upon.

This Offering is a private placement and is not, and under no circumstances is to be construed as, a public offering of the securities described herein. The securities are being offered in reliance upon exemptions from the registration and prospectus requirements set forth in applicable securities legislation.

The securities offered hereby have not been and will not be registered under the *U.S. Securities Act of 1933*, as amended (the “**U.S. Securities Act**”) or any state securities laws. The securities may not be offered or sold in the United States or to U.S. persons, as defined in Regulation S under the U.S. Securities Act, unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States.

**THIS IS A SPECULATIVE OFFERING. An investment in the securities must be regarded as highly speculative due to the nature of the Corporation’s business and its relatively early stage of development.** Purchasers must rely on the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation. The securities are suitable only for Purchasers who are able to accept the risks inherent in the Corporation's business. In addition, there are a number of other risk factors that should be considered by persons proposing to make an investment in the securities. **Purchasers should consult their own professional advisors to assess the income tax, legal and other aspects of the investment. See Item 8.**

## FORWARD-LOOKING INFORMATION

This Offering Memorandum may contain “forward-looking information” as such term is defined in the *Securities Act* (Ontario). Forward-looking information is disclosure regarding possible events, conditions or results of operations that is based on assumptions about future economic conditions and courses of action and includes future-oriented financial information (“**FOFI**”) with respect to prospective results of operations, financial position or cash flows that is presented either as a forecast or a projection. FOFI is forward-looking information about prospective results of operations, financial position or cash flows, based on assumptions about future economic conditions and courses of action, and presented in the format of a historical balance sheet, income statement or cash flow statement. Similarly, a “financial outlook” is forward-looking information about prospective results of operations, financial position or cash flows that is based on assumptions about future economic conditions and courses of action that is not presented in the format of a historical balance sheet, income statement or cash flow statement.

Investors are advised that forward-looking information is subject to a variety of risks, uncertainties and other factors that could cause actual results to differ materially from expectations as expressed or implied herein. Although the forward-looking information contained herein reflects the beliefs and expectations of management of the Corporation at this time, investors are cautioned not to place undue reliance on such information. Upon receipt of this Offering Memorandum, each investor will be deemed to have acknowledged and agreed that any forward-looking information contained herein should not be considered material for the purposes of, and may not have been prepared and/or presented consistent with, National Instrument 51-102 *Continuous Disclosure Requirements* (“**NI 51-102**”) and that the investor will not receive any additional information updating such forward-looking information during any period that the Corporation is not a “reporting issuer” in any province or territory of Canada, other than as may be required under applicable securities laws and/or as agreed to in contract.

## CURRENCY

All dollar amounts stated in this Offering Memorandum are expressed in Canadian currency, except where otherwise indicated.

## GLOSSARY

“**Business Day**” means each Monday to Friday except statutory holidays applicable in the Province of Ontario.

“**CDIC**” means Canada Deposit Insurance Corporation.

“**Corporation**” or “**Secure Capital**” means Secure Capital MIC Inc.

“**DPSP**” means a deferred profit sharing plan, as defined in the Tax Act.

“**Financial Services Agreement**” means the agreement dated December 23, 2014, between the Corporation and the Manager detailing the financial services provided by the Manager to the Corporation.

“**Manager**” means Secure Capital Group Inc.

“**MIC**” means mortgage investment corporation.

“**NI 45-106**” means National Instrument 45-106 *Prospectus Exemptions*.

“**OSC**” means the Ontario Securities Commission.

“**RDSP**” means a registered disability savings plan, as defined in the Tax Act.

“**RESP**” means a registered education savings plan, as defined in the Tax Act.

“**RRIF**” means a registered retirement income fund, as defined in the Tax Act.

“**RRSP**” means a registered retirement savings plan, as defined in the Tax Act.

“**Shares**” means Class A Preferred Shares of the Corporation.

“**Specified Shareholder**” means a shareholder who owns, directly or indirectly, at any time in the year, not less than 25% of the issued shares of any class of the capital stock of the Corporation or of any other corporation that is related to the Corporation and, for the purposes of this definition, a shareholder is deemed to own each share owned at that time by a person related to the shareholder. Individuals related to each other include the individual, the individual’s child who is under 18 years of age, and the individual’s spouse or common law partner.

“**Tax Act**” means the *Income Tax Act* (Canada).

“**TFSA**” means a tax-free savings account, as defined in the Tax Act.

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## ITEM 1 : USE OF NET PROCEEDS

### 1.1. Net Proceeds

The net proceeds of the offering and the funds that will be available to the Corporation after the offering is as follows:

		Assuming min. offering <sup>(1)</sup>	Assuming max. offering
A	Amount to be raised by this offering	N/A	\$30,000,000
B	Selling commissions and fees <sup>(2)</sup>	N/A	\$1,800,000 <sup>(2)</sup>
C	Estimated offering costs (e.g. legal, accounting, audit)	N/A	\$50,000
D	Available Funds: $D = A - (B + C)$	N/A	\$28,150,000 <sup>(2)</sup>

Notes:

- 1) There is no minimum offering. This is a continuous offering of up to a maximum of \$30,000,000.
- 2) Selling agents and finders may be paid up to 6% of gross proceeds of the Offering; however, it is anticipated that any such amounts will be paid by the Manager. See Item 7.

### 1.2. Use of Net Proceeds

The net proceeds of the offering, after deducting for agent selling commissions and other offering expenses, such as, but not limited to legal and accounting, will be used to invest in a diversified portfolio of mortgages and general corporate purposes. Funds not invested in mortgages from time to time are held in cash deposited with a Canadian chartered bank in short term deposits, savings accounts or guaranteed income certificates, and other investments permitted by Section 130.1 of the Tax Act.

### 1.3. Reallocation

The Corporation intends to spend the available funds as stated in section 1.1. It will reallocate funds to other uses only for sound business reasons.

## ITEM 2 : BUSINESS OF THE CORPORATION

### 2.1 Structure

The Corporation is a corporation which was incorporated under the laws of the Province of Ontario on January 23, 2007. The Corporation is a “mortgage investment corporation” as this term is defined by Section 130.1 of the Tax Act, Canada.

The manager of the Corporation (“**Manager**”) is Secure Capital Group Inc., a corporation which was incorporated under the laws of the Province of Ontario on October 16, 2014. The Manager is a licensed mortgage broker in the province of Ontario and operates its mortgage brokerage business under the trade name “National Lending Link” and under licence number 12651 issued by the Financial Services Commission of Ontario (FSCO). It is an affiliate of the Corporation. The Manager is responsible for managing certain aspects of the Corporation’s mortgage investment portfolio.

The head office and the registered office of the Corporation is located at 28 Fulton Way Unit 8-201, Richmond Hill, ON, L4B 1J5.

The Corporation is not a reporting issuer or equivalent in any jurisdiction and its securities are not listed or posted for trading on any stock exchange or market.

## **2.2 Our Business**

### **(a) General**

MICs were introduced in Canada in 1973 with the enactment of the *Residential Mortgage Financing Act* (Canada) with the intention that the investment of private capital into residential mortgages through a vehicle whereby smaller, non-institutional, investors could place investment funds into mortgages would be encouraged. The concept was to permit the creation of corporate entities for the pooling of mortgages, with each shareholder to own a part of the corporation's total portfolio corresponding to his or her investment in that corporation.

The Corporation qualifies as a MIC and intends to remain qualified as a MIC at all times for the purposes of the Tax Act.

The Manager is responsible for managing the Corporation's mortgage investment portfolio and for managing the day-to-day operations and business affairs of the Corporation. The Financial Services Agreement, among other things, requires the Manager to comply with and observe all laws that apply to the Corporation, its investments and its securities. The Manager will obtain opinions from such counsel as it deems necessary in connection with such compliance.

As a MIC, the Corporation is allowed to deduct dividends that it pays from its Net Income. The Corporation intends to pay out all of its Net Income and net realized capital gains as dividends within the time period specified in the Tax Act and as a result does not anticipate paying any income tax.

### **(b) Investment Strategy and Operating Policies**

The investment objective is to make prudent investments in mortgages against real property located in Canada, with an emphasis on preserving capital and providing a distribution to shareholders.

There is no assurance of any return on an investor's investment, although the Manager has implemented an investment strategy to minimize the risk of investing in mortgages and is outlined herein.

In considering a mortgage proposal the Manager adheres to strict investment and operating policies which may include:

- Obtaining a credit application from all potential borrowers.
- Obtaining a credit report on both the borrowers and any guarantor(s).
- Obtaining an appraisal prepared by an accredited appraiser.
- Obtaining such other information and/or opinions of value as the Manager deems appropriate in the circumstances to allow them to make an accurate assessment of value with respect to any particular property.
- Testing the proposal against the Corporation's investment guidelines.

### **(c) Investment Guidelines**

The Corporation has established investment guidelines, which are subject to change from time to time, set out below that are consistent with the Corporation's articles of incorporation, the provisions of the Tax Act and real estate legislation applicable to the Corporation.

1. The Corporation's only undertaking will be to invest the Corporation's funds in accordance with its investment objectives, strategies and restrictions.

2. No more than 50% of the Corporation's assets will be invested in mortgages over commercial and industrial real estate.
3. The Manager intends to apply known and established procedures in the evaluation of mortgage opportunities.
4. The Corporation will not make any investment that would result in it failing to qualify as a MIC or which investment would impair its status as a MIC.
5. Subject to paragraph 8 below, the Corporation will not invest in securities, guaranteed investment certificates or treasury bills unless such securities, guaranteed investment certificates or treasury bills are issued by an arm's-length party and are pledged as collateral in connection with mortgage investments or obtained by realizing on such collateral.
6. The Corporation will not invest for the purposes of exercising control over management of any company.
7. The Corporation will not make short sales of securities or maintain a short position in any securities.
8. The Corporation will not guarantee the securities or obligations of any person.
9. To the extent that the Corporation's funds are not invested in mortgages or other permitted investments, from time to time, they will be held in cash deposited with a Canadian chartered bank or will be invested by the Manager on the Corporation's behalf in short term deposits, savings accounts or government guaranteed income certificates or treasury bills so as to maintain a level of working capital for the Corporation's ongoing operations considered acceptable by its directors.
10. The Tax Act allows mortgage investment corporations to utilize leverage. While the allowable amount can be up to five times assets, the Corporation intends to keep leverage below one times assets.

If, due to a change in the provisions of the Tax Act or other legislation applicable to the Corporation, any of the foregoing restrictions require amendment in order to comply with such change in legislation, the Corporation's directors may make such change and such change will be binding on the Corporation. It is anticipated that the Manager will provide the Corporation with assistance from time to time on revision of the foregoing restrictions in order to comply with applicable legislation. In the event of any amendment to the foregoing restrictions, the Manager will be required to comply with and observe such change immediately upon such change becoming effective.

The appraised value need not be on an "as-is" basis and may be based on stated conditions, including without limitations, completion, rehabilitation, or sale and/or lease-out of improvements of the real property in the case of construction or renovation loans.

To maintain a stable interest yield on the mortgage portfolio the Manager will manage risk through the maintenance of a diversified mortgage portfolio and the application of consistent and prudent underwriting criteria.

**(d) *Conflicts of Interest***

The Manager and its directors and officers may make direct investments along with the Corporation in mortgages approved by the Corporation and may also purchase mortgages and/or properties held by the Corporation. The Manager, through its National Lending Link activities, may earn fees it sources for the Corporation.

The Manager and the Corporation are affiliates, and do not operate at arms-length. Conflicts of interest may arise. See Item 8, Risk Factors.

**(e) *Nature of Projects to be Financed***

The Corporation intends to enter into first and non-first mortgage agreements with qualified mortgagors with such mortgages to be secured by the mortgagors' equity in residential and commercial properties and the terms of such mortgages will be consistent with terms of conventional mortgages having the usual and necessary provisions to constitute a full mortgage in good standing, properly registered in the appropriate Land Titles Offices and having



real property as the primary security for the mortgages. Although the Corporation will give priority to higher interest rate mortgages to prospective mortgagors who cannot obtain mortgage funding through more conventional sources, the primary focus throughout will be on capital preservation.

The Corporation also may enter into foreclosure situations to assume existing mortgages presently in arrears on residential or commercial lands and may purchase residential or commercial lands directly from landowners and mortgagors in concurrence with its mandate to preserve capital.

The Corporation's mortgage portfolio composition will vary over time depending on the Manager's assessment of the appropriate strategy given overall market conditions and outlook. The Corporation will endeavor to build a mortgage portfolio that encompasses the following general characteristics:

1. diversification by geographical location;
2. diversification by seniority: first and non-first;
3. payment schedules requiring regular periodic payments, which may include interest only mortgages; and
4. loans in Canadian dollars on Canadian based real estate.

**(f) *The Tax Act's MIC Criteria***

The Corporation will endeavor to comply with the Tax Act's MIC criteria. Section 130.1 of the Tax Act sets out the criteria governing a MIC, and in summary says that in order to qualify as a MIC for a taxation year, a company must have met the following criteria by the end of its first fiscal year, and maintained these criteria throughout every fiscal year thereafter:

1. Its only undertaking was the investing of its funds and it did not manage or develop any real property;
2. It did not invest in:
  - (a) mortgages secured by real estate located outside Canada, or property outside Canada;
  - (b) shares of companies not resident in Canada; or
  - (c) real property or leasehold interests outside Canada;
3. It had at least 20 shareholders, and no one shareholder was a Specified Shareholder;
4. At least 50% of the company's assets were comprised of:
  - (a) loans secured on houses or on property included in a housing project, as those terms are defined in the National Housing Act (Canada);<sup>1</sup>
  - (b) deposits insured by the Canada Deposit Insurance Corporation ("CDIC") or the Régie de l'assurance-dépôts du Québec ("Quebec DIC");
  - (c) deposits in a credit union; and/or
  - (d) cash;
5. No more than 25% of the company's assets consisted of real property (excluding any real property acquired by foreclosure);

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<sup>1</sup> The *National Housing Act (Canada)* provides that: 'house' means a building or movable structure intended for human habitation containing not more than two family housing units, together with the land, if any, on which the building or movable structure is situated; and that "housing project" means a project consisting of one or more houses, one or more multiple-family dwellings, housing accommodation of the hostel or dormitory type, one or more condominium units or any combination thereof, together with any public space, recreational facilities, commercial space and other buildings appropriate to the project, but does not include a hotel.

6. The company did not exceed, generally speaking, a 3:1 debt-equity ratio, or a 5:1 ratio if more than two-thirds of the company's property consisted of Residential Mortgages and/or deposits secured by the CDIC (or Quebec DIC) or at a credit union.

Section 130.1 of the Tax Act authorizes a MIC to borrow funds and leverage its capital in certain ratios related to the type of assets held. Provided one-half of a MIC's assets comprise a combination of residential mortgages and/or CDIC insured investments, the MIC is authorized to borrow up to a maximum of three times the amount of its assets. Provided two-thirds of a MIC's assets comprise a combination of residential mortgages and/or CDIC insured investments, the MIC is authorized to borrow up to a maximum of five times the amount of its assets.

The Corporation will utilize its leverage opportunity under the *Act*. The Corporation will borrow funds whenever funds are available provided it is economical and prudent to do so. This leverage when utilized will allow the Corporation to remain fully invested to the extent possible as funds are received from new investors or mortgages in the Corporation begin to payoff. As this money comes in, the debt will be paid down pending the location of new investment opportunities.

The Corporation will likely commit to more mortgages than it will ultimately retain in its portfolio and may sell mortgages within its portfolio from time to time to other lenders that may or may not be associated with the Manager, and to reinvest the proceeds on the belief that a certain level of turnover in the portfolio may lower the overall exposure to defaults and/or to maintain a higher return, while always complying with the criteria set out in the Tax Act to maintain the Corporation's MIC status.

As a MIC under the Tax Act, the Corporation is entitled to deduct from its income the amount of taxable dividends it pays to its shareholders. The Corporation's constating documents require it to pay out as dividends substantially all of its net income and net realized capital gains every year, and as a result the Corporation anticipates that it will not be liable to pay income tax in any year. Effectively the Corporation operates as a tax-efficient conduit of profit to its shareholders. Refer to Item 6, Income Tax Consequences.

The Tax Act's MIC criteria permit revenue sources other than residential mortgages, including among other things equity investments in real estate, investments in stocks and securities of Canadian companies, and mortgage lending in respect of commercial real estate.

**(g) *Problem Identification and Rectification***

The Corporation intends to minimize risks associated with defaulting mortgages through its diligent standard for monitoring the Corporation's mortgage portfolio. Any and all defaults are immediately dealt with by following effective enforcement procedures to their conclusion if necessary.

The default management and recovery program includes but is not limited to the following:

- Implementation of enforcement proceedings following default under the terms of the mortgage;
- Issuing demand letters; and
- Instructing legal counsel to commence enforcement proceedings in a timely fashion to ensure the security for the loan is realized as soon as possible, or in the alternative assisting the borrower to obtain alternative financing as soon as possible.

**2.3 Development of Business**

The Corporation has been in operation since 2007. Its business is limited to investing the net proceeds of this offering and prior offerings in mortgage investments in accordance with the policies and guidelines described in item 2.2.

In 2013, the Corporation advanced \$8.7m of mortgage loans, net of syndications, and discharged \$8.0m of loans, net of syndications. Net interest income was \$1.9m. Due to lower than anticipated losses that were allowed for at the end of 2012, total bad debt expense was a recovery of \$0.02m, with a loan loss provision of \$0.3m.

In 2014, the Corporation advanced \$17.0m of mortgage loans, net of syndications, and discharged \$12.2m of loans, net of syndications. Net interest income was \$2.4m. Loan losses in 2014 were within the Corporation's expectations and total bad debt expense was \$0.5m, with a loan loss provision of \$0.4m.

In 2015, the Corporation advanced \$16.0m of mortgage loans, net of syndications, and discharged \$18.5m of loans, net of syndications. Net interest income was \$2.7m. Loan losses in 2015 were within the Corporation's expectations and total bad debt expense was \$0.6m, with a loan loss provision of \$0.5m.

In 2016, the Corporation advanced \$22.3m of mortgage loans, net of syndications, and discharged \$15m of loans, net of syndications. Net interest income was \$2.8m. Loan losses in 2016 were within the Corporation's expectations and total bad debt expense was \$0.5m, with a loan loss provision of \$0.5m. The Corporation's experience with actual write-offs has typically been approximately 2% of average mortgage loan balances since inception.

Assuming the reinvestment of dividends, for the most recent five completed calendar years, the annualized return in each year was 8.3%.

<b>Annualized return of Secure Capital MIC Class A Preferred Shares assuming reinvestment of dividends</b>	
<b>Calendar Year</b>	<b>Annualized Return</b>
2012	8.3%
2013	8.3%
2014	8.3%
2015	8.3%
2016	8.3%

As of December 31, 2016, the Corporation's net mortgage portfolio was 417 mortgages with a net balance of \$26.65M. The weighted average interest rate was 11.7% and the weighted average LTV was approximately 73.5%. The term on loans at origination is typically 12 months or less.

The following tables illustrate the geography, property type, security position and the loan type of the existing mortgage loans in which the Corporation has an interest:

<b>Geography</b>	<b>% of Mortgages Outstanding</b>
Ontario	78%
Quebec	19.5%
Western Canada	1.5%
Eastern Canada	1%

<b>Property Type</b>	<b>% of Mortgages Outstanding</b>
Single Family Dwelling	97%
Multi Family Dwelling	3%

Seniority	% of Mortgages Outstanding
First	9%
Second	88%
Third	3%

Loan Type	% of Mortgages Outstanding
Residential	98.75%
Residential Construction	1.25%

## 2.4 Long-Term Objectives

The Corporation's long term objective is to provide holders of Shares with sustainable income while preserving capital for distribution or re-investment. The Corporation will seek to achieve this principal investment objective by using the funds raised pursuant to this Offering and investing such funds in mortgages. The Corporation shall invest in mortgages which shall be secured by the respective mortgagor's equity in real property. The Corporation anticipates continuing to raise funds under this Offering for the foreseeable future and investing all available net proceeds raised in mortgages as opportunities arise for such investment. The Corporation will reinvest in mortgages with the Corporation's income received upon the mortgages becoming due. The costs related to the investment and reinvestment in mortgages is nominal and is not considered to be material. The Corporation's income will primarily consist of interest received on the loans secured by the mortgages.

The Shares are entitled to a dividend at the rate of 8% per annum if and as declared by the Board of Directors and subject to the *Business Corporations Act* (Ontario); paid monthly on or about the last business day of the month and before any fees are paid to the Manager: non-cumulative preferential cash dividends; pro-rata from the date Shares are acquired by an investor. It is our objective to endeavor to pay this dividend as prescribed.

## 2.5 Short-Term Objectives

The Corporation's short-term objective is to raise capital, originate and identify qualified investments which are in accordance with the Tax Act's MIC criteria with the intent of optimizing return and continue paying monthly dividends to its shareholders.

The Corporation's business plan is not dependent on placement of the maximum amount of this offering. The Corporation anticipates that whatever funds are raised, above the minimum stated herein, will be sufficient for the Corporation to continue implementing its business plan.

## 2.6 Insufficient Funds

As at the date of this Offering Memorandum, the Corporation does not have a working capital deficiency.

## 2.7 Material Agreements

The Corporation is currently a party to the following material agreement:

### Financial Services Agreement

The Corporation and the Manager have entered into an exclusive agreement dated December 23, 2014 (the "**Financial Services Agreement**") under which the Manager shall provide mortgage underwriting and renewal servicing to the Corporation pursuant to the terms of the Financial Services Agreement.

The Manager and the Corporation are "related" companies. Directors and officers of the Corporation collectively own directly or indirectly 78.5% of the common equity in the capital stock of the Manager, and collectively own

88.7% of the outstanding common equity in the capital stock of the Corporation. They each are also directors and officers of the Manager, and each are directors and officers of the Corporation.

The Manager will be responsible for the employment expenses of their personnel and all other operating costs relating to the performance of the Manager's duties and obligations under the Financial Services Agreement.

The Corporation, through other registered dealers, may engage in marketing activity to identify additional investors from time to time which marketing costs will be borne by the Corporation. The costs pertaining to marketing and distribution will be reasonable and economical so as to not produce a major adverse effect on the yield of the investment pool. The Manager strongly believes that by increasing the size of the Corporation, the overall risk of the loan portfolio is greatly reduced, which significantly reduces the investment risk to each individual investor.

Under the Financial Services Agreement, for its underwriting services the Manager is entitled to 100% of the income remaining after payment of dividends and all expenses.

The Manager may also charge fees to borrowers for originating, underwriting, renewing, and servicing mortgages.

The Financial Services Agreement is for an initial term of three (3) years.

The Corporation may only terminate the Financial Services Agreement as follows:

- (a) A bankruptcy, receivership or liquidation order is issued against the Manager;
- (b) The Manager makes an assignment for the benefit of creditors or commits any act of bankruptcy within the meaning of the Bankruptcy and Insolvency Act (Canada);
- (c) The Manager assigns the Financial Service Agreement or its rights or obligations hereunder to any person who is not an affiliate of the Manager without the prior written consent of the Directors;
- (d) The Manager commits a breach or default under the Financial Services Agreement not related to the payment of any money to be paid by the Manager to the Corporation and the same is not cured within 90 days of the Manager receiving notice thereof;
- (e) The Manager commits a breach or default under the Financial Services Agreement related to the payment of any money to be paid by the Manager to the Corporation and the same is not cured within 15 days of the Manager receiving notice thereof;
- (f) The Corporation gives the Manager one (1) month notice (via registered or electronic mail) of its intention to terminate the Financial Services Agreement.

The Manager may terminate the Financial Services Agreement as follows:

- (a) A bankruptcy, receivership, or liquidation order is issued against the Corporation;
- (b) The Corporation makes an assignment for the benefit of creditors to commit any act of bankruptcy within the meaning of the Bankruptcy and Insolvency Act (Canada); or
- (c) The Manager gives the Corporation one (1) year's prior written notice of intention to terminate the Financial Services Agreement.

The Financial Services Agreement may also be terminated by mutual consent in writing.

The Corporation and the Manager expressly agree in the Financial Services Agreement that it does not create a fiduciary relationship between the Corporation and the Manager. However the Manager has agreed that it will exercise its powers and discharge its duties under these agreements honestly, in good faith and in what it reasonably believes to be in the best interests of the Corporation.

The Manager will be given the right to attend and be heard, at all meetings of the Corporation's shareholders, the Corporation's board of directors, and any committees established by the board of directors.

The Corporation acknowledges in the Financial Services Agreement that the Manager, and their respective shareholders, directors and senior officers have, or may acquire, 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 Corporation. The Corporation agrees that the Manager, as well as all of their respective shareholders, directors or senior officers will not be liable to the Corporation 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 Financial Services Agreement even if competitive with the business of the Corporation, and even if the business opportunity could have been pursued by the Corporation.

The Manager will not be liable to the Corporation in respect of any loss or damage suffered by the Corporation, including any loss or diminution in the net assets (that is, the value of the Corporation's assets less its liabilities) of the Corporation, 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 Financial Services Agreement.

The Financial Services Agreement also provides that the Corporation will indemnify the Manager, as well as their directors, officers and employees, from any claims arising in relation to the Manager's duties and responsibilities under the Financial Services Agreement.

Notwithstanding any other provision of the Financial Services Agreement, the Corporation has granted to the Manager, or any related company, the irrevocable right at any time to purchase the Corporation's investment in any and/or all of the mortgages held by the Corporation for a purchase price equal to the Corporation's percentage interest in the principal amount of such mortgages, and accrued interest payable thereon, calculated as at the end of business on the day immediately preceding the purchase date, less all accrued costs and expenses relating to the Corporation.

### ITEM 3 : DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

#### 3.1 Compensation and Securities Held

The following table sets out the specified information, as of the date of this Offering Memorandum, about each director, officer, and promoter of the Corporation and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Corporation (a "**principal holder**").

Name and municipality of principal residence	Positions held and the date of obtaining that position	Compensation paid by the Corporation in the most recently completed financial year and compensation to be paid in the current financial year	Number, type and percentage of securities of the Corporation held after completion of min. offering <sup>(1)</sup>	Number, type and percentage of securities of the Corporation held after completion of max. offering
Sheri Kosturik <sup>(2)</sup> Maple, ON	President (May 2010) CEO (February 2016) Director (May 2010)	2016: \$0 2017: \$0	225 common shares (22.50%); 1,983,550 Class A preferred shares (8.1%)	225 common shares (22.50%); 1,983,550 Class A preferred shares (3.63%)
Sasha Singal <sup>(3)</sup> Maple, ON	Secretary (May 2016) Director (March 2014)	2016: \$0 2017: \$0	225 common shares (22.50%); 605,729 Class A preferred shares (2.47%)	225 common shares (22.50%); 605,729 Class A preferred shares (1.11%)
Jaime Vilas Oakville, ON	Director (March 2014)	2016: \$0 2017: \$0	100 common shares (10.00%); 46,085 Class A preferred shares (0.19%)	100 common shares (10.00%); 46,085 Class A preferred shares (0.08%)

Joshua Singal <sup>(4)</sup> Toronto, ON	Director (May 2016)	2016: \$0 2017: \$0	225 common shares (22.5%); 608,622 Class A preferred shares (2.48%)	225 common shares (22.5%); 608,622 Class A preferred shares (1.11%)
Margaret Couprie Thornhill, ON	Principal holder	2016: \$0 2017: \$0	225 common shares (22.50%); 2,900,000 Class A preferred shares (11.83%)	225 common shares (22.50%); 2,900,000 Class A preferred shares (5.32%)

**Notes:**

- 1) There is no minimum offering. This is a continuous offering of up to a maximum of \$30,000,000.
- 2) The securities beneficially held by Ms. Sheri Kosturik include 1,225,383 Class A Preferred Shares held through her wholly owned holding company, Sherikos Holding Corp., and 350,596 Class A Preferred Shares through her wholly owned holding company, 2446723 Ontario Inc.
- 3) The securities beneficially held by Mr. Sasha Singal include 255,729 Class A Preferred Shares held through his wholly owned holding company, 2446694 Ontario Inc.
- 4) The securities beneficially held by Mr. Joshua Singal include 258,962 Class A Preferred Shares held through his wholly owned holding company, 2446709 Ontario Inc.

### **3.2 Management Biographies**

#### **Sheri Kosturik – President, Chief Executive Officer, Director**

Sheri Kosturik has been actively involved in the mortgage industry since 2004. Mrs. Kosturik was a co-founder of mortgage brokerage Mortgage Central in 2004 and was a principal until 2007. Mrs. Kosturik owned and operated another mortgage brokerage, Mortgage Connect, from 2007 to 2010. Mrs. Kosturik also co-founded Secure Capital MIC Inc. in 2007.

Mrs. Kosturik is a member of both CAAMP (Canadian Association of Accredited Mortgage Professionals) and IMBA (Independent Mortgage Brokers Association).

Mrs. Kosturik is a graduate of the Seneca College Financial Services Underwriting program, where she earned her Honours Diploma in 2006.

She previously earned a Bachelor of Arts Degree with Honours in 2003 from York University.

#### **Sasha Singal – Secretary, Director**

Sasha Singal is a founding shareholder of Secure Capital MIC Inc. with over 2.5 years of mortgage industry experience including enforcement activities (collecting missed payments, managing the power of sale procedure, etc.), underwriting deals, and portfolio management.

Mr. Singal completed the Mortgage Agent Licensing Course in 2012 and has been a licensed mortgage agent through The Mortgage Centre – Mortgage One Solutions, since August 2013. Mr. Singal is a member of both CAAMP and IMBA.

Mr. Singal graduated from the International Business program at Seneca College in 2011.

#### **Jaime Vilas – Director**

Jaime Vilas has been involved in the mortgage industry since 2001 and has closed over \$175m in mortgage loans. In 2001 Mr. Vilas was an agent with The Mortgage Center where he also managed over 80 mortgage agents between 2002 and 2006. From 2006 to 2009, Mr. Vilas owned and managed a mortgage brokerage, ClearView Mortgage Corp. Mr. Vilas has been involved in mortgage distribution with the Corporation since its inception in 2007. Mr. Vilas became an officer and director of the Corporation in 2014.

Prior to a career in the mortgage industry, Mr. Vilas was a financial advisor at Midland Walwyn from 1997 to 2000. In addition, Mr. Vilas owned and operated two fitness clubs and a restaurant from 1990 to 1995. Mr. Vilas was

drafted by the Toronto Argonauts in 1988. Mr. Vilas attended York University for Physical Education and Psychology.

### **Joshua Singal – Director**

Joshua Singal joined the Corporation's administration team in August 2013 and is primarily responsible for enforcement activities, including collecting missed payments and managing the power of sale procedure.

### **3.3 Penalties, Sanctions and Bankruptcy**

No penalties or sanctions have been in effect during the last 10 years, nor has any cease trade order been in effect for a period of more than 30 consecutive days during the past 10 years against (i) a director, executive officer, or control person of the Corporation, or (ii) an issuer of which a person referred to in (i) was a director, executive officer or control person at the time. No declarations of bankruptcy, voluntary assignments in bankruptcy, proposals under any bankruptcy or insolvency legislation, proceedings, arrangements or compromises with creditors or appointments of a receiver, receiver manager or trustee to hold assets, have been in effect during the last 10 years against (i) a director, executive officer, or control person of the Corporation, or (ii) an issuer of which a person referred to in (i) was a director, executive officer or control person at the time.

### **3.4 Loans**

As of the date of this Offering Memorandum, there are no outstanding loans or debentures between the directors, management, promoters or principal holders and the Corporation.

### **3.5 Auditors**

The Corporation's auditors are MNP LLP.

## **ITEM 4 : CAPITAL STRUCTURE**

### **4.1 Share Capital**

The following table sets out information about the Corporation's outstanding securities, including any options, warrants and other securities convertible into Shares as of May 1, 2017.

<b>Description of Security</b>	<b>Number authorized to be issued</b>	<b>Number outstanding as at May 1, 2017</b>	<b>Number outstanding after minimum offering</b>	<b>Number outstanding after maximum offering</b>
Voting Common Shares	Unlimited	1,000	1,000 <sup>(1)</sup>	1,000
Class A Preferred Shares	Unlimited	24,515,120	24,515,120 <sup>(1)</sup>	54,515,120
Class B Preferred Shares	Unlimited	0	0	0
Class C Preferred Shares	Unlimited	0	0	0
Class D Preferred Shares	Unlimited	0	0	0
Class E Preferred Shares	Unlimited	0	0	0

Note:

1) There is no minimum offering. This is a continuous offering of up to a maximum of \$30,000,000.

### **4.2 Long Term Debt**

The Corporation currently has no long term debt. If deemed necessary by the Manager, the Corporation may, from time to time, secure long term debt from financial institutions or other third parties. Such loans may be secured by granting encumbrances, security interests or other charges on the assets of the Corporation.



### 4.3 Short Term Debt

As at December 31, 2016, the Corporation had \$0.3m in short term debt consisting of \$0.3m in notes payable. If deemed necessary by the Manager, the Corporation may, from time to time, secure short term debt from financial institutions or other third parties. Such loans may be secured by granting encumbrances, security interests or other charges on the assets of the Corporation.

### 4.4 Prior Sales

Within the last 12 month period, Class A Preferred Shares of the Corporation have been issued as follows:

Date of Issuance	Type of Security	Number of Securities Issued	Price Per Security	Total Funds Received
June 1, 2016	Class A Preferred Shares	260,873	\$1.00	\$260,873
June 6, 2016	Class A Preferred Shares	25,000	\$1.00	\$25,000
June 9, 2016	Class A Preferred Shares	45,370	\$1.00	\$45,370
June 30, 2016	Class A Preferred Shares	113,485	\$1.00	\$113,485
July 6, 2016	Class A Preferred Shares	25,500	\$1.00	\$25,500
July 8, 2016	Class A Preferred Shares	300,000	\$1.00	\$300,000
August 2, 2016	Class A Preferred Shares	376,000	\$1.00	\$376,000
August 4, 2016	Class A Preferred Shares	36,500	\$1.00	\$36,500
August 8, 2016	Class A Preferred Shares	26,000	\$1.00	26,000
September 1, 2016	Class A Preferred Shares	87,000	\$1.00	\$87,000
September 2, 2016	Class A Preferred Shares	27,500	\$1.00	\$27,500
September 6, 2016	Class A Preferred Shares	143,200	\$1.00	\$143,200
September 9, 2016	Class A Preferred Shares	40,430	\$1.00	\$40,430
October 3, 2016	Class A Preferred Shares	285,000	\$1.00	\$285,000
October 4, 2016	Class A Preferred Shares	30,000	\$1.00	\$30,000
October 5, 2016	Class A Preferred Shares	55,000	\$1.00	\$55,000
October 6, 2016	Class A Preferred Shares	20,000	\$1.00	\$20,000
October 7, 2016	Class A Preferred Shares	33,883	\$1.00	\$33,883
November 1, 2016	Class A Preferred Shares	322,590	\$1.00	\$322,590
November 30, 2016	Class A Preferred Shares	61,295	\$1.00	\$61,295
December 1, 2016	Class A Preferred Shares	191,584	\$1.00	\$191,584
December 5, 2016	Class A Preferred Shares	30,000	\$1.00	\$30,000
December 8, 2016	Class A Preferred Shares	11,200	\$1.00	\$11,200
December 30, 2016	Class A Preferred Shares	85,900	\$1.00	\$85,900
January 3, 2017	Class A Preferred Shares	20,000	\$1.00	\$20,000
January 5, 2017	Class A Preferred Shares	45,000	\$1.00	\$45,000

<b>Date of Issuance</b>	<b>Type of Security</b>	<b>Number of Securities Issued</b>	<b>Price Per Security</b>	<b>Total Funds Received</b>
January 6, 2017	Class A Preferred Shares	5,500	\$1.00	\$5,500
January 9, 2017	Class A Preferred Shares	357,500	\$1.00	\$357,500
February 1, 2017	Class A Preferred Shares	543,850	\$1.00	\$543,850
February 3, 2017	Class A Preferred Shares	20,000	\$1.00	\$20,000
February 7, 2017	Class A Preferred Shares	10,000	\$1.00	\$10,000
February 8, 2017	Class A Preferred Shares	15,000	\$1.00	\$15,000
February 10, 2017	Class A Preferred Shares	30,000	\$1.00	\$30,000
February 28, 2017	Class A Preferred Shares	481,075	\$1.00	\$481,075
March 1, 2017	Class A Preferred Shares	30,273	\$1.00	\$30,273
March 2, 2017	Class A Preferred Shares	38,616	\$1.00	\$38,616
March 3, 2017	Class A Preferred Shares	20,000	\$1.00	\$20,000
March 6, 2017	Class A Preferred Shares	20,000	\$1.00	\$20,000
March 9, 2017	Class A Preferred Shares	35,500	\$1.00	\$35,500
March 10, 2017	Class A Preferred Shares	25,500	\$1.00	\$25,500
March 31, 2017	Class A Preferred Shares	274,210	\$1.00	\$274,210
April 3, 2017	Class A Preferred Shares	8,500	\$1.00	\$8,500
April 5, 2017	Class A Preferred Shares	5,500	\$1.00	\$5,500
April 6, 2017	Class A Preferred Shares	70,750	\$1.00	\$70,750
April 7, 2017	Class A Preferred Shares	120,000	\$1.00	\$120,000
April 10, 2017	Class A Preferred Shares	140,000	\$1.00	\$140,000
April 30, 2017	Class A Preferred Shares	111,334	\$1.00	\$111,334
May 1, 2017	Class A Preferred Shares	704,000	\$1.00	\$704,000

## **ITEM 5 : SECURITIES OFFERED**

### **5.1 Terms of Securities**

**Voting** – The holders of the Shares are not entitled to notice of or to attend or vote at any meetings of the holders of common shares of the Corporation.

- (i) **Conversion or exercise price and date of expiry** – The Shares are not convertible.
- (ii) **Redemption Rights by the Corporation** – Subject to the provisions of the *Business Corporations Act* (Ontario) and applicable securities laws, Secure Capital may retract all or any part of the Shares at any time.
- (iii) **Redemption Rights by the Holder** – Subject to the requirements of the *Business Corporations Act* (Ontario) and applicable securities laws, a holder of Shares may request, by written notice, that Secure Capital redeem the shares of the holder in whole or in part on the **25<sup>th</sup>** day of any month provided the holder has delivered written notice to Secure Capital on or before the last business day of the calendar month which is two full months before the month in which a

holder of Shares wishes to redeem (the “**Redemption Date**”). Secure Capital will redeem the Shares specified in the notice for an amount equal to the book value of the Shares calculated using the unaudited monthly balance sheet for the month in which such notice is received by Secure Capital plus the *pro rata* share of any distributions on the Shares to be redeemed which have accrued up to and including the Redemption Date, which price will be paid within 10 days of the Redemption Date.

The Corporation reserves the right to refuse any redemption request in whole or in part if: (i) the redemption would result in the redemption of greater than 25% of the Shares issued and outstanding as at the beginning of the fiscal year during which such redemption notices are given, or (ii) if the redemption of the aggregate number of Shares in any calendar month would result in a number of Shares which is greater than 5% of the Shares issued and outstanding as at the beginning of the current fiscal year being redeemed on the next Redemption Date. In such a case, Shares which are subject to redemption notices will be redeemed on a basis which is *pro rata* to the number of Shares subject to redemption notices, up to the limits specified above. **If the Redemption Date is less than one year after the date the Shares were issued, a redemption fee of 3% will apply.**

- (iv) **Dividends** – 8% per annum if and as declared by the Board of Directors and subject to the *Business Corporations Act* (Ontario); paid monthly on or about the last business day of the month and before any fees are paid to the Manager: non-cumulative preferential cash dividends; pro-rata from date Shares acquired by investor.
- (v) **Dividend Reinvestment Plan** - This plan entitles investors to re-invest dividends in additional Shares. Investors may request enrollment in this plan, enrollment will continue until the investor gives written notice to the Corporation.
- (vi) **Pre-emptive Rights** – Except as otherwise required by law, the holders of the Shares are not entitled as such to pre-emptive right to subscribe for, purchase, or receive any part of any issue of shares, bonds, debentures, or other securities of the Corporation.
- (vii) **Liquidation, Dissolution, or Winding up** – In the event of the liquidation, dissolution or winding-up of Secure Capital, holders of Shares are entitled to receive all dividends declared and unpaid on the Shares, and an amount equal to (but not greater than) the amount that would be required to redeem the Shares then outstanding. If there are insufficient assets to satisfy the claims of all Shareholders, holders of Shares will participate *pari passu* with other preferred shareholders. Holders of Shares are not entitled to share in any other distribution of the property or assets of Secure Capital.

## 5.2 Subscription Procedure

The Shares are offered on a private placement basis, conditional upon any sale of Shares being exempt from the prospectus requirements of applicable legislation. Each subscriber for Shares will be required to enter into a Subscription Agreement in which it will represent to the Corporation, the Manager and to any broker or dealer who places the Shares with the subscriber that the subscriber satisfies the applicable eligibility criteria to purchase Shares pursuant to either the “accredited investor” exemption, the “minimum amount investment” exemption, or the “offering memorandum” exemption, as set out in National Instrument 45-106 *Prospectus Exemptions* (“**NI 45-106**”).

The minimum investment is \$5,000, unless you are purchasing under the “minimum amount investment” exemption, in which case the minimum investment is \$150,000. An individual purchaser may not rely on the “minimum amount investment” exemption.

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

- (a) **Subscription Forms** – This Offering Memorandum is for persons who are resident in Canada. To subscribe for Shares, investors must complete the Corporation’s form of Subscription Agreement, including all applicable schedules, exhibits, and appendices thereto.

- (b) Method for Payment – A cheque or bank draft in an amount equal to \$1.00 multiplied by the number of Shares being purchased must be forwarded to company's head office in Toronto, Ontario made payable to SECURE CAPITAL MIC INC.
- (c) Submitting Subscriptions – Completed Subscription Agreements and funds payable to SECURE CAPITAL MIC INC. must be received by the Corporation at:

SECURE CAPITAL MIC INC  
28 Fulton Way, Unit 8-201, Richmond Hill,  
ON L4B 1J5  
Phone: 905-709-8633  
Fax: 905-709-9463  
www.securecapitalmic.com

- (d) Acceptance of Subscriptions and Closings – Subscriptions may be accepted at the sole discretion of the Manager, and are subject to the terms and conditions of the Subscription Agreement signed by the investor and compliance with applicable Securities Laws. The authority to accept or reject subscriptions has been delegated to the Manager to ensure that the Corporation maximizes its return for existing investors, that the fund remains qualified as a “mortgage investment corporation” (within the meaning of the term as defined in the Tax Act), and to insure that the Corporation complies with all other relevant Securities Laws. The Manager may also defer acceptance of a subscription on behalf of the Corporation if the directors do not anticipate that the Corporation will have sufficient investment opportunities within the next 30 day period to absorb the funds. If the directors do defer acceptance, such funds shall be invested in a CDIC insured investment available to the Manager until the money can be rolled into the Corporation's mortgage portfolio, with all interest earned being paid to such investor. If the Manager rejects a subscription for any other reason, the subscription funds received will be returned to the investor, without interest or deduction, along with notification of the rejection.

The Subscription Agreement referred to herein contains representations and warranties of the Subscriber, which the Corporation will be relying upon in order to determine the eligibility of the Subscriber. You should carefully review the terms of the Subscription Agreement for more detailed information concerning the rights and obligations applicable to you and the Corporation. Execution and delivery of the Subscription Agreement will bind you to the terms thereof, whether executed by you or by an agent on your behalf. **You should consult with your own professional advisors.**

Shares are being offered on a continuous basis. A Closing under this Offering shall occur on such dates and times as may be determined by the Corporation, subject to any cancellation notices.

Proceeds received from Subscribers who purchase Shares under this Offering will be held in trust and only released against delivery of the certificates representing the Shares subscribed therefor. In the event that this Offering is terminated prior to Closing, the proceeds under the Offering received from each Subscriber shall be returned to such Subscriber without interest or deduction.

**Note: All subscription proceeds will be held in trust until midnight on the second Business Day after the day the Subscriber signs the applicable Subscription Agreement. In the event that Subscribers provide the Corporation with a cancellation notice prior to midnight of the second Business Day after the signing date, all subscription proceeds will be promptly returned to the Subscriber without interest or deduction.**

This Offering may be nullified at the sole discretion of the Manager acting on behalf of the Corporation. For example, the Manager might choose to nullify the Offering upon the occurrence of events such as any material adverse to change in the business, personnel or financial condition of the Manager. If this Offering is nullified for any reason, the Subscription Agreement and cash funds received by the Manager prior to the nullification will be returned to investors without interest or deduction as if the investors' subscription had been rejected (whether or not the subscription(s) had previously been accepted by the Corporation).

**This offering is not subject to any minimum subscription level, except as specified on the face pages hereof, or as required for the Corporation to maintain its status as a MIC under Canadian income tax law. Therefore**

**any funds received from an investor are available to the Corporation and need not be refunded to the investor save and except as required by the constating documents of the Corporation, the terms of this Offering Memorandum, or as otherwise required by law.**

A prospective investor will become a shareholder upon execution of a Subscription Agreement, acceptance of the Subscription Agreement by the Manager acting on behalf of the Corporation, payment of the subscription price, and entry of the investor's name in the shareholder register of the Corporation.

**Each Subscriber is urged to consult with his own legal adviser concerning the prospectus exemption being relied upon and the consequences of purchasing securities pursuant to such exemption.**

## **ITEM 6 : INCOME TAX CONSEQUENCES**

The following is a summary, as of the date hereof, of the principal federal income tax consequences applicable to the acquisition, holding and disposition of Shares by an investor who acquires Shares under this Offering Memorandum. The information contained in this section was provided by MNP LLP for inclusion in this Offering Memorandum.

This summary only applies to an investor based on important facts and assumptions as set out by the Corporation in the Offering Memorandum and particularly on additional facts and assumptions as follows:

- (a) Investors are, and will not cease to be, individual residents in Canada;
- (b) Investors deal at arm's length and are not affiliated with the Corporation; and
- (c) Investors acquire Shares pursuant to this Offering Memorandum and hold the Shares as capital property.

Generally, the Shares will be considered capital property to an investor unless the investor either holds the Shares in the course of carrying on a business of trading or dealing in securities or has acquired the Shares in a transaction or transactions considered to be 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" (as defined in the Tax Act) owned by them deemed to be capital property.

This summary is not applicable to an investor of Shares (i) that is a "specified financial institution" or "financial institution", both as defined in the Tax Act; (ii) an interest in which is a "tax shelter investment" within the meaning of the Tax Act; (iii) that reports its Canadian tax results in a "functional currency" (which excludes Canadian dollars); or (iv) that has entered or will enter into a "derivative forward agreement as defined in the Tax Act with respect to the Shares.

This summary is based on the Corporation's understanding of the current provisions of the Tax Act, the regulations to the Tax Act, all amendments to the Tax Act and the regulations publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof ("**Tax Proposals**"), the facts contained in this Offering Memorandum, and the current administrative and assessing practices of the Canada Revenue Agency ("**CRA**") that have been published by it prior to the hereof. Except for the Tax Proposals, this summary does not take into account or anticipate any other changes in law whether by legislative, governmental or judicial decision or action nor does not take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ significantly from the tax considerations described herein. No assurance can be given that the Tax Proposals will be enacted in the form proposed or at all.

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

***The following summary of the Canadian income tax consequences is of a general nature only and is not intended to constitute a complete analysis of the income tax consequences and should not be interpreted as legal or tax advice to any particular investor. This summary does not address provincial or territorial laws of Canada or any***

*tax laws of any jurisdiction outside of Canada. You should consult your own professional advisors to obtain advice on the income tax consequences that apply to you.*

## **6.1 Classification under the Tax Act**

This summary is based on the assumption that the Corporation qualify as a MIC at all relevant times. If the Corporation were to not qualify as a MIC at any time, the income tax considerations would be materially different from those described below.

## **6.2 MIC Requirements**

The following requirements must be met throughout a taxation year in order for the Corporation to qualify as a MIC for that taxation year:

- (a) the Corporation must be a “Canadian Corporation” as defined in the Tax Act;
- (b) the Corporation's only undertaking was the investing of its funds, and it cannot have managed or developed any real property;
- (c) no property of the Corporation consist of debts owing to the Corporation by non-residents of Canada except such debts that were secured on real property situated in Canada, debts owing to the Corporation secured on real property situated outside of Canada, shares of corporations not resident in Canada, real property situated outside of Canada or any leasehold interest in such property;
- (d) the Corporation must have 20 or more shareholders and no shareholder (together with Related Persons) would have owned, directly or indirectly, more than 25% of the issued shares of any class the capital stock of the Corporation. For these purposes, “Related Persons” include a corporation and the person or persons that control the corporation, a parent corporation or 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.;
- (e) holders of any “preferred shares” (as defined in the Tax Act) of the Corporation had a right, after payment of their dividends and payment of dividends in a like amount per share to the holders of common shares, to participate *pari passu* (equally) with the holders of common shares in any further payment of dividends;
- (f) the cost amount for tax purposes to the Corporation of its property consisting of debts on “houses” or on property included within a “housing project” (as those terms are defined in section 2 of the *National Housing Act* (Canada)), deposits with a bank or other corporation whose deposits are insured by the Canada Deposit Insurance Fund or a credit union, together with cash on hand (collectively, the “**Qualifying Property**”), was at least 50% of the cost amount to the Corporation of all of its property;
- (g) the cost amount for tax purposes to the Corporation of its real property (including leasehold interests therein but excluding real property acquired as a consequence of foreclosure or defaults on a mortgage held by the Corporation) did not exceed 25% of the cost amount to the Corporation of all of its property; and
- (h) where at any time in the year the cost amount for tax purposes to the Corporation of its Qualifying Property was less than 2/3 of the aggregate cost amount to the Corporation of all of its property, the Corporation's liabilities may not exceed three (3) times the amount by which the cost amount to the Corporation of all of its property exceeded its liabilities. Where, however, throughout the taxation year the cost amount to the Corporation of its Qualifying Property equaled or exceeded 2/3 of the aggregate cost amount to the Corporation of all of its property, the Corporation's liabilities may not exceed five (5) times the amount by which the cost amount to the Corporation of all of its property exceeded its liabilities.

### **6.3 Taxation of the Corporation**

The corporation is a “public corporation” as defined in the Tax Act on the basis that it qualifies as a MIC. As a public corporation, the Corporation is subject to tax at the full general corporate income tax rates on its taxable income. However, as a MIC, the Corporation is permitted to deduct in computing its income for a taxation year the amount of dividends paid to its Shareholders. Accordingly, the Corporation, in effect, operates as a flow through conduit of its profit to its Shareholders. The income of the Corporation for tax purposes includes interest earned and the taxable portion of any net realized capital gains.

The Corporation will, in computing its income, generally be entitled to deduct the full 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 Corporation in computing its income for the preceding year). In addition, the Corporation may have a capital gains dividend in an amount equal to the gross amount of its capital gains and is entitled to deduct, in computing its income for the year, one-half (1/2) of its capital gains dividend paid during the period commencing 91 days after the commencement of the year and ending 90 days after the end of the year. The Corporation must elect to have a dividend qualify as a capital gains dividend.

The Corporation intends to pay taxable dividends and capital gains dividends each year in sufficient amounts to reduce its Part I income tax liability to Nil.

### **6.4 Taxation of Shareholders**

#### **6.4.1 Distributions**

A Shareholder of the Shares is required to include in its income, as interest payable on a bond issued by the Corporation, any amount received by the shareholder from the Corporation as or an account of a taxable dividend (other than capital gains dividends), whether paid in cash or reinvested in Shares. Accordingly, dividends, except capital gains dividends, received by a Shareholder are taxable in the hands of the Shareholder as interest and not as dividends. The gross up and dividend tax credit applicable to taxable dividends received by individuals from a taxable Canadian corporation will not apply to dividends paid by the Corporation.

Capital gains dividends received by a Shareholder (whether paid in cash or reinvested in Shares) are treated as capital gains of the Shareholder from a disposition of capital property in the year in which the dividend is received. One half (1/2) of which must be included as a “taxable capital gain” in computing the Shareholder’s taxable income.

Any amount paid by the Corporation to a Shareholder on a return of capital will generally be deemed to be a dividend paid by the Corporation and received by the Shareholder. This deemed dividend will be treated in the same manner as other dividends received by the Shareholder from the Corporation, and its treatment will depend on whether the Company elects that the entire dividend be a capital gains dividend (to the extent that the Corporation has realized sufficient capital gains, net of any applicable capital losses, in the year). A return of capital on the Shares will generally not affect the adjusted cost base of a Shareholder’s Shares.

The amount of a dividend reinvested in additional Shares will be the cost of such Shares and will be averaged with the cost of other Shares owned by the Shareholder in determining the adjusted cost base of a Shareholder’s Shares.

#### **6.4.2 Dispositions**

A sale or other disposition of a Share by a Shareholder (other than to the Corporation), including a deemed disposition, will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition of the Share exceed (or are exceeded by) the Shareholder’s adjusted cost base of such Share and any reasonable disposition costs.

Generally, one-half of a capital gain (“taxable capital gain”) realized in the year by a Shareholder on the disposition of Shares will be included in the Shareholder’s income for the year, and one-half of a capital loss (“allowable capital loss”) realized in the year on such dispositions of Shares will be deducted from the Shareholder’s taxable capital gains, if any, realized in such year. Allowable capital losses in excess of taxable capital gains for a particular year may generally be carried back three years or forward indefinitely and deducted against taxable capital gains realized in such years, subject to detailed rules in the Tax Act.

A Shareholder will be deemed to have disposed of its Shares when that Shareholder assigns or sells those Shares; those Shares are the subject of a gift or death; or where a Shareholder is corporation and such corporation is wound-up or otherwise terminated. Generally, the deemed proceeds of disposition are equal to fair market value of the Shares at that time.

A Shareholder that is a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay an additional refundable tax of 10 2/3 % on certain investment income, including amounts in respect of interest and taxable capital gains. The 10 2/3% tax is to be added to such Shareholder's refundable dividend tax on hand account and will be eligible for refund at a rate of 38 1/3% of taxable dividends paid by such Shareholder.

On a redemption or acquisition of Shares by the Corporation, the Shareholder generally will be deemed to have received, and the Corporation will be deemed to have paid, a dividend in an amount equal to the amount by which the redemption price exceeds the paid-up capital of the redeemed Shares. This deemed dividend will be treated in the same manner as other dividends received by the Shareholder from the Corporation, and its treatment will depend on whether the Corporation elects that the entire dividend be a capital gains dividend.

#### **6.4.3 *Alternative Minimum Tax***

Taxable capital gains realized by a Shareholder that is an individual, including certain trusts, may give rise to alternative minimum tax depending upon the Shareholder's circumstances.

### **6.5 *Deferred Income Plans***

#### **6.5.1 *Eligibility for Investment by Plans***

As long as the Corporation is a MIC under the Tax Act, the Shares will be “qualified investments” (as defined in the Tax Act) for a trust governed by a RRSP, a RRIF, a DPSP, a RDSP, a TFSA, or RESP (collectively, the “Plans”), and further provided the Corporation does not hold any indebtedness of any person who is an annuitant, a beneficiary, an employer, or a subscriber under the Plan, or of any person who does not deal at arm's length with that person.

Notwithstanding that the Shares may be qualified investments for a trust governed by a TFSA, a RRSP, or a RRIF, the holder of a TFSA or annuitant under the RRSP or RRIF will be subject to a penalty tax if such securities are a “prohibited investment” (as defined in the Tax Act) for the trust governed by the TFSA, RRSP or RRIF, as applicable. The Shares will generally not be a “prohibited investment” unless the holder of the TFSA or the annuitant under the RRSP or RRIF, as applicable, (i) does not deal at arm's length with the Corporation for purposes of the Tax Act, (ii) has a “significant interest” (as defined in the Tax Act) in the Corporation or (iii) are “excluded property” as defined in the Tax Act.

If the Corporation fails to qualify as a MIC at any time in a taxation year, the Shares may cease to be a qualified investment for a Plan. When a Plan holds a non-qualified investment at the end of a month, the trust governed by the Plan will be subject to a tax of 1% of the fair market value of the investment at the time it was acquired. If the Plan is a TFSA, the holder will also be subject to additional taxes based on the fair market value of the Shares of the Corporation and on income earned from the Shares.

#### **6.5.2 *Taxation of Plans***

Dividends received by a Plan on Shares that are a qualified investment for such Plan will be exempt from income tax in the Plan, as will capital gains realized by the Plan on the disposition of such Shares. Withdrawals from Plans, other than a TFSA and a RESP in some cases, are generally subject to tax under the Tax Act.

## **ITEM 7 : COMPENSATION PAID TO SELLERS AND FINDERS**

A commission may be paid as compensation to certain selling agents and finders in respect the Offering of up to 6% of the aggregate purchase price of any Shares sold to investors by such selling agents or finders, plus a trailer fee, in certain circumstances, equal to 0.75% in the first year, 1.00% in the second year, and, thereafter, 1.25% per year for



each year that such an investor retains those Shares. It is anticipated that all fees associated with selling and holding the Shares over time shall be paid for by the Manager.

The Corporation may enter into commission agreements with other registered dealers, exempt market dealers, investment fund managers or restricted portfolio managers, or a referral fee or finders fee in those jurisdictions where permitted by applicable securities legislation, during the course of the offering.

Neither the Manager nor any of its directors, officers or shareholders, will be directly compensated due to the sale of any of the Corporation's shares.

## **ITEM 8 : RISK FACTORS**

### **8.1 General**

**There are certain risks inherent in an investment in the Shares and in the activities of the Corporation, which investors should carefully consider before investing in the Shares. The following is a summary only of the risk factors. Prospective investors should review the risks relating to an investment in the Shares with their legal and financial advisors.**

**The Corporation advises that prospective Subscribers 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.**

This purchase of Shares 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.

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 Corporation's business, and/or the return to the investors.

### **8.2 Investment Risk**

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

1. **No Market for Shares** – There is no market through which Shares may be sold and the Corporation does not expect that any market will develop pursuant to this Offering or in the future. The Shares are subject to resale restrictions under applicable securities legislation. See Item 10, Resale Restrictions, regarding resale restrictions applicable to the Shares.
2. **Resale Restriction** – The Shares are subject to resale restrictions under Applicable Securities Laws. Such resale restrictions may never expire and Subscribers should consult with their professional advisors in respect of such resale restrictions. See Item 10.
3. **Redemption Liquidity** –The Shares are redeemable, meaning that investors have the right to require the Corporation to redeem them, upon appropriate advance notice from the investor to the Corporation. The redemption timings are measured from the date on which the investor is issued the Shares to the date on which the investor is entitled to request redemption by the Corporation. There are limits on redemption. The Corporation provides no assurance that any Subscriber will be able to redeem any or all of their Shares at any time. Redemption of the Shares is subject to the Corporation having access to sufficient excess 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 Corporation. See Item 5.1, Terms of Securities. Redemption of the Shares are subject to the Corporation maintaining its status as a MIC as defined by the Tax Act, all as determined solely by the Manager. Accordingly this investment may be unsuitable for those prospective investors who require greater liquidity.

4. **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 Corporation'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 Corporation and the Manager to make appropriate decisions with respect to the management of the Corporation, and that they will be bound by the decisions of the Corporation's directors, 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.
5. **Lack of Separate Legal Counsel** – The investors, as a group, have not been represented by separate counsel. Neither counsel for the Corporation nor counsel for the Manager purport to have acted for the investors nor to have conducted any investigation or review on their behalf.
6. **No Insurance** – The Corporation is not a member institution of the Canada Deposit Insurance Fund and the Shares offered pursuant to this Offering Memorandum are not insured against loss through the Canada Deposit Insurance Fund.
7. **No Guaranteed Return** – The income generated by the Corporation is primarily from mortgages. The yield on mortgages depend on many factors including economic conditions, prevailing interest rates, the level of risk assumed, conditions in the real estate industry, legislation, regulation, and opportunities for other types of investments. The Corporation cannot predict the effect such factors will have on its operations, and therefore cannot guarantee that the current dividend level will be maintained.
8. **Restrictions on Ownership** – Under the Tax Act, no individual may acquire more than 25% of Shares of the Corporation.
9. **Geographic Concentration Risk** – The mortgages of the Corporation can be concentrated in certain geographies. Changes to many factors including economic conditions, legislation, and regulation may affect the risk profile of a given geography.
10. **Seniority Risk** – The mortgages of the Corporation are primarily in second position. There could be more risk associated with a default given a junior position. Additional expenses could include paying for senior mortgage interest costs, penalties, and legal expenses.
11. **Use of Leverage** – The Corporation has the option to incur indebtedness to fund mortgages. The debt incurred may or may not be secured against the Corporation's assets. Successful utilization of leverage depends upon the Corporation's ability to borrow funds from outside sources and to lend or invest such funds at a profitable rate of return. There can be no assurance that the use of leverage will enhance returns, and it is possible that using leverage can adversely affect returns through potential losses.
12. **Foreclosure Risks** – In addition to the initial costs associated with starting a foreclosure and potential losses due to changes in the value of the underlying property, there may be additional costs of owning a property until it is sold including property taxes, capital repair and replacement costs, maintenance costs, insurance costs, and third party mortgage costs.

### 8.3 Issuer Risk

Risks that are specific to the Corporation include the following:

1. **MIC Tax Designation** – The Corporation's directors shall use their commercially reasonable best efforts to ensure that the Corporation continues to be qualified as a MIC pursuant to the Tax Act. There can be no assurance, however, that the Corporation will be able to meet the Tax Act's MIC qualifications at all material times. As a company qualified as a MIC, the Corporation 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 Corporation 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 Corporation fails to maintain its MIC qualification in a particular year, the dividends paid by the Corporation on the Shares would cease to be deductible from

the income of the Corporation 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 Subscriber.

2. **Reliance on the Manager** – In accordance with the terms of the Financial Services Agreement between the Corporation and the Manager, the Manager has significant responsibility for assisting the Corporation to conduct its affairs. Any inability of the Manager to perform competently or on a timely basis will negatively affect the Corporation.
3. **Key Personnel** – The operations of the Corporation 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 time or the ability of the Corporation to implement its business plan. The Manager's management team consists of several key personnel. In order to manage the Corporation successfully in the future, it may be necessary to further strengthen its management teams. 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 Corporation's business, financial condition, and result of operations.
4. **Conflicts of Interest** – Conflicts of interest exist, and others may arise, between investors and the directors and officers of the Manager and the Corporation and their respective associates and affiliates.

There is no assurance that any conflicts of interest that may arise will be resolved in a manner most 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 Corporation in resolving such conflicts of interest as may arise.

The Corporation and its shareholders are dependent in large part upon the experience and good faith of the Manager, which is entitled to earn fees for providing services to the Corporation. Officers and directors of the Manager may also serve from time to time as directors of the Corporation and/or members of any committees formed by the Corporation. The Manager is entitled to and does act in a similar capacity for other companies or individuals with investment criteria similar to those of the Corporation. As such, there is a risk the Manager will not be able to originate sufficient suitable investment opportunities to keep the Corporation's funds fully invested. Notwithstanding this fact, the Manager does not currently anticipate any material competition from other companies or individuals at this time to prevent the Corporation from satisfying its investment objectives. The Manager is an affiliate of the Corporation.

Several of the Corporation's mortgages may be and are shared with other investors affiliated or associated with the Manager, which parties may include managers, directors or staff of the Corporation and the Manager itself.

The Corporation's investment position may rank either equally with, in priority to, or subordinate to other members of the syndicate or participating investors.

The Corporation acknowledges that the Manager, as well as any of its directors, officers, shareholders, employees and affiliates may purchase with their own funds and own as a co-lender a percentage interest in an investment that the Manager presents to the Corporation for acquisition, and that the Manager may also sell undivided percentage interests in any such investment opportunities to other co-lenders.

The Corporation acknowledges that the Manager, as well as any of its directors, officers, shareholders, employees and affiliates have and may acquire, interests in other companies, joint ventures, limited partnerships, and/or MICs which are presently or may in the future be actively engaged in a similar business as the Corporation.

The Corporation also acknowledges that the Manager or its affiliates may hold a subordinate position in a mortgage which is presented to the Corporation and the rate of return on such subordinated position may vary from the Corporation's rate of return which variation will be dependent on the Corporation's risk position relative to the other investors.

5. **Future Operations and Possible Need for Additional Funds** - The Corporation anticipates that a substantial portion of the net proceeds of this Offering will be expended by the Corporation in investing in residential mortgages, and also anticipates that the net proceeds of the Offering and anticipated cash flow from operating revenues will be sufficient to carry out the Corporation's business plan. Notwithstanding this, certain uninsurable or uninsured events may transpire which can substantially reduce the ability of the Corporation to carry on business in a profitable manner.
6. **Dilution** - The number of Shares the Corporation is authorized to issue is unlimited and the directors of the Corporation have the discretion to issue additional Shares. In addition to alternate financing sources, the Corporation may conduct future offerings of Shares in order to raise funds required which may result in a dilution of the interests of the Shareholders in the Corporation.
7. **Limited Operating History** – While the individual members of the Corporation's management team have experience in mortgage investment, the Corporation was formed in 2007 and accordingly only has a limited history of mortgage investment. The Corporation's operations are subject to the risks inherent in the establishment of a new investment activity, including a lack of operating history. The Corporation cannot be certain that its investment strategy will be successful. The likelihood of success of the Corporation must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any mortgage investment. If the Corporation fails to address any of these risks or difficulties adequately, its investment performance will likely suffer. There is no assurance that the Corporation can operate profitably or that the Corporation will successfully implement its plans.

#### 8.4 Industry Risk

There are also risks faced by the Corporation 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 anticipated higher returns associated with the Corporation's mortgage loans reflect the greater risks involved in making these types of loans as compared to long-term conventional mortgage loans. Inherent in these loans are completion risks as well as financing risks. In addition, prospective investors should take note of the following:

1. **Insurance** – The Corporation's mortgage loans will not usually be insured in whole or in part. As well, there are certain inherent risks in the real estate industry, some of which the Corporation may not be able to insure against or which the Corporation may elect not to insure due to the costs of such insurance. The effect of these factors cannot be accurately predicted.
2. **Priority** – Financial charges for construction and other financing funded by conventional third party lenders may rank in priority to the mortgages registered in favour of the Corporation. Although the Corporation will have all of the rights of the holder of a subsequent mortgage in this scenario, in the event of default by the mortgagor under any prior financial charge, the Corporation may not recover any or all the monies advanced.
3. **Default** – If there is default on a mortgage, it may be necessary for the Corporation, in order to protect the investment, to engage in foreclosure or sale proceedings and to make further outlays to complete an unfinished project or to maintain prior encumbrances in good standing. In those cases, it is possible that the total amount recovered by the Corporation may be less than the total investment, resulting in loss to the Corporation. The directors intend to implement a policy of building up a "loan loss reserve" account to absorb such losses but there is no assurance that such losses will not exceed the amount set aside in this account. Equity investment in real property may involve fixed costs in respect of mortgage payments, real estate taxes, and maintenance costs, which could adversely affect the Corporation's income.
4. **Yield** – The 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 Corporation cannot predict the effect that such factors will have on its operations.

5. **Competition** – The earnings of the Corporation depend on the Corporation’s ability, with the assistance of the Manager, to locate suitable opportunities for the investment and reinvestment of the Corporation’s funds and on the yields available from time to time on mortgages and other investments. The investment industry in which the Corporation operates is subject to a wide variety of competition from private businesses in Canada and the United States, many of whom have greater financial and technical resources than the Corporation. Although such competition, as well as any future competition, may adversely affect the Corporation’s success in the marketplace, at the present time the Manager has no reason to believe that such competition will prevent the Corporation from successfully executing its business plan or operating profitably.
6. **Mortgage Renewals** - There can be no assurances that any of the mortgages comprising the mortgage portfolio from time to time can or will be renewed at the same interest rates and terms when the same mature, or in the same amounts as are currently in effect. With respect to each mortgage comprising the mortgage portfolio, it is possible that the mortgagor, the mortgagee, or both will elect not to renew such mortgage. In addition, if the mortgages in the mortgage portfolio are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions for such mortgages will be subject to negotiations between the mortgagors, the mortgagee, and the Manager at the time of renewal.
7. **Composition of Mortgage Portfolio** - The composition of the mortgage portfolio may vary widely from time to time and may be concentrated by type of mortgage, industry, or geographic region, resulting in the mortgage portfolio being less diversified than anticipated. A lack of diversification may result in the Corporation being exposed to economic downturns or other events that have an adverse and disproportionate effect on particular types of mortgage, industry or geographic region.
8. **Appraisals** - As a condition of funding all loans, the Corporation and the Manager will either require the production of an appraisal prepared by an accredited appraiser licensed to prepare appraisals, or in the alternative, from time to time the Manager may rely upon an opinion of value furnished by a realtor who may be equally or better equipped to provide an accurate evaluation of a particular property as a consequence of specialized expertise relating to that particular type of property or with respect to the particular geographic area in which the subject property is located. However preparing appraisals and/or real estate valuations is not an exact science, and there is no guarantee that any such appraiser or realtor relied upon by the Corporation will not make an error notwithstanding the experience, training and qualifications of such person. Such errors could result in the value of the underlying security with respect to any investment being less than what the Corporation believed it was causing a loss to the Corporation.
9. **Environmental** –Environmental legislation and policies have become an increasingly important feature of property ownership and management in recent years. Under various laws, the Corporation could become liable for the costs of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and wastes at or from a property, or disposed of at another location. The failure to effect remedial work may adversely affect an owners' ability to sell real estate or to borrow using the real estate as collateral and could result in claims against the owner.
10. **Changes in Government Regulations** – The Corporation may need to change the manner in which it conducts business if government legislation or regulation changes, including in respect of the Tax Act as it pertains to MICs.
11. **Risks of Leverage** – Successful utilization of leverage depends upon the Corporation’s ability to borrow funds from outside sources and to lend or invest such funds at a profitable rate of return. The risk of leverage is that it increases the Corporation’s exposure to potential losses.

## ITEM 9 : REPORTING OBLIGATIONS

The Corporation is not subject to continuous reporting and disclosure obligations which the securities legislation in any province would require of a “reporting issuer” as defined in such legislation and, except as noted below, there is therefore no requirement that the Corporation make disclosure of its affairs, including, without limitation, the prompt notification of material changes by way of press releases and formal filings or the preparation and filing of quarterly unaudited financial statements, and annual audited financial statements.

The Corporation is, however, required to file its audited annual financial statements within 120 days after the end of each of its financial years and provide copies thereof to Subscribers in Ontario, Québec, Alberta, Saskatchewan, New Brunswick, and Nova Scotia (the “**OM Subscribers**”) that purchase Shares pursuant to the “offering memorandum” exemption under NI 45-106 (the “**OM Exemption**”). Additionally, the Corporation is required to provide:

- (i) to the above-noted OM Subscribers, a notice detailing the use of the aggregate gross proceeds raised by the Corporation under the OM Exemption; and
- (ii) to Subscribers in Ontario, New Brunswick, and Nova Scotia who subscribe for Shares pursuant to the OM Exemption, a notice within 10 days of the occurrence of any of the following events: (a) a discontinuation of the Corporation’s business; (b) a change in the Corporation’s industry; or (c) a change of control of the Corporation.

#### **ITEM 10 : RESALE RESTRICTIONS**

The distribution of the Shares is being made on a private placement basis only and is exempt from the requirement that the Corporation prepare and file a prospectus with the relevant Canadian securities regulatory authorities in Canada. Accordingly, any resale of the Shares must be made in accordance with applicable Canadian securities laws, which will vary depending on the relevant jurisdiction, and which may require a resale to be made in accordance with prospectus and registration requirements or exemptions from the prospectus and registration requirements. **These resale restrictions may apply to any resale of the Shares, and may never expire. Investors are advised to seek legal advice prior to any resale of the Shares.**

The Corporation is not, and does not presently intend to become, a “reporting issuer”, as such term is defined under applicable Canadian securities laws, in any province or territory of Canada. Investors are advised that the Corporation is not required to file, and currently does not intend to file, a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Shares to the public in any province or territory of Canada.

**For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Quebec, Saskatchewan, Yukon, and Ontario:**

Unless permitted under securities legislation, you cannot trade the securities before the earlier of the date that is four (4) months and a day after the date the Corporation becomes a reporting issuer in any province or territory of Canada.

The Corporation will not become a reporting issuer upon completion of this Offering and does not currently anticipate ever becoming a reporting issuer. **The resale restriction on the securities may therefore never expire.**

#### **For trades in Manitoba:**

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

- (a) the Corporation has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus; or
- (b) you have held the securities 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.

**Purchasers should consult their legal advisors to determine the resale restrictions, availability of further exemptions or the possibility of obtaining a discretionary order.**

## ITEM 11 : PURCHASERS' RIGHTS

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

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

Any marketing materials in respect of the Offering delivered or made reasonably available before the termination of the Offering to Subscribers in Ontario, Québec, Alberta, Saskatchewan, New Brunswick, and Nova Scotia that purchase Shares pursuant to the OM Exemption, are incorporated by reference into this Offering Memorandum.

The following is a summary of the rights of action for damages or rescission, or both, available to certain purchasers resident in certain of the provinces of Canada.

### Purchasers in Ontario

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

- (a) if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages as against the issuer and the selling security holders, if any;
- (b) the issuer and the selling security holders, if any, will not be liable if they prove that the purchaser purchased the securities with knowledge of the misrepresentation;
- (c) the issuer and the selling security holders, if any, will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon;
- (d) the issuer and the selling security holders, if any, will not be liable for a misrepresentation in forward-looking information if it proves that:
  - (i) the offering memorandum contains, proximate to the forward-looking information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection set out in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
  - (ii) it had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information; and
- (e) in no case shall the amount recoverable exceed the price at which the securities were offered.

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

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

This Offering Memorandum is being delivered to purchasers in Ontario in reliance upon the exemptions from the prospectus requirement available under sections 2.3, 2.5, 2.7, 2.9 and 2.10 of NI 45-106 and any other available exemptions described herein.

Any marketing materials in respect of the Offering delivered or made reasonably available to purchasers in Ontario that have relied upon the offering memorandum exemption to acquire Shares of the Corporation (and which were made available prior to the termination of the Offering) are incorporated by reference into this Offering Memorandum.

The rights referred to in section 130.1 of the Ontario Act do not apply in respect of an offering memorandum (such as this Offering Memorandum) delivered to a prospective purchaser in connection with a distribution made in reliance on the accredited investor exemption if the prospective purchaser is:

- (a) a Canadian financial institution or a Schedule III bank (each as defined in section 1.1 of NI 45-106);
- (b) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada); or
- (c) a subsidiary of any person referred to in paragraphs (a) and (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

For purchasers purchasing pursuant to the “offering memorandum” exemption only:

You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the second business day after you sign the agreement to buy the securities.

Purchasers in British Columbia, Alberta, Saskatchewan and Manitoba

*Statutory rights in the event of a misrepresentation*

If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Corporation to cancel your agreement to buy the Shares; or
- (b) for damages against:
  - (i) if you are resident in Alberta or Manitoba:
    - A. the Corporation;
    - B. every director of the Corporation at the date of this Offering Memorandum; and
    - C. every person or company who signed this Offering Memorandum; and
  - (ii) if you are resident in British Columbia:
    - A. the Corporation;
    - B. every director of the Corporation at the date of this Offering Memorandum; and
    - C. every person who signed this Offering Memorandum.
  - (iii) if you are resident in Saskatchewan:



- A. the Corporation;
- B. every promoter of the Corporation at the time this Offering Memorandum or any amendment was sent or delivered;
- C. every director of the Corporation at the time this Offering Memorandum or any amendment was sent or delivered;
- D. every person or company whose consent has been filed respecting this Offering, but only with respect to reports, opinions or statements that have been made by them;
- E. every person who or company that, in addition to the persons or companies mentioned in paragraphs (b)(c)(i) to (iv), signed this Offering Memorandum or any amendment; and
- F. every person who or company that sells Shares on behalf of the Corporation under this Offering Memorandum or any amendment.

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.

#### Purchasers in New Brunswick

Section 2.1 of New Brunswick Securities Commission Rule 45-802 provides that the statutory rights of action in rescission or damages referred to in Section 150 of the Securities Act (New Brunswick) (the “NBSA”) apply to information relating to an offering memorandum that is provided to an investor in securities in connection with a distribution made in reliance on the “offering memorandum” prospectus exemption in Section 2.9 of National Instrument 45-106, Prospectus and Registration Exemptions (“NI 45-106”). Section 150 of the NBSA provides that, subject to certain limitations, where any information relating to the offering that is provided to an investor of the securities contains 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 not misleading in light of the circumstances in which it was made (for the purposes of this section, a “misrepresentation”), a purchaser who purchases securities shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and the purchaser has, subject to certain defences, a right of action for damages against the seller or may elect to exercise a right of rescission against the seller, in which case the purchaser shall have no right of action for damages, provided that: (a) in an action for rescission or damages, the defendant will not be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation; (b) in an action for damages, the defendant is not liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable under the right of action described herein exceed the price at which the securities were offered.

Every person or company who becomes liable to make any payment for a misrepresentation may recover a contribution from any person or company who, if sued separately, would have been liable to make the same payment, unless the court rules that, in all the circumstances of the case, to permit recovery of the contribution would not be just and equitable.

#### Purchasers in Nova Scotia

In the event that this Offering Memorandum, a record incorporated by reference in or deemed incorporated into this Offering Memorandum or any amendment to it or any advertising or sales literature (as defined in the Securities Act (Nova Scotia)) contains a misrepresentation that was a misrepresentation at the time of purchase, a purchaser of the Shares in Nova Scotia shall be deemed to have relied upon the misrepresentation and will have a statutory right of action for damages against the seller and against every director of the seller at the date of this Offering Memorandum and every person who signed this Offering Memorandum. Alternatively, the purchaser may elect to exercise a statutory right of rescission against the seller, in which case, the purchaser shall have no right of action for damages against the seller nor against every director of the seller at the date of this Offering Memorandum nor any person who signed this Offering Memorandum. The right of action of damages or rescission is exercisable not later than 120 days after the date on which payment was made for the Shares, provided that: (a) no company or person will be liable if it proves that the purchaser purchased the Shares with knowledge of the misrepresentation; (b) in any action for damages, the defendant will not be liable for all or any portion of those damages that it proves do not represent the depreciation in value of the Shares as a result of the misrepresentation; and (c) in no case will the amount recoverable under this paragraph exceed the price at which the Shares were sold to the purchaser.

The *Securities Act* (Nova Scotia) provides that no person is liable if it is proven that this Offering Memorandum or any amendment thereto was sent or delivered to the purchaser without the person's knowledge or consent and that, on becoming aware of its delivery, the person gave reasonable general notice that it was delivered without the person's knowledge or consent, or after the delivery of this Offering Memorandum or any amendment hereto and before the purchase of the Shares by the purchaser, on becoming aware of any misrepresentation in this Offering Memorandum or any amendment hereto, the person withdrew their consent to it and gave reasonable general notice of the withdrawal and the reason for it. This provision does not apply if the seller of the Shares is also the issuer. With respect to any part of this Offering Memorandum or any amendment hereto purporting to be made on the authority of an expert, or to be a copy of, or an extract from, a report, an opinion or a statement of an expert which contains a misrepresentation, no person will be liable if the person had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of this Offering Memorandum or any amendment hereto did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert. This provision does not apply if the seller of the Shares is also the issuer.

The *Securities Act* (Nova Scotia) also provides that no person is liable with respect to any part of this Offering Memorandum or any amendment hereto not purporting to be made on the authority of an expert, or to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation. This provision does not apply if the seller of the Shares is also the issuer. The rights of action for rescission or damages described herein are in addition to and not in derogation from any right the purchaser may have at law.

This summary is subject to the express provisions of the *Securities Act* (Nova Scotia) and the regulations and rules made under it, and prospective purchasers should refer to the complete text of those provisions.

#### Purchasers in Prince Edward Island

If this Offering Memorandum, or any amendments thereto, delivered to a purchaser of the Shares resident in Prince Edward Island contains a misrepresentation, a purchaser in Prince Edward Island who purchases the Shares during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation, a statutory right of action for damages against (i) the Corporation (ii) every director of the Corporation at the date of the Offering Memorandum, and (iii) every person who signed the Offering Memorandum. Alternatively, the purchaser may elect to exercise a statutory right of action for rescission against the Corporation in which case, the purchaser shall have no right of action for damages against the Corporation, the directors and persons who signed the Offering Memorandum. If a misrepresentation is contained in a record incorporated by reference in, or deemed to be incorporated into, an Offering Memorandum, or any amendment thereto, the misrepresentation is deemed to be contained in the Offering Memorandum, or any amendment thereto, as the case may be.

All or any one or more of the persons who are found to be liable, or who accept liability, for a misrepresentation will be jointly and severally liable; provided, however, that the Corporation, and every director of the Corporation at the date of the Offering Memorandum, will not be liable if the Corporation does not receive any proceeds from the distribution of the Shares and the misrepresentation was not based on information provided by the Corporation, unless the misrepresentation: (a) was based on information that was previously publicly disclosed by the Corporation; (b) was a misrepresentation at the time of its previous disclosure; and (c) was not subsequently publicly corrected or superseded by the Corporation before completion of the distribution of the Shares.

Any person, including the Corporation, will not be liable for a misrepresentation if: (a) the person proves that the purchaser purchased the Shares with knowledge of the misrepresentation; or (b) in an action for damages, the person will not be liable for all or any part of those damages that the person proves do not represent the depreciation in value of the Shares as a result of the misrepresentation; and (c) in no case will the amount recoverable in any action exceed the price at which the Shares were sold to the purchaser.

A person, other than the Corporation, will not be liable in an action for damages for a misrepresentation if the person proves that: (a) the Offering Memorandum, or any amendment thereto, was sent to the purchaser without the person's knowledge or consent and that, on becoming aware of its being sent, the person promptly gave reasonable notice to the Corporation that it was sent without the knowledge and consent of the person; (b) the person, on

becoming aware of the misrepresentation in the Offering Memorandum, or any amendment thereto, withdrew the person's consent to the Offering Memorandum, or any amendment thereto, and gave reasonable notice to the Corporation of the withdrawal and the reason for it; or (c) with respect to any part of the Offering Memorandum, or any amendment thereto, purporting to be made on the authority of an expert or purporting to be a copy of, or any extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe and did not believe that (i) there had been a misrepresentation, or (ii) the relevant part of the Offering Memorandum, or any amendment thereto, (A) did not fairly represent the report, statement or opinion of the expert, or (B) was not a fair copy of, or an extract from, the report, statement or opinion of the expert.

In addition, a person, other than the Corporation, will not be liable in an action for damages for a misrepresentation with respect to any part of an Offering Memorandum, or any amendment thereto, not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, unless the person: (a) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or (b) believed that there had been a misrepresentation.

Any person, including the Corporation, will not be liable for a misrepresentation in forward-looking information (as defined in the Securities Act (Prince Edward Island)) if the person proves that: (a) this Offering Memorandum, or any amendment thereto, contained, proximate to the forward-looking information, (A) reasonable cautionary language identifying the forward-looking information as such, and (B) identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information; and (b) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and (c) the person had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information; provided, however, that the foregoing does not relieve a person of liability with respect to forward-looking information in a financial statement required to be filed under Prince Edward Island securities laws.

The rights of action for rescission or damages described herein are in addition to and without derogation from any right the purchaser may have at law.

This summary is subject to the express provisions of the Securities Act (Prince Edward Island) and the regulations and rules made under it, and prospective purchasers should refer to the complete text of those provisions.

#### Purchasers in Newfoundland and Labrador

In the event that this Offering Memorandum contains a misrepresentation when a person or company purchases a security offered by the offering memorandum, the purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action (a) for damages against (i) the issuer, (ii) every director of the issuer at the date of the Offering Memorandum, and (iii) every person or company who signed the offering memorandum; and (b) for rescission against the issuer. Where the purchaser elects to exercise a right of rescission against the issuer, the purchaser has no right of action for damages against a person or company referred to in (a).

Where a misrepresentation is contained in an Offering Memorandum, a person or company shall not be liable for damages or rescission: (a) where the person or company proves that the purchaser had knowledge of the misrepresentation; (b) where the person or company proves that the Offering Memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the knowledge and consent of the person or company; (c) if the person or company proves that the person or company, on becoming aware of the misrepresentation in the Offering Memorandum, withdrew the person's or company's consent to the Offering Memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it; (d) if, with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that (i) there had been a misrepresentation, or (ii) the relevant part of the Offering Memorandum (A) did not fairly represent the report, opinion or statement of the expert, or (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert; and (e) with respect to any part of the Offering Memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) did not conduct an investigation sufficient to provide reasonable grounds

for a belief that there had been no misrepresentation, or (ii) believed there had been a misrepresentation. Items (b) to (e) do not apply to the issuer.

The amount recoverable shall not exceed the price at which the securities were offered under the Offering Memorandum.

In an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation.

All or any one or more of the persons or companies specified found to be liable or accepting liability are jointly and individually liable. A person or company who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person or company who is jointly and individually liable under this section who, if sued separately, would have been liable to make the same payment, provided that the court may deny the right to recover the contribution where, in all circumstances of the case, the court is satisfied that to permit recovery of the contribution would not be just and equitable.

The right of action for rescission or damages conferred by this section is in addition to and does not derogate from any other right that the purchaser may have at law.

Where a misrepresentation is contained in a record incorporated by reference in, or considered to be incorporated into, an Offering Memorandum, the misrepresentation is considered to be contained in the Offering Memorandum.

## **11.2 Time Limitations**

If you intend to rely on the rights described above, you must do so within strict time limitations.

You must commence an action to cancel the agreement within:

- (a) if you are resident in Alberta, 180 days from the date of the transaction that gave rise to the cause of action;
- (b) if you are resident in British Columbia, Saskatchewan, Manitoba, New Brunswick, Prince Edward Island, or Newfoundland and Labrador, 180 days after the date of the transaction that gave rise to the cause of action;
- (c) if you are resident in Nova Scotia, 180 days after the date of the transaction that gave rise to the cause of action, but in no event later than 120 days after the date on which payment was made for the Shares.

You must commence an action for damages within:

- (a) if you are resident in Alberta, the earlier of:
  - (i) 180 days from the date that you first had knowledge of the facts giving rise to the cause of action; or
  - (ii) 3 years from the day of the transaction that gave rise to the cause of action.
- (b) if you are resident in British Columbia, the earlier of:
  - (i) 180 days after you first had knowledge of the facts giving rise to the cause of action; or
  - (ii) 3 years after the date of the transaction that gave rise to the cause of action.
- (c) if you are resident in Saskatchewan, the earlier of:
  - (i) 1 year after you first had knowledge of the facts giving rise to the cause of action; or
  - (ii) 6 years after the date of the transaction that gave rise to the cause of action.
- (d) if you are resident in Manitoba, the earlier of:
  - (i) 180 days after the date you first had knowledge of the facts giving rise to the cause of action; or
  - (ii) 2 years after the date of the transaction that gave rise to the cause of action.

- (e) if you are resident in New Brunswick, the earlier of:
  - (i) 1 year after you first had knowledge of the facts giving rise to the cause of action; or
  - (ii) 6 years after the date of the transaction that gave rise to the cause of action.
- (f) if you are resident in Nova Scotia, the earlier of:
  - (i) 180 days after the date you first had knowledge of the facts giving rise to the cause of action; or
  - (ii) 3 years after the date of the transaction that gave rise to the cause of action,

but, in either case, in no event later than 120 days after the date on which payment was made for the Shares.
- (g) if you are resident in Prince Edward Island, the earlier of:
  - (i) 180 days after you first had knowledge of the facts giving rise to the cause of action; or
  - (ii) 3 years after the date of the transaction that gave rise to the cause of action.
- (h) if you are resident in Newfoundland and Labrador, the earlier of:
  - (i) 180 days after you first had knowledge of the facts giving rise to the cause of action; or
  - (ii) 3 years after the date of the transaction that gave rise to the cause of action.

**For purchasers under the “offering memorandum” exemption:** If the securities legislation where you are resident does not provide statutory rights of action in the event of a misrepresentation in an offering memorandum delivered under this section, this offering memorandum grants you, the purchaser, a contractual right of action against the Corporation for rescission or damages that:

- (a) is available to you if the offering memorandum, or any information or documents incorporated or deemed to be incorporated by reference into the offering memorandum, contains a misrepresentation, without regard to whether the purchaser relied on the misrepresentation,
- (b) is enforceable by you delivering a notice to the issuer (i) in the case of an action for rescission, within 180 days after you sign the agreement to purchase the security, or (ii) in the case of an action for damages, before the earlier of A) 180 days after you first have knowledge of the facts giving rise to the cause of action, or B) 3 years after the date you sign the agreement to purchase the security,
- (c) is subject to the defence that you had knowledge of the misrepresentation,
- (d) in the case of an action for damages, provides that the amount recoverable (i) must not exceed the price at which the security was offered, and (ii) does not include all or any part of the damages that the Corporation proves does not represent the depreciation in value of the security resulting from the misrepresentation, and
- (e) is in addition to, and does not detract from, any other right you, as the purchaser, may have.

## ITEM 12 : PERSONAL INFORMATION

Each resident of Ontario who purchases the Shares will be deemed to have represented to the Corporation and each dealer from whom a purchase confirmation is received, that such purchaser:

- (a) has been notified by the Corporation:
  - (i) that the Corporation may be required to provide personal information pertaining to the purchaser as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the aggregate purchase price of any Shares purchased) (“**personal information**”), which Form 45-106F1 may be required to be filed by the Corporation under NI 45-106;

- (ii) that such personal information may be delivered to the Ontario Securities Commission (the “OSC”) in accordance with NI 45-106;
  - (iii) that such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario;
  - (iv) that such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario; and
  - (v) that the public official in Ontario who can answer questions about the OSC’s indirect collection of such personal information is the Administrative Assistant to the Director of Corporate Finance at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-8086; and
- (b) has authorized the indirect collection of the personal information by the OSC. Furthermore, each investor acknowledges that its name, address, telephone number and other specified information, including the aggregate purchase price paid by the investor, may be disclosed to other Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable Canadian laws. By purchasing the Shares, each investor consents to the disclosure of such information.

Residents of other provinces and territories of Canada likewise are required to consent to the collection of such information and the making of such disclosure by the Corporation to the OSC and, or, to the securities regulatory authorities of such jurisdictions.

#### **ITEM 13 : FINANCIAL STATEMENTS OF THE ISSUER**

The audited financial statements for the year ending December 31, 2016 are attached hereto as Schedule A.

**SCHEDULE A**  
**AUDITED FINANCIAL STATEMENTS**

(See attached)

**Secure Capital MIC Inc.**  
**Financial Statements**

*For the Years December 31, 2016 and December 31, 2015*  
*(Expressed in Canadian Dollars)*



## Management's Report to the Shareholders

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Management of Secure Capital MIC Inc. is responsible for the preparation, fair presentation and integrity of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In order to meet its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors (the "Board") is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

March 31, 2017

Sheri Kosturik  
Chief Executive Officer

## Independent Auditors' Report

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To the Shareholders of Secure Capital MIC Inc.:

We have audited the accompanying financial statements of Secure Capital MIC Inc., which comprise the statements of financial position as at December 31, 2016 and December 31, 2015, and the statements of income and comprehensive income, changes in net assets attributable to holders of redeemable shares and equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Secure Capital MIC Inc. as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*MNP LLP*

Toronto, Ontario  
March 31, 2017

Chartered Professional Accountants  
Licensed Public Accountants

**Secure Capital MIC Inc.**  
Statements of Financial Position

*As at:*

	December 31, 2016	December 31, 2015
<b>Assets</b>		
Cash	\$ 717,747	\$ 2,660,833
Mortgage loans, including mortgage syndications (note 6)	24,320,479	17,046,519
Accrued interest receivable	364,821	313,975
Foreclosed property held for sale (note 7)	-	147,481
<b>Total Assets</b>	<b>\$ 25,403,047</b>	<b>\$ 20,168,808</b>
<b>Equity</b>		
Voting common share capital (note 9)	\$ 1,000	\$ 1,000
<b>Liabilities</b>		
Loans payable (note 8)	\$ 325,000	\$ 325,000
Non-recourse mortgage syndication liability (note 6)	1,182,375	-
Prepaid mortgage loan interest	384,648	129,587
Accounts payable and accrued liabilities	285,944	222,327
Due to manager (note 10)	525,875	376,180
Total Liabilities (excluding net assets attributable to holders of redeemable shares)	\$ 2,703,842	\$ 1,053,094
<b>Net assets attributable to holders of redeemable shares (note 9)</b>	<b>\$ 22,698,205</b>	<b>\$ 19,114,714</b>

Approved by the Board of Directors

“Sasha Singal”  
Director

“Sheri Kosturik”  
Director

*The accompanying notes are an integral part of these financial statements*

**Secure Capital MIC Inc.**  
**Statements of Income and Comprehensive Income**  
*For the years ended December 31:*

	<b>2016</b>	<b>2015</b>
<b>Interest income</b>		
Interest and fee income	\$ 2,876,347	\$ 2,718,271
Less: Interest expense on non-recourse mortgage syndications	43,710	18,000
Net interest income	2,832,637	2,700,271
<b>Expenses</b>		
Provision for mortgage loan losses (note 6)	483,216	581,269
Underwriting fees (note 10)	597,052	275,924
Professional fees	80,409	130,073
Administrative charges	107,837	119,242
Total expenses	1,268,514	1,106,508
<b>Income from operations</b>	1,564,123	1,593,763
<b>Financing costs</b>		
Dividends to holders of redeemable shares (note 9)	1,658,685	1,409,692
Interest on loans payable (note 8)	31,518	184,071
Total financing costs	1,690,203	1,593,763
<b>Net income and comprehensive income (loss) (note 11)</b>	\$ (126,080)	\$ -

*The accompanying notes are an integral part of these financial statements*

**Secure Capital MIC Inc.****Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares and Equity***For the years ended December 31, 2015 and 2016*

		<b>2016</b>		<b>2015</b>
<b>Net assets attributable to holders of redeemable Class A preferred shares, January 1</b>	<b>\$</b>	<b>19,114,714</b>	<b>\$</b>	17,288,935
Proceeds from issuance of redeemable shares		<b>3,997,139</b>		3,246,691
Issuance of redeemable shares under dividend reinvestment plan		<b>571,431</b>		441,146
Redemption of redeemable shares		<b>(985,079)</b>		(1,862,058)
Capital contribution by manager		<b>126,080</b>		-
Net loss		<b>(126,080)</b>		-
<b>Net assets attributable to holders of redeemable Class A preferred shares, December 31</b>	<b>\$</b>	<b>22,698,205</b>	<b>\$</b>	19,114,714

  

		<b>2016</b>		<b>2015</b>
<b>Equity, January 1</b>	<b>\$</b>	<b>1,000</b>	<b>\$</b>	1,000
Issuance of voting common shares		-		-
<b>Equity, December 31</b>	<b>\$</b>	<b>1,000</b>	<b>\$</b>	1,000

*The accompanying notes are an integral part of these financial statements*

**Secure Capital MIC Inc.****Statements of Cash Flows***For the years ended December 31:*

	2016	2015
<b>Cash flows related to the following activities:</b>		
<b>Operating activities</b>		
Net income and comprehensive income (loss)	\$ (126,080)	\$ -
Amortization of lender fees	(473,695)	(528,333)
Loss on sale of property held for sale	7,205	-
Allowance for mortgage loan losses	483,216	581,269
Financing costs	1,690,203	1,593,763
Change in non-cash operating items:		
Accounts payable and accrued liabilities	63,617	(41,572)
Due to manager, net	275,775	(61,132)
Accrued interest receivable	(50,846)	58,465
Prepaid mortgage interest	255,061	28,386
<b>Net cash flows generated from operating activities</b>	<b>\$ 2,124,456</b>	<b>\$ 1,630,846</b>
<b>Financing activities</b>		
Proceeds from issuance on redeemable shares (net of \$nil loan conversions, \$900,000-2015)	\$ 3,997,139	\$ 2,408,691
Redemption of Class A redeemable shares	(985,079)	(1,862,058)
Loan repayments	-	(400,000)
Dividends paid, net of DRIP	(1,087,255)	(968,545)
Interest on loans paid	(31,518)	(183,404)
Mortgage syndication liability	1,182,375	(200,000)
<b>Net cash flows generated from (used in) financing activities</b>	<b>\$ 3,075,662</b>	<b>\$ (1,205,316)</b>
<b>Investing activities</b>		
Funding of mortgage loans, net of mortgage syndications	\$ (22,330,018)	\$ (16,511,579)
Discharge of mortgage loans, net of mortgage syndications	15,046,538	18,467,101
Proceeds from disposal on foreclosed asset	140,276	-
Capital improvements to foreclosed property held for sale	-	(107,188)
<b>Net cash flows used in (generated from) investing activities</b>	<b>\$ (7,143,204)</b>	<b>\$ 1,848,334</b>
<b>Net increase (decrease) in cash</b>	<b>\$ (1,943,086)</b>	<b>\$ 2,273,863</b>
Cash, beginning of year	\$ 2,660,833	\$ 386,970
<b>Cash, end of year</b>	<b>\$ 717,747</b>	<b>\$ 2,660,833</b>

*The accompanying notes are an integral part of these financial statements*

**1. Incorporation and operations**

Secure Capital MIC Inc. (the "Company") was incorporated under the Business Corporations Act of Ontario on January 23, 2007. The registered office of the Company is 28 Fulton Way, Richmond Hill, Ontario L4B 1J5. The Company's objective is to generate income while preserving, for its beneficial shareholders, capital for re-investment. The Company operates as a Canadian mortgage investment corporation ("MIC") as defined in the Income Tax Act. The Company is managed by Secure Capital Group Inc. (the "Manager").

**2. Basis of preparation**

**Statement of compliance**

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

The financial statements of the Company for the period ended December 31, 2016 were approved by the Board of Directors on March 31, 2017.

**Basis of measurement**

These financial statements have been prepared on the historical cost basis.

**Functional and presentation currency**

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

**3. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below:

**Interest and fee income**

Interest income is accounted for using the effective interest method. Lender fees received are an integral part of the yield on the mortgage loans and are amortized to the statement of income and comprehensive income over the expected life of the specific mortgage loan using the effective interest method. Forfeited lender fees are taken to the statement of income and comprehensive income at the time a borrower has not fulfilled the terms and conditions of a lending commitment and payment has been received.

**Mortgage loans**

Mortgage loans including mortgage syndication loans are classified as loans and receivable financial instruments. Such loans and receivables are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the receivables are measured at amortized cost using the effective interest method, less any impairment losses. Mortgage loans are assessed on each reporting date to determine whether there is objective evidence of impairment. A financial asset is considered to be impaired only if evidence indicates that one or more events have occurred after its initial recognition, that has a negative effect on the estimated future cash flows of that asset.

The Company considers evidence of impairment for mortgage loans at both a specific and collective level. All individually significant mortgages are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identifiable at an individual mortgage level. Mortgages that are not individually significant are collectively assessed for impairment by grouping together mortgages with similar risk characteristics.

In assessing collective impairment, the Company reviews historical trends of probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgments as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. An impairment loss in respect of a specific mortgage loan is calculated as the difference between its carrying amount including accrued interest and the present value of the estimated future cash flows discounted at the mortgage loan's original effective interest rate. Provisions for losses are recognized in the statement of income and comprehensive income and reflected in the allowance for loss account which is applied against the mortgage loans portfolio. Losses when known are reflected as a charge off to the allowance for losses when determinable. When a subsequent event causes the amount of an impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

**3. Summary of significant accounting policies** *(continued from previous page)*

**Foreclosed property held for sale**

When the Company obtains legal title of the underlying security of an impaired mortgage loan, the carrying value of the mortgage investment, which is comprised of principal, cost incurred, accrued interest and a provision for mortgage investment loss, if any, is reclassified from the mortgage loan portfolio to foreclosed properties held for sale ("FPHFS"). At each reporting date, FPHFS are measured at the lower of carrying value and fair value, with changes in fair value recorded in profit or loss in the period they arise. The Company uses management's best estimate to determine fair value of the properties, which may involve frequent inspections, engaging realtors to assess market conditions based on previous property transactions or, retaining professional appraisers to provide independent valuations.

Contractual interest on the mortgage loan is discontinued from the date of transfer from mortgage loans to FPHS. Net income or loss generated from FPHFS (including fair value adjustments), if any, is recorded as net operating income or loss from FPHFS.

**Derecognition of financial assets and liabilities**

Financial assets:

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire; or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Company neither transfers nor retains substantially all the risks and it does not retain control of the financial asset. Any interest in such transferred financial assets that qualify for derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Company enters into transactions whereby it transfers mortgage investments recognized on its statement of financial position, but retains either all, substantially all, or a portion of the risks and rewards of the transferred mortgage investments. If all or substantially all risks and rewards are retained, then the transferred mortgage or loan investments are not derecognized.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities:

The Company derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expires.

**Income taxes**

The Company qualifies as a mortgage investment corporation ("MIC") for Canadian income tax purposes. As such, the Company is able to deduct, in computing its income for a taxation year, dividends paid to its shareholders during the year or within 90 days of the end of the year. The Company intends to maintain its status as a MIC and pay dividends to its shareholders in the year and in future years to ensure that it will not be subject to income taxes. Accordingly, for financial statement reporting purposes, the tax deductibility of the Company's dividends results in the Company being effectively exempt from taxation and no provision for current or deferred taxes is required by the Company.

**Share capital**

Voting common shares are classified as equity. Incremental costs directly attributable to the issue of common shares, which include legal, accounting and brokerage commissions, are recognized as a deduction from equity.

**Redeemable shares**

The Company is authorized to issue multiple classes of shares, which are redeemable at the holder's option. The Company classifies financial instruments issued as either financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. The shares are classified as financial liabilities and presented as "net assets attributable to holders of redeemable shares" in the statement of financial position. Such shares can be put back to the Company on a monthly basis, subject to redemption and exchange privileges, as described in note 9.

Dividends payable to holders of redeemable shares are recognized in the financial statements of income and comprehensive income as financing costs when they are authorized and no longer at the discretion of the Company.



**3. Summary of significant accounting policies** (continued from previous page)

**Financial instruments**

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"), (ii) loans receivables, (iii) held-to-maturity, (iv) available-for-sale, or (v) other liabilities. Financial instruments are recognized initially at fair value, plus in the case of financial instruments not FVTPL any incremental direct transaction costs. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income.

The Company has classified its financial assets and liabilities as follows:

	Classification	Measurement
<b>Financial assets</b>		
Cash	FVTPL	Fair Value
Mortgage loans, including mortgage syndications	Loans and receivables	Amortized cost
Accrued interest receivable	Loans and receivables	Amortized cost
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to manager	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost
Prepaid mortgage interest	Other financial liabilities	Amortized cost
Mortgage syndication liability	Other financial liabilities	Amortized cost

**4. Recent accounting pronouncements**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2015 or later periods. The standards impacted that are applicable to the Company are as follows:

- i) IFRS 9 Financial Instruments - The IASB issued IFRS 9, "Financial Instruments" to replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 uses as a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. The approach in IFRS 9 focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash and cash equivalents flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods currently provided in IAS 39. In November 2013, the IASB has removed the mandatory effective date for IFRS 9. The new date will be determined when IFRS 9 is closer to completion. The effective date is for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of this standard.
- ii) IFRS 15 Revenue from Contracts with Customers – The IASB issued IFRS 15 to establish principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently assessing the impact of this standard.

**5. Significant accounting estimates, assumptions and judgments**

The preparation of the financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates, assumptions and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

**Allowance for mortgage loan losses:**

The Company is required to make estimates and assumptions that relates to the allowance for mortgage losses. 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 mortgages and underlying security of the mortgages. These assumptions are limited by the availability of reliable comparable data, economic uncertainty 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 a material amount. The Company estimates allowance for mortgage losses based on an assessment of the recoverability of mortgage loans. Allowances are applied to mortgage loans where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts based on industry experience and current economic trends when making a judgment to evaluate the adequacy of the allowance for mortgage losses. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

**Fair value measurements:**

In accordance with IFRS, the Company must classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making its fair value measurements. The following hierarchy has been used in determining and disclosing fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument (i.e. without modification or repackaging);

Level 2: quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

The Company's cash and cash equivalents are valued using Level 1 measures and the properties held for sale under foreclosure are valued using Level 3 measures as there are no quoted prices in an active market for these investments. As explained in more detail in Note 13, management makes its determination of fair value of mortgages by discounting future cash flows at the Company's prevailing rate of return on new mortgages of similar type, term, and credit risk.

These assumptions are limited by the availability of reliable comparative market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, measurements of fair value are subjective and may not necessarily be comparable to the actual outcome.

Should underlying assumptions change, the estimates could vary.

## 6. Mortgage loans

### a) Mortgage loans

There are 417 mortgages (2015 – 405 mortgages) held which comprise first mortgages (2016 – 9%; 2015 - 7%) second mortgages (2016 – 88%; 2015 – 92%) and third mortgages (2016 – 3%; 2015 – 1%) secured by residential property in Canada. The average term of the loans on origination is 12 months.

The weighted average interest rate on mortgage loan portfolio is 11.73% per annum (2015 – 10.25% per annum).

Mortgage loan investments consist of the following:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Mortgage loans, net of mortgage syndications	\$ 25,195,607	\$ 17,811,595
Less: Allowance for mortgage losses	(658,286)	(493,372)
Unearned lender fees	(216,842)	(271,704)
	<b>\$ 24,320,479</b>	<b>\$ 17,046,519</b>

### b) Allowance for losses on mortgages

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

For the year ended December 31, 2016, the Company has recognized a provision for loss of \$483,216 (2015 – \$581,269) relating to impaired mortgage loans, which represents the total amount of the Manager's estimate of the shortfall between the principal balances, costs incurred and accrued interest and the estimated recoverable amount of the underlying security of the mortgage loan. Management considers the allowance for losses at December 31, 2016 of \$658,286 (2015 - \$493,372) sufficient to cover estimated specific and collective losses at those times.

The allowance for losses on mortgage loans is comprised of the following:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Allowance for impairment losses on mortgages, beginning of year	\$ (493,372)	\$ (399,138)
Provision for mortgage loan losses	(483,216)	(581,269)
Charge-offs, net	318,302	487,035
	<b>\$ (658,286)</b>	<b>\$ (493,372)</b>

### c) Mortgage syndication liabilities

The Company has entered into certain mortgage participation agreements with mainly third party lenders using senior and subordinated participations, whereby the third party lenders take the senior position and the Company retains the subordinated position. Under certain participation agreements, the Company has retained a residual portion of the credit and/or default risk as it is holding the residual interest in the mortgage investment and therefore has not met the de-recognition criteria. As a result, the lender's portion of the mortgage is recorded as a mortgage investment with the transferred position recorded as a mortgage syndication liability. The interest and fees earned on the transferred participation interests and the related interest expense is recognized in profit and loss.

For those investments which have not met the derecognition criteria, the participation transactions have resulted in the Company recognizing the participating mortgages and corresponding non-recourse mortgage syndication liabilities on its statement of financial position. As at December 31, 2016 the carrying value of the transferred assets and corresponding non-recourse liabilities is \$1,182,375 (2015 – \$nil).

**Secure Capital MIC Inc.**  
**Notes to the Financial Statements**  
For the years ended December 31, 2016 and 2015

**7. Foreclosed property held for sale**

As at December 31, 2016, there are no properties (2015- \$147,481) currently held for sale by the Company. During the year, the property previously held for sale by the Company was sold for net proceeds of \$140,276. The Company recorded a loss on sale of \$7,205.

**8. Loans payable**

	December 31, 2016	December 31, 2015
Credit facility (a)	-	-
Private loans (b)	\$ 325,000	\$ 325,000
	\$ 325,000	\$ 325,000

- (a) On November 4, 2014, the Company obtained a \$5,000,000 demand revolving credit facility with Sprott Bridging Income Fund LP, with an interest rate of prime + 7.5% per annum. This facility was closed in 2016.
- (b) The Company obtained loans from private parties with interest rates ranging from 8-10% per annum in 2015. Interest is accrued and paid monthly. The term of the loans are 12 months from the date of advance and is repayable by the Company at any point during the term with one months' notice. As at December 31, 2016 the loan balance payable was \$325,000 (2015 - \$325,000) with paid interest of \$26,000 (2015 - \$71,852). \$nil of the loans are secured.
- (c) On February 22, 2013, the Company entered into a Demand Operating Facility Agreement with the Toronto Dominion Bank. This facility was closed in 2016.

**9. Share capital**

**Authorized shares**

Authorized	Name
1,000	Voting Common Shares
Unlimited	Class A, B, C, D and E – Non-Voting Redeemable Shares

**(a) Voting Common Shares**

	2016	2015
	Number of Shares	Number of Shares
Share capital, beginning of year	1,000	1,000
Shares issued for cash	-	-
<b>Share capital, end of year</b>	<b>1,000</b>	<b>1,000</b>

**Redeemable shares**

Authorized redeemable shares have the following attributes:

Unlimited number of Class A Redeemable shares, non-voting, non-cumulative, redeemable, paying an annual dividend equal to 8% of the consideration paid for such shares.

Unlimited number of Class B Redeemable shares, non-voting, non-cumulative, redeemable, entitled to participate pari passu on each Dividend Payment date with the holders of Class D Redeemable shares, if any, and the holders of Class E Redeemable shares, if any, in the payment of non-cumulative preferential cash dividends in an aggregate amount equal to the net profits of all of the Company's funds other than that fund which invests only in first mortgages (commonly referred to as the 1<sup>st</sup> Mortgages Low-Risk Fund) after deduction of the preferred dividend payable hereunder on the Class A Redeemable shares.

Unlimited number of Class C Redeemable shares, non-voting, non-cumulative, redeemable, entitled to receive dividends in an amount per share equal to the net profits of that fund which invests only in first mortgages and is commonly referred to as the 1<sup>st</sup> Mortgages Low-Risk Fund.

**Secure Capital MIC Inc.**  
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**9. Share capital** *(continued from previous page)*

Unlimited number of Class D Redeemable shares, non-voting, non-cumulative, redeemable, entitled to participate pari passu on each Dividend Payment Date with the holders of Class B Redeemable shares, if any, and the holders of Class E Redeemable shares, if any, in the payment of non-cumulative preferential cash dividends in an aggregate amount equal to the Funds' Net Profits. Each holder of Class D Redeemable shares shall not transfer or assign its interest in such shares within one year of the date on which such shares were issued.

Unlimited number of Class E Redeemable shares, non-voting, non-cumulative, redeemable, entitled to participate pari passu on each Dividend Payment Date with the holders of Class B Redeemable shares, if any, and the holders of Class D Redeemable shares, if any, in the payment of non-cumulative preferential cash dividends in an aggregate amount equal to the MIC's Net Profits. The amount of the foregoing dividends payable to the holders of Class E Redeemable shares shall then increase by 2%. Each holder of Class E Redeemable shares shall not transfer or assign its interest in such shares within five years of the date on which such shares were issued.

*Redemption policy*

Shareholders may, by giving written notice to the Company, request that the Company redeem the whole or any part of the preferred shares held by the shareholder. On the last business day of the calendar month, which is two full months following the month in which the redemption notice is given, the Company will be required to redeem the preferred shares specified in the redemption notice. The redemption price for each Class A Redeemable share will be the book value calculated using the unaudited monthly balance sheet for the month during which the redemption notice is given plus the pro rata share of any distributions on such redeemed Class A Redeemable shares which have accrued up to and including the date of redemption, which price will be paid within 10 days of the date of redemption.

The Company will not redeem Class A Redeemable shares in extraordinary circumstances where: i) the redemption by shareholders represented greater than 25% of the redeemable shares issues and outstanding as at the beginning of the fiscal year during which such redemption notices are given; or ii) redemption of the aggregate number of redeemable shares subject to any redemption notices given in a calendar month would result in a number of preferred shares which is greater than 5% of the redeemable shares issued and outstanding as at the beginning of the current fiscal year. The Company may, at its discretion, waive either or both of the aforementioned limitations for and date of redemption, and failing such waiver, redeemable shares which are subject to Redemption Notices given in any one calendar month will be redeemed on a basis which is pro rata to the number of redeemable shares subject to such redemption request is less than 1 year after the date that the redeemable shares were issued; the redemption fee will be 3%.

**Issued and outstanding – Class A – Non-Voting Redeemable Shares**

	<b>2016</b>	<b>2015</b>
Redeemable shares outstanding, beginning of year	\$ 19,114,714	\$ 17,288,935
Issued for cash	3,997,139	3,246,691
Issuance of redeemable shares under dividend reinvestment plan	571,431	441,146
Redeemed for cash	(985,079)	(1,862,058)
<b>Redeemable shares outstanding, end of year</b>	<b>\$ 22,698,205</b>	<b>\$ 19,114,714</b>

*Dividend Reinvestment Plan*

The dividend reinvestment plan (the "DRIP") provides eligible beneficial and registered holders of redeemable shares of the Company with a means to reinvest dividends declared and payable on such redeemable shares in additional redeemable shares. For the year ended December 31, 2016, 571,431 redeemable shares were issued under the DRIP for \$571,431 (2015 - 441,146 redeemable shares issued for \$441,146).

**10. Related party transactions**

Secure Capital Group Inc. ("Manager") provides mortgage underwriting and related services for the Company under a three year agreement dated January 1, 2015. Its responsibilities include providing the Company with mortgages or interests in mortgages, oversee day-to-day operations, pay expenses relating to the provision of services including the cost of the company's Offering Memorandum.

Under the agreement for underwriting services, the Manager is annually allocated a portion of the total income earned from the Company's mortgage loans after dividends on redeemable shares, financing costs and expenses sufficient to eliminate taxable income in the year. Balances due to the Manager are non-interest bearing, unsecured and without any specific terms of repayment.

**10. Related party transactions** *(continued from previous page)*

The Manager directs the affairs and manages the Company's business and administers or arranges for the administration of the Company's operations. Accordingly, the Company has no employment agreement with members of management.

**11. Income taxes**

The net loss incurred by the Company during the year is an accounting loss which is not reflective of taxable income during the year which amounted to nil.

As of December 31, 2016, the Company has non-capital losses carried forward for income tax purposes of \$nil (2015 – \$nil). The Company also has future deductible temporary differences resulting from share issuances, prepaid mortgage and loan interest, unearned lender fees, financing costs and collective loan loss allowance for income tax purposes of \$669,047 (2015 – \$450,628). However, in computing the current year's income for tax purposes, the Company deducted \$472,040 (2015 - \$449,899) of dividends within 90 days of the end of the year.

**12. Capital management**

As a mortgage investment corporation, the Company expects to derive its earnings principally from the receipt of mortgage interest and fee payments less dividends, other financing costs, expenses and amounts allocated to the Manager.

The Company achieves its investment objective by lending on the security of mortgages on real properties situated in Canada. The mortgages transacted by the Company will not generally meet the underwriting criteria of conventional lenders and/or involve borrowers in rural areas generally not well serviced by major lenders. As a result, the Company's investments are expected to earn a higher rate of interest than what is generally obtainable through conventional mortgage lending activities.

Moreover, management regularly monitors its available cash to ensure that it has adequate cash resources to ensure the payment of dividends to its investors; to finance additions to its mortgage portfolio and for the payment of share capital redemptions. For unusual circumstances, the Company has redemption policies in place to restrict the payout of capital share redemptions.

The Company has entered into loan and credit financing agreements in order to provide additional financing for mortgage loans as required from time to time.

**13. Financial instruments**

The Company, as part of its operations, carries financial instruments consisting of cash, mortgage loans including mortgage syndications, accrued interest receivable, accounts payable and accrued liabilities, due to manager, loans payable, prepaid mortgage interest, and non-recourse mortgage syndication liability. It is management's opinion that the Company is not exposed to significant credit, interest, currency and liquidity risks arising from these financial instruments except as otherwise disclosed.

**Fair value**

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

**Secure Capital MIC Inc.**  
**Notes to the Financial Statements**  
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**13. Financial instruments** (continued from previous page)

	Carrying value			
December 31, 2016	Loans and receivable	FVTPL	Other financial liabilities	Fair Value
<b>Financial assets not measured at fair value</b>				
Mortgage loans	\$24,320,479			\$24,320,479
Accrued interest receivable	364,821			364,821
<b>Financial liabilities not measured at fair value</b>				
Accounts payable and accrued liabilities			\$285,944	285,944
Due to manager			525,875	525,875
Loans payable			325,000	325,000
Prepaid mortgage loan interest			384,648	348,648
Mortgage syndication liability			1,182,375	1,182,375

Mortgage Investments

There are no quoted prices in an active market for the Company's mortgages. Management makes its determination of fair value by discounting future cash flows at the Company's prevailing rate of return on new mortgages of similar type, term, and credit risk. When collection of principal on a mortgage investment is no longer reasonably assured, the fair value of the mortgage is reduced to reflect the estimated net realizable recovery from the collateral securing the loan. Generally, the fair value of the mortgage investments approximates their carrying values given their short-term nature and the option of borrowers to repay at any time. Accordingly, the fair value of the mortgage investments is based on level 3 inputs.

December 31, 2015	Carrying value			Fair Value
	Loans and receivable	FVTPL	Other financial liabilities	
Assets not measured at fair value				
Mortgage loans	\$17,046,519			\$17,046,519
Accrued interest receivable	313,975			313,975
Financial liabilities not measured at fair value				
Accounts payable and accrued liabilities			\$222,327	222,327
Due to manager			376,180	376,180
Loans payable			325,000	325,000
Prepaid mortgage loan interest			129,587	129,587
Mortgage syndication liability			-	-

**13. Financial instruments** *(continued from previous page)*

The fair value of mortgage loans approximate carrying value given the amounts consist of short term loans repayable at the option of the borrower without yield maintenance or penalties. The carrying amount of all other financial instruments approximates their fair value due to the short-term maturities of these items. There were no transfers between levels 1, 2 and 3 during the years ended December 31, 2016 and December 31, 2015.

**Credit risk**

Credit risk is the risk of economic loss from a borrower's failure to repay debt in accordance with the contractual terms. Credit risk encompasses the direct risk of default, the deterioration of creditworthiness as well as concentration risks.

The Company is exposed to credit risk with respect to its mortgage loans including mortgage syndications. The Company mitigates this risk by the following:

- I. Ensuring a comprehensive due diligence process is conducted on each mortgage investment prior to funding. This generally includes, but is not limited to (a) engaging professional independent consultants, lawyers, and appraisers and (b) performing credit checks on prospective borrowers;
- II. actively monitoring the mortgage portfolio and initiating recovery procedures where required;
- III. ensuring that at the time the loan is approved, the loan amount is within prescribed LTV parameters of the estimated value of the real property to be mortgaged; and
- IV. ensuring the mortgage portfolio is sufficiently diversified in order to limit exposure to any one property, mortgagor, asset class or geographical area.

The Company's maximum exposure to credit risk is represented by the value of mortgage loans, including mortgage syndications, include interest receivable at December 31, 2016 and 2015. The Company has recourse under these mortgages receivable in the event of default by the borrower, in which case, the Company would have a claim against the underlying collateral.

There were no changes to the Company's exposure to credit risk or approach to managing this risk during the year.

As of December 31, 2016, mortgage loans, including mortgage syndications, past due but not impaired totaled \$1,711,388.

**Market risk**

Market risk is the risk that the fair value of the collateral securing any of the Company's mortgage investments falls to a level approaching the loan amount. Management ensures that it is aware of the real estate market conditions in the regions of Canada in which it operates. Real estate market trends are monitored on an ongoing basis and the Company's lending practices, procedures and policies are adjusted when necessary.

**Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates. The Company manages this risk by investing primarily in short-term mortgages. The Company's investment objective is to obtain an acceptable and consistent absolute rate of return that is not related to any market-based interest rate benchmark.

Mortgage loans, including mortgage syndications, have minimal exposure to interest rate risk because these facilities bear interest at fixed rates and the Company's intention is to hold them until maturity.

The Company has entered into loan and credit financing agreements in order to provide additional financing for mortgage loans as required from time to time. Interest on these facilities varies with changes in the prime rate of interest. If the prime rate increased or decreased by 1% during the period, with all other factors remaining consistent, interest expense could have increased or decreased by approximately \$3,250 (2015 – \$9,808) respectively. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

**Currency risk**

Currency risk is the risk that the fair value or future cash flows of the Company's mortgages will fluctuate based on changes in foreign currency exchange rates. All the Company's mortgages are denominated in Canadian dollars and secured by charges on real estate located in Canada; consequently, the Company is not subject to currency risk.



**13. Financial instruments** *(continued from previous page)*

**Liquidity risk**

Liquidity risk is the risk the Company will encounter difficulty in meeting its financial obligations as they become due.

The Company is exposed to liquidity risk resulting from fluctuations in cash flows as a result of the timing of mortgage investment funding, repayment of loans payable, redemptions and payment of redeemable share dividends. Management routinely forecasts future cash flow sources and requirements to ensure cash is efficiently utilized.

The contractual maturities of financial liabilities as at December 31, 2016 include the Company's accounts payable and accrued liabilities, due to manager and loans payable.

As at December 31, 2016, the Company had a cash position of \$717,747 (2015 - \$2,660,833) and an unutilized credit facility of \$nil (2015 - \$5,000,000) and the Company had gross mortgage loans including mortgage syndications totaling \$25,195,607 (2015 - \$17,811,595), which substantially exceeded its total liabilities before redeemable shares of \$2,703,842 (2015 - \$1,053,094).

There were no changes to the Company's exposure to liquidity risk or approach to managing this risk during the year. As of December 31, 2016, there are no mortgages that were committed but not funded.

**14. Reclassification of comparative figures**

Certain comparative figures have been reclassified to conform to the current year's presentation.

**ITEM 14 : DATE AND CERTIFICATE OF THE ISSUER**

This Offering Memorandum does not contain a misrepresentation.

Dated this 15<sup>th</sup> day of May, 2017

(s) Sheri Kosturik

Sheri Kosturik  
President, CEO, and Director

(s) Sasha Singal

Sasha Singal  
Secretary and Director

(s) Jaime Vilas

Jaime Vilas  
Director