

This Offering Memorandum is for the personal use only of those persons to whom we deliver a copy in connection with this Offering for the purpose of evaluating the securities we are offering hereby. By accepting a copy of this Offering Memorandum, you agree that you will not transmit, reproduce or make available to anyone, other than your professional advisors or as required by law, this Offering Memorandum or any information contained herein. No person has been authorized to give any other information or to make any other representation concerning this Offering that is not contained in this Offering Memorandum. You should not rely on any such other information or representation. The delivery of this Offering Memorandum is not intended to constitute an offering of securities where it is unlawful to make an offering memorandum distribution under National Instrument 45-106.

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

FORM 45-106F2

OFFERING MEMORANDUM FOR NON-QUALIFYING ISSUERS

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION

DATE:	February 11 th , 2020
THE ISSUER	<p>PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION (the "Issuer" or the "Corporation")</p> <p>The Corporation is a "mortgage investment corporation" or "MIC" that invests in relatively low risk, high yield first mortgage opportunities. A MIC is a flow-through vehicle for tax purposes. The <i>Income Tax Act</i> (Canada) (the "Tax Act") effectively treats a corporation that qualifies as a MIC as a flow-through entity so that a shareholder of a MIC is put in a similar position from an income tax perspective as if the investments made by the MIC had been made directly by the shareholder.</p> <p>Head Office: 348 Sheppard Avenue East, Toronto, Ontario M2N 3B4 Tel: 416-519-3628 Fax: 416-551-7798 Website: www.priorityfirst.ca Email: info@priorityfirst.ca</p>
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:	Up to 10,000,000 Class "A" Participating Preference Shares, Series 1 ("Preferred Shares") of the Corporation.
PRICE PER SECURITY:	The issue price per share will be equal to the Book Value Per Share at the time of purchase. The Corporation intends to maintain a Book Value Per Share of \$10.00. See Section 5.2, "Subscription Qualification".
TARGET YIELD:	7.00% per annum for Preferred Shares, Series 1 See Section 5.1, "Terms of Securities - Dividend Policy".
MINIMUM/MAXIMUM OFFERING:	The minimum offering size is 1,000,000 Preferred Shares (\$10,000,000 expected value). The maximum offering is 10,000,000 Preferred Shares (\$100,000,000 expected value). Funds available under the Offering may not be sufficient to accomplish our proposed objectives.
MINIMUM SUBSCRIPTION AMOUNT:	\$10,000 (1,000 Preferred Shares)
PAYMENT TERMS:	Bank draft or certified cheque payable to the Corporation or any other manner of payment acceptable to the Issuer. Each transaction to complete the sale of Preferred Shares is a "Closing".

PROPOSED CLOSING DATES:	Closings will occur on a continuous basis subject to a maximum offering size of \$100,000,000 (10,000,000 Preferred Shares). The first Closing under this Offering Memorandum is expected to occur on or about November 15, 2018. Thereafter, the Corporation will complete Closings from time to time as subscriptions are received. It is expected that all accepted subscriptions will be effective on the last business day of each month and settled within three (3) business days.
OFFERING JURISDICTIONS:	Preferred Shares are being offered to investors resident in, or otherwise subject to the laws of, each of the Provinces of Canada.
INCOME TAX CONSEQUENCES:	There are important tax consequences to these securities. The Preferred Shares will be qualified investments for inclusion in a Canadian RRSP, RRIF, RESP, TFSA or DPSP subject to the Corporation maintaining its status as a "mortgage investment corporation" (" MIC "). For further information, see Item 6, "Income Tax Consequences".
THE MANAGER	The Corporation has retained iBrokerPower Capital Inc. as the manager of the Corporation pursuant to the terms of a management agreement dated January 26, 2018 (the " Management Agreement "). Pursuant to the terms of the Management Agreement, the Manager is responsible for directing the affairs and managing the business of the Corporation and retains responsibility for the management of the Corporation's portfolio, providing investment analysis and recommendations and for making brokerage arrangements in conformance with the Corporation's investment strategies, operating restrictions and operating policies as set forth in this Offering Memorandum. The Manager makes available to the Corporation for purchase mortgages or interests in mortgages as and when they become available, and has the exclusive right to provide the Corporation with these mortgage investments. The Manager is a licensee in good-standing with the <i>Mortgage Brokerages, Lenders, and Administrators Act, 2006</i> (Ontario), operating under Mortgage Brokerage License No. 10538. See Section 2.2, "Our Business - The Manager - iBrokerPower Capital Inc". The Manager will not be entitled to receive a fixed management fee from the Corporation. However, for providing its services under the Management Agreement, the Manager will be entitled to receive a performance bonus (" Performance Bonus ") and underwriting fees (" Underwriting Fees "). See Section 2.7, "Material Agreements - Management Agreement".
SELLING AGENT:	The Corporation will pay a commission to registered dealers or a referral fee in those jurisdictions where permitted by applicable securities legislation, up to a maximum of 5% of the aggregate purchase price of the Preferred Shares sold to subscribers referred by registered dealers or finders in such jurisdictions. In addition, eligible persons seeking Subscribers for any of the Preferred Shares may charge their clients additional fees or commissions to purchase or sell such Preferred Shares. See Item 7, "Compensation Paid to Sellers and Finders".

RESALE RESTRICTIONS

You will be restricted from selling your securities for an indefinite period. See Item 10, "Resale Restrictions".

PURCHASERS' RIGHTS

You have two (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 for damages or to cancel the agreement. See Item 11, "Purchasers' Rights".

GENERAL DISCLAIMERS

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.

FORWARD LOOKING STATEMENTS

This Offering Memorandum contains certain statements or disclosures that may constitute forward-looking information under applicable securities laws. Forward-looking statements may be identified by the use of words like “believes”, “intends”, “expects”, “may”, “will”, “should”, or “anticipates”, or the negative equivalents of those words or comparable terminology, and by discussions of strategies that involve risks and uncertainties. All forward-looking statements are based on the Corporation’s current beliefs as well as assumptions made by and information currently available to the Corporation and relate to, among other things, anticipated financial performance; business prospects; strategies; the nature of the Corporation’s operations; sources of income; forecasts of capital expenditures and the sources of the financing thereof; expectations regarding the ability of the Corporation to raise capital; the Corporation’s business outlook; plans and objectives for future operations; forecast business results; and anticipated financial performance.

The risks and uncertainties of the Corporation’s business, including those discussed under Item 8, “Risk Factors”, could cause the Corporation’s actual results and experience to differ materially from the anticipated results or other expectations expressed. In addition, the Corporation bases forward-looking statements on assumptions about future events, which may not prove to be accurate. In light of these risks, uncertainties and assumptions, prospective purchasers should not place undue reliance on forward-looking statements and should be aware that events described in the forward-looking statements set out in this Offering Memorandum may not occur.

The Corporation cannot assure prospective purchasers that its future results, levels of activity and achievements will occur as the Corporation expects, and neither the Corporation nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. Except as required by law, the Corporation assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

DOCUMENTS INCORPORATED BY REFERENCE

In addition to and apart from this Offering Memorandum, the Corporation may utilize certain marketing materials in connection with the Offering, including an executive summary of certain of the material set forth in this Offering Memorandum. This material may include fact sheets and investor sales promotion brochures, question and answer booklets, and presentations. All such marketing materials are specifically incorporated by reference into and form an integral part of this Offering Memorandum. All such marketing materials will be delivered or made reasonably available to a prospective purchaser prior to the purchase by such prospective purchaser of Preferred Shares.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for the purposes of this Offering Memorandum to the extent that

a statement contained herein or in any other subsequently delivered Offering Memorandum which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, 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. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum.

CURRENCY

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

SCHEDULE

The following Schedule is attached to and forms a part of this Offering Memorandum:

Schedule “A” – Subscription Agreement

INTERPRETATION

In this Offering Memorandum, unless the context otherwise requires, when we use terms such as the “**Corporation**”, the “**Issuer**”, “**we**”, “**us**” and “**our**”, we are referring to Priority First Mortgage Investment Corporation and when we use the terms such as “**Investor**”, “**Subscriber**” or “**you**” we are referring to a person who purchases Preferred Shares under the Offering, thereupon becoming an Investor in the Corporation.

Words importing the singular number only, include the plural and vice versa, and words importing the masculine, feminine or neuter gender include the other genders.

GLOSSARY OF TERMS

The following are definitions of certain terms used in this Offering Memorandum:

“**Board of Directors**” means the board of directors of the Corporation;

“**Book Value Per Share**” means the value of the Preferred Shares which is equal to the outstanding principal value of the Corporation’s mortgages, net of any write-down for impairment, plus any accrued interest, pre-paid expenses, cash and other assets of the Corporation, less liabilities of the Corporation, divided by the number of issued and outstanding Preferred Shares of the Corporation.

“**Preferred Shares**” or “**Shares**” means the Class “A” Participating Preference Shares, Series 1 of the Corporation.

“**Corporation**” means Priority First Mortgage Investment Corporation.

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

“**Investor**” or “**Subscriber**” means a purchaser of Preferred Shares pursuant to this Offering.

“**LIRA**” means a “locked-in retirement account” as defined under the Tax Act.

“**LIRF**” means a “locked-in retirement income fund” as defined under the Tax Act.

“**MBLAA**” means the *Mortgage Brokerages, Lenders and Administrators Act, 2006*

“**Manager**” means iBrokerPower Capital Inc.

“**MIC**” means a “mortgage investment corporation” as defined under the Tax Act.

“**Offering**” means the offering of Preferred Shares in the capital of the Corporation pursuant to this Offering Memorandum.

“**Preferred Shares**” means Class “A” Participating Preference Shares of the Corporation, Series 1.

“**Principal Holder**” means a person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Corporation.

“**Registered Plans**” means any one of LIRA, LRIF, RDSP, RESP, RRIF, TFSA, DPSP and RRSP.

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

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

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

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

“**Shareholders**” means holders of Preferred Shares subscribed for pursuant to this Offering Memorandum.

“**Tax Act**” means the *Income Tax Act* (Canada), R.S.C. 1985, c.1 (5th Supp.), as amended.

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

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PURPOSE OF THE OFFERING

The purpose of this Offering is to provide investors with the opportunity to subscribe for Preferred Shares. The Corporation qualifies as a “mortgage investment corporation” for purposes of the Tax Act. The Corporation will, in computing its taxable 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. Dividends other than capital gains dividends, which are paid by the Corporation on the Preferred Shares to Shareholders, will be included in Shareholders’ incomes as interest income.

The Preferred Shares are qualified investments for inclusion in a Canadian RRSP, RRIF, RESP, TFSA, DPSP, LIRA, LRIF, or RDSP subject to the Corporation achieving and maintaining its status as a “mortgage investment corporation”. For further information, see Item 6, “Income Tax Consequences”.

ITEM 1: USE OF AVAILABLE FUNDS

1.1 Funds

The funds that will be available to the Corporation from this Offering, together with funds available from other sources, as at the date of this Offering Memorandum are set out in the following table:

		Assuming minimum offering	Assuming maximum offering ⁽¹⁾
A	Amount to be raised by this Offering ⁽²⁾	\$10,000,000	\$100,000,000
B	Selling commissions and fees ⁽³⁾	(\$500,000)	(\$5,000,000)
C	Estimated offering costs (e.g. legal, accounting, audit, etc.) ⁽⁴⁾	(\$30,000)	(\$30,000)
D	Available funds: D = A – (B + C)	\$9,470,000	\$94,970,000
E	Working capital deficiency ⁽⁵⁾	\$Nil	\$Nil
F	Total: F = (D - E)	\$9,470,000	\$94,970,000

Notes:

1. The maximum offering size is \$100,000,000 (10,000,000 Preferred Shares).
2. After the first Closing under this Offering Memorandum, the Corporation will complete Closings from time to time as subscriptions are received and accepted.
3. This assumes maximum commissions or referral fees of five percent (5%) are paid for all Preferred Shares sold. See Item 7, “Compensation Paid to Sellers and Finders”.
4. Offering costs as shown are estimated expenses (currently estimated to be \$30,000) of or incidental to the issue, sale and delivery of the Preferred Shares pursuant to this Offering, including fees and disbursements of legal counsel and accountants, printing and other administrative costs associated with marketing the Preferred Shares pursuant to this Offering Memorandum and the reasonable out-of-pocket expenses (including applicable taxes) of the Corporation in connection with such issue, sale and delivery.
5. As at the date of this Offering Memorandum.

From the date of its inception on December 8, 2017 to August 31, 2019, the Corporation raised gross proceeds of \$3,959,346, including \$112,517 reinvested through the Corporation’s dividend reinvestment plan. Over this same period, there were no redemptions, which together with offering costs and fees of \$9,750, resulted in net proceeds to the Corporation of \$3,949,596. See Section 4.3, “Prior Sales”.

As at January 31, 2020, 15 individual mortgages are held by the Corporation and the total assets under administration is \$4,530,300. As at January 31, 2020, the Corporation’s portfolio has an average loan size of

\$302,020 and average loan-to-value of 60.47%. As at January 31, 2020, all of the individual mortgages are first priority mortgages located in Ontario.

. See Section 2.3, “Development of the Business - Mortgage Portfolio”.

1.2 Use of Available Funds

We intend to use funds available to us from this Offering and from other sources, as estimated in Section 1.1, “Funds”, as set out in the following table:

Description of intended use of available funds proceeds listed in order of priority	Assuming minimum offering	Assuming maximum offering
Investment in mortgages as described under Item 2, “Business of the Corporation”	\$8,996,500	\$90,235,000
Working capital (assuming Manager holds a cash or near cash position equal to approximately 5% of the total assets under administration)	\$473,500	\$4,735,000
TOTAL	\$9,470,000	\$94,970,000

1.3 Reallocation

We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.

ITEM 2: BUSINESS OF THE CORPORATION

2.1 Structure

The Corporation was incorporated under the *Business Corporations Act* (Ontario) on December 8, 2017. It was formed to carry on the business of a “mortgage investment corporation” (“**MIC**”) as defined under the Tax Act, and commenced operations on February 1, 2018. The Corporation invests in relatively low risk, high yield first mortgage opportunities. A MIC is a flow-through vehicle for tax purposes. The Tax Act effectively treats a corporation that qualifies as a MIC as a flow-through entity so that a shareholder of a MIC is put in a similar position from an income tax perspective as if the investments made by the MIC had been made directly by the shareholder.

The Corporation’s fiscal year ends on August 31 in each year.

The head office and the registered office of the Corporation are located at 348 Sheppard Avenue East, Toronto, Ontario M2N 3B4.

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.

On January 12, 2018, articles of amendment were filed providing for, among other things, the addition of certain rights, privileges, restrictions and conditions to each of the Class “A” Participating Preference Shares (as a class and the first series thereof) and the Common Shares of the Corporation.

2.2 Our Business

General

The Corporation was formed to carry on the business of a “mortgage investment corporation” for purposes of the Tax Act. See Item 6, “Income Tax Consequences” for the requirements of a MIC under the Tax Act. As such, its

business consists in the lending of money, principally to individuals, for the purpose of acquiring, developing, maintaining or upgrading residential real estate or other real property, against the security of a mortgage granted on such property. The Corporation conducts its mortgage lending activities on properties located in Canada, primarily in the Provinces of Ontario, Manitoba and British Columbia.

The Corporation's objective is to generate income while preserving, for its shareholders, capital for reinvestment. The Corporation makes loans which do not generally meet the underwriting criteria of conventional lenders and/or involve borrowers in areas typically not well serviced by major lenders. As a result, the mortgages held by the Corporation are expected to earn a higher rate of interest than what is generally obtainable through conventional mortgage lending activities.

The Corporation intends to pay out as dividends substantially all of its net income and net realized capital gains every year and in that regard, it targets certain annualized yields. Amounts for dividend distributions will not be paid from the proceeds of the Offering. The Corporation intends to declare monthly dividends to holders of Preferred Shares of record on the last business day of each month and to pay such dividends on or before the last business day of the following month. See Section 5.1, "Terms of Securities - Dividend Policy".

The Manager – iBrokerPower Capital Inc.

In Ontario, mortgage brokers are regulated by the *Mortgage Brokerages, Lenders and Administrators Act, 2006* (the "MBLAA"). The MBLAA not only regulates those who arrange, negotiate or trade in mortgages but also those who administer them.

The Corporation is a registrant and licensee in good standing under the MBLAA, operating under Mortgage Administrator License No., 13000. As a mortgage administrator, the Corporation carries out mortgage administration duties such as collection of payments, distribution of income, and where necessary, commencing enforcement proceedings against delinquent mortgagors.

As the Corporation is not licensed as a mortgage broker, it must therefore, conduct its mortgage investment activities through licensed mortgage brokers. Accordingly, the Corporation has entered into a management agreement (the "**Management Agreement**") with iBrokerPower Capital Inc. (the "**Manager**") pursuant to which the Manager has agreed to service the Corporation's mortgage portfolio, including sourcing, negotiating, and underwriting mortgages. Mortgage transactions for the Corporation are sourced by the Manager from licensed mortgage brokers. The Manager's MBLAA mortgage brokerage license number is 10538. See Section 2.7, "Material Agreements - Management Agreement".

The Manager also acts as the manager of Ginkgo Mortgage Investment Corporation ("**Ginkgo**"). Ginkgo was formed on July 29, 2011 to carry on the business of a "mortgage investment corporation" that invests primarily in high yield second mortgage opportunities. Ginkgo offers preferred shares and 5.00% Class A secured bonds and 6.00% Class B secured bonds to accredited investors and other qualified investors under applicable private placement exemptions. Ginkgo's assets under administration is approximately \$60 million and its average annualized yield (net of all fees and expenses) to holders of its preferred shares since inception is 8.69%. Under the Manager's management, Ginkgo has funded over 950 mortgages with non-performing loans only accounting for 0.65% of the portfolio.

On January 1, 2018, the B20 mortgage lending guidelines came into effect, making it more difficult for borrowers to qualify for conventional mortgages. As a result, the Manager has identified a market for niche first mortgage products, providing risk-adjusted returns which are not generally suitable for Ginkgo. The Corporation relies on the expertise of the Manager to seek, identify and execute on these relatively lower risk, high yielding first mortgage opportunities.

The foregoing performance and other information relating to Ginkgo is provided solely to illustrate the historical performance of the Manager and Ginkgo. Past performance is not a guarantee of future results and readers

should not assume that the future performance of the Corporation will equal or better the prior performance of the Ginkgo generally or that the investment objectives of the Corporation will be achieved.

The Manager is wholly owned by Mr. Henry Tse and Mr. Ronald Lee and as such is an affiliate of the Corporation. As at the date hereof, the Manager has 16 employees and over 40 mortgage agents. The Manager will not receive any benefits, directly or indirectly from the issuance to investors of the Preferred Shares pursuant to this Offering, other than as described in this Offering Memorandum. See Section 2.7, “Material Agreements - Management Agreement”.

The Manager is not a reporting issuer in any jurisdiction and none of its securities are listed for trading on any stock exchange or trading system.

As at the date of this Offering Memorandum, the management of the Manager and related parties hold, directly or indirectly, 29,702 Preferred Shares, representing approximately 6.23% of the issued and outstanding Preferred Shares.

Responsibilities of the Manager

The Corporation does not actively employ resources to actively seek or originate mortgages for investment, but instead relies on the expertise of the Manager for a regular flow of investment opportunities. To the extent that the Corporation’s funds are not invested in mortgages from time to time, they are held in cash deposited with a Canadian chartered bank or are invested by the Manager on the Corporation’s behalf in short term deposits, savings accounts or government guaranteed income certificates so that the Corporation maintains a level of working capital for its ongoing operations. As indicated below, the Manager may make recommendations to the Corporation to consider distributions of excess cash to holders of Preferred Shares to the extent the Corporation is retaining too much cash on hand

The Manager is responsible for directing the affairs and managing the business of the Corporation and retains responsibility for the management of the Corporation’s portfolio, providing investment analysis and recommendations and for making brokerage arrangements in conformance with the Corporation’s investment strategies, operating restrictions and operating policies as set forth in this Offering Memorandum. If, due to a change in the provisions of the Tax Act or other legislation applicable to the Corporation or for any other sound business reason, any of the strategies, policies or restrictions set forth in this Offering Memorandum require amendment, the Corporation will notify and consult with the Manager and the Manager will provide assistance from time to time to the Corporation on revising the foregoing strategies, policies or restrictions in order to comply with applicable legislation or otherwise to achieve changing business objectives. In the event of any amendment to the strategies, policies or restrictions set forth in this Offering Memorandum, the Manager will be required to comply with and observe such change immediately upon such change becoming effective.

The Manager oversees the sourcing, negotiating and underwriting of mortgage loans of the Corporation and is granted the exclusive authority (subject to the oversight, instructions and guidance of the Corporation and its directors and senior officers from time to time) to manage such operations and investments of the Corporation and to make all investment decisions regarding the business of the Corporation.

The Manager makes available to the Corporation for purchase mortgages or interests in mortgages as and when they become available. The Manager has the exclusive right to provide the Corporation with these mortgage investments. Specifically, the Manager will be required, among other things, to:

- a. use its reasonable commercial efforts to present to the Corporation for acquisition, investment opportunities consistent with the Corporation’s investment policies and objectives;

- b. underwrite mortgage applications and recommend mortgage approvals to the Board of Directors, and providing the Corporation with information, including the terms and conditions of the recommended mortgage investments, relating to the proposed mortgage investments;
- c. monitor the status and progress of investments acquired by the Corporation, maintain records and accounts in respect of each investment, and on a monthly basis forward to the Corporation a monthly statement of account in respect of all investments in which the Corporation has an interest;
- d. investigate, select and conduct relations with consultants, borrowers, lenders, mortgagors and other mortgage and investment participants, accountants, originators or brokers, correspondents and mortgage managers, technical advisers, lawyers, underwriters, brokers and dealers, corporate fiduciaries, escrow agents, depositories, custodians, agents for collection, insurers, insurance agents, banks, investors, builders and developers;
- e. employ, retain and supervise such persons and the services performed or to be performed by such persons in connection with the Corporation's investments and to substitute any such party or itself for any other such party or for itself;
- f. provide assistance in those services as may be required by the Corporation in connection with the collection, handling, prosecuting and settling of any claims the Corporation may have with respect to its investments, including foreclosing and otherwise enforcing mortgages and other liens and security interests securing the Corporation's investments;
- g. act on the Corporation's behalf as its nominee or agent in connection with acquisitions or dispositions of investments, the execution of deeds, mortgages or other instruments in writing for or on the Corporation's behalf and the handling, prosecuting and settling of any claims relating to the Corporation's investments including the foreclosure or other enforcement of any mortgage, lien or other security interest securing the Corporation's investments;
- h. deliver portfolio reports from time to time with respect to the Corporation's investments and provide any other information or documentation relating to such investments as may be reasonably requested;
- i. to attend to all matters relating to the sale of the Preferred Shares in accordance with the *Securities Act* (Ontario) and any other applicable securities legislation, law or policy including without limitation: (A) arranging, and facilitating the completion of, the sale of Preferred Shares through exempt market dealers or other registrants; (B) overseeing investor relations and liaising with and instructing exempt market dealers or other registrants engaged to sell Preferred Shares; (C) acting as transfer agent and registrar for Preferred Shares; and (D) reviewing and reporting to the holders of Preferred Shares with respect to the financial statements and other information of the Corporation in accordance with the reporting obligations imposed upon the Corporation pursuant to this Offering Memorandum or otherwise under applicable legislation, law or policy;
- j. to invest funds not immediately required for the operations of the Corporation in cash deposited with a Canadian chartered bank or in short term deposits, savings accounts or government guaranteed income certificates or treasury bills and to make recommendations to the Corporation to consider distributions of excess cash to holders of Preferred Shares to the extent the Corporation is retaining too much cash on hand; and
- k. provide or cause to be provided such administrative support to the Corporation as may be reasonably requested by the Corporation.

Any loans included in the Corporation's portfolio and held by the Manager will only be held by the Manager as bare trustee or nominee for the Corporation. The Manager has agreed that the funds of the Manager will not be commingled with any funds of the Corporation.

The Manager has agreed to arrange, and facilitate the completion of, the sale of Preferred Shares or any other equity shares of the Corporation. The Manager is responsible for assisting in the distribution of the shares of the Corporation to accredited investors and other qualified investors and for the preparation of any required offering documents and marketing materials of the Corporation. In relation to the foregoing, the Manager will comply with and observe all laws that apply to the Corporation, its investments and its securities, and may obtain opinion from counsel as it deems necessary in connection with such compliance. The Manager may retain and engage registered agents, securities dealers and brokers in the performance of its obligations.

Mortgage transactions for the Corporation may be sourced by the Manager from mortgage brokers. The Manager has no exclusive arrangement with any particular mortgage broker for the origination of mortgages. Consistent with industry norms, the Manager may pay a commission to the mortgage broker who originated the loan.

The Manager provides for the preparation of accounting, management and other financial reports as well as the keeping and maintaining of the books and records of the Corporation. The Manager reviews and reports to the holders of any debt or equity interests in the Corporation in accordance with the reporting obligations imposed upon the Corporation as set forth in Item 9, "Reporting Obligations".

Investment Strategies

The Corporation's business consists in the lending of money, principally to individuals, for the purpose of acquiring, developing, maintaining or upgrading residential and other real estate, against the security of a mortgage granted on such property. The purchase of a single security, namely, the Preferred Shares, allows an investor to diversify risk and participate with other investors in an entity holding a variety of mortgages.

The Corporation works closely with retail mortgage brokers throughout Ontario, Manitoba and British Columbia in order to market itself as a lender of choice in the non-conventional mortgage market segment. In this manner, the Corporation is well positioned to receive referrals on mortgage lending opportunities that do not meet the criteria of the major lending institutions and/or will involve borrowers in rural areas typically not well serviced by major lenders. As a result, the Corporation's investments in non-conventional mortgages are expected to earn a higher rate of interest than what is generally obtainable through usual mortgage lending activities.

The Corporation, through the Manager, invests exclusively in first mortgages, and such mortgages will typically fall into the following major loan categories:

- (a) *Standard First Mortgage Loans* – These are conventional first mortgages with loan to value not exceeding 70% of the appraised value at the time of the loan. These loans would typically be advanced to borrowers to assist with the purchase or refinancing of a property.
- (b) *Construction Loans* – These loans are advanced to finance the construction and development of various types of properties. These loans are higher risk than loans on completed buildings. The loan to value of these types of loans will not exceed 60%.
- (c) *Improvement Loans* – These loans are advanced to finance completed or substantially completed buildings that will benefit by the property's redevelopment, renovation, additions, etc. Typically, the funds are used to improve a property so that the overall value is substantively increased, its usability is enhanced, and/or its potential for increased revenue can be realized. While construction risk is substantially eliminated, the success of these projects is subject to market conditions. Accordingly, the return is usually similar to construction loans. The loan to value of these types of loans will not exceed 60%.

Loans will generally be for terms of twelve months or less. Interest is often set at a fixed rate or at a floating rate based on a margin over the prime lending rate of the Corporation's bank, sometimes with a minimum specified rate. Loan to value, borrower credit history, repayment ability of the borrowers, job stability and marketability of the property and other factors are also part of the underwriting guidelines in setting the appropriate interest rate. The Corporation may share part of a mortgage investment with other lenders acceptable to the Corporation. By limiting its participation in large individual investments, the Corporation will have the benefits of increased portfolio diversification. It will also enable the Corporation to participate in the financing of larger real estate projects than would otherwise be possible.

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:

- a. property type and geographical diversification;
- b. short term loans and intermediate term loans;
- c. payment schedules primarily of interest only; and
- d. loans in Canadian dollars on Canadian based real estate.

The Corporation may pursue a leveraged investment strategy by issuing debt obligations up to a maximum of four times the net book value of the assets of the Corporation i.e., it will borrow money (including drawing on its line of credit) in an attempt to increase the Corporation's returns by taking advantage of the difference between the interest earned on the loans made by the Corporation and the cost of borrowing the money to make such loans. Please refer to Section 8.1(e), "Investment Risk - Leverage by the Corporation" for risks associated with the use of leverage by the Corporation.

Operating Restrictions

Subject to the right of the Corporation, in consultation and upon notice to the Manager, to revise the following restrictions from time to time, the Corporation has established certain restrictions on investments as follows:

- (a) The Corporation may invest only in Commercial Mortgages and Residential Mortgages. Investments will be made by purchasing interests in mortgages offered for sale by the Manager. "**Commercial Mortgages**" means mortgages that are principally secured by multi-family housing projects and income-producing properties that have retail, commercial, service, office and/or industrial uses; and "**Residential Mortgages**" means that are principally secured by mortgage registrations on residential property titles.
- (b) Mortgages in which the Corporation invests may contain clauses permitting the mortgagor, when not in default, to renew the mortgage for additional terms at the sole discretion of the Manager and not the borrower.
- (c) The Corporation may participate in mortgages on a syndication basis, subject to the approval by the Board of Directors.
- (d) All mortgages will, following funding, be registered, subject to regulatory compliance, on title to the subject property in the name of any of the Corporation, the Manager, their respective affiliates or a nominee for the Corporation or the Manager.
- (e) The Manager will apply known and established procedures in the evaluation of mortgage opportunities.
- (f) Subject to clause (j) 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.

- (g) The Corporation will not invest for the purposes of exercising control over management of any company or other entity.
- (h) The Corporation will not make short sales of securities or maintain a short position in any securities.
- (i) The Corporation will not guarantee the securities or obligations of any person.
- (j) To the extent that the Corporation's funds are not invested in mortgages 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 the Board of Directors.

Investment Policies

The Corporation has adopted certain policies which establish the investment criteria for the Corporation's investments. By entering into the Management Agreement, the Manager has agreed to abide by and apply these policies, which are as follows:

- (a) the Corporation's only undertaking will be to invest the Corporation's funds in accordance with its investment strategies, operating restrictions and policies contained in this Offering Memorandum, as may be amended from time to time as set forth below under "Changes to Investment Strategies, Operating Restrictions and Investment Policies";
- (b) the Corporation will make loans in amounts up to 70% of the fair market value of the mortgaged property, unless special circumstances warrant exceeding that threshold; fair market value will be primarily based on the most recent sales comparison as determined by an independent professional appraiser who possesses either a Canadian Residential Appraiser (CRA) or Accredited Appraiser Canadian Institute (AACI) designation;
- (c) will target an overall 65% loan to value in its entire loan portfolio, and no less than 80% of the entire loan portfolio will be comprised of Residential Mortgages;
- (d) the Corporation may from time to time engage in bridge financing activities including the financing of new home construction;
- (e) intends to generally invest in open mortgages, exclusively as first mortgagee, and carrying a fixed rate of interest;
- (f) targets holding a cash or near cash position equal to approximately 5% of its total assets; and
- (g) the Corporation may buy or sell mortgages in the secondary market, or hold a fractional interest in a mortgage participate in mortgage syndications but only in limited circumstances and subject to approval by the Board of Directors.

Changes to Investment Strategies, Operating Restrictions and Investment Policies

The Board of Directors may in its discretion but acting in the best interests of the Corporation make any amendments, modifications or other changes to the foregoing investment strategies, operating restrictions and investment policies of the Corporation including 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 in order for the Corporation to continue to qualify as a “mortgage investment corporation”, and such amendments, modifications or other amendments 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 strategies, restrictions or policies for any reason including in order to comply with applicable legislation. In the event of any amendment to the foregoing strategies, restrictions and policies, the Manager will be required to comply with and observe such change immediately upon such change becoming effective. Please also refer to Section 8.2(d), “Corporation Risk - Potential Conflicts of Interest” for risks associated with potential conflicts of interest.

Management Fees and Expenses

See Section 2.7, “Material Agreements - Management Agreement”.

The Board of Directors

The Board of Directors of the Corporation currently consists of four directors. Two of the four directors also constitute the board of directors of, and control, the Manager. The Board of Directors approves all policies of the Corporation and has final approval on all individual mortgages recommended by the Manager. Please refer to “Conflicts of Interest” below and to Section 8.2(d), “Corporation Risk - Potential Conflicts of Interest” for risks associated with potential conflicts of interest. In addition to the professional qualifications and experience they have individually, the Board of Directors receives on-going education on corporate governance.

The Board of Directors is in regular communication with the Manager. The Board of Directors receives regular reports from the Manager on the Corporation’s operations and portfolio. The Board of Directors meets monthly to review financial performance of the Corporation and declare dividend, if any, accordingly.

Conflicts of Interest

The Management Agreement is not exclusive to either party and either party may enter into similar arrangements with other parties on whatever terms such party deems appropriate. Further, the Corporation acknowledges that the Manager and its shareholders, directors and senior officers have, or may acquire, interests and dealings in other companies, joint ventures, limited partnerships and/or mortgage investment entities which are presently or may in the future be actively engaged in similar businesses as the Corporation. The Corporation agrees that neither the Manager nor its shareholders, directors or senior officers will 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 this Agreement even if competitive with the business of the Corporation, and even if the business opportunity could have been pursued by the Corporation.

Conflicts of interest may arise between the Manager and directors of the Corporation and the holders of Preferred Shares. The Manager has sole discretion in determining which mortgages it will make available to the Corporation for investment, subject to compliance with the investment and operating policies and restrictions set out herein. Conflicts of interest may arise because of the fact that the Manager also manages Ginkgo Mortgage Investment Corporation (“**Ginkgo**”). See above under “The Manager - iBrokerPower Capital Inc.” Mortgages will be allocated with the intention that such allocation will benefit both holders of the Corporation’s Preferred Shares and shareholders and bondholders of Ginkgo and be consistent with the investment strategies applicable to each. Nevertheless, there can be no assurance that such allocation will benefit holders of the Corporation’s Preferred

Shares and accordingly these conflicts may not be resolved to the satisfaction or best interests of the Corporation's shareholders.

2.3 Development of Business

The Corporation was incorporated on December 8, 2017 and commenced operations on February 1, 2018. The Corporation's business is primarily to investing the net proceeds of this Offering in mortgages in accordance with the strategies, restrictions and policies set out above under Section 2.2, "Our Business".

The success of the Corporation is dependent, to a large part, on the experience and good faith of the Manager. See Section 2.2, "Our Business - The Manager - iBrokerPower Capital Inc."

The Corporation has declared and paid dividends monthly to holders of Preferred Shares since inception and intends to continue to declare and pay dividends monthly. Since inception all dividends have been made out of the net income and capital gains received in each financial year, and none of such distributions have been funded by sources such as loans, share issuances or any credit facility. It is the intention of the Corporation to continue to make dividends on that basis. Amounts for dividend distributions are not paid from the proceeds of the Offering. Since the Corporation is operational and profitable, these amounts have been, and are expected to continue to be, paid out of current mortgage portfolio income and working capital.

For the fiscal year ended August 31, 2019 and for the period commencing September 1, 2018 and ending August 31, 2019, the Corporation delivered an annualized dividend yield (net of all fees and expenses of the Corporation) to holders of Preferred Shares of 7% and 7%, respectively.

The Corporation will from time to time determine target yields with respect to the Preferred Shares. As at the date of this Offering Memorandum, the Corporation is targeting declaring dividends of approximately \$0.05834 per Preferred Share per month (\$0.70 per annum representing an annual dividend of 7.0% based on the \$10.00 issue price). Notwithstanding the foregoing, the amount of dividends declared may fluctuate from month to month and there can be no assurance that the Corporation will declare any dividends in any particular month or months. If the Corporation's net income is less than the amount necessary to fund and achieve the target yields, the Corporation may not pay the full target yields. In addition, if the directors of the Corporation, on the advice of the Manager, determine that it would be in the best interests of the Corporation, they may reduce or suspend for any period, or altogether cease indefinitely, the dividends to be made on the Preferred Shares. On the other hand, a special year-end dividend may be declared and paid if the Corporation's net income exceeded monthly dividends. The payment of dividends is subject to the discretion of the directors of the Corporation to establish working capital and other reserves for the Corporation. Prospective investors should not confuse the Corporation's target yields with the Corporation's rate of return or yield. There is no guarantee that the Corporation will be able to pay dividends at the levels targeted. See Section 5.1, "Terms of Securities - Dividend Policy".

Mortgage Portfolio

As at January 31, 2020, 15 individual mortgages are held by the Corporation and the total assets under administration is \$4,530,300. As at January 31, 2020, the Corporation's portfolio has an average loan size of \$302,020 and average loan-to-value of 60.47%. As at January 31, 2020, all of the individual mortgages are first priority mortgages located in Ontario.

The following table illustrates the property type, location, principal amount, loan to value, interest rate, term, position and percentage of total portfolio of mortgages held by the Corporation as at January 31, 2020.

Property Type	Province	Outstanding Principal ⁽¹⁾	Loan-to-Value ⁽²⁾	Interest Rate	Term (Months)	Position	% of Portfolio
Single Family	ON	\$100,000	14.71%	12.99%	<= 1 year	First	2.207%
Condominium	ON	\$100,000	24.69%	10.99%	<= 1 year	First	2.207%
Single Family	ON	\$100,000	39.68%	10.99%	<= 1 year	First	2.207%
Condominium	ON	\$357,600	51.09%	11.99%	<= 1 year	First	7.894%
Single Family	ON	\$265,200	65.00%	8.50%	<= 1 year	First	5.854%
Single Family	ON	\$416,000	56.60%	7.99%	<= 1 year	First	9.183%
Single Family	ON	\$423,500	68.31%	7.58%	<= 1 year	First	9.348%
Condominium	ON	\$770,000	66.67%	10.99%	<= 1 year	First	16.997%
Single Family	ON	\$200,000	66.67%	7.99%	<= 1 year	First	4.415%
Condominium	ON	\$176,000	54.15%	7.50%	<= 1 year	First	3.885%
Commercial	ON	\$357,500	62.72%	7.99%	<= 1 year	First	7.891%
Commercial	ON	\$220,000	63.22%	6.99%	<= 1 year	First	4.856%
Condominium	ON	\$279,500	65.00%	8.50%	<= 1 year	First	6.170%
Single Family	ON	\$420,000	60.00%	8.50%	<= 1 year	First	9.271%
Condominium	ON	\$345,000	69.98%	8.99%	<= 1 year	First	7.615%
Total		\$4,530,300					100.000%
Average			60.47%	9.14%			

Notes:

1. Management of the Corporation regularly reviews the portfolio's loan performance to determine if any loan loss is required. As at January 31, 2020, there were zero delinquent loans. A loan loss provision of \$0 has been set aside for these investments.
2. Loan-to-value is the mortgage amount divided by the market value as determined by the current market value appraisal report prepared by an accredited professional appraiser at the time loans are funded.

Portfolio Allocation - Property Types

Property Type	Loan Amount	Count	% of Portfolio
Commercial	\$577,500	2	12.75%
Condominium	\$2,028,100	6	44.77%
Single Family	\$1,924,700	7	42.49%
Grand Total	\$4,530,300	15	100.00%

2.4 Long-Term Objectives

The Corporation's long-term objective is to provide its shareholders with sustainable income while preserving capital for distribution or re-investment. The Corporation will seek to achieve this principal investment objective by investing in mortgages using the funds raised pursuant to this Offering and any other debt that may be provided by Canadian chartered banks or alternative lenders. The Corporation invests in mortgages which are secured by the respective mortgagor's equity in real property in accordance with the strategies, restrictions and policies set out above under Section 2.2, "Our Business". 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, plus any fees receivable from the borrowers with respect to servicing the loans.

2.5 Short Term Objectives

The following table sets forth the Corporation's objectives over the next twelve (12) months.

What we must do and how we will do it	Target completion date or, if not known, number of months to complete	Our cost to complete
Raising of funds under the Offering and investing available funds in mortgage investments in accordance with the policies and guidelines set out herein	Ongoing throughout the next 12 months	The costs of a maximum Offering which are estimated to be \$30,000

2.6 Insufficient Proceeds

There is no assurance that: (i) any of the Offering will be sold; (ii) the proceeds of the Offering, if any, will be sufficient to accomplish our proposed objectives; or (iii) alternative financing will be available.

2.7 Material Agreements – Management Agreement

The Manager has agreed to service the Corporation's mortgage portfolio, including sourcing, negotiating, and underwriting mortgages. The Corporation does not actively employ resources to actively seek or originate mortgages for investment, but instead relies on the expertise of the Manager for a regular flow of investment opportunities. In providing mortgage investment services, the Manager will adhere to the Corporation's investment strategies, operating restrictions, operating policies and investment policies as set forth herein. See Section 2.2, "Our Business".

The following summarizes the terms of the Management Agreement.

The Management Agreement is not exclusive to either party and either party may enter into similar arrangements with other parties on whatever terms such party deems appropriate.

Further, the Corporation acknowledges that the Manager and its shareholders, directors and senior officers have, or may acquire, interests and dealings in other companies, joint ventures, limited partnerships and/or mortgage investment entities which are presently or may in the future be actively engaged in similar businesses as the Corporation. The Corporation agrees that neither the Manager nor its shareholders, directors or senior officers will 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 this Agreement even if competitive with the business of the Corporation, and even if the business opportunity could have been pursued by the Corporation. See Section 2.2, "Our Business - Conflicts of Interest".

The Manager may, without consent of, but upon notice to, the Corporation, delegate aspects of its duties hereunder (including to sub-managers) provided that such delegation will not relieve the Manager of any of its obligations under this Agreement.

The Manager will not be entitled to receive a fixed management fee from the Corporation. For providing its services under the Management Agreement, however, the Manager is entitled to receive a performance bonus ("**Performance Bonus**") and underwriting fees ("**Underwriting Fees**"). The Manager may in its sole discretion waive and/or defer in whole or in part the Performance Bonus and/or the Underwriting Fees. For the fiscal year ended August 31, 2018, the total compensation paid to the Manager was \$nil.

If the net income of the Corporation available for distribution (subject to such working capital or reserve requirements as the directors of the Corporation determine is necessary or desirable from time to time) is not sufficient to fund dividends to holders of Preferred Shares based on a target yield of 7.00% per annum for the Preferred Shares (calculated annually and as confirmed by the Corporation's annual audited financial statements), then the Manager will be required to reimburse all or a portion of the amounts paid on account of estimated Performance Bonus and all or a portion of the amounts paid on account of Underwriting Fees to the extent necessary to permit the Corporation to fund dividends at the said target yield; provided, however, that the reimbursement obligations of the Manager will be limited to amounts actually received during the relevant fiscal year; and further provided that such reimbursement obligations will not carry-over into subsequent fiscal years.

If, however, net income of the Corporation available for distribution (subject to such working capital or reserve requirements as the directors of the Corporation determine is necessary or desirable from time to time) exceeds that amount required to fund dividends to holders of Preferred Shares based on a target yield of 7.00% per annum for the Preferred Shares, 35% of the distributable net income remaining after payment of such dividends based on said target yield will be paid as the Performance Bonus to the Manager.

On a quarterly basis, the Manager will estimate in good faith the total annual Performance Bonus payable to the Manager and the Corporation will pay an amount up to 75% of 1/4th of such estimated amount. Accordingly, the Manager will be paid at each quarter-end up to 75% of 1/4th of the estimated total annual Performance Bonus, as recorded in the unaudited, management prepared financial statements. Following verification after receipt of the annual audited financial statements, any balance owing to the Manager on account of such Performance Bonus will be paid by the Corporation.

Any Performance Bonuses payable to the Manager will be determined and verified after completion of the Corporation's annual audit and in any event by no later than 120 days following the Corporation's fiscal year end.

The Corporation and/or Manager may in certain circumstances charge borrowers lenders' fees. Such fees will be allocated between the Corporation and the Manager as determined from time to time by the Manager. Notwithstanding the foregoing: (i) the Manager in its sole discretion will determine the appropriate lender fee in respect of each of the Corporation's mortgage loans provided that a minimum 8.50% total lending rate (i.e. combined interest and lender fee) be maintained for each mortgage loan; and (ii) any mortgage renewal fees, NSF fees, administration fees and similar fees to borrowers with respect to any mortgage loan will be entirely for the account of the Corporation.

Interest and lender fees earned in respect of the Corporation's respective interest in each mortgage loan will be payable as follows:

- a. The interest charged to the borrower will be for the account of the Corporation as revenue and payable to the Corporation.
- b. To the extent the total lending rate includes a lender fee, the Manager may allocate all or a portion of the lender fee as an Underwriting Fee to it, provided that the maximum amount of the Underwriting Fee will not exceed 1.50% of the total principal amount of the mortgage loan. Such Underwriting Fee will be payable to the Manager in consideration for providing services under the Management Agreement.
- c. Interest earned on the Corporation's funds that are not invested in mortgages from time to time, but held in cash deposited with a Canadian chartered bank or invested in short term deposits, savings accounts or government guaranteed income certificates or treasury bills will be for the account of the Corporation.

The Manager will provide the Corporation with invoices reflecting the Performance Bonus and the Underwriting Fees at the request of the Corporation. All rights granted to the Manager in relation to the Performance Bonus and the Underwriting Fees and any other amounts payable to the Manager pursuant to the terms of the Management Agreement do not include the applicable amount of harmonized sales tax (“**HST**”) or other like sales taxes exigible in respect thereof. Accordingly, the Corporation will pay to the Manager, in cash, the amount of HST or other like sales taxes exigible on that portion of the fees stated above at such times and in such amounts as required by law. The HST and other like sales taxes, if any, exigible on all other amounts payable by the Corporation to the Manager will be paid at the time of payment of such other amounts.

The Corporation will pay for all expenses incurred in connection with its business, operation and management. In addition to the Performance Bonus and the Underwriting Fees, such expenses will include, without limitation: (a) financial reporting costs, and mailing and printing expenses for periodic reports to securityholders and other securityholder communications including marketing and advertising expenses; (b) any taxes payable by the Corporation; (c) fees payable to its transfer agent and its custodian(s), if applicable; (d) costs and fees payable to any agent, legal counsel, portfolio manager, actuary, valuator, technical consultant, accountant or auditor or any other third party service provider; (e) ongoing regulatory filing fees, licence fees and any other applicable fees; (f) any expenses incurred in connection with any legal proceedings in which the Manager participates on behalf of the Corporation or any other acts of the Manager or any other agent of the Corporation in connection with the maintenance or protection of the property of the Corporation, including without limitation costs associated with the enforcement of mortgage loans; (g) any fees payable to, and expenses incurred by any independent directors; (h) any additional fees payable to the Manager for performance of extraordinary services on behalf of the Corporation; (i) consulting fees, including website maintenance costs and expenses associated with the preparation of tax filings; (j) costs to establish credit facilities for the Corporation and any debt service costs related thereto; and (k) any other administrative expenses of the Corporation.

Except as otherwise contemplated in this Agreement, the Manager will be reimbursed by the Corporation for all expenses incurred by the Manager on behalf of the Corporation, except any costs and expenses incurred by the Manager applicable to its operations, including salaries and employee expenses, office rent and equipment.

The Management Agreement is for an indefinite term. It may be terminated by the Corporation in the event of:

- (a) the bankruptcy or insolvency of the Manager, or if the Manager either voluntarily or under an order of a court of competent jurisdiction makes a general assignment for the benefit of its creditors or otherwise acknowledges its insolvency;
- (b) the Manager does not have any required registrations or licenses to carry out its obligations as set out in the Management Agreement and is unable to make any other satisfactory arrangements on behalf of the Corporation;
- (c) the Manager’s negligence, willful misconduct or bad faith which results in a material adverse impact on the Corporation; or
- (d) as otherwise required at law.

The Manager may terminate the Management Agreement by giving the Corporation no less than 90 days’ prior written notice of its intention to resign and to terminate the Management Agreement.

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

The Manager must render its services under the Management Agreement honestly and in good faith in a conscientious and reasonable manner and must exercise the care, diligence and skill of a reasonably prudent and qualified manager. Further, the Manager agrees that funds of the Manager will not be commingled with any funds of the Corporation.

The liability of the Corporation pursuant to the Management Agreement has been limited such that the Manager agrees that it will only look to the Corporation's property and assets for satisfaction of any claims arising out of or in connection with such agreement. Also, except as otherwise provided in the Management Agreement, or for any material breach or default of the obligations of the Manager thereunder, neither the Manager, nor any of its directors, officers, employees, consultants or agents will be subject to any liability whatsoever, in tort, contract, or otherwise, in connection with the affairs of the Corporation, including, without limitation, in respect of any loss or diminution in value of any of the Corporation's property or assets. The Corporation will be solely liable therefor and resort will be had solely to the Corporation's property or assets for the payment or performance thereof.

Pursuant to the terms of the Management Agreement, the Corporation has agreed that it will indemnify and reimburse the Manager, as well as its directors, officers, employees, consultants or agents, against all liabilities and expenses reasonably incurred in connection with the Manager's services thereunder, except for liabilities and expenses resulting from such party's willful misconduct, bad faith, gross negligence, disregard of the duties or standard of care, diligence, or material breach or default of the Management Agreement. The Manager agreed that it will indemnify and save harmless the Corporation, and its directors, officers, employees, consultants and agents, from and against all liabilities and expenses reasonably incurred in connection with any action, suit or proceeding to which it may be made a party by reason of the Manager's willful misconduct, bad faith, gross negligence or disregards of its duties or standard of care, diligence and skill or a material breach or default under the Management Agreement. This indemnity survives the removal or resignation of the Manager in connection with any and all of its duties and obligations under the Management Agreement and will survive the termination of such agreement.

ITEM 3: DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 Compensation and Securities Held

The following table sets out information as at 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 the compensation anticipated to be paid in the current financial year ⁽³⁾	Number, type and percentage of securities of the Corporation held after completion of minimum offering ⁽¹⁾⁽²⁾	Number, type and percentage of securities of the Corporation held after completion of maximum offering ⁽¹⁾⁽²⁾
Henry Wai Hang Tse North York, Ontario	Director, Chief Executive Officer and Chief Financial Officer of the Corporation since December 8, 2017; Director and Chief Executive Officer of the Manager since December 8, 2017	Nil	20 Common Shares (20% of all outstanding Common Shares) 14,351 Preferred Shares (1.020% of all outstanding Preferred Shares)	20 Common Shares (20% of all outstanding Common Shares) 14,351 Preferred Shares (0.144% of all outstanding Preferred Shares)
Liu Jun Le Markham, Ontario	Director and President of the	Nil	20 Common Shares (20% of all	20 Common Shares (20% of all outstanding Common Shares)

	Corporation since December 8, 2017		outstanding Common Shares) 1,000 Preferred Shares (0.071% of all outstanding Preferred Shares)	1,000 Preferred Shares (0.010% of all outstanding Preferred Shares)
Ronald Kam Shing Lee North York, Ontario	Director of the Corporation; Director and President of the Manager since December 8, 2017	Nil	20 Common Shares (20% of all outstanding Common Shares) 14,351 Preferred Shares (1.020% of all outstanding Preferred Shares)	20 Common Shares (20% of all outstanding Common Shares) 14,351 Preferred Shares (0.144% of all outstanding Preferred Shares)
Ricky Wong Oakville, Ontario	Principal	Nil	20 Common Shares (20% of all outstanding Common Shares)	20 Common Shares (20% of all outstanding Common Shares)
Elaine Mak Markham, Ontario	Principal	Nil	20 Common Shares (20% of all outstanding Common Shares)	20 Common Shares (20% of all outstanding Common Shares)
Ali Moeini-Azad	Director of the Corporation since December 8, 2017	Nil	Nil	Nil

Notes:

1. The information as to securities beneficially owned as at the date hereof has been furnished by the respective directors and officers.
2. Directors and/or officers may acquire Preferred Shares pursuant to the Offering.
3. The directors and officers of the Corporation do not receive compensation in their capacity as directors or officers.

3.2 Management Experience

The following table sets out the principal occupations of the directors and executive officers of the Corporation over the past five years and their relevant experience in businesses similar to that of the Corporation.

Name	Principal Occupation and Related Experience
Henry Wai Hang Tse CPA CA, MBA, CFP, AMP, CLU	Chief Executive Officer, Chief Financial Officer and Director. Mr. Henry Tse obtained an MBA degree from McMaster University in 1989. He articulated with Ernst and Young CA and was promoted to audit manager before he earned his CA designation in 1990. Mr. Tse was the managing partner in a Chartered Accounting firm for 10 years until he formed iBrokerPower Capital Inc., a mortgage and insurance brokerage with offices in Toronto and Vancouver. Currently, he is the CEO and co-founder of Ginkgo Mortgage Investment Corporation, which currently has \$50,000,000 in assets under administration. Mr. Tse has over 15 years of experience in private mortgages brokerage and has extensive experiences helping companies go public. He is also a licensed real estate sales representative, insurance and mortgage broker.
Liu Jun Le	President and Director. Ms. Le immigrated to Canada in 2005. She holds a Bachelor's degree in International Business at Zhejiang University of Technology. Ms. Le started her mortgage business in 2009 at Centum Mortgage, providing both residential and commercial mortgage services and has a proven record of achievement in the mortgage industry. With her commitment to growing the trajectory of her business while continuing to deliver first-class service and competitive advantages to clients, Ms. Le has helped her business become

	one of the fastest-growing companies in the industry. Ms. Le is also the founder and President of BFG Global Fit Financial, a full-service lending company based in Toronto. Ms. Le has extensive management experience with mortgage distribution and mortgage lending companies.
Ronald Kam Shing Lee MBA, AMP	Director. Mr. Ronald Lee graduated from the University of Hong Kong with a Bachelor degree in Engineering. In 1997, he completed his MBA degree at York University's Schulich School of Business and obtained an Accredited Mortgage Professional designation in 2008. Mr. Lee is the co-founder and President of iBrokerPower Capital Inc., a franchisee of The Mortgage Centre. He leads a team of over 40 mortgage brokers, providing both residential and commercial mortgage services in Toronto and Vancouver. Mr. Lee is also the co-founder of Ginkgo Mortgage Investment Corporation and has extensive working experience in the financial industry. He is a veteran financial speaker and instructor and has hosted several investment talk shows on both TV and radio.
Ali Moeini-Azad	Director. Mr. Azad immigrated to Canada in 1987 where he attended the University of Toronto. For the past five years, he has been working as the Vice President of Business Development with Top Mortgages, which has become one of the top producing mortgage brokerages in Toronto. Mr. Azad is well versed in managing mortgage portfolios and has developed a wide network for mortgage brokers across Canada. Prior to this position, Mr. Azad was the regional manager for Kia Canada for five years, where he was responsible for the strategic growth and operations within the company. He received numerous awards and accolades for his achievements. Afterwards, he branched off to own and operate his own trucking business for 10 years. His business provided car fleet financing where he worked with large financial institutions. Mr. Azad provides resourceful diverse knowledge in management and is a great addition to the board of directors.

In addition to the outside experience and qualifications that each director brings, the Corporation engages in continuing education for its directors. In addition, the Board of Directors receives continuing education on corporate governance and policy.

3.3 Penalties, Sanctions and Bankruptcy

There are no penalties or sanctions that have been in effect during the last ten (10) years, and no cease trade orders that have been in effect for a period of time more than 30 consecutive days during the past 10 years, against: (i) a director, senior officer or control person of the Corporation; or (ii) an issuer in which a person or company referred to in (i) was a director, senior officer or control person at the time.

There are no declarations of or 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, that have been in effect during the last ten (10) years with regard to: (i) a director, senior officer or control person of the Corporation; or (ii) an issuer in which a person or company referred to in (i) was a director, senior officer or control person at the time.

3.4 Loans

Except as set out below, as of the date of this Offering Memorandum, there are no outstanding loans or debentures between the directors, management, promoters, the Manager or Principal Holders and the Corporation.

On **January 31, 2020**, the Manager provided to the Corporation for an unsecured, non-interest bearing loan of \$0, repayable on demand. As at the date of this Offering Memorandum, the total amount owing to the Manager under this loan is \$0.

ITEM 4: CAPITAL STRUCTURE

4.1 Share Capital

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

Description of Security	Number Authorized to be Issued	Number outstanding as at the date of this Offering Memorandum	Number outstanding after minimum offering	Number outstanding after maximum offering
Common Shares ⁽¹⁾	Unlimited	100 ⁽²⁾	100	100
Preferred Shares	Unlimited	459,907	1,406,907	9,956,907

Notes:

1. The holders of common shares are entitled to one vote for each common share held at all meetings of shareholders of the Corporation, other than meetings at which only the holders of another class or series of shares are entitled to vote separately as a class or series. The holders of common shares will not be entitled to any dividends. The holders of the common shares shall be entitled, subject to the prior rights of the holders of the Preferred Shares, to receive the remaining property of the Corporation in the event of any distribution of assets of the Corporation among its shareholders arising on the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs. The Corporation may, subject to applicable laws, redeem at any time and from time to time in its sole discretion, any of the outstanding common shares at a redemption price of \$10.00 per common share.
2. As of the date of this Offering Memorandum, the Corporation has an aggregate of 100 fully paid common shares issued and outstanding, and each of Henry Tse, Liu Jun Le, Ronald Lee, Ricky Wong and Elaine Mak hold 20 common shares. The Corporation entered into a shareholders' agreement effective as of January 26, 2018 with each of these common shareholders setting forth the manner in which certain affairs of the Corporation shall be conducted and governing matters related to the common shareholdings.

4.2 Long-Term Debt

As at the date hereof, the Corporation does not have any 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 Prior Sales

Common Shares

On December 8, 2017, the Corporation issued 20 common shares at a price of \$1.00 per share to each of Henry Tse, Liu Jun Le, Ronald Lee, Ricky Wong and Elaine Mak.

Preferred Shares

Subscriptions

Within the last 12 month period, securities of the Corporation have been issued to subscribers of Preferred Shares as follows:

Month of Issuance	Securities of Issued Pursuant to Subscriptions	Price Per Security	Total Funds Received
Dec-2018	0	\$10.00	\$0
Jan-2019	30,000	\$10.00	\$300,000
Feb-2019	0	\$10.00	\$0
Mar-2019	2,400	\$10.00	\$24,000
Apr-2019	0	\$10.00	\$0
May-2019	30,000	\$10.00	\$300,000
Jun-2019	0	\$10.00	\$0
Jul-2019	7,750	\$10.00	\$77,500
Aug-2019	31,350	\$10.00	\$313,500
Sep-2019	18,000	\$10.00	\$180,000
Oct-2019	0	\$10.00	\$0
Nov-2019	56,000	\$10.00	\$560,000
Dec-2019	5,900	\$10.00	\$59,000
Jan-2020	7,500	\$10.00	\$75,000

Dividend Reinvestment Plan Participation

Within the last 12 month period, securities of the Corporation have been issued to existing holders of Preferred Shares through participation in the Corporation's dividend reinvestment plan as follows:

Month of Issuance	Securities of Issued Pursuant to Dividend Reinvestment Plan	Value of Securities Issued Pursuant to Dividend Reinvestment Plan
Dec-2018	938	\$9,378
Jan-2019	943	\$9,433
Feb-2019	949	\$9,488
Mar-2019	954	\$9,543
Apr-2019	974	\$9,739
May-2019	1,009	\$10,088
Jun-2019	1,008	\$10,084
Jul-2019	1,073	\$10,726
Aug-2019	1,079	\$10,788
Sep-2019	1,122	\$11,222
Oct-2019	1,141	\$11,409

Nov-2019	1,148	\$11,475
Dec-2019	1,427	\$14,271
Jan-2020	1,470	\$14,699

ITEM 5: DESCRIPTION OF SECURITIES OFFERED

5.1 Terms of Securities

Class “A” Participating Preference Shares, Series 1 (“Preferred Shares” or “Series 1 Shares”)

The Corporation is authorized to issue an unlimited number of Class “A” Participating Preference Shares, which have attached thereto the following rights, privileges, restrictions and conditions:

Voting

The holders of Class “A” Participating Preference Shares will not be entitled to receive notice of, attend nor vote at any meeting of the shareholders of the Corporation provided however that in accordance with the *Business Corporations Act* (Ontario), holders of Class “A” Participating Preference Shares will be entitled to vote separately as a class upon a proposal to amend the articles to (i) add to, remove or change the rights, privileges, restrictions or conditions attached to the Class “A” Participating Preference Shares or any series of Class “A” Participating Preference Shares; (ii) add to the rights or privileges of any class or series of shares having rights or privileges equal to or superior to the Class “A” Participating Preference Shares or series of Class “A” Participating Preference Shares; (iii) make any class or series of shares having rights or privileges inferior to the Class “A” Participating Preference Shares or any series of Class “A” Participating Preference Shares equal or superior to the Class “A” Participating Preference Shares or any series of Class “A” Participating Preference Shares; (iv) effect an exchange or create a right of exchange of the shares of another class or series into Class “A” Participating Preference Shares or any series of Class “A” Participating Preference Shares; or (v) add, remove or change restrictions on the issue, transfer or ownership of the Class “A” Participating Preference Shares or any series of Class “A” Participating Preference Shares.

Issuable in Series

Subject to the *Business Corporations Act* (Ontario), the Class “A” Participating Preference Shares may at any time or from time to time be issued in one or more series, each series to consist of such number of shares as may before the issue thereof be determined by the directors and subject to compliance with applicable law, the directors of the Corporation may (subject as hereinafter provided) by resolution fix from time to time before the issue thereof the designation, preferences, rights, conditions, restrictions, limitations or prohibitions attaching to the said Class “A” Participating Preference Shares of each series including without limiting the generality of the foregoing, the rate of preferential dividends, the dates of payment thereof, the redemption price and terms and conditions of redemption, conversion rights (if any) and any sinking fund or other provisions.

The said Class “A” Participating Preference Shares of each series will rank on a parity with the said Class “A” Participating Preference Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation whether voluntary or involuntary or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up affairs.

Dividend Rights

Subject to the *Business Corporations Act* (Ontario), the directors may from time to time declare and authorize the payment of dividends to the holders of Class “A” Participating Preference Shares, in such amounts, in such manner, on such payment and other terms and subject to such conditions as they determine in their sole discretion; however, notwithstanding the foregoing, the Class “A” Participating Preference Shares are entitled to rank in priority to all other classes of preference shares, in respect of the declaration and payment of dividends.

Subject to such working capital or reserve requirements as the directors of the Corporation determine is necessary or desirable from time to time to meet the current and future expenses, liabilities, commitments and obligations of the Corporation and for the conduct, promotion and protection of the business and activities of the Corporation, its assets and shareholders, for income tax purposes, the Corporation currently intends to distribute as dividends substantially all of its net income. See Item 6, "Income Tax Consequences".

Liquidation

In the event of the liquidation, dissolution or winding up of the Corporation, or in the event of a reduction or redemption of the Corporation's capital stock or other distribution of property or assets of the Corporation among the shareholders for the purposes of winding up the Corporation's affairs, the holders of the Class "A" Participating Preference Shares will, subject to the rights, privileges, restrictions and conditions attaching to any other class or series of shares of the Corporation, rank on parity with the holders of Class "A" Participating Preference Shares of all series and will have the right to receive in priority to the holders of Common Shares and any other classes of preference shares (pro rata according to the number of Class "A" Participating Preference Shares of any series held) an amount per share equal to the lesser of \$10.00 and the Net Asset Value (defined below) of the Class "A" Participating Preference Shares held by them at the time of liquidation, dissolution or winding-up of the Corporation. After such amounts have been distributed to the holders of Class "A" Participating Preference Shares of each series in accordance with the rights, privileges, restrictions and conditions attaching thereto, holders of the common shares will then be entitled to receiving any remaining amount available for distribution in accordance with the rights, privileges, restrictions and conditions attaching to the common shares.

The "Net Asset Value" of a share of any class or series of shares of the Corporation at any particular time is calculated as each classes' or series' proportionate share of all investments and other assets of the Corporation less its proportionate share of all common corporate liabilities and the liabilities attributable to each class or series divided by the total number of shares of the class or series outstanding at that time.

Redemption Rights

Subject to all applicable laws and any applicable provisions of the articles, the Corporation may redeem at any time and from time to time in its sole discretion, by giving written notice (the "**Redemption Notice**") to the holder thereof, any of the Series 1 Shares on payment in cash or property for each share of an amount equal to the paid-up capital of said shares plus any dividend then declared but not yet paid on such shares (the "**Redemption Price**").

A Redemption Notice will at a minimum specify the intent to redeem, the date on which the redemption is to take place (the "**Redemption Date**"), which date will be not less than 30 days from the date of the Redemption Notice, if only part of any series of Series 1 Shares held by the person to whom such Redemption Notice is addressed are to be redeemed, the number of shares to be redeemed, that the original certificate(s) representing the Series 1 Shares to be redeemed is to be surrendered to the Corporation prior to the Redemption Date and the identity and location of the person to whom the certificate(s) representing the Series 1 Shares to be redeemed is to be sent or delivered for surrender.

If only part of the Series 1 Shares represented by any certificate are redeemed, then the Board of Directors may decide the manner in which the Series 1 Shares to be redeemed will be selected and a new certificate for the balance will be issued at the expense of the Corporation.

From and after the Redemption Date, the holder of the Series 1 Shares to be redeemed as aforesaid, will thereafter cease to have any rights with respect to the Class "A" Participating Shares to be redeemed other than the right to receive the Redemption Price therefor (as defined above).

On the Redemption Date, provided that the original certificates representing the Series 1 Shares called for redemption have been surrendered to the Corporation as specified in the Redemption Notice, or after the Redemption Date upon surrender to the Corporation of the original certificates representing the Series 1 Shares

called for redemption, the Corporation will pay or cause to be paid to or to the order of the registered holder of the Series 1 Shares to be redeemed the Redemption Price, and such Series 1 Shares will thereupon be redeemed.

The Redemption Price payable in respect of the Series 1 Shares called for redemption will be paid by direct deposit or cheque, drawn on a Canadian chartered bank or trust company in lawful money of Canada, payable at par to, or deposited to the account of, the registered holder of the shares called for redemption or payable or deposited as otherwise instructed in writing by such registered holder. Payments of the Redemption Price made by the Corporation are conclusively deemed to have been made when deposited by direct deposit or upon the mailing of a cheque in a postage pre-paid envelope addressed to the payee unless such cheque is dishonoured upon presentment. Upon such payment as set out above, the Corporation and its directors, officers and employees will be discharged from all liability to the former registered holder in respect of the shares so redeemed.

All Series 1 Shares redeemed by the Corporation will be cancelled and such Series 1 Shares will no longer be outstanding and will not be re-issued.

Retraction Rights

Subject to all applicable laws and any applicable provisions of the articles, the registered holder of a Series 1 Share (a “**Retractable Share**”) may, by giving written notice to the Corporation (the “**Retraction Notice**”), accompanied by the certificate(s) for the Retractable Shares, require that the Corporation retract the whole or any part of the Retractable Shares held by such holder. Upon receipt by the Corporation of the Retraction Notice, the holder of Retractable Shares will thereafter cease to have any rights with respect to the Retractable Shares tendered for retraction (other than the right to receive the Retraction Payment (as defined below) therefor). Series 1 Shares will be considered to be tendered for retraction on the date that the Corporation has, to the satisfaction of the directors, received the Retraction Notice (the “**Notice Date**”).

On the first business day of each calendar month which is at least 30 days following the Notice Date or such earlier date as determined by the directors in their sole discretion (the “**Retraction Date**”), the Corporation will retract the Retractable Shares specified in the Retraction Notice, provided however that the Board of Directors may, at any time and in their sole discretion, including after the Corporation has received a Retraction Notice from a holder of Series 1 Shares, suspend in whole or in part the foregoing right of retraction if in its reasonable opinion, the payments to be made by the Corporation on the exercise by the holders of Series 1 Shares of their retraction rights would be materially prejudicial to the interests of the Corporation as whole.

Subject to the reduction provisions set out below, the Retraction Payment for each Retractable Share to be retracted will be the lesser of: (i) \$10.00 and; the (ii) Net Asset Value (“**NAV**”) of the Retractable Share calculated as at the end of business on the business day immediately preceding the Retraction Date, plus the pro rata share of any dividend distributions declared on such Retractable Share which have accrued up to and including the Retraction Date, to the extent same are not otherwise included in the calculation of NAV of such Retractable Share and remain unpaid (the “**Retraction Payment**”).

The Retraction Payment for Retractable Shares tendered for retraction will be reduced:

- a. by 2.5% of the original purchase price of such Retractable Shares if less than 24 months has elapsed between the issue date of the Retractable Shares and the Notice Date;
- b. by 2% of the original purchase price of such Retractable Shares if at least 24 months but less than 36 months has elapsed between the issue date of the Retractable Shares and the Notice Date; and
- c. by 1% of the original purchase price of such Retractable Shares if at least 36 months but less than 48 months has elapsed between the issue date of the Retractable Shares and the Notice Date.

The Board of Directors may, in its sole discretion, waive the reduction of any Retraction Payment for any particular retraction request.

The Corporation will not retract the Series 1 Shares for which a Retraction Notice is received if: (i) retraction of the Series 1 Shares subject to the Retraction Notice together with the total number of Series 1 Shares retracted in that fiscal year to date is greater than 20% of the Series 1 Shares issued and outstanding on the first day of the fiscal year in which the Notice Date falls (the “**Yearly Ceiling**”); or (ii) retraction of the Series 1 Shares subject to the Retraction Notice together with the total number of Series 1 Shares for which Retraction Notices have been received in that calendar month is greater than 5% of the Series 1 Shares issued and outstanding on the first day of the fiscal year in which the Notice Date falls (the “**Monthly Ceiling**”). Notwithstanding the foregoing, in such circumstances where a Yearly Ceiling or Monthly Ceiling on retractions applies, the Corporation intends, subject to applicable law, to permit retraction of Series 1 Shares not exceeding the applicable Yearly Ceiling or Monthly Ceiling, as the case may be, on a *pro rata* basis.

Notwithstanding the foregoing or any other provisions of the articles, a holder of Series 1 Shares will not be entitled to exercise his, her or its retraction rights if less than one year has elapsed between the issue date of the Series 1 Shares to be retracted and the Retraction Date; provided however, that in certain exceptional circumstances, including in cases of personal hardship of the holder of Series 1 Shares to be retracted, the directors may, in their sole discretion, waive the foregoing one year hold requirement on the terms they consider reasonable, which terms may include the imposition of a reasonable early retraction fee.

If following the delivery by a holder of a Retraction Notice, the Corporation is unable to purchase any Series 1 Shares subject to a Retraction Notice as a result of the suspension of the right to retract, the provision of the *Business Corporations Act* (Ontario) or the Corporation ceasing to qualify as a “mortgage investment corporation” within the meaning of the Tax Act if such retraction is acted upon, such holder of Series 1 Shares implementing his, her or its right to retract may withdraw the Retraction Notice, in which case his, her or its rights as a holder of Series 1 Shares will remain unaffected, or, if not withdrawn, the Corporation will purchase such Series 1 Shares subject to the Retraction Notice as soon as the suspension notice (if any) is withdrawn and/or it is legally able to do so without impairing the Corporation’s status, if relevant, as a “mortgage investment corporation” within the meaning of the Tax Act. Until such time as all Series 1 Shares subject to the Retraction Notice has been purchased, the holder thereof may withdraw the Retraction Notice in respect of those Series 1 Shares which have not yet been purchased.

The amount payable in respect of Series 1 Shares retracted hereunder will be paid within fifteen business days of the Retraction Date (other than any portion of the amount representing dividends declared and payable for the month immediately preceding the Retraction Date, which will be paid within 30 days of the Retraction Date) by direct deposit or cheque, drawn on a Canadian chartered bank or trust company in lawful money of Canada, payable at par to, or deposited to the account of, the registered holder of such shares or payable or deposited as otherwise instructed in writing by such registered holder. Payments made by the Corporation hereunder are conclusively deemed to have been made when deposited by direct deposit or upon the mailing of a cheque in a postage pre-paid envelope addressed to the payee unless such cheque is dishonoured upon presentment. Upon such payment as set out above, the Corporation and its directors, officers and employees will be discharged from all liability to the former registered holder in respect of the shares so retracted.

Current Retraction Policy

Notwithstanding the articles of the Corporation, the Corporation has adopted as of November 15, 2018 a retraction policy pursuant to which the Retraction Payment for Retractable Shares tendered for retraction will be reduced:

- a. by 2% of the original purchase price of such Retractable Shares if less than 24 months has elapsed between the issue date of the Retractable Shares and the Notice Date; and
- b. by 1% of the original purchase price of such Retractable Shares if at least 24 months but less than 36 months has elapsed between the issue date of Retractable Shares and the Notice Date.

Dividends

Subject to all applicable laws and any applicable provisions of the articles, the holders of Series 1 Shares will be entitled to receive non-cumulative dividends, out of the assets of the Corporation properly applicable to the payment of dividends, in such amounts and payable at such times and at such place or places in Canada as the Board of Directors may from time to time determine, and, subject as aforesaid, the Board of Directors may in its sole discretion declare dividends on the Series 1 Shares to the exclusion of any other class or classes of shares of the Corporation.

Dividend Policy

Subject to such working capital or reserve requirements as the directors of the Corporation determine is necessary or desirable from time to time to meet the current and future expenses, liabilities, commitments and obligations of the Corporation and for the conduct, promotion and protection of the business and activities of the Corporation, its assets and shareholders, for income tax purposes, the Corporation currently intends to distribute as dividends substantially all of its net income systematically to holders of Preferred Shares. See Item 6, "Income Tax Consequences".

It is the intention of the Board of Directors that all holders of Preferred Shares of record as at the last calendar day of each month (the "**Record Date**") will be entitled to receive dividends in the form of a share dividend. All such declared dividends will be credited to the account of each holder of Preferred Shares by crediting such holder's account with additional Preferred Shares or fractions thereof in proportion to the holder's respective shareholdings as at the Record Date. At the option of the holder, some or all of the holder's dividends will be payable in the form of a cash dividend rather than a share dividend or as a blended payment of both a cash dividend and a share dividend, and will be paid in the elected form as soon as possible after the Record Date and in any event within 15 days. In order to ensure continued qualification as a MIC under the Income Tax Act, the Corporation, in its sole discretion, may elect to pay dividends in cash as opposed to payment by way of share dividend. Notwithstanding the foregoing, payments of dividends on the Record Date representing the last day of each fiscal year will be paid within 90 days of the fiscal year end.

It is the Corporation's intention that it will declare dividends monthly on the last day of each month and pay such dividends on the 15th day of the month after the dividend was declared. A final dividend will be paid for each fiscal year for the balance of its distributable earnings within 90 days of the fiscal year end.

The Corporation has declared and paid dividends monthly to holders of Preferred Shares since inception and intends to continue to declare and pay dividends monthly. Since inception all dividends have been made out of the net income and capital gains received in each financial year, and none of such distributions have been funded by sources such as loans, share issuances or any credit facility. It is the intention of the Corporation to continue to make dividends on that basis. Amounts for dividend distributions are not paid from the proceeds of the Offering. Since the Corporation is operational and profitable, these amounts have been, and are expected to continue to be, paid out of current mortgage portfolio income and working capital.

For the fiscal year ended August 31, 2018 and for the period commencing September 1, 2018 and ending November 30, 2019, the Corporation delivered an average annualized dividend yield (net of all fees and expenses of the Corporation) to holders of Preferred Shares of 7% and 7%, respectively.

Within the last 12 month period, dividends of the Corporation have been distributed to existing holders of Preferred Shares as follows:

Month	Gross Dividends Available for Distribution (\$)	Dividends Reinvested through the Corporation's Dividend Reinvestment Plan	Cash Distribution (\$)
Dec-2018	15,999	9,378	6,621
Jan-2019	16,054	9,433	6,621
Feb-2019	17,859	9,488	8,371
Mar-2019	17,913	9,543	8,370
Apr-2019	18,110	9,739	8,371
May-2019	18,633	10,088	8,545
Jun-2019	20,379	10,084	10,295
Jul-2019	20,438	10,726	9,712
Aug-2019	20,952	10,788	10,164
Sep-2019	22,845	11,222	11,623
Oct-2019	23,323	11,409	11,914
Nov-2019	23,390	11,475	11,915
Dec-2019	26,536	14,271	12,265
Jan-2020	26,963	14,699	12,264

The Corporation will from time to time determine target yields with respect to the Preferred Shares. As at the date of this Offering Memorandum, the Corporation is targeting declaring dividends of approximately \$0.05834 per Preferred Share per month (\$0.70 per annum representing an annual dividend of 7.0% based on the \$10.00 issue price). Notwithstanding the foregoing, the amount of dividends declared may fluctuate from month to month and there can be no assurance that the Corporation will declare any dividends in any particular month or months. If the Corporation's net income is less than the amount necessary to fund and achieve the target yields, the Corporation may not pay the full target yields. In addition, if the directors of the Corporation, on the advice of the Manager, determine that it would be in the best interests of the Corporation, they may reduce or suspend for any period, or altogether cease indefinitely, the dividends to be made on the Preferred Shares. On the other hand, a special year-end dividend may be declared and paid if the Corporation's net income exceeded monthly dividends. The payment of dividends is subject to the discretion of the directors of the Corporation to establish working capital and other reserves for the Corporation. Prospective investors should not confuse the Corporation's target yields with the Corporation's rate of return or yield. There is no guarantee that the Corporation will be able to pay dividends at the levels targeted.

Dividend Reinvestment Plan

The Corporation, subject to maintaining the status of the Corporation as a "mortgage investment corporation" under the Tax Act, maintains a dividend reinvestment plan (the "**DRIP**"). Under the DRIP, holders of Preferred Shares can reinvest dividends in additional Preferred Shares of the Corporation. The Manager administers all aspects of the DRIP.

All holders of Preferred Shares are eligible to participate in the DRIP by completing an enrolment form in the form attached to the Subscription Agreement accompanying this Offering Memorandum and returning it to the Corporation (the "**Registered Participants**"). If a Preferred Shareholder wishes to participate in the DRIP, it, he or she may enrol any of their Preferred Shares in the DRIP.

Dividends are calculated, paid and reinvested in Preferred Shares on a monthly basis (the "**Investment Period**"). The Corporation calculates and pays dividends on the Preferred Shares on a monthly basis on or prior to the last business day of the following month and in any event within 90 days of its year end. The payment of a dividend, and the declaration, record and payment dates applicable to it are determined by the directors of the Corporation in its sole discretion.

Preferred Shares acquired through the DRIP are purchased at \$10.00 per Preferred Share and are issued from the treasury of the Corporation in the same class of Preferred Shares as are enrolled under the DRIP. The Corporation

uses the cash dividends attributable to a Preferred Shareholder to purchase additional Preferred Shares on behalf of the Preferred Shareholder. All the Preferred Shares acquired through the DRIP are credited to the Preferred Shareholder's account and physical certificates are issued to the Preferred Shareholder for all shares acquired under the DRIP. Residual cash dividends which are not used to purchase additional Preferred Shares will be credited to the account of the Preferred Shareholder. No brokerage or administration fees will be charged by the Corporation or the Manager for participation in the DRIP. A Preferred Shareholder may elect to purchase additional Preferred Shares at the same subscription price and at the same time as they acquire Preferred Shares under the DRIP. There is no minimum aggregate subscription amount under the DRIP. Shares issued under the DRIP may not be transferred or pledged and are otherwise subject to all other rights and restrictions attaching to the Preferred Shares as described in Item 5, "Description of Securities Offered".

Participation in the DRIP may be terminated by a Preferred Shareholder at any time by giving written notice to the Corporation. If written notice terminating participation in the DRIP is not received by the Corporation at least five business days before the end of the Investment Period, the requested action will not be taken until after such Investment Period.

Neither the Corporation nor the Manager is liable for any act undertaken or omitted in good faith. Neither the Corporation nor the Manager can assure a profit or protect any Preferred Shareholder against a loss relating to Preferred Shares acquired or to be acquired under the DRIP.

The Corporation reserves the right to amend, suspend or terminate the DRIP at any time. In the event of any such occurrence, the Corporation will give reasonable notice in writing to all Preferred Shareholders. The Corporation and the Manager may make rules and regulations not inconsistent with the terms of the DRIP in order to improve the administration of the DRIP.

The reinvestment of dividends does not relieve a Preferred Shareholder of liability for tax on those dividends. Holders of Preferred Shares who intend to participate in the DRIP should consult their tax advisers about the tax consequences which will result from their participation in the DRIP.

Restrictions on Ownership

The Corporation qualifies as a 'mortgage investment corporation' ("MIC"). One of the requirements for continued qualification as a MIC under the Tax Act is that no shareholder of the Corporation is permitted, together with Related Persons (as defined below), at any time to hold more than 25% of any class of the issued shares of the Corporation.

In order for the Corporation to stay within this 25% limit, the Corporation has been provided with a repurchase right in favour of the Corporation so that in the event that: (i) the exercise by any shareholder of any retraction rights associated with the Preferred Shares or any other class of retractable shares issued and outstanding; or (ii) as determined by the board of directors of the Corporation in its sole discretion, any other transaction affecting any class of shares in the capital of the Corporation (each a "**Triggering Transaction**"), if completed, would cause any shareholder(s) of the Corporation (each an "**Automatic Repurchase Shareholder**"), together with Related Persons, to hold more than 25% of any class of the issued shares in the capital of the Corporation, that portion of the shares held by each Automatic Repurchase Shareholder which constitutes in excess of 24.99% of the issued shares of any class of shares (the "Repurchased Shares") will, simultaneously with the completion of a Triggering Transaction, automatically be repurchased and cancelled by the Corporation (an "Automatic Repurchase") without any further action by the Corporation or the Automatic Repurchase Shareholder. The purchase price for any Repurchased Shares will be equal to the lesser of the original subscription price therefor per share and the net asset value of the shares per share. The proceeds of any Automatic Repurchase will be remitted to each applicable Automatic Repurchase Shareholder in accordance with the customary practice of the Corporation in connection with retractions, *mutatis mutandis*.

For purposes of the foregoing repurchase right, “**Related Persons**” means a related person as defined in the Tax Act and, for the purposes of the requirement that no shareholder, together with Related Persons, holds more than 25% of any class of issued shares of the Corporation, includes a corporation and the person or persons that control the corporation, a parent corporation and its subsidiary corporation(s) and corporations that are part of the same corporate group, and an individual and that individual’s spouse, common-law partner or child under 18 years of age.

As the Corporation is not currently a reporting issuer in the selling jurisdictions or in any other jurisdiction, the Preferred Shares are subject to resale restrictions pursuant to applicable securities laws. See Item 10, “Resale Restrictions”.

5.2 Subscription Qualification

The Preferred Shares are offered in each of the Provinces of Canada pursuant to any one of the exemptions under National Instrument 45-106 from the prospectus requirements of applicable securities laws and the exemptions under National Instrument 31-103 from the registration requirements of applicable securities laws. Such exemptions relieve the Corporation from provisions under applicable securities laws requiring the Corporation to file a prospectus and therefore Subscribers do not receive the benefits associated with a subscription for securities issued pursuant to a filed prospectus, including the review of material by a securities commission or similar authority.

While National Instrument 45-106 provides for several different possible prospectus exemptions, the most commonly used exemptions utilized for an investment in the Preferred Shares are the “accredited investor”, “minimum amount investment” and “offering memorandum” exemptions, the terms and conditions of which are summarized below.

Accredited Investor Exemption

In all jurisdictions an investor may purchase Preferred Shares if the investor is an “accredited investor” and purchases the Preferred Shares as principal. An “accredited investor” is defined in National Instrument 45-106 and is essentially an investor that meets certain minimum income or wealth criteria and can include individuals, corporations, trusts, investment funds and other types of legal entities. For example, for an individual person to qualify as an “accredited investor” they must generally meet one of the following criteria: (i) annual net income of at least \$200,000 for the last two years (or \$300,000 if combined with their spouse); (ii) net assets of at least \$5,000,000, either alone or combined with their spouse; or (iii) net financial assets (i.e. cash, securities, insurance, deposits) of more than \$1,000,000, either alone or combined with their spouse. The Subscription Agreement includes a more detailed description of “accredited investor” and requires the investor relying on this exemption to certify that they meet at least one of the “accredited investor” criteria. Certain individuals who are relying on the accredited investor exemption will also be required to complete and sign a Risk Acknowledgement Form 45-106F9.

Minimum Amount Investment Exemption

In all jurisdictions, an investor who is not an individual may purchase Preferred Shares, as principal, having a minimum cash acquisition cost of \$150,000. For purposes of determining eligibility for subscribing for Preferred Shares pursuant to the ‘minimum amount investment’ exemption, an “individual” means a natural person and does not include any of the following: partnerships, unincorporated associations, unincorporated syndicates, unincorporated organizations, trusts and natural persons acting in the capacity of trustee, executor, administrator or personal or other legal representative.

Offering Memorandum Exemption

In British Columbia and Newfoundland and Labrador, an investor may purchase Preferred Shares if, before or at the time the investor completes and signs the Subscription Agreement, the investor purchases as principal, the investor receives this Offering Memorandum and completes and signs the Risk Acknowledgment Form 45-106F4 which accompanies the Subscription Agreement, and delivers it to the Corporation.

In Manitoba, Northwest Territories, Nunavut, Prince Edward Island and Yukon, an investor, provided he, she or it is either an “eligible investor” (see below) or the cash acquisition cost to that investor does not exceed \$10,000, may purchase Preferred Shares if, before or at the time the investor completes and signs the Subscription Agreement, the investor purchases as principal, the investor receives this Offering Memorandum and completes and signs the Risk Acknowledgment Form 45-106F4 which accompanies the Subscription Agreement, and delivers it to the Corporation.

In Alberta, New Brunswick, Nova Scotia, Ontario and Saskatchewan, an investor may purchase Preferred Shares if, before or at the time the investor signs the Subscription Agreement, the investor purchases as principal, the investor receives this Offering Memorandum, the investor completes and signs the Risk Acknowledgment Form 45-106F4 which accompanies the Subscription Agreement and delivers it to the Corporation and: (i) in the case of an investor that is an individual but is not an “eligible investor”, he or she has not exceeded the investment limit of \$10,000 in all offering memorandum exemption investments made in the previous 12 months after taking into account his or her investment in Preferred Shares pursuant to the Subscription Agreement; or (ii) in the case of an investor that is an individual and fits within one of the categories of “eligible investor” (see paragraph below), he or she has not exceeded the investment limit of \$30,000 in all offering memorandum exemption investments made in the previous 12 months after taking into account his or her investment in Preferred Shares pursuant to the Subscription Agreement; or (iii) in the case of an investor that is an individual and fits within one of the categories of “eligible investor” and that received advice from a portfolio manager, investment dealer or exempt market dealer that his or her investment in Preferred Shares pursuant to the Subscription Agreement is suitable, he or she has not exceeded the investment limit of \$100,000 in all offering memorandum exemption investments in Preferred Shares pursuant to the Subscription Agreement. The investment limits above do not apply to investors that are not individuals, whether eligible or non-eligible, accredited investors or a person described in subsection 2.5(1) of NI 45-106.

An “eligible investor” is defined in National Instrument 45-106 and is essentially an investor that meets certain minimum income or wealth criteria and can include individuals, corporations, trusts, investment funds and other types of legal entities. For example, for an individual person to qualify as an “eligible investor” they must generally meet one of the following criteria (i) annual net income of at least \$75,000 for the last two years (or \$125,000 if combined with their spouse); or (ii) net assets of at least \$400,000, either alone or combined with their spouse. The Subscription Agreement includes a more detailed description of “eligible investor” and requires the investor relying on this categorization to certify that they meet at least one of the “eligible investor” criteria.

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

5.3 Subscription Procedure

Subscribers who wish to purchase Preferred Shares will be required to enter into a Subscription Agreement with the Corporation by completing and delivering the Subscription Agreement and related documentation to the Corporation. The Subscription Agreement contains, among other things, representations and warranties required to be made by the Subscriber that it is duly authorized to purchase the Preferred Shares, that it is purchasing Preferred Shares for investment and not with a view for resale, and as to its corporate status or other qualifications to purchase Preferred Shares on a “private placement” basis. Reference is made to the Subscription Agreement and related documentation, copies of which are attached hereto as Schedule “A”, for the specific terms of these representations, warranties and conditions.

You may subscribe for Preferred Shares by delivering the following documents to us at the address shown in the Subscription Agreement:

- (a) completed and executed Subscription Agreement in the form provided with this Offering Memorandum;

- (b) a bank draft or certified cheque payable to the Corporation in the amount of the subscription price for the Preferred Shares; and
- (c) in the case of an investor that is relying on the offering memorandum exemption to purchase Preferred Shares:
 - a. a completed and executed Form 45-106F4 – Risk Acknowledgement;
 - b. if required, a completed and executed Schedule 1 to Form 45-106F4;
 - c. if required, a completed and executed Schedule 2 to Form 45-106F4; and
 - d. if required, a completed and executed Certificate of Eligible Investor; or
- (d) in the case of an investor that is relying on the accredited investor exemption to purchase Preferred Shares, a completed and executed Certificate of Accredited Investor and, if required, a completed and executed Form 45-106F9 – Risk Acknowledgement for Individual Accredited Investors appended to the Certificate of Accredited Investor.

Closings will occur on a continuous basis as subscriptions are received and accepted. It is expected that all accepted subscriptions will be effective on the last day of each month and settled within three (3) business days.

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. If Subscribers provide the Corporation with a cancellation notice prior to midnight of the second business day after the signing date, or the Corporation does not accept a Subscriber's subscription, all subscription proceeds will be promptly returned to the Subscriber without interest or deduction.

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

Subscriptions for Preferred Shares will be received subject to rejection or allotment in whole or in part by the Corporation; and the Corporation reserves the right to close the subscription books at any time without notice. A subscription for Preferred Shares hereunder is subject to acceptance of a Subscription Agreement by the Corporation and compliance with applicable securities laws. 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.

We will collect, use and disclose your individual personal information in accordance with the Corporation's privacy policy and will obtain your consent to such collection, use and disclosure from time to time as required by our policy and the law. A copy of our current privacy policy will be provided to you with your Subscription Agreement and your consent will be sought at that time.

You should carefully review the terms of the Subscription Agreement provided herewith for more detailed information concerning the rights and obligations of 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 respecting this investment. See Item 8, "Risk Factors".

5.4 Proceeds of Crime (Money Laundering) Legislation

In order to comply with Canadian legislation aimed at the prevention of money laundering, the Corporation or the Manager may require additional information concerning investors. If, as a result of any information or other matter which comes to the Corporation's or the Manager's attention, any director, officer or employee of the Corporation

or the Manager knows or suspects that an investor is engaged in money laundering, such person is required to report such information or other matter to the Financial Transactions and Reports Analysis Centre of Canada and such report will not be treated as a breach of any restriction upon the disclosure of information imposed by law or otherwise.

ITEM 6: INCOME TAX CONSEQUENCES

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

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

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

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

This summary outlines the Canadian federal income tax consequences 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, resident in Canada;
- (b) Investors acquire Preferred Shares pursuant to this Offering Memorandum and hold the Preferred Shares as capital property (as that term is defined in the Tax Act);
- (c) Investors hold Preferred Shares for the purpose of earning income and have a reasonable expectation of profit from holding the Preferred Shares; and
- (d) The Corporation will qualify at all material times as a MIC for the purposes of the Tax Act.

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

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

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

Preferred Shares offered should be based on the merits of the investment as such and on an Investor's ability to bear any loss that may be incurred.

Status of the Corporation

This summary is based on the assumption that the Corporation will at all times meet certain conditions imposed on the Corporation under the Tax Act in order to qualify as a "mortgage investment corporation" thereunder. These conditions will generally be satisfied if, throughout a taxation year of the Corporation:

- (a) the Corporation was a Canadian corporation as defined in the ITA;
- (b) the Corporation's only undertaking was the investing of funds and it did not manage or develop any real property;
- (c) no debts were owing to the Corporation that were secured on real property situated outside Canada;
- (d) no debts were owing to the Corporation by non-residents unless such debts were secured on real property situated in Canada;
- (e) the Corporation did not own shares of non-resident corporations;
- (f) the Corporation did not hold real property, or any leasehold interest in such property, located outside of Canada;
- (g) the cost amount of the Corporation's property consisting of debts secured by mortgages on houses or on property included within a housing project (as those terms are defined in the *National Housing Act*¹), together with cash on hand and deposits with a bank or any other corporation whose deposits are insured by the Canada Deposit Insurance Corporation or with a credit union (collectively, the "**Qualifying Property**") was at least 50% of the cost amount to it of all of its property;
- (h) the cost amount of 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) owned by the Corporation did not exceed 25% of the cost amount to it of all of its property;
- (i) the Corporation had at least 20 shareholders and no person was a "specified shareholder", meaning that no shareholder (or related person) may hold more than 25% of the shares of any class of the Corporation at any time in the taxation year;
- (j) holders of preferred shares, if any, had a right, after payment to them of their preferred dividends, and payment of dividends in a like amount per share to the holders of the Preferred Shares, to participate *pari passu* with the holders of preferred shares in any further payment of dividends;
- (k) where at any time in the year the cost amount to the Corporation of its Qualifying Property as defined in (g) above was less than two-thirds of the cost amount to it of all of its property, the Corporation's liabilities did not exceed three times the amount by which the cost amount to it of all of its property exceeded its liabilities;
- (l) where the requirement in (k) is not met and the cost amount of the Corporation's Qualifying Property was equal to or greater than two-thirds of the cost amount of all its property, the Corporation's liabilities did not exceed five times the amount by which the cost amount to it of all its property exceeded its liabilities.

If the Corporation were at any time to cease to qualify as a MIC, the income tax considerations would be materially different from those described below.

Taxation of the Corporation

Provided the Corporation remains a MIC throughout the taxation year, the Corporation will 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. A MIC may declare a capital gains dividend in an amount equal to the gross amount of its capital gains and is entitled to deduct a portion of such dividend from its taxable income. The combination of the Corporation's deduction for capital gains dividends and the shareholder's deemed capital gain allows the Corporation to flow capital gains through to a shareholder on a tax-efficient basis.

The Corporation intends to declare dividends each year in sufficient amounts to reduce its taxable income to nil. To the extent that it does not do so, the Corporation will be taxed at the highest corporate rates.

Taxation of Shareholders

Dividends

Taxable dividends, except capital gains dividends, received by an Investor are taxable in the hands of the Investor as interest and not as dividends. Capital gains dividends received by an Investor are treated as capital gains of the Investor, one-half of which must be included as a "taxable capital gain" in computing the Investor's taxable income.

Given the Corporation's intention to declare dividends monthly and the fact that the Preferred Shares are not expected to increase in value over the course of the year, the Corporation's distributions should have no particular impact on an investor who acquires Preferred Shares late in the taxation year.

Dispositions

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

An Investor will be considered to have disposed of his Preferred Shares when he assigns or sells his Preferred Shares, when he dies, if his Share is the subject of a gift, or where the Corporation is wound up or otherwise terminated. A Preferred Share which is the subject of a gift or which is held by an Investor at the time of his or her death is generally deemed to have been disposed of for proceeds equal to fair market value at that time. However, in certain circumstances, a capital gain or capital loss will be deferred where such gift or bequest transfers the Preferred Share to the Investor's spouse.

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

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

Interest on Money Borrowed to Purchase Preferred Shares

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

After the disposition of a Preferred Share by a taxpayer, reasonable interest expense on money borrowed for the purpose of acquiring that Share will generally continue to be deductible until the borrowing is repaid regardless of whether a gain or loss was realized on the disposition of the Preferred Share; except to the extent any proceeds of

disposition attributable to that borrowed money are used to make personal expenditures by the taxpayer or are not otherwise used for the purpose of earning income.

Registered Plans

Eligibility

The Preferred Shares will be qualified investments for RRSPs, RRIFs, RESPs, TFSAs, and DPSPs (together “Registered Plans”) at a particular time if the Corporation qualifies as a MIC under the Tax Act at such particular time and if throughout the calendar year in which the particular time occurs, the Corporation does not hold as part of its property any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant under the particular plan or of any other person who does not deal at arm's length with that person. Registered Plans will generally not be liable for tax in respect of any dividends received.

If the Corporation fails to qualify as a MIC at any time throughout a taxation year, shares of the Corporation may cease to be a qualified investment for Registered Plans. Where an RRSP or RRIF holds a non-qualified investment at the end of a month, the plan will be subject to a tax of 1% of the fair market value of the investment at the time it was acquired. Moreover, if an RRSP or RRIF holds a non-qualified investment at any time during a particular year, the RRSP or RRIF will be subject to tax under Part I of the Tax Act on income and capital gains attributable to the non-qualified investment. Similar penalties exist for RESP, TFSA, and DPSP plans.

Interest Expense for RRSP Contributions

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

Distributions Received by RRSP from the Corporation

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

RRSP Contribution Limits

An individual may contribute cash or eligible property (such as a Share) to an RRSP in a calendar year or within sixty (60) days after the end of the year, and may claim a deduction for that calendar year to the extent that the amount contributed does not exceed the limits specified by the CRA. The amount of an individual's contribution will be equal to the fair market value of any property contributed as of the day of contribution. Any unused RRSP deduction room can be carried forward indefinitely in the event that contributions made to an RRSP for a particular year are less than the allowable contribution for that year.

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

Funds or property withdrawn from an RRSP are taxable to the RRSP annuitant in the year of withdrawal. The

amount of any non-qualified investment acquired by an RRSP in a year is included in the income of the annuitant for that taxation year.

ITEM 7: COMPENSATION PAID TO SELLERS AND FINDERS

The Preferred Shares will be sold on a best efforts basis by any registered dealers that may be duly authorized by the Corporation, from time to time. In its discretion, the Corporation may pay commissions or referral fees to persons selling Preferred Shares, subject to any applicable securities legislation. If permitted by applicable securities legislation, the Corporation may also compensate its senior officers, directors, and employees of the Corporation in respect of any Preferred Shares sold by them. Such commission may be paid in cash immediately upon the Corporation accepting the particular subscription, or paid over time.

The Corporation may enter into certain non-exclusive agency agreements with registered dealers under which the dealers would offer the Preferred Shares for sale to Subscribers on a commercially reasonable best efforts basis, and the Corporation would be responsible for payment of the dealers' commissions. Where permitted by securities legislation of a jurisdiction, the Corporation will pay a commission to registered dealers or a referral fee to any finder who refers Subscribers resident in such jurisdiction that results in a sale of securities to such Subscribers under this Offering. The commission or referral fee will, at the discretion of the Board of Directors, be no greater than five percent (5%) of the gross proceeds received in connection with the sale of securities to a Subscriber referred by the registered dealer or finder and will be paid out of the proceeds attributable to the Preferred Shares sold under the Offering. If the Offering is fully subscribed for and the Corporation pays out the maximum possible commissions, the Corporation will pay out \$5,000,000 in commissions. In addition, eligible persons seeking Subscribers for any of the Preferred Shares may charge their clients additional fees or commissions to purchase or sell such Preferred Shares.

ITEM 8: RISK FACTORS

There are certain risks inherent in an investment in the Preferred Shares and in the activities of the Corporation, which investors should carefully consider before investing in the Preferred Shares. The following is a summary only of the risk factors. Prospective investors should review the risks relating to an investment in the Preferred 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 Preferred Shares in order to determine the appropriateness of this investment in relation to their financial and investment objectives and in relation to the tax consequences of any such investment.

In addition to the factors set forth elsewhere in this Offering Memorandum, prospective Subscribers should consider the following risks before purchasing Preferred 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 Subscribers.

8.1 Investment Risk

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

- (a) ***Absence of Market for Preferred Shares*** – There is no public market for the Preferred Shares. The Preferred Shares are not listed on a stock market or quoted on any public market in Canada or elsewhere.
- (b) ***Retraction Liquidity*** – Shareholders have the right to require the Corporation to retract the Preferred Shares upon appropriate notice from the Shareholder to the Corporation with the guidelines set forth in Section 5.1, "Terms of Securities - Retraction Rights". The Corporation provides no assurance that any Shareholder will be able to affect the retraction of any or all of their Preferred Shares at any time. Retraction of the Preferred Shares is subject to the Corporation having access to sufficient excess cash, or other liquid assets, and being in compliance with the applicable corporate, tax and securities legislation.

- (c) **No Guarantees** – There is no assurance that the Corporation will be able to pay dividends at levels targeted by the Corporation or at all. The funds available for distribution to shareholders will vary according to many factors, notably the interest and principal payments received in respect of mortgage loans held by the Corporation and the rate of return on the Corporation's cash balances. Although mortgage loans made by the Corporation are carefully selected by the Manager, there can be no assurance that such loans will have a guaranteed rate of return to investors or that losses will not be suffered on one or more loans. Moreover, at any point in time, the interest rates being charged for mortgages are reflective of the general level of interest rates and, as interest rates fluctuate, it is expected that the aggregate yield on mortgage investments will also change. In the event that additional security is given by the borrower or that a third party guarantees the mortgagor's obligations, there is no assurance that such additional security or guarantee will be sufficient to make the Corporation whole if and when resort is to be had thereto. There can be no assurances that the Corporation will be able to maintain its Book Value per Share at a constant amount.
- (d) **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 purports to have acted for the Investors or to have conducted any investigation or review on their behalf.
- (e) **Leverage by the Corporation** – The Corporation may from time to time borrow under loans with Canadian chartered banks and others. See Section 2.2, "Our Business - Investment Strategies". The Corporation intends to borrow to the extent that the Directors are satisfied that such borrowing and additional investments will increase the overall profitability of the Corporation. The obligations under such loans may be secured, and while the addition of leverage has the potential to enhance returns, it also involves additional risks. For example, due to the varying loan maturities and constant fluctuations in interest rates, there is no assurance that the interest received by the Corporation on its mortgage investments will always exceed the interest the Corporation pays on loans that it may have previously taken out to finance mortgage investments. Therefore, there can be no assurance that the leveraging employed by the Corporation will enhance returns, and to the extent that secured lenders realize on their respective collateral, they will have right to receive distributions in priority to the Preferred Shareholders in addition to the right to seize mortgage assets pursuant to security agreements with the Corporation.

8.2 Corporation Risk

Risks that are specific to the Corporation include the following:

- (a) **MIC Tax Designation** - The Corporation intends to use reasonable best efforts to ensure that the Corporation qualifies as a MIC pursuant to the Tax Act. As well, the Board of Directors has the discretion to reject any applications for stock dividends or share subscriptions, transfers, redemptions or retractions. **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 an entity 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 Preferred 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 Preferred Shares would cease to be deductible from the income of the Corporation for that year and the dividends it pays on the Preferred Shares would be subject to the normal gross-up and dividend tax credit rules. In addition, the Preferred Shares might cease to be qualified investments for trusts governed by Registered Plans with the effect that a penalty tax would be payable by the Subscriber.
- (b) **Reliance on third parties** - In assessing the risk of an investment in the Corporation, potential investors should be aware that they will be relying on the good faith, experience and judgment of certain staff of the Manager. Should these staff be unable or unwilling to continue their employment with the Manager, this could have an adverse effect on the Corporation's business, financial condition and results of its operations, which in turn may adversely affect the Corporation's ability to perform its obligations and its ability to

maintain dividends on the Preferred Shares at a consistent and desirable level. The competition for such key qualified 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 results of operations which in turn may adversely affect the Corporation's ability to perform its obligations and its ability to maintain dividends on the Preferred Shares at a consistent and desirable level.

- (c) **Limited History of the Corporation** – The Corporation was incorporated on December 8, 2017 and commenced operations on February 1, 2018 and accordingly has limited operating history. Investors must rely solely on his, her or its good faith in the Corporation and the Manager. The Corporation has not made any warranties or guarantees to the investor.
- (d) **Potential conflicts of interest** - The Directors of the Corporation and the Manager may be employed by or act in other capacities for other companies and entities involved in mortgage and lending activities. See Section 2.2, "Our Business - Conflicts of Interest".

The Corporation and its shareholders are dependent in large part upon the experience and good faith of the Manager. The Manager is entitled to act, currently acts and in the future may act in a similar capacity for other companies and entities with investment criteria similar to those of the Corporation. Accordingly, there may be instances in which an investment opportunity may be suitable for the Corporation as well as other mortgage lenders or investors with whom the Directors of the Corporation and/or the Manager has business relations. In such cases, the Manager has the right to take such action as it sees fit. 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.

The Board of Directors may in its discretion but acting in the best interests of the Corporation make any amendments, modifications or other changes to the investment strategies, operating restrictions and investment policies of the Corporation. See Section 2.2, "Our Business - Changes to Investment Strategies, Operating Restrictions and Investment Policies". The Manager is also entitled to terminate the Management Agreement on 90 days' prior written notice. See Section 2.7, "Material Agreements - Management Agreement".

Conflicts of interest may arise between the Manager and directors of the Corporation and the holders of Preferred Shares. The Manager has sole discretion in determining which mortgages it will make available to the Corporation for investment, subject to compliance with the investment and operating policies and restrictions set out herein. Conflicts of interest may arise because of the fact that the Manager also manages Ginkgo Mortgage Investment Corporation ("**Ginkgo**"). See Section 2.2, "Our Business - The Manager - iBrokerPower Capital Inc.". Mortgages will be allocated with the intention that such allocation will benefit both holders of the Corporation's Preferred Shares and shareholders and bondholders of Ginkgo and be consistent with the investment strategies applicable to each. Nevertheless, there can be no assurance that such allocation will benefit holders of the Corporation's Preferred Shares and accordingly these conflicts may not be resolved to the satisfaction or best interests of the Corporation's shareholders. See Section 2.2, "Our Business - Conflicts of Interest".

The Board of Directors approves all policies of the Corporation and has final approval on all individual mortgages recommended by the Manager. Since the directors of the Corporation are also the directors of the Manager and given that the Manager's management fee is based on approved mortgages, there is a potential conflict of interest to the extent that the Board of Directors approves mortgages that do not serve the best interests of the Corporation. Therefore, in assessing the risk of an investment in the Corporation, potential investors should be aware that they will be relying on the good faith, experience and judgment of the Board of Directors.

8.3 Industry Risk

There are also risks faced by the Corporation related to the industry in which it operates. Real estate values are subject to fluctuation owing to a variety of supply and demand factors impacting real estate markets. In addition, prospective Investors should take note of the following:

- (a) **Competition** – The Corporation is competing with many third parties, including other lenders and financial institutions, seeking investment opportunities similar to those sought by the Corporation. There is no assurance that the number of mortgages required to maintain an optimal level of investment will be funded, and this could have an adverse effect on the Corporation's business, financial condition and results of operations which in turn may adversely affect the Corporation's performance and its ability to maintain dividends on the Preferred Shares at a consistent and desirable level.

Such third parties may have greater name recognition and greater financial, managerial and technical resources than the Corporation. Competitors may reduce the interest rates that they charge, resulting in a reduction in the Corporation's share of the market, reduced interest rates on loans and reduced profit margins.

- (b) **Sensitivity to interest rates** – It is anticipated that the value of the Corporation's investment portfolio at any given time may be affected by the level of interest rates prevailing at such time. The Corporation's income will consist primarily of interest payments on the mortgages comprising the Corporation's investment portfolio. If there is a decline in interest rates (as measured by the indices upon which the interest rates of the Corporation's mortgage assets are based), the Corporation may find it difficult to make a mortgage loan bearing acceptable rates. There can be no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect the Corporation's business, financial condition and results of operations which in turn may adversely affect the Corporation's ability to perform its obligations and its ability to maintain dividends on the Preferred Shares at a consistent and desirable level. Due to the term of the mortgages made by the Corporation and the inability to accurately predict the extent to which the Corporation's mortgages may be prepaid, it is possible that the Corporation may not be able to sufficiently reduce interest rate risk associated with the replacement of such mortgages through new investments in mortgages.

- (c) **Changes in property values** – The Corporation's mortgage loans will be secured by real estate, the value of which can fluctuate. The value of real estate is affected by general economic conditions, local real estate markets, the attractiveness of the property to tenants where applicable, competition from other available properties, fluctuations in occupancy rates, operating expenses and other factors. The value of income-producing real property may also depend on the credit worthiness and financial stability of the borrowers and/or the tenants. While independent appraisals will be required before the Corporation makes a mortgage investment, the appraised values, even where reported on an "as is" basis, are not necessarily reflective of the market value of the underlying real property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain conditions, including the completion, rehabilitation or making of leasehold improvements on the real property providing security for the loan. There can be no assurance that these conditions will be satisfied and, if and to the extent they are not satisfied, the loan amount may prove to exceed the value of the underlying real property thus resulting in a loan loss if the property must be sold to remedy a mortgage default. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.

- (d) **Environmental liability of a mortgage** – 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, where the Corporation has exercised its right of re-entry or foreclosure or has otherwise assumed the control, occupation or management of the property. While the Corporation may obtain a Phase I environmental audit where there is a reasonable possibility of

environmental contamination that might impact the value and marketability of a property, the Corporation does not systematically obtain environmental audits of all properties subject to mortgages.

- (e) ***Investment not insured*** – Neither the Manager nor the Corporation is a member of the Canada Deposit Insurance Corporation and the Preferred Shares offered hereunder are therefore not insured against loss through the Canada Deposit Insurance Corporation. Moreover, mortgages held by the Corporation are not insured through the Canada Mortgage and Housing Corporation or otherwise.
- (f) ***Renewal of Mortgages*** – There can be no assurances that any of the mortgages held by the Corporation can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to each mortgage held by the Corporation, it is possible that either the mortgagor, the mortgagee, i.e. the Corporation, or both, will elect not to renew such mortgage. In addition, if the mortgages in the Corporation's mortgage portfolio are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such mortgages will be subject to negotiations between the mortgagors and the mortgagees at the time of renewal and the terms of a refinancing may therefore not be as favourable as the terms of existing indebtedness.
- (g) ***Nature of the investments*** – Investments in mortgages are relatively illiquid. Such illiquidity will tend to limit the Manager's ability to vary the mortgage portfolio promptly in response to changing economic or investment conditions. Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing income or whether mortgage payments are being made. The Corporation may be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.
- (h) ***Specific investment risk for non-conventional mortgage investments*** – Non-conventional mortgage investments attract higher loan loss risk. This higher risk is compensated for by a higher rate of return. The failure of one or more borrowers to make payments according to the terms of their loan could result in the Corporation exercising its rights as mortgagee and may adversely affect the Corporation's rate of return, which is directly correlated to the receipt of mortgage payments. Also, the recovery of a portion of the Corporation's assets, i.e. the property put up as collateral by the defaulting mortgagor, would be tied up for a period of time, diverting resources away from the funding of new investments. Legal fees and other costs incurred by the Corporation in enforcing its rights as mortgagee against a defaulting borrower are borne by the Corporation. Although these fees and costs are often recoverable from the borrower directly or through the sale of the mortgaged property by power of sale or otherwise, there is no assurance that they will actually be recovered. Due to fluctuations in the housing market and the economy generally, there is a possibility that historical loan default rates may increase and that in any power of sale, the Corporation could lose a substantial portion of the principal amount loaned to the borrower. Excessive loan loss could affect materially the Corporation's business, financial condition and results of operations which in turn may adversely affect the Corporation's ability to perform its obligations and its ability to maintain dividends on the Preferred Shares at a consistent and desirable level.
- (i) ***Priority over security*** – The Corporation, through the Manager, will invest exclusively in first mortgages. However, any real property may be subject to one or more liens which will take priority over a mortgage, even a first-ranking one. Such liens may arise, for example, as a result of unpaid municipal taxes or utility bills. If an action is taken to sell the underlying real property and sufficient proceeds are not realized from such sale to pay off all creditors who have charges on the property (including a lien holder) ranking prior to the Corporation, the Corporation may lose all or part of its investment to the extent of such deficiency, unless it can otherwise recover such deficiency from other property owned by the borrower.

ITEM 9: REPORTING OBLIGATIONS

9.1 Continuous Disclosure

The Corporation is not a “reporting issuer” under applicable securities legislation, nor will we become a reporting issuer following the completion of the Offering. **Consequently, except as specifically disclosed herein, we are not required to send you any documents on an annual or ongoing basis.** Since we are not, and will not become, subject to the continuous disclosure requirements of such securities legislation, we are not required to issue press releases or to send to you our interim and annual financial statements, management’s discussion and analysis respecting such statements or annual reports.

However, the *Business Corporations Act* (Ontario) requires us to hold a general meeting of our shareholders in each calendar year and, at the meeting, to provide our shareholders with audited financial statements for the previous financial year. Instead of providing our annual financial statements at the meeting, we mail them to our Preferred Shareholders together with the notice for our annual general meeting of shareholders held in the fall of each year. At the same time, we send a letter to shareholders reporting on our previous year’s business.

The Corporation is also required to forward to holders of Preferred Shares resident in Alberta, New Brunswick, Ontario, Saskatchewan and Nova Scotia that purchased Preferred Shares under the offering memorandum exemption audited annual financial statements and disclosure regarding the use of the aggregate gross proceeds raised by the Corporation under the offering memorandum exemption within 120 days following the end of each fiscal year of the Corporation. The fiscal year of the Corporation ends on the 31st day of August of each year. Furthermore, the Corporation is required to provide notice to holders of Preferred Shares resident in New Brunswick, Nova Scotia and Ontario that purchased Preferred Shares under the offering memorandum exemption within ten (10) days of the occurrence of: (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.

As a matter of policy, the Corporation has determined to make available to all holders of Preferred Shares all reporting information mandated under the offering memorandum exemption in Ontario, even where such holders are resident or otherwise subject to the laws of jurisdiction outside Ontario or have subscribed under another prospectus exemption. In addition, the Corporation will forward to all shareholders a copy of interim unaudited financial statements on a semi-annual basis. Each shareholder will also receive a statement of their shareholdings on a quarterly basis.

9.2 Access to Corporate and Securities Information About the Corporation

Since we are not a reporting issuer and our Preferred Shares are not publicly traded, no corporate or securities information about us is available from a government, regulatory authority, stock exchange or quotation and trade reporting system. Some securities information about this Offering and any previous offerings is available from the Ontario Securities Commission at www.osc.gov.on.ca and any other relevant securities regulatory authority, the contact information for each being accessible from the “Contact Us” page of the website maintained by the Canadian Securities Administrators (CSA) at www.securities-administrators.ca. Further information about us is posted and available for review by shareholders at www.priorityfirst.ca from the Corporation at the contact information set out on the face page of this Offering Memorandum.

ITEM 10: RESALE RESTRICTIONS

The Preferred Shares will be subject to a number of resale restrictions, including restrictions on trading. Until the restriction on trading expires, you will not be able to trade the Preferred Shares unless you comply with an exemption from the prospectus and registration requirements under securities legislation. Unless permitted under securities legislation, in all jurisdictions in Canada other than Manitoba, you cannot trade the Preferred Shares before the date that is four 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.**

Furthermore, unless permitted under securities legislation, in Manitoba, you must not trade the Preferred Shares 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 Preferred Shares you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or
- (b) you have held the Preferred Shares for at least 12 months.

The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

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

The securities laws in your jurisdiction may provide you with the right, in certain circumstances, to seek damages or to cancel your agreement to buy Preferred Shares. These rights, or notice with respect to these rights, must be exercised or delivered, as the case may be, by the investor within the time limits prescribed by applicable securities legislations. While most of these rights are available if we make a misrepresentation in the Offering Memorandum or any amendment hereto, in some jurisdictions, you may have these rights in other circumstances including if the Corporation fails to deliver the Offering Memorandum to you within the required time or if we make a misrepresentation in any advertisements or literature regarding Preferred Shares. Generally, a "misrepresentation" is 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. The meaning of misrepresentation may differ slightly depending on the law in your jurisdiction. In most jurisdictions, there are defenses available to the persons or companies that you may have a right to sue. In particular, in many jurisdictions, the person or company that you sue will not be liable if you knew of the misrepresentation when you purchased the Preferred Shares.

The following summaries are subject to any express provisions of the securities legislation of each jurisdiction where Preferred Shares will be sold and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions.

The rights of action described herein are in addition to and without derogation from any other right or remedy that an investor may have at law.

Two Day Cancellation Right

You can cancel your agreement to purchase Preferred Shares. To do so, you must send a written notice to the Corporation by midnight on the 2nd business day after you sign the agreement to buy the Preferred Shares.

Statutory Rights of Action

Investors Resident in Alberta, British Columbia, Newfoundland and Labrador, and Nova Scotia

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 Preferred Shares; or

- (b) for damages against the Corporation, every director of the Corporation at the date of this Offering Memorandum, and every person or company who signed this Offering Memorandum.

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

If you intend to rely on the rights described in (a) and (b) above, you must do so within strict time limitations. You must commence the action to cancel the agreement within 180 days after you signed the agreement to buy the Preferred Shares. You must commence the action for damages within the earlier of 180 days after learning of the misrepresentation and three (3) years from the date of the Corporation having accepted your subscription to purchase the Preferred Shares.

Investors Resident in Manitoba

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 Preferred Shares; or
- (b) for damages against the Corporation, every director of the Corporation at the date of this Offering Memorandum, and every person or company who signed this Offering Memorandum.

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

If you intend to rely on the rights described in (a) and (b) above, you must do so within strict time limitations. You must commence the action to cancel the agreement within 180 days after you signed the agreement to buy the Preferred Shares. You must commence the action for damages within the earlier of 180 days after learning of the misrepresentation and two (2) years from the date of the Corporation having accepted your subscription to purchase the Preferred Shares.

Investors Resident in New Brunswick

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 Preferred Shares; or
- (b) for damages against the Corporation and a selling securityholder on whose behalf the distribution was made.

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

If you intend to rely on the rights described in (a) and (b) above, you must do so within strict time limitations. You must commence the action to cancel the agreement within 180 days after you signed the agreement to buy the Preferred Shares. You must commence the action for damages within the earlier of one (1) year after learning of the misrepresentation and six (6) years from the date of the Corporation having accepted your subscription to purchase the Preferred Shares.

Investors Resident in Northwest Territories, Nunavut, Prince Edward Island and Yukon

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 Preferred Shares; or

- (b) for damages against the Corporation and selling securityholder on whose behalf the distribution was made, every director of the Corporation at the date of this Offering Memorandum, and every person or company who signed this Offering Memorandum.

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

If you intend to rely on the rights described in (a) and (b) above, you must do so within strict time limitations. You must commence the action to cancel the agreement within three (3) years after you signed the agreement to buy the Preferred Shares. You must commence the action for damages within three (3) years after learning of the misrepresentation.

Investors Resident in Ontario

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 Preferred Shares; or
- (b) for damages against the Corporation and selling securityholder on whose behalf the distribution was made.

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

If you intend to rely on the rights described in (a) and (b) above, you must do so within strict time limitations. You must commence the action to cancel the agreement within 180 days after you signed the agreement to buy the Preferred Shares. You must commence the action for damages within the earlier of 180 days after learning of the misrepresentation and three (3) years from the date of the Corporation having accepted your subscription to purchase the Preferred Shares.

Investors Resident in Quebec

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 Preferred Shares; or
- (b) for damages against the Corporation and selling securityholder on whose behalf the distribution was made, every officer and director of the Corporation, every person or company who signed this Offering Memorandum, every expert whose opinion containing a misrepresentation was filed respecting this Offering Memorandum, and every person or company that sold securities on behalf of the Corporation or selling securityholder under this Offering Memorandum.

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

If you intend to rely on the rights described in (a) and (b) above, you must do so within strict time limitations. You must commence the action to cancel the agreement within three (3) years after you signed the agreement to buy the Preferred Shares. You must commence the action for damages within three (3) years after learning of the misrepresentation.

Investors Resident in Saskatchewan

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 Preferred Shares; or
- (b) for damages against the Corporation and selling securityholder on whose behalf the distribution was made, every promoter and director of the Corporation or the selling securityholder at the time this Offering Memorandum was sent or delivered, every person or company whose consent was filed respecting this Offering Memorandum (but only with respect to reports, opinions or statements that have been made by them), every person or company who signed this Offering Memorandum, and every person or company that sold securities on behalf of the Corporation or selling securityholder under this Offering Memorandum.

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

If you intend to rely on the rights described in (a) and (b) above, you must do so within strict time limitations. You must commence the action to cancel the agreement within 180 days after you signed the agreement to buy the Preferred Shares. You must commence the action for damages within the earlier of one (1) year after learning of the misrepresentation and six (6) years from the date of the Corporation having accepted your subscription to purchase the Preferred Shares.

General

The securities laws of the Provinces and Territories of Canada are complex. References should be made to the full text of the provisions summarized above relating to statutory rights of action. **Investors should consult their own legal advisors with respect to their rights and the remedies available to them. The rights discussed above are in addition to and without derogation from any other rights or remedies which investors may have at law.**

ANY PERSON CONSIDERING AN INVESTMENT IN THE ISSUER SHOULD CONSULT ITS OWN ADVISORS IN ORDER TO FULLY UNDERSTAND THE CONSEQUENCES OF AN INVESTMENT IN THE ISSUER WITH RESPECT TO SUCH PERSON'S PARTICULAR SITUATION.

ITEM 12: FINANCIAL STATEMENTS

The audited financial statements of the Corporation accompanied by the Form 45-106F16 Notice of Use of Proceeds for the period ended August 31, 2019 are set forth below.

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION

FINANCIAL STATEMENTS

August 31, 2019

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION

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August 31, 2019

FINANCIAL STATEMENTS

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Independent Auditor's Report

To the Shareholders of Priority First Mortgage Investment Corporation

Opinion

We have audited the financial statements of Priority First Mortgage Investment Corporation (the "Company"), which comprise the statements of financial position as at August 31, 2019, and the statements of income and comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

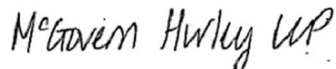
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

McGovern Hurley LLP



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
November 28, 2019

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION

Statements of Financial Position As at August 31,

	2019	2018
ASSETS		
Cash	\$ 277,885	\$ 462,199
Amounts receivable and prepaid expenses (note 4)	92,470	17,308
Mortgage investments (note 5)	3,646,800	1,518,600
Total assets	4,017,155	1,998,107
LIABILITIES		
Accounts payable and accruals	\$ 25,932	\$ 10,276
Unearned interest	1,832	-
Loan Payable (note 8)	-	40,000
Total liabilities	27,764	50,276
SHAREHOLDERS' EQUITY		
Share capital (note 7)	3,949,696	1,942,714
Retained earnings	39,695	5,117
Total shareholders' equity	3,989,391	1,947,831
Total liabilities and shareholders' equity	\$ 4,017,155	\$ 1,998,107

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

"Henry Tse"

Director

"Mandy Le"

Director

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION

Statements of Income and Comprehensive Income
For the period ended August 31

	2019	2018
Revenue		
Interest income	\$ 246,106	\$ 36,623
Administrative and late payment fees	66,807	11,130
	312,913	47,753
Operating expenses		
Management fees (note 8)	25,034	-
Provision for credit loss	10,000	-
Selling, general and administrative expenses	38,866	20,982
	73,900	20,982
Net income and comprehensive income for the period	\$ 239,013	\$ 26,771

The accompanying notes are an integral part of these financial statements

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION

Statements of Changes in Equity For the period ended August 31

Shareholders' Equity		Preferred shares		Common shares		Retained earnings		Total equity
Opening Balance at December 8, 2017	\$	-		-	\$	-	\$	-
Issuance of common shares		-		100		-		100
Issuance of preferred shares								
Class A		1,935,000		-		-		1,935,000
Share issue costs		(6,900)		-		-		(6,900)
New preferred shares issued under Dividend								
Reinvestment Plan		14,514		-		-		14,514
Earnings and comprehensive income		-		-		26,771		26,771
Dividends to shareholders (note 6)		-		-		(21,654)		(21,654)
Balance, August 31, 2018	\$	1,942,614		100	\$	5,117	\$	1,947,831
Issuance of preferred shares								
Class A		1,925,000		-		-		1,925,000
Share issue costs		(9,750)		-		-		(9,750)
New preferred shares issued under Dividend								
Reinvestment Plan		112,517		-		-		112,517
Redemption of preferred shares		(20,785)		-		-		(20,785)
Earnings and comprehensive income		-		-		239,013		239,013
Dividends to shareholders (note 6)		-		-		(204,435)		(204,435)
Balance, August 31, 2019	\$	3,949,596		100	\$	39,695	\$	3,989,391

The accompanying notes are an integral part of these financial statements

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION

Statements of Cash Flows For the period ended August 31

	2019	2018
Cash provided by (used in):		
Operating activities		
Comprehensive income for the period	\$ 239,013	\$ 26,771
Items not involving cash		
Provision for credit loss	10,000	-
Net changes in non-cash operating items:		
Increase in accounts payable and accruals	15,656	10,276
Increase in unearned interest	1,832	-
Increase in amounts receivable and prepaid expenses	(75,162)	(17,308)
Net cash provided by operating activities	191,339	19,739
Financing activities		
Proceeds from loan payable	-	40,000
Proceeds from issuance of common shares	-	100
Proceeds from issuance of preferred shares*	1,925,000	1,935,000
Share issue costs	(9,750)	(6,900)
Repayment of loan payable	(40,000)	-
Redemption of preferred shares	(20,785)	-
Dividends paid	(91,918)	(7,140)
Net cash (used in) provided by financing activities	1,762,547	1,961,060
Investing activities		
Advances on mortgage investments	(5,030,500)	(1,518,600)
Repayment of mortgage investments	2,892,300	-
Net cash used in investing activities	(2,138,200)	(1,518,600)
Increase in cash	(184,314)	462,199
Cash, beginning of period	462,199	-
Cash, end of period	\$ 277,885	\$ 462,199
Cash balance is composed of:		
Cash	\$ 277,885	\$ 462,199
Cash provided by operating activities includes:		
Interest received	\$ 233,699	\$ 24,475
Interest paid	-	-
Supplemental information		
* Loan payable transferred to preferred shares	-	260,000

The accompanying notes are an integral part of these financial statements

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION

**Notes to Financial Statements
For the year ended August 31, 2019**

1. Incorporation and nature of operations

Priority First Mortgage Investment Corporation (the "Corporation") was incorporated under the Business Corporations Act (Ontario) on December 8, 2017. The address of the Corporation's registered head office and principal place of business is 348 Sheppard Ave E, Toronto, Ontario.

The Corporation is a Canadian mortgage investment corporation ("MIC") pursuant to Section 130.1 of the Income Tax Act (Canada). As such, its business consists of lending of money, principally to individuals, for the purpose of acquiring, developing, maintaining or upgrading residential real estate or other real property, against the security of a mortgage granted on such property. The Corporation conducts its mortgage lending activities on properties located in Canada, primarily in the Province of Ontario.

The Corporation, in computing its taxable income is generally 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. Dividends other than capital gains dividends, which are paid by the Corporation to shareholders, will be included in the shareholders' incomes as interest income.

2. Basis of presentation

These financial statements were approved by the Board of Directors on November 28, 2019.

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss, which are measured at fair value.

(c) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Corporation.

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION

**Notes to Financial Statements
For the year ended August 31, 2019**

2. Basis of presentation (continued)

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. There are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making those estimates and judgements in these financial statements. The significant estimates and judgements used in determining the recorded amount for assets and liabilities in the financial statements are as follows:

(i) *Mortgage investments*

The Company is required to make an assessment as to whether the credit risk of a mortgage has changed significantly since initial recognition and is also required to determine the impairment of mortgage investments. The Company considers a number of factors when assessing if there has been a significant increase in credit risk. Mortgages with payments over 60 days in arrears are immediately flagged as potentially being in Stage 2. Other factors that the Company considers when confirming if there has been a significant increase in credit risk include changes in the financial condition of the borrower, responsiveness of the borrower, and other borrower or property specific information that may be available. Mortgage investments are considered to be impaired only if objective evidence indicates that one or more events have occurred after its initial recognition that have a negative effect on the estimated future cash flows of that asset. The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparative market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary.

Specifically, the Company included information on borrower credit score, loan to value ratio, debt servicing ratio, borrower age, portfolio net cash position, current portfolio impairment levels, and current portfolio net return. National statistics and macroeconomic forecasts were not included as they are not statistically significant indicators of future performance due to the geographically restricted and relatively small size of the Company's lending business.

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION

**Notes to Financial Statements
For the year ended August 31, 2019**

2. Basis of presentation (continued)

IFRS 9 uses an expected credit loss (“ECL”) model to determine the provision for credit losses.

The ECL allowances are calculated through three probability-weighted forward-looking scenarios including base, optimistic, and pessimistic, that measures the expected cash shortfalls on the financial assets related to default events either (i) over the next 12 months or (ii) over the expected life based on the maximum contractual period over which the Company is exposed to credit risk. The expected life of certain revolving credit facilities is based on the period over which the Company is exposed to credit risk and where the credit losses would not be mitigated by management actions. The three scenarios are updated at each reporting date, and the probability weights and the associated scenarios are determined through a management review process that involves significant judgement and review by the Company’s Finance and Risk management groups.

Upon initial recognition of financial assets, the Company recognizes a 12-month ECL allowance which represents the portion of lifetime ECL that result from default events that are possible within the next 12 months (Stage 1). If there has been a Significant Increase in Credit Risk (“SICR”), the Company then recognizes a lifetime ECL allowance resulting from possible default events over the expected life of the financial asset (Stage 2). The SICR is determined through changes in the lifetime probability of default (“PD”) since initial recognition of the financial assets, using a combination of borrower specific and account specific attributes with a presumption that credit risk has increased significantly when contractual payments are more than 30 days past due. This assessment considers all reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions that impact the Company’s credit risk assessment. Criteria for assessing SICR are defined at a portfolio level and vary based on the risk of default at the origination of the portfolio. If credit quality subsequently improves such that the increase in credit risk since initial recognition is no longer significant, the loss allowances will revert back to be measured based on a 12-month ECL, and the financial asset will transfer from Stage 2 back to Stage 1. Stages 1 and 2 comprise all non-impaired financial assets.

Management developed a modeling of the Stage 2 estimate which requires a reassessment of the overall credit risk resulting from a SICR. The model developed for SICR assumes a complete degradation in credit quality as proxied by the borrower’s Beacon Score. This enters into a logistic regression to estimate lifetime probability of default based on this new assumption. The lifetime probability of default estimate then enters into the Survival Analysis as a parameter to allow probability of default to be estimated over the remaining term to maturity.

In addition, management exercises expert credit judgements in assessing exposures that have experienced a SICR and in determining the amount of ECL allowances required at each reporting

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION

**Notes to Financial Statements
For the year ended August 31, 2019**

2. Basis of presentation (continued)

date by considering reasonable and supportable information that are not already included in the quantitative models. Expert credit judgements are performed by considering emergence of economic, environmental or political events, as well as expected changes to parameters, models or data that are not currently incorporated. Significant judgements made by management may impact the amount of ECL allowances recognized. ECL is calculated as the product of PD, loss given default ("LGD"), and exposure at default ("EAD"), and is calculated over the remaining expected life of the financial asset and discounted to the reporting date at the respective effective interest rate. PD measures the estimated likelihood of default over a given time period. PD estimates are updated for each scenario at each reporting date and is based on current information. LGD provides the estimate of loss when default occurs at a given time, and is determined based on historical write-off events, recovery payments, borrower specific attributes and direct costs. The estimate is updated at each reporting date for each scenario based on current information. EAD estimates the exposure at the future default date.

Financial assets with objective evidence of impairment as a result of loss events that have a negative impact on the estimated future cash flows are considered to be impaired requiring the recognition of lifetime ECL allowances. (Stage 3). Deterioration in credit quality is considered an objective evidence of impairment and includes observable data that comes to the attention of the Company, such as significant financial difficulty of the borrower. The Company defines default as when there is identification of objective evidence of impairment (which could, for example, be delinquency of 90 days or more). A financial asset is no longer considered impaired when past due amounts have been recovered, and the objective evidence of impairment is no longer present.

Financial assets are written off, either partially or in full against the related allowances for credit losses when the Company believes there are no reasonable expected future recoveries through payments or the sale of the related security. Any recoveries of amounts previously written off are credited against provision for credit losses in the statements of income and comprehensive income.

Loan Modifications

The Company defines loan modification as changes to the original contractual terms of the financial asset that represents a fundamental change to the contract or changes that may have a significant impact on the contractual cash flow of the asset. The Company derecognizes the original asset when the modification results in significant change or expiry in the original cash flows; a new asset is recognized based on the new contractual terms. The new asset is assessed for staging and SICR to determine the corresponding ECL measurement required at the date of modification. If the Company determines the modifications do not result in derecognition, then the asset will retain its original staging and SICR assessments.

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION

**Notes to Financial Statements
For the year ended August 31, 2019**

2. Basis of presentation (continued)

(ii) Measurement of fair values

The Corporation's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Corporation uses market observable data where possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. Mortgage investments and amounts receivable are classified as loans and receivables and are recorded at amortized cost. Dividends payable, loan payable, accounts payable and accruals are classified as other financial liabilities. Their carrying values approximate their fair value due to their relatively short-term maturities and because market interest rates have not fluctuated significantly since the date at which the loans were entered into. Fair values of mortgage investments are established by level 3 inputs.

Management reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or appraisals are used to measure fair values, management will assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

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 the underlying assumptions change, the estimates could vary.

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION

**Notes to Financial Statements
For the year ended August 31, 2019**

3. Summary of significant accounting policies

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

(a) Revenue recognition

(i) Interest income

Interest income is recognized on the Statements of Income and Comprehensive Income for all financial assets measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument back to the net carrying amount of the financial asset. The application of the method has the effect of recognizing revenue of the financial instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

Interest on non-performing mortgage (mortgages over 60 days past due) investments will be recognized when the underlying assets are discharged and the receipt of interest income is certain.

(ii) Administrative and late payment fees income

Administrative and late payment fees are recognized once earned and the receipt of such amounts is certain.

(b) Income taxes

The Corporation is a MIC pursuant to the Income Tax Act (Canada). As such, the Corporation is entitled to deduct from its taxable income dividends paid to shareholders during the year or within 90 days of the end of the year to the extent the dividends were not deducted previously.

The Corporation intends to maintain its status as an MIC and intends to distribute sufficient dividends in the year and in future years to ensure that the Corporation is not subject to income taxes. Accordingly, for financial statement reporting purposes, the tax deductibility of the Corporation's dividends results in the Corporation being effectively exempt from taxation and no provision for current or future income taxes is required.

(c) Provisions and contingent liabilities

Provisions and contingent liabilities are recognized when there is a present legal or constructive obligation arising as a result of a past event for which it is probable that an outflow of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION

**Notes to Financial Statements
For the year ended August 31, 2019**

3. Summary of significant accounting policies (continued)

amount of the obligation. Provisions and contingent liabilities are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(d) Related party transactions

All related party transactions must be disclosed in the financial statements, including the amount of the transactions, the amount of outstanding balances, including terms, provisions for doubtful debts related to outstanding balances and the expense recognized during the period in respect to bad or doubtful debts from related parties.

(e) Share capital

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

(f) Financial assets and liabilities

Financial assets

(i) Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either fair value through profit or loss (“FVTPL”) or through fair value of other comprehensive income (“FVOCI”), and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVTPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVTPL or at amortized cost. Amounts receivable held for collection of contractual cash flows are measured at amortized cost.

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements
For the year ended August 31, 2019

3. Summary of significant accounting policies (continued)

(ii) Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statements of comprehensive income. The Company’s cash and cash equivalents and receivables are measured at amortized cost.

(iii) Subsequent measurement – financial assets at FVTPL

Financial assets measured at FVTPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVTPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of comprehensive income. The Company does not measure any financial assets at FVTPL

(iv) Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive income. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

(v) Derecognition

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or when the Company has transferred substantially all the risks and rewards of ownership of the assets. Where substantially all of the risks and rewards of ownership of the financial asset are neither retained nor transferred, the Company derecognizes the transferred asset only if it no longer controls the asset. Control is represented by the practical ability to sell the transferred asset without the need to impose additional restrictions. If the Company retains control over the asset, it will continue to recognize the asset to the extent of its continuing involvement. When a financial asset is derecognized in full, a gain or loss is recognized in net income for an amount equal to the difference between the carrying amount of the asset and the value of the consideration received, including any new assets and/or liabilities recognized.

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION

**Notes to Financial Statements
For the year ended August 31, 2019**

3. Summary of significant accounting policies (continued)

(vi) Impairment of financial assets

The Company's financial assets subject to impairment are mortgage receivables, interest receivables and accounts receivables, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVTPL. The Company's financial liabilities include dividends payable and accrued liabilities, short-term loans, unearned interests, and bonds payable, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

(ii) Initial recognition - financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statements of comprehensive income.

(iii) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of comprehensive income.

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION

**Notes to Financial Statements
For the year ended August 31, 2019**

3. Summary of significant accounting policies (continued)

(g) Properties held for sale under foreclosure

Property held for resale acquired through the settlement of loans is valued at the lower of the outstanding balance of the loan at the date of acquisition adjusted for costs incurred subsequent to foreclosure or repossession and the fair value of the property less costs of disposal. Property held for resale is sold as soon as practicable, with the proceeds used to reduce the outstanding net carrying value.

(h) Changes in accounting policies

Effective September 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers*, and IFRS 16, *Leases*, which resulted in changes in accounting policies as described below. In accordance with the transitional provisions in these standards, the Company adopted these standards retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at September 1, 2018. There were no effects on opening balances at September 1, 2018 with respect to the adoption of these policies.

IFRS 9, Financial Instruments

IFRS 9 replaces International Accounting Standard (“IAS”) 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss (“FVTPL”) or through other comprehensive income (“FVOCI”); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between the hedged item and hedging instrument.

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION

**Notes to Financial Statements
For the year ended August 31, 2019**

3. Summary of significant accounting policies (continued)

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

	Financial instrument classification	
	Under IAS 39	Under IFRS 9
Financial assets		
Cash	Loans and receivables	Amortized cost
Short term investments	Held-to-maturity	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Mortgage investments	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Loan Payable	Other financial liabilities	Amortized cost
Unearned interests	Other financial liabilities	Amortized cost

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended August 31, 2018 was accounted for in accordance with the Company's previous accounting policy under IAS 39. Significant accounting policies which outline the current and previous accounting policies pertaining to financial instruments.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 supersedes IAS 18 *Revenue* and related Interpretations. The new standard establishes a framework for the recognition and measurement of revenues generated from contracts with customers, unless those contracts are within the scope of other standards, such as financial instruments. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION

**Notes to Financial Statements
For the year ended August 31, 2019**

3. Summary of significant accounting policies (continued)

The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company adopted IFRS 15 using the modified retrospective method of adoption on September 1, 2018. The effect of adopting IFRS 15 did not have a material impact on the Company's financial statements.

4. Amounts receivable and prepaid expenses

The following is a breakdown of amounts receivable and prepaid expenses as at August 31:

	2019	2018
Prepaid expenses and deposit	\$ 3,083	\$ 2,160
Accounts receivable	89,387	15,148
Amounts receivable and prepaid expenses	\$92,470	\$17,308

5. Mortgage investments

The following is a breakdown of the mortgage investments as at August 31:

	2019	2018
First mortgages	\$3,656,800	\$1,518,600
Provision for credit loss	(10,000)	-
Investment portfolio	\$3,646,800	\$1,518,600

First mortgages are loans secured by a first priority mortgage charge with loan to property value not exceeding 65%.

The loans comprising the investment portfolio bear interest at the weighted average rate of 8.36 % (2018 – 9.80%) and mature between fiscal year 2020 and 2021.

Borrowers who have open loans have the option to repay principal at any time prior to the maturity date.

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements
For the year ended August 31, 2019

5. Mortgage investments (continued)

Principal repayments based on contractual maturity dates are as follows:

2020	\$3,456,800
2021	\$200,000
Total	<u>\$3,656,800</u>

Geographic Analysis:

As at August 31, 2019

Province	Single Family	Commercial	Total
Ontario	\$ 3,656,800	-	\$ 3,656,800
	100%	-	100%

As at August 31, 2018

Province	Single Family	Commercial	Total
Ontario	\$ 1,418,600	\$ 100,000	\$ 1,518,600
	93.42%	6.58%	100%

6. Dividends

The Corporation intends to make dividend payments to the shareholders on a monthly basis on or around the 15th day of each month. The operating policies of the Corporation set out that the Corporation intends to distribute to shareholders within 90 days after the fiscal year end 100% of the net profit of the Corporation determined in accordance with the Income Tax Act (Canada), subject to certain adjustments.

For the period ended August 31, 2019, the Corporation recorded dividends of \$204,435 (2018 - \$21,654) to its shareholders. Weighted dividend per share for the year was \$0.70 (2018 - \$0.70).

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION

**Notes to Financial Statements
For the year ended August 31, 2019**

7. Share capital

Authorized

As at August 31, 2019, the Corporation was authorized to issue the following:

Unlimited number of common shares with voting rights and no par value

Unlimited number of preferred shares, non-voting, and no par value

The Corporation has an optional dividend reinvestment plan (“DRIP”) for preferred shareholders, whereby participants may reinvest cash dividends in additional preferred shares of the Corporation at the preferred share price as at the dividend payment date. Preferred shares issued under the DRIP are issued by the Corporation from its treasury.

Issued and outstanding

The following common shares and preferred shares were issued and outstanding,

As at August 31, 2019

	Common Shares	Amount	Preferred Shares	Amount
Balance, beginning of year	100	\$100	194,951	\$ 1,942,614
Shares issued during the year	-	-	192,500	1,925,000
Share issue cost	-	-	-	(9,750)
Dividend reimbursement plan	-	-	11,252	112,517
Redemption of shares	-	-	(2,079)	(20,785)
Balance, as at August 31, 2019	100	\$100	396,624	\$ 3,949,596

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION

**Notes to Financial Statements
For the year ended August 31, 2019**

7. Share capital (continued)

As at August 31, 2018

	Common Shares	Amount	Preferred Shares	Amount
Balance, beginning of year	-	-	-	-
Shares issued during the year	100	\$100	193,500	\$ 1,935,000
Share issue cost	-	-	-	(\$6,900)
Dividend reimbursement plan	-	-	1,451	\$14,514
Balance, as at August 31, 2018	100	\$100	194,951	\$ 1,942,614

8. Related party transactions and balances

The Corporation will not actively employ resources to seek or originate mortgages for investment, but instead will rely on the expertise of a mortgage broker for a regular flow of investment opportunities.

The Corporation has entered into a Mortgage Broker Management Agreement with a licensed mortgage broker (the "Mortgage Broker") that is owned by two of the directors of the Corporation, Henry Tse and Ronald Lee. The Mortgage Broker has agreed to service the Corporation's mortgage portfolio, including sourcing, negotiating, and underwriting mortgages.

As of August 31, 2019, the directors, management, management of the Mortgage Broker, and related parties subscribed for, either directly or indirectly, 28,880 (2018 – 29,000) Preferred Shares, representing 7.28% (2018 – 15%) of the issued and outstanding Preferred Shares, and 60 (2018 – 60) Common Shares, representing 60% (2018 – 60%) of the issued and outstanding Common shares.

Total management fees incurred for the year was \$25,034 (2018 - \$Nil). The Mortgage Broker Management Agreement is for an indefinite term. It may be terminated by the Corporation at any time upon 60 days notice. As at August 31, 2019, the amount owing to the Mortgage Broker was \$1,913 (2018 - \$41,137).

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION

**Notes to Financial Statements
For the year ended August 31, 2019**

9. Financial risk management

Overview

The Corporation's planned operations will expose it to a variety of financial risks that arise as a result of its operating and financing activities.

The Corporation employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Corporation's business objectives and risk tolerance levels. While the Directors have the overall responsibility for the establishment and oversight of the Corporation's risk management framework, management has the responsibility to administer and monitor these risks.

(a) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

	<u>2019</u>	<u>2018</u>
Cash	\$277,885	\$462,199
Amounts receivable and prepaid expenses	\$92,470	\$17,308
Mortgage investments	\$3,646,800	\$1,518,600

Cash consists of cash bank balances. The Corporation manages the credit exposure related to cash by selecting financial institutions with high credit ratings. There were no first mortgages passed due or in default as of August 31, 2019.

(b) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. Liquidity risk is managed by ensuring that the sum of (i) the sourcing of other borrowing facilities, and (ii) projected repayments under the existing investment portfolio, exceeds projected needs (including funding of further advances under existing and new investments).

The obligations for future advances under the Corporation's investment portfolio are anticipated to be funded from existing general operating accounts, borrower repayments and future issuance of preferred shares. Upon funding, the funded amount forms part of the Corporation's investments.

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION

**Notes to Financial Statements
For the year ended August 31, 2019**

9. Financial risk management (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as real estate prices, will affect the Corporation's net profit or the value of financial instruments. The objective of the Corporation is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns.

(d) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As the Corporation does not currently have any variable interest-bearing debt, the Corporation is not exposed to interest rate risk.

(e) Capital risk management

The Corporation's capital management policy is to maintain a strong capital base that optimizes the Corporation's ability to grow, maintain investor and creditor confidence and to provide a platform to create value for shareholders. The Corporation intends to maintain a flexible capital structure to maximize its ability to pursue additional investment opportunities, which considers the Corporation's early stage of development and the requirement to sustain future development of the business.

The Corporation will manage its capital structure and make changes to it in light of changes to economic conditions and the risk characteristics of the nature of the business. The Corporation considers its capital structure to include shareholders' equity and working capital. In order to maintain or adjust the capital structure, the Corporation may from time to time issue shares, seek debt financing and adjust its capital spending to manage its current and projected capital structure.

The Corporation is registered with Financial Services Commission of Ontario as a licensed mortgage administrator. As part of the licensing requirements, the Corporation is required to maintain a minimum of \$25,000 in unimpaired working capital. The Corporation has been in compliance with this requirement throughout the year.

The Corporation currently monitors its capital requirement based on its current working capital, projected cash flow from operations and anticipated capital expenditures.

10. Subsequent events

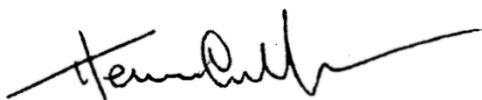
There were no subsequent events that will have a material impact on the financial statements.

ITEM 13: DATE AND CERTIFICATE OF THE ISSUER AND PROMOTER

Dated February 11, 2020.

This Offering Memorandum does not contain a misrepresentation.

PRIORITY FIRST MORTGAGE INVESTMENT CORPORATION



Henry Tse, Director, CEO and CFO

“Liu Jun Le”

Liu Jun Le, Director and President

**On behalf of the Board of Directors of
Priority First Mortgage Investment Corporation**



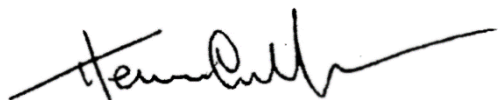
Ronald Lee, Director

“Ali Moeini-Azad”

Ali Moeini-Azad, Director

PROMOTER

IBROKERPOWER CAPITAL INC.



Henry Tse, Director and CEO



Ronald Lee, Director and President

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