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FORM 45-106F2 OFFERING MEMORANDUM FOR NON-QUALIFYING ISSUERS

IQINVEST MORTGAGE INVESTMENT CORPORATION

Continuous Offering

Date: February 28, 2020

THE ISSUER

IQINVEST MORTGAGE INVESTMENT CORPORATION
(the “Corporation”)

Head Office:
716 Gordon Baker Road,
Suite 206,
Toronto, Ontario M2B 3H4

Tel: 1-888-293-8040 | Fax: 647-348-8377
Email: info@iqinvest.ca | Website www.iqinvest.ca

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:

An unlimited number of Class “A” Preferred Shares (“**Class A Preferred Shares**”) of the Corporation.

An unlimited number of Class “B” Preferred Shares (“**Class B Preferred Shares**”) of the Corporation.

PRICE PER SECURITY:

The initial price per Preferred Share is \$10. Thereafter, Preferred Shares will be issued at a price per share equal to the Fair Value Per Share at the time of purchase. The Corporation intends to maintain a Fair Value Per Share of \$10. (See Item 5.2, “**Subscription Qualification**”).

MINIMUM OFFERING:

There is no minimum. You may be the only purchaser. Funds

available under this offering may not be sufficient to accomplish our proposed objectives.

MAXIMUM OFFERING:

There is no maximum offering. The issue of Preferred Shares may be restricted in order to ensure that the Corporation remains a “mortgage investment corporation” for purposes of the *Income Tax Act* (Canada) (the “**Tax Act**”) or that its securities do not constitute a “prohibited investment” under the Tax Act, all in the sole discretion of CWF Group Mortgages Inc. (the “**Administrator**”).

MINIMUM SUBSCRIPTION AMOUNT:

2,500 Preferred Shares (\$25,000). The minimum subsequent investment amount is 500 Preferred Shares (\$5,000). Such minimum amounts may be waived by the Corporation.

PAYMENT TERMS:

Bank draft or certified cheque payable to the Corporation or any other manner of payment acceptable to the Corporation. Each transaction to complete the sale of Preferred Shares is a “Closing”.

PROPOSED CLOSING DATES:

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 business days.

INCOME TAX CONSEQUENCES:

There are important tax consequences to these securities. The Preferred Shares will be qualified investments for inclusion in registered plans subject to the Corporation maintaining its status as a “mortgage investment corporation” (“**MIC**”) under the Tax Act. For further information, see Item 6.

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.

AUDITORS:

Rosenswig McRae Thorpe Chartered Professional Accountants are the auditors of the Corporation.
36 Toronto Street, Suite 800,
Toronto, Ontario M5C 2C5
Canada

Tel: 416-977-6600 | Fax: 416-977-5874

COUNSEL:

WeirFoulds LLP is counsel to the Corporation.
66 Wellington Street West, Suite 4100,
P.O. Box 35, TD Bank Tower,
Toronto, Ontario M5K 1B7
Canada

Tel: 416-365-1110 | Fax: 416-365-1876

RESALE RESTRICTIONS

You will be restricted from selling your securities for an indefinite period. See Item 10, Resale Restrictions. In addition, no Preferred Shares shall be transferred without the consent of the majority of the board of directors of the Corporation. Requests to transfer shares of the Corporation will be acceded to by the directors of the Corporation provided that the requested transfer of shares does not impair the Corporation's status as a MIC or contravene any law, rule, policy or regulation prescribed by any applicable securities commission or the provisions of the Act or any other applicable laws.

PURCHASER'S 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 shall 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 shall 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 shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum.

INVESTOR SUITABILITY

Canadian Investors

The Preferred Shares offered by this Offering Memorandum will be issued in accordance with various statutory exemptions contained in the securities legislation of each of the provinces and territories of Canada (the “Offering Jurisdictions”) and the rules and regulations promulgated thereunder.

This Offering is being made in the Offering Jurisdictions in reliance on one or more of the following prospectus exemptions as set out in National Instrument 45-106 – *Prospectus Exemptions* (“**NI 45-106**”): (1) the Accredited Investor exemption to those investors that qualify as an “accredited investor” as such term is defined in NI 45-106; (2) the Offering Memorandum exemption; and (3) as may be applicable, the Minimum Amount Investment exemption. Each Investor relying on the Accredited Investor exemption will be required to certify in the subscription agreement (the “**Subscription Agreement**”) that it is an “accredited investor” as defined in NI 45-106. Each Investor relying on the Offering Memorandum exemption will be required to sign the “risk acknowledgement” form as part of the Subscription Agreement.

Additionally, in Alberta, Manitoba, Ontario, Northwest Territories, Nunavut, Prince Edward Island, Quebec, Saskatchewan and Yukon, Investors may also be “eligible investors” as such term is defined in NI 45-106. Each applicable Investor resident in such jurisdictions will also be required to certify in the Subscription Agreement that it is an “eligible investor” as defined in NI 45-106.

Foreign Investors

In order to meet the conditions for exemption from the registration, prospectus or other requirements under the securities laws of some jurisdictions, other than Canada and the United States. Investors who are residents of those jurisdictions may be required to meet additional suitability standards or comply with other requirements.

INTERPRETATION

In this Offering Memorandum, unless the context otherwise requires, terms such as the “**Corporation**”, the “**Issuer**”, “**we**”, “**us**” and “**our**”, refer to IQInvest Mortgage Investment Corporation and terms such as “**Investor**”, “**Subscriber**” or “**you**” refer to a person who purchases Preferred Shares.

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.

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

GLOSSARY OF TERMS

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

“**Act**” means the *Business Corporations Act* (Ontario), as amended.

“**Accredited Investor**” has the meaning ascribed to such term in NI 45-106.

“**Administrator**” means CWF Group Mortgages Inc.

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

“**Business Day**” means a day other than a Saturday, Sunday or any other day treated as a holiday in the municipality in Toronto, Canada.

“**Class A Preferred Shareholder**” means a person recorded in the securities register of the Corporation for the Class A Preferred Shares as being the registered holder of one or more Class A Preferred Shares.

“**Class B Preferred Shareholder**” means a person recorded in the securities register of the Corporation for the Class B Preferred Shares as being the registered holder of one or more Class B Preferred Shares.

“**Class A Redemption Payment**” means the aggregate Class A Redemption Price payable to a holder of one or more Class A Preferred Shares pursuant to the applicable Redemption Request on the applicable Redemption Payment Date.

“**Class B Redemption Payment**” means the aggregate Class B Redemption Price payable to a holder of one or more Class B Preferred Shares pursuant to the applicable Redemption Request on the applicable Redemption Payment Date, and for greater certainty is the amount otherwise payable less any applicable Early Redemption Penalty.

“**Class A Redemption Price**” means the sum of \$10.00 per Class A Preferred Share, together with all accrued and unpaid dividends on the Class A Preferred Share on the applicable Redemption Date, such

that the holder of the Class A Preferred Share receives \$10.00 plus an amount representing a return of 5% per annum to the Redemption Date.

“Class B Redemption Price” means the sum of \$10.00 per Class B Preferred Share, together with all declared and unpaid dividends on the Class B Preferred Shares on the applicable Redemption Date.

“Common Shareholder” means a person recorded in the securities register of the Corporation for the common shares as being the registered holder of one or more common shares.

“Corporation” means IQInvest Mortgage Investment Corporation.

“Dividend Payment Date” means, respect to the Preferred Shares, where dividends have been declared by the Board of Directors in accordance with the Act, the 15th day of the month following the last month of the applicable quarter in which such dividends were declared.

“Fair Value Per Share” means an amount 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.

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

“Liquidation Distribution” means a distribution of assets of the Corporation among its shareholders arising on the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs.

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

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

“Minimum Amount exemption” means the exemption from the prospectus requirements available under section 2.10 of NI 45-106;

“NI 45-106” means National Instrument 45-106 of the Canadian Securities Administrators, *Prospectus Exemptions*, as amended from time to time;

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

“Offering Memorandum exemption” means the exemption from the prospectus requirements available under section 2.9 of NI 45-106;

“Preferred Shareholder” means a Class A Preferred Shareholder or a Class B Preferred Shareholder.

“Preferred Shares” means the Class “A” Preferred Shares and the Class “B” Preferred Shares of the Corporation.

“Redemption Date” has the meaning ascribed thereto under Section 5.1.

“Redemption Payment Date” means, with respect to the Preferred Shares, the Business Day as of which the Class A Redemption Payment or the Class B Redemption Payment is paid or payable in accordance

with the provisions hereof to the redeeming holder of the Class A Preferred Shares or the Class B Preferred Shares, as applicable.

“Redemption Request” means, with respect to the Preferred Shares, a written notice in prescribed form, duly completed by the Preferred Shareholder, requesting the Corporation to redeem the Preferred Shares specified therein

“Registered Plan” means a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan, a registered disability savings plan, a tax-free savings account or a deferred profit sharing plan, each as defined in the Tax Act.

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

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ITEM 1 USE OF NET PROCEEDS

1.1 Net Proceeds

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

		Assuming minimum offering	Assuming maximum offering
A	Amount to be raised by this offering ⁽¹⁾	N/A	N/A
B	Selling commissions and fees ⁽²⁾	N/A	N/A
C	Estimated offering costs (e.g. legal, accounting, audit)	(\$30,000)	(\$30,000)
D	Net proceeds: $D = A - (B + C)$	N/A	N/A

Notes:

- (1) There is no minimum or maximum offering. The Corporation will offer an unlimited number of Preferred Shares on a continuous basis.
- (2) The Corporation sells Preferred Shares through dealers authorized to do so. It is expected that the Corporation will pay compensation to such dealers, up to a maximum of approximately 5% of gross subscription proceeds. To the extent that the Corporation is responsible for the payment of compensation to dealers, the funds available to the Corporation for investment purposes and distributions will be reduced. See Item 7, “Compensation Paid to Sellers and Finders”

1.2 Use of Net Proceeds

A detailed breakdown of how the Corporation will use the net proceeds is as follows:

Description of intended use of net proceeds listed in order of priority	Assuming minimum offering	Assuming maximum offering
Investment in mortgages as described under Item 2 and working capital	\$0	Amount raised

The Corporation is a “mortgage investment corporation” as defined under Section 130.1 of the Tax Act. It is anticipated that the funds raised from this Offering after expenses will be used for funding new mortgage investments.

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 September 22, 2017. The Corporation’s fiscal year ends on September 27th in each year.

The head office and the registered office of the Corporation are located at 716 Gordon Baker Road, Suite 206, Toronto, Ontario M2H 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.

2.2 Our Business

General

The Corporation is a “mortgage investment corporation” for purposes of the Tax Act. 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 Ontario. From time to time, the Corporation may participate in selected mortgage syndications.

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 geographical 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 available through conventional mortgages.

The Administrator – CWF Group Mortgages Inc.

Mortgage brokers in Ontario 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 mortgages on behalf of lenders.

CWF Group Mortgages Inc. (the “**Administrator**”) is a licensed mortgage administrator under the MBLAA license number 12944. The Administrator provides mortgage administration services to the Corporation, including collection of payments, distribution of income, and where necessary, carrying out enforcement proceedings against delinquent mortgagors.

The Corporation is not licensed as a mortgage broker, and brokerage activities are performed by licensed mortgage brokers, including the Administrator, on its behalf. The Corporation has entered into a management and administration agreement (the “**Management Agreement**”) with the Administrator pursuant to which the Administrator provides the Corporation with mortgage origination, negotiation, underwriting and all other mortgage brokerage services. The Administrator’s MBLAA mortgage brokerage license number is 12786.

The Administrator is wholly owned by Mr. Jeffrey Hui and as such is an affiliate of the Corporation. The Administrator is an independent franchise with The Mortgage Centre National Network. As at the date hereof, Mr. Hui and through related parties held 9,000 Class A preferred shares and 123,500 Class B preferred shares.

Responsibilities of the Administrator

The Corporation will oversee the mortgage investment services provided by the Administrator and the Administrator is required to adhere to the Corporation's investment strategies, operating restrictions, operating policies and investment policies.

Under the Management Agreement, the Administrator is responsible 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, 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) generally perform such other acts as a commercial mortgage loan administrator would perform in the administration of the Corporation's investments; and

- (j) provide or cause to be provided such administrative support to the Corporation as may be reasonably requested by the Corporation.

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

The Administrator 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 Administrator 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 pursuant to the Corporation's current offering memorandum.

The Administrator arranges for the marketing and distribution of the Preferred Shares.

Investment Strategies

The Corporation's business consists in lending money, principally to individuals, for the purposes of acquiring, developing, maintaining or upgrading residential and other real property, against the security of a mortgage granted on such property. Investment in the Preferred Shares allows an investor to participate with other investors in a pool of mortgages and thus diversify risk associated with investment in a single mortgage.

The Corporation works closely with retail mortgage brokers, primarily in Ontario, in order to market itself as a lender in the non-conventional mortgage market segment. The Corporation serves borrowers who do not meet the criteria of the major lending institutions and/or who are located in underserved areas. Such non-conventional mortgages are generally able to attract a higher rate of interest compared to conventional mortgages.

The Corporation's mortgage portfolio will consist primarily of first and second mortgages as follows:

- (a) *Standard First or Second Mortgage Loans* – These loans are typically advanced to borrowers to assist with the purchase or refinancing of a property. Loan to value or LTV will not exceed 80% of the appraised value at the time of the loan.
- (b) *Equity Loans* – In the development or purchase of residential, commercial or industrial properties, equity loans bridge the gap between the equity supplied by a developer or purchaser and the amount available through conventional financing. Included in this category are 'equity take-out' mortgages, where an owner with equity in a property wishes to leverage the asset and take out cash. Because of the elevated risk of these loans, potential returns are significantly higher than conventional mortgage returns. Additional revenue is often realized through bonus payments, application and set up fees. By their very nature, these are generally second or third position mortgage loans.
- (c) *Improvement Loans* – Advanced to finance completed or substantially completed buildings that will benefit by the property's redevelopment, renovation or additions, these loans 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 absent, the success of these projects is subject to market conditions.

Loans will generally be for terms of twelve months or less. 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 Administrator'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) staggered maturities;
- (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 35% of the net book value of the assets of the Corporation i.e., it may borrow money (including drawing on a 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 Risk Factors Item 8.1(e) for risks associated with the use of leverage by the Corporation.

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 Administrator 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.

Operating Restrictions

Subject to the right of the Corporation, in consultation and upon notice to the Administrator, to revise the following restrictions from time to time, the Corporation has established certain restrictions on investments that may be made by it as follows:

- (a) the Corporation may invest only in commercial mortgages and residential mortgages. "Commercial mortgages" are mortgages principally secured by multi-family housing projects, residential land developments 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 Administrator and not the borrower.
- (c) participation in syndicated mortgages is subject to the approval of 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 Administrator, or a nominee for the Corporation or the Administrator.
- (e) the Administrator shall apply known and established procedures in the evaluation of mortgage opportunities.
- (f) the Corporation may invest in securities, guaranteed investment certificates or treasury bills where such instruments are issued by an arm's-length party and are pledged as collateral in connection with mortgage investments or have been 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 Administrator 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.
- (k) except for any obligations arising under the Management Agreement, the Corporation will not hold any indebtedness, whether by way of mortgage or otherwise, of a person who is a director, officer or employee of the Corporation or of any other person who does not deal at arm's length with the Corporation or any of its directors, officers or employees.

Investment Policies

The Corporation has adopted certain policies which establish the investment criteria for the Corporation's investments, as follows:

- (a) the Corporation's only undertaking will be to invest the Corporation's funds in accordance with its investment objectives, strategies and restrictions;
- (b) the Corporation may make loans in amounts up to 80% of the fair market value of the mortgaged property; 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) the Corporation may from time to time engage in bridge financing activities including the financing of new home construction;

- (d) up to 40% of the Corporation's mortgage portfolio may consist of commercial mortgages or mortgages on mixed use properties;
- (e) the Corporation intends to generally invest in open mortgages, primarily as second mortgagee, and carrying a fixed rate of interest; and
- (f) holding of cash or cash equivalent instruments is expected to equal to approximately 10% of its total assets.

Management Fees and Expenses

The Administrator will pay all of its costs, expenses and overhead relating to the provision of its services pursuant to the Management Agreement. All of the other costs with respect to the Corporation's business shall be paid for by the Corporation including, without limitation, legal, audit, shareholder meeting and communication costs, and shall also include those related to collecting or attempting to collect any amounts owing or in arrears on any of our mortgage investments, or any portion thereof pro-rata, including foreclosure or other court proceedings.

As compensation for the services provided by the Administrator to the Corporation, the Administrator will receive a monthly fee equal to 1/12th of 2.0% of the equity (Class A and Class B preferred shares) at the start of each month, calculated at the end of the month. The Management Agreement also provides that the Administrator may, from time to time, earn brokers' fees, lenders' fees, commitment fees, extension fees, renewal fees, NSF fees, administration fees and similar fees paid by borrowers, all of which fees shall be for the account of the Administrator and not the Corporation.

The Board of Directors

The Board of Directors of the Corporation currently consists of five directors. The Board approves all policies of the Corporation. Please refer to "Conflicts of Interest" below and to Risk Factors Item 8.2(c) for risks associated with potential conflicts of interest.

The Board receives regular reports from the Administrator on the Corporation's operations and portfolio.

Changes to Investment Strategies, Operating Restrictions and Investment Policies

The Board of Directors may in its discretion make any amendments, modifications or other changes to the foregoing investment strategies, operating restrictions and investment policies of the Corporation including changes required to reflect amendments to the Tax Act or other legislation applicable to the Corporation. Amendments may also be made in order for the Corporation to continue to qualify as a "mortgage investment corporation". In the event of any amendment to the foregoing strategies, restrictions and policies, the Administrator will be required to comply with and observe such change immediately upon such change becoming effective. Please also refer to Risk Factors Item 8.2(c) for risks associated with potential conflicts of interest.

Conflicts of Interest

The Corporation and the Administrator and their respective associates, affiliates, directors and officers may be, and are permitted to be, engaged in and continue in other businesses in which the Corporation will not have an interest and which may be competitive with the activities of the Corporation and, without limitation, the Corporation's associates, affiliates and their respective directors and officers (including the directors and officers of the Corporation) may be and are permitted to act as a partner, shareholder,

director, officer, joint venturer, advisor or in any other capacity or role whatsoever of, with or to other entities, including limited partnerships, which may be engaged in all or some of the aspects of the affairs of the Corporation and may be in competition with the Corporation. Some or all of the directors and/or officers of the Corporation and the holders of Preferred Shares of the Corporation (i) may act as agents under the Offering and receive commissions and fees therefrom; (ii) are also directors and/or officers of other affiliates of the Corporation; and (iii) may be directors, officers and/or trustees of other entities that may acquire Preferred Shares under the Offering, which number of Preferred Shares so acquired may be significant. Please also refer to Risk Factors Item 8.2(c) for risks associated with potential conflicts of interest.

2.3 Development of Business

The Corporation was incorporated on September 22, 2017. The Corporation's initial business is limited to investing the net proceeds of this offering in mortgage investments in accordance with the policies and guidelines set out above under Item 2.2. The success of the Corporation is dependent, to a large part, on the experience and good faith of the Administrator.

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 seeks to achieve this principal investment objective by investing in mortgages using the funds raised pursuant to this Offering and other debt provided by Canadian chartered banks or alternative lenders. The Corporation shall invest in mortgages which shall be secured by the respective mortgagor's equity in real property in accordance with the policies and guidelines set out above under Item 2.2. 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, less fees paid to the Administrator as disclosed herein and interest and fees payable with respect to the other debt facilities employed to fund a portion of the Corporation's mortgage assets.

2.5 Short Term Objectives

The following table sets out 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 this 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. If none

of the Offering is sold, we will continue to use our existing capital and cash flows to carry on our current business.

2.7 Material Agreement – Management Agreement

The Administrator 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 Administrator for a regular flow of investment opportunities. In providing mortgage investment services, the Administrator shall adhere to the Corporation's investment strategies, operating restrictions, operating policies and investment policies as set forth herein. See Item 2.2, Our Business.

The following summarizes the terms of the Management Agreement.

The Management Agreement provides the right for the Administrator, or its principals or affiliates, to purchase with their own funds and own as co-lenders, percentage interests in mortgage loans. The Administrator may also sell undivided percentage interests in mortgage loans to other co-lenders.

The Administrator pays all of its costs, expenses and overhead relating to the provisions of its services. The Management Agreement also provides that the Administrator may, from time to time, earn brokers' fees, lenders' fees, commitment fees, extension fees, renewal fees, NSF fees, administration fees and similar fees from borrowers with respect to any mortgage loan, all of which fees are for the account of the Administrator. As compensation for the services provided by the Administrator to the Corporation under the Management Agreement, the Administrator will receive a monthly fee equal to 1/12th of 2.0% of the total value of the Preferred Shares then issued and outstanding under administration of the Corporation.

The Management Agreement is for an indefinite term. It may not be terminated by the Corporation except upon 60 days' written notice in the event that:

- (a) a bankruptcy, receivership or liquidation order is issued against the Administrator;
- (b) the Administrator makes an assignment for the benefit of creditors or commits any act of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada);
- (c) the Administrator assigns the Management Agreement or its rights or obligations thereunder to any person who is not an affiliate of the Administrator without the prior written consent of the Board of Directors;
- (d) the Administrator commits a breach or default under the Management Agreement not related to the payment of any money to be paid by the Administrator to the Corporation and the same is not cured within 45 days of the Administrator receiving notice thereof;
- (e) the Administrator commits a breach or default under the Management Agreement related to the payment of any money to be paid by the Administrator to the Corporation and the same is not cured within 15 days of the Administrator receiving notice thereof; or
- (f) a majority of two thirds of the Preferred Shareholders authorize termination of the Management Agreement at a meeting of shareholders of the Corporation held to consider such termination.

The Administrator may terminate the Management Agreement in the event that:

- (a) a bankruptcy, receivership or liquidation order is issued against the Corporation;
- (b) the Corporation makes an assignment for the benefit of its creditors or commits any act of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada); or
- (c) the Administrator gives the Corporation 120 days' prior written notice of intention to resign and to terminate the Management Agreement.

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

The Administrator 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 Administrator agrees that funds of the Administrator 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 Administrator agrees that it shall 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 Administrator thereunder, neither the Administrator, nor any of its directors, officers, employees, consultants or agents shall 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 shall be solely liable therefor and resort shall 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 shall indemnify and reimburse the Administrator, as well as its directors, officers, employees, consultants or agents, against all liabilities and expenses reasonably incurred in connection with the Administrator'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 Administrator agreed that it shall 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 Administrator'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 Administrator in connection with any and all of its duties and obligations under the Management Agreement and shall 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 ⁽¹⁾	Number, type and percentage of securities of the Corporation held after completion of minimum offering	Number, type and percentage of securities of the Corporation held after completion of maximum offering
Jeffrey Hui, North York, Ontario	Director, Chief Executive Officer and President	Nil	50 Common Shares (22.52% of all outstanding Common Shares)	50 Common Shares (22.52% of all outstanding Common Shares)
Allan Taube, North York, Ontario	Director, and Director of Operations	Nil	35 Common Shares (15.77% of all outstanding Common Shares)	35 Common Shares (15.77% of all outstanding Common Shares)
Arif Khan, Barrie, Ontario	Director, and Director of Underwriting	Nil	None	None
Kim Chan, North York, Ontario	Director, and Director of Client Service	Nil	25 Common Shares (11.26% of all outstanding Common Shares)	25 Common Shares (11.26% of all outstanding Common Shares)
Benny Cheung, Markham, Ontario	Director, Sales	Nil	None	None
Joseph Pelliccione, Scarborough, Ontario	Principal Holder	Nil	30 Common Shares (13.51% of all outstanding Common Shares)	30 Common Shares (13.51% of all outstanding Common Shares)
Josephine Kwan, City, Ontario	Principal Holder	Nil	25 Common Shares (11.26% of all outstanding Common Shares)	25 Common Shares (11.26% of all outstanding Common Shares)
Derek F. Sorrenti, Vaughan, Ontario	Principal Holder	Nil	35 Common Shares (15.77% of all outstanding Common Shares)	35 Common Shares (15.77% of all outstanding Common Shares)

Notes:

- (1) The directors and officers of the Corporation do not receive compensation in their capacity as directors and officer. Certain directors or officers may receive compensation for placing Preferred Shares with Investors.

3.2 Management Experience

Name	Principal Occupation and Related Experience
Jeffrey Hui	<p>President & Chief Executive Officer Mr. Hui obtained his B.Comm degree from the University of Toronto and holds the Financial Management Advisor (FMA) designation, the Certified Financial Planning (CFP) designation, the Fellow of the Canadian Securities Institute (FCSI) designation, the Chartered Professional (Ch.P.) Strategic Wealth designation, the Canadian Investment Manager (CIM) designation, the Chartered Strategic Wealth Professional (CSWP) designation and the Certified International Wealth Manager (CIWM) designation.</p> <p>Mr. Hui has extensive working experience in the financial industry and is also a</p>

Name	Principal Occupation and Related Experience
	<p>licensed mortgage agent, life insurance broker and registered insurance broker of Ontario. Mr. Hui is a member of both the Canadian Association of Accredited Mortgage Professionals (CAAMP) and Associate member of Association of International Wealth Management (AIWM).</p> <p>Mr. Hui is also the founder and Executive Director of CWF Group Inc. and CWF Group Mortgages Inc., a franchisee of The Mortgage Centre (a division of CIBC) since their inception in 2004 and 2016 respectively.</p>
Allan Taube	<p>Director of Operations Mr. Taube graduated as a CA in 1974 and practiced as a public chartered accountant as a partner at Klayman & Taube CA and at Gilbert, Taube and Goldberg CA for over 10 years. He left public practice in 1984 to become a partner with the Philmor Group of Companies to develop, syndicate and manage various real estate syndications in the GTA. Over the next 12 years Mr. Taube has been involved in developing, syndicating and managing over \$200 million of real estate products investing in high-rise condos, town homes and a country club.</p> <p>For approximately 10 years up until 2005 Mr. Taube developed a network of agents and distributors to sell and market in excess of \$100 million of numerous tax assisted projects in a variety business sectors.</p> <p>From 2006 till the present he has been engaged as a consultant with various real estate developers to assist in the development and syndication of over \$85 million of specific residential & long term care real estate projects in both Canada and the United States.</p> <p>Over the past 40+ years Mr. Taube has developed a strong network of real estate lawyers, securities lawyers, real estate agents, securities agents, mortgage brokers & property managers with a focus on structuring and selling investments.</p>
Arif Khan	<p>Director of Underwriting Mr. Khan holds post graduate certification in Financial Services Underwriting with a specialist in fraud prevention and forensic underwriting. He has served as an industry advisor and contributing panellist to lenders, insurers, industry professional associations and regulators regarding market trends and policy development.</p> <p>Mr. Khan is the founder and principal at The Strategic Capital Network Inc. He has significant experience advising, structuring, and developing compliance practices and distribution suitability benchmarks, in the areas of real estate investment vehicles including Mortgage Investment Corporations (MICs), and Syndicated Mortgages products.</p> <p>Additionally, Mr. Khan currently serves as a City Councilor for the City of Barrie.</p>
Kim Chan	<p>Director, Client Service Mr. Chan graduated from University of Saskatchewan majoring in microbiology. He joined the financial industry in 1996 and has witnessed the changes in the industry for the past 22 years including licensing, products and demutualization.</p> <p>As an advisor, Mr. Chan has serviced a clientele of 850 clients and more than 1,500 contracts. He was an Associate Manager at Sun Life office of 95 advisors.</p>

Name	Principal Occupation and Related Experience
	<p>Mr. Chan holds the Certified Financial Planning (CFP) designation.</p> <p>Mr. Chan is a licensed life insurance broker, a registered insurance broker of Ontario and also a exempt market representative.</p> <p>Mr. Chan is also the Vice President of Business Operations at CWF Group Inc.</p>
Benny Cheung	<p>Director, Sales Ms. Cheung immigrated to Canada in 1986 where she began her Canadian career at Manulife Financial. In 2004, Ms. Cheung founded Elegant Financial Inc., a financial brokerage managing over 50 agents and more than 3,000 clients worldwide. With over 25 years of experience in the financial industry</p> <p>Ms. Cheung actively helps clients meet and achieve their financial goals. Ms. Cheung is a member of the Canadian MDRT and is a licensed life insurance broker and a mortgage agent.</p> <p>Ms. Cheung actively participates in the community. As one of the founding members of the Toronto Lions Club, Ms. Cheung serviced the club for over 10 years and was also nominated as the ninth President. Ms. Cheung was a member of the Chinese Chamber of Commerce in Toronto for 14 years and was elected as the President of the association. Ms. Cheung was also the Chairman of the Preparatory Committee for the Toronto International Dragon Boat Festival (TIDBRF) and is currently the acting President of the Federation of Transoceanic Chinese Canadian Association. Ms. Cheung initiated and organized two trade exchanges between the Canadian Chinese Chamber of Commerce and China while accompanied by the mayor and parliamentarians of Canada visiting all over China and meeting with local Chinese officials and business representatives to help bridge economic trade between Canada and China. As a member of SickKids Hospital Foundation Ms. Cheung help organize 4 annual fundraising events raising more than \$2.5 million in donations.</p>
Barry Lebow	<p>Advisory Board Starting his real estate career in 1968, Mr. Lebow has evolved into one of Canada's most recognized real estate professionals. His articles circulate across Canada and around the world. As a popular guest speaker and instructor he has appeared before real estate and legal audiences across Canada, the United States and international. He has trained thousands of real estate professionals over the years.</p> <p>Mr. Lebow is one of the most versatile of all real estate professionals, given his demonstrated experience in areas including real estate evaluation, brokerage, construction and renovation, mediation, arbitration, mortgage brokerage and of course, his passion - education. This extensive background has qualified him as an expert witness in more than 500 court proceedings plus hearings and arbitrations. Starting in the 1970s, he built Lebow, Hicks Appraisal Services Inc. into one of the best-recognized boutique real estate appraisal firms in Canada. He sold his interest in the firm to return to his passion, selling real estate in 2010. He is a broker with RE/MAX Ultimate Realty Inc. and is recognized by RE/MAX Ontario-</p>

Name	Principal Occupation and Related Experience
	<p>Atlantic for being in the elite top 5% of RE/MAX agents.</p> <p>Mr. Lebow has earned 14 recognized real estate designations, with 3 specific to appraisal and is a member of multiple real estate organizations. He was a former national director of the Real Estate Institute of Canada and has served as chair, president, or sat on the national boards of various professional associations. He is the author of various education programs and seminars which he teaches for real estate boards in Ontario.</p> <p>In 2007 he founded the Society of Senior Agents and launched the Accredited Senior Agent designation program for Realtors across Canada. Thousands of Realtors have now taken the training for the ASA designation.</p> <p>Mr. Lebow is also a community leader who has continually been active raising money or volunteering for various charities or community groups and he sits as an advisor to three nonprofit housing complexes and has acted as an advisor to many charitable organizations. He is active in raising money for Alzheimer's research at Baycrest Hospital and supports various other charities.</p> <p>He is proud to have received the Meritorious Service Award from the Toronto Chapter of the Real Estate Institute of Canada in 2009 for his leadership and professionalism in organized real estate. In 2018 he was awarded the QuadReal Literary Award by the REIC for the finest of real estate writing for the year.</p>

3.3 Penalties, Sanctions and Bankruptcy

- (a) There are no penalties or sanctions that have been in effect during the last ten (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.
- (b) 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 against a director, senior officer or control person of a director, senior officer or control person at the time.

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	Unlimited	222	222	222
Class A Preferred Shares	Unlimited	108,171.027	108,171.027	N/A
Class B Preferred Shares	Unlimited	537,306.643	537,306.643	N/A

4.2 Debt

Please refer to audited financial statements.

4.3 Prior Sales

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

Subscribers	Class and Number of Shares	Aggregate Consideration	Price per Share
Alfred Hei Yin Poon	11 Common Shares	\$11.00	\$1.00
Nga Man Yeung	11 Common Shares	\$11.00	\$1.00

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

Date of Issuance	Type of Security	Number of Securities Issued	Price Per Security	Total Funds Received
March 2019	Preferred Shares, Class A	6,725.35	\$10.00	\$67,253.50
March 2019	Preferred Shares, Class B	22,181.783	\$10.00	\$221,817.83
May 2019	Preferred Shares, Class B	17,300	\$10.00	\$173,000.00
June 2019	Preferred Shares, Class A	5,811.486	\$10.00	\$58,114.86
June 2019	Preferred Shares, Class B	21,327.916	\$10.00	\$213,279.16
July 2019	Preferred Shares, Class B	32,519	\$10.00	\$325,190.00
August 2019	Preferred Shares, Class A	24,200	\$10.00	\$242,000.00
September 2019	Preferred Shares, Class A	9,910.369	\$10.00	\$99,103.69
September 2019	Preferred Shares, Class B	10,134.442	\$10.00	\$101,344.42
November 2019	Preferred Shares, Class B	16,717.528	\$10.00	\$167,175.28
December 2019	Preferred Shares, Class A	10,453.60	\$10.00	\$104,536.00
December 2019	Preferred Shares, Class B	85,600.514	\$10.00	\$856,005.14
January 2020	Preferred Shares, Class B	3,500	\$10.00	\$35,000.00
February 2020	Preferred Shares, Class B	14,174	\$10.00	\$141,740.00

ITEM 5 SECURITIES OFFERED

5.1 Terms of Securities

The Corporation is authorized to issue an unlimited number of Class “A” Preferred Shares and unlimited number of Class “B” Preferred Shares (together, the “**Preferred Shares**”), which have attached to them the following rights, privileges, restrictions and conditions.

Voting

The holders of Preferred Shares are not entitled to receive notice of, attend nor vote at any meeting of the shareholders of the Corporation except as otherwise provided under the Act.

Issuable in Series

Subject to the Act, the Preferred Shares may at any time or from time to time be issued in one or more series. Subject to compliance with applicable law, the directors of the Corporation may by resolution fix the designation, preferences, rights, conditions, restrictions, limitations or prohibitions attaching to each series of Preferred Shares, including without limitation the rate of preferential dividends, the dates of payment thereof, and terms and conditions of redemption, conversion rights (if any) and any other provisions.

The Preferred Shares of each series shall rank on a parity with the Preferred Shares of every other series of the same class 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.

Dividends

The Corporation does not have a fixed dividend. Subject to the Act, the Board of Directors may from time to time declare and authorize the payment of dividends in their sole discretion.

The Class A Preferred Shares rank in priority to all other classes of preference shares, including the Class B Preferred Shares, in respect of the declaration and payment of dividends. Holders of the Class A Preferred Shares are entitled to receive, as and when declared by the Board of Directors out of monies of the Corporation properly applicable to the payment of dividends, cumulative preferential cash dividends at an annual rate of 5% per annum of the issue price of the Class A Preferred Shares. At an issue price of \$10.00 per Class A Preferred Share, the Corporation shall pay dividends of \$0.50 per annum for each Class A Preferred Share outstanding throughout the year. Dividends on the Class A Preferred Share shall be payable on each Dividend Payment Date prior to the payment of dividends on any other class of shares of the Corporation. All dividends that the Board of Directors may declare on the Class A Preferred Shares shall be declared and paid in equal amounts per share on all Class A Preferred Shares at the time outstanding.

Holders of the Class B Preferred Shares shall be entitled to receive, as and when declared by the Board of Directors out of monies of the Corporation properly applicable to the payment of dividends, but subject to the prior right to dividends of the holders of the Class A Preferred Shares, preferential cash dividends in such amount and in such form as the Board of Directors may from time to time determine, payable on each Dividend Payment Date. No dividends may be declared or paid on the Class B Preferred Shares until 5% cumulative dividends have first been paid on the Class A Preferred Shares. In respect of its Class B Preferred Shares, the Corporation intends to target the payment of a quarterly distribution in an amount equal to approximately $\frac{1}{4}$ of 8.5% of the subscription price of such Class B Preferred Shares, which

distributions will rank lower in priority to the Class A Preferred Shares (where dividends will be declared on a monthly basis, but paid quarterly). All dividends that the Board of Directors may declare on the Class B Preferred Shares shall be declared and paid in equal amounts per share on all Class B Preferred Shares at the time outstanding.

For clarity, dividends must be paid to holders of Class A Preferred Shares each quarter before any dividends may be paid to holders of Class B Preferred Shares or common shares of the Corporation. To ensure that the Corporation qualifies as a MIC for purposes of the Tax Act, the articles provide that the holders of Preferred Shares have a right, after payment to them of their preferred dividends, and payment of dividends in a like amount per share to the holders of the common shares, to participate *pari passu* with the holders of the common shares in any further payment of dividends. However, in the normal course, no dividends are paid on the common shares.

Subject to such working capital or reserve requirements as the Board of Directors 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, Dissolution or Winding Up

In the event of any Liquidation Distribution, the Class A Preferred Shareholders shall be entitled to receive from the assets and property of the Corporation for each Class A Preferred Share held by them the Class A Redemption Price before any amount shall be paid or any property or assets of the Corporation distributed to the Class B Preferred Shareholders or the Common Shareholders or shares of any other class ranking junior to the Class A Preferred Shares with respect to priority in a Liquidation Distribution.

Subject to the prior ranking right to any Liquidation Distribution of the Class A Preferred Shareholders, the Class B Preferred Shareholders shall be entitled to receive from the remaining assets and property of the Corporation, for each Class B Preferred Share held by them, the Class B Redemption Price before any amount shall be paid or any property or assets of the Corporation distributed to the Common Shareholders or shares of any other class ranking junior to the Class B Preferred Shares with respect to priority in a Liquidation Distribution.

Redemption at the Option of the Holder of Preferred Shares

Holders of the Preferred Shares have redemption rights, meaning that they have a right to present all or some of their Preferred Shares to the Corporation for cancellation and payment to such Preferred Shareholder by the Corporation of the applicable Class A Redemption Payment or Class B Redemption Payment, as the case may be. There is no redemption allowed in the first 12 months following the subscription date.

Provided that (i) a Preferred Share that is the subject of a Redemption Request has been issued and outstanding for least 12 months; and (ii) making the Class A Redemption Payment or the Class B Redemption Payment, as the case may be, will not result in a contravention of the Act or of any other provision of the Corporation’s Articles, a holder of one or more Preferred Shares shall be entitled to require the Corporation to redeem at the Class A Redemption Price or the Class B Redemption Price all or any part of the Class A Preferred Shares or Class B Preferred Shares then held in accordance with the terms set out herein. A Preferred Shareholder must provide a Redemption Request to the Corporation. The Preferred Shares specified in the Redemption Request will be redeemed by the Corporation on the Business Day next following the date that is 180 days after receipt by the Corporation of the Redemption

Request (the “**Redemption Date**”). The Class A Redemption Payment or Class B Redemption Payment shall be made to the redeeming Class A Preferred Shareholder or Class B Preferred Shareholder, as the case may be, within three Business Days of the Redemption Date, which shall be the Redemption Payment Date. The Directors may in their sole discretion, in the case of any Preferred Shareholder, waive or reduce the minimum 12 month holding period or the minimum notice period provided herein, including in circumstances where the Directors have determined that such requirements result in undue hardship to the Preferred Shareholder.

Early Redemption Penalty

In calculating the Class B Redemption Payment for Class B Preferred Shares in respect of which redemption is requested, the Class B Redemption Payment otherwise payable will be reduced:

- (i) by 4.5% of the original purchase price of such Class B Preferred Shares if at least 12 months but less than 24 months have elapsed between the issue date of the Class B Preferred Shares and the date on which the Redemption Request is submitted to the Corporation; and
- (ii) by 3.0% of the original purchase price of such Class B Preferred Shares if at least 24 months but less than 36 months have elapsed between the issue date of the Class B Preferred Shares and the date on which the Redemption Request is submitted to the Corporation;

and such reduction is called the “Early Redemption Penalty”. The Board of Directors may, in its sole discretion, waive all or any part of the Early Redemption Penalty in the case of any particular holder of Class B Preferred Shares.

No Early Redemption Penalty applies to any redemption of the Class A Preferred Shares.

Redemption at the Option of the Corporation

Upon 21 days' prior written notice to the Preferred Shareholder, the Corporation may at any time redeem any Preferred Share registered in the name of a Preferred Shareholder at the Class A Redemption Price or the Class B Redemption Price, as the case may be. The Corporation may, without notice to the Preferred Shareholder, redeem sufficient Preferred Shares registered in the name of a Preferred Shareholder at the Class A Redemption Price or the Class B Redemption Price, as the case may be, to the extent necessary to pay any outstanding fees, charges, expenses or other amounts owed by the Preferred Shareholder to the Corporation. The Corporation may, without notice to the Preferred Shareholder, redeem Class A Preferred Shares or Class B Preferred Shares registered in the name of a Preferred Shareholder at the Class A Redemption Price or the Class B Redemption Price, as the case may be, where (i) required by applicable law or policies of security regulatory authorities; or (ii) as may be required to ensure that the Corporation qualifies and continues to qualify as a “mortgage investment corporation” under section 130.1 of the Tax Act; or (iii) where the Board of Directors has by resolution determined that such redemption is necessary in order to ensure that the securities of the Corporation do not constitute a “prohibited investment” to any annuitant of a registered plan for purposes of the Tax Act.

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 calendar month (the “**Record Date**”) shall be entitled to receive dividends, which dividends, if any, will be declared on a monthly basis. Once declared, dividends are payable by the Corporation, and will be paid on a quarterly basis, generally within 15 days of the end of the quarter. All such declared dividends will be credited to the account of each holder of Preferred Shares as at the payment date by crediting such holder’s account with additional Preferred Shares or fractions thereof in proportion to the holder’s respective shareholdings. At the option of the holder, some or all of the holder’s dividends shall be payable in the form of a cash dividend rather than being reinvested in additional Preferred Shares, which will be paid on a quarterly basis (generally calculated to the end of November 30, February 28, May 31, and August 31 of each year, and paid within 15 days following such quarter end). In order to ensure continued qualification as a MIC under the Tax Act, the Corporation, in its sole discretion, may elect to pay dividends in cash. Notwithstanding the foregoing, payments of dividends in respect of the Record Date representing the last day of each fiscal year shall be paid within 90 days of the fiscal year end.

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 will from time to time determine target yields with respect to the Preferred Shares. 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 year. 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 Administrator, 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 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 has a 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.

Constraints on Transferability

Requests to transfer shares of the Corporation will be acceded to by the Board of Directors provided that the requested transfer of shares does not impair the Corporation’s status as a MIC or contravene any law, rule, policy or regulation prescribed by any applicable securities commission or the provisions of the Act or any other applicable laws.

Paragraph 130.1(6)(d) of the Tax Act stipulates that to qualify as a MIC, a corporation must have at least twenty shareholders and no one shareholder may be a Specified Shareholder (defined below) of the corporation. A Specified Shareholder, as defined in the Tax Act, would include a taxpayer who, alone or together with any person related to the taxpayer, owns, directly or indirectly, more than 25% of the issued shares of any class of the capital stock of the Corporation (a “**Specified Shareholder**”). The Tax Act states that a trust governed by a registered pension plan or a deferred profit sharing plan is counted as four shareholders for purposes of determining the number of shareholders and one shareholder for purposes of determining if a shareholder is a Specified Shareholder. The Board of Directors intend to refuse registration of an allotment or any transfer of shares which would result in the Corporation ceasing to meet the qualifications of a MIC.

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

Canadian Investors

The Securities offered by this Offering Memorandum will be issued in accordance with various statutory exemptions contained in the securities legislation of each of the Offering Jurisdictions and the rules and regulations promulgated thereunder.

This Offering is being made in the Offering Jurisdictions in reliance on one or more of the following prospectus exemptions as set out in National Instrument 45-106 – *Prospectus Exemptions* (“**NI 45-106**”): (1) the Accredited Investor exemption to those investors that qualify as an “accredited investor” as such term is defined in NI 45-106; (2) the Offering Memorandum exemption; and (3) as may be applicable, the Minimum Amount Investment exemption. Each Investor relying on the Accredited Investor exemption will be required to certify in the subscription agreement (the “**Subscription Agreement**”), copies of which are available from the Administrator, that it is an “accredited investor” as defined in NI 45-106. Each Investor relying on the Offering Memorandum exemption will be required to sign the “risk acknowledgement” form as part of the Subscription Agreement.

Additionally, in Alberta, Manitoba, Ontario, Northwest Territories, Nunavut, Prince Edward Island, Quebec, Saskatchewan and Yukon, Investors may also be “eligible investors” as such term is defined in NI 45-106. Each applicable Investor resident in these jurisdictions will also be required to certify in the Subscription Agreement that it is an “eligible investor” as defined in NI 45-106.

Foreign Investors

In order to meet the conditions for exemption from the registration, prospectus or other requirements under the securities laws of some jurisdictions, other than Canada and the United States, Investors who are residents of those jurisdictions may be required to meet additional suitability standards or comply with other requirements.

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 available from the Administrator, 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;
- (c) in the case of an investor that is relying on the Offering Memorandum exemption to purchase Preferred Shares:
 - (i) a completed and executed Form 45-106F4 – Risk Acknowledgement;
 - (ii) if required, a completed and executed Appendix I to Form 45-106F4;
 - (iii) if required, a completed and executed Appendix II to Form 45-106F4; and
 - (iv) 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 the each month and settled within three 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 shall 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.

Minimum Initial and Subsequent Investments

The minimum initial subscription is 2,500 Preferred Shares (\$25,000 expected value) and the minimum subsequent investment amount is 500 Preferred Shares (\$5,000 expected value). The Administrator will determine, and from time to time, may change the minimum subscription amounts for initial and subsequent investments in any series of shares, for all or any investments, at any time, without notice to investors. At the time of making each additional investment in the Corporation, each Subscriber will be deemed to have repeated to the Corporation the covenants and representations contained in the Subscription Agreement delivered by the Subscriber to the Corporation at the time of the initial purchase.

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 and terrorist financing, the Corporation or the Administrator may require additional information concerning investors. If, as a result of any information or other matter which comes to the Corporation's or the Administrator's attention, any director, officer or employee of the Corporation or the Administrator knows or suspects that an investor is engaged in money laundering or terrorist financing, such person is required to report such information or other matter to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) and such report shall 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 Tax Act;
- (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 common shares, to participate *pari passu* with the holders of common shares in any further payment of dividends;

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

- (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 Tax Act) 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 be 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 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 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 the 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. As at the date of this Offering Memorandum, there is one agreement has been entered into.

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.

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) ***Liquidity*** – Shareholders have the right to require the Corporation to redeem their Preferred Shares upon prescribed notice to the Corporation as set forth in Item 5.1 “Terms of Securities”. The Corporation provides no assurance that any Shareholder will be able to redeem any or all of their Preferred Shares at any time. Redemption is subject to the availability of funds and 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 Administrator, 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 Fair 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

Administrator 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 “Item 2, Business of the Corporation – 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 commercial best efforts to ensure that the Corporation continues to qualify as a MIC pursuant to the Tax Act. As well, the Board of Directors has the discretion to reject any applications for reinvestment of dividends or share subscriptions, transfers or redemptions. **There can be no assurance, however, that the Corporation will be able to meet the Tax Act’s MIC qualifications at all 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 Administrator. Should these staff be unable or unwilling to continue their employment with the Administrator, 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) **Potential conflicts of interest** - The Directors of the Corporation and the Administrator 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 Administrator. The Administrator 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 Administrator has business relations. In such cases, the Administrator has the right to take such action as it sees fit. As such, there is a risk the Administrator will not be able to originate sufficient suitable investment opportunities to keep the Corporation's funds fully invested.

The Directors of the Corporation may by unanimous resolution vary the Corporation's investment criteria. See Section 2.2, "Our Business - Changes to Investment Strategies, Operating Restrictions and Investment Policies."

The Administrator 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.

The Board approves all policies of the Corporation and has final approval on all individual mortgages recommended by the Administrator. 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.

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 Administrator 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 Administrator'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. Given that the Corporation primarily invests in second mortgages, this risk is particularly heightened. 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 will make a loan in return for a second or third charge on the property. Second or third mortgage investments typically attract higher loan loss risk due to their subordinate ranking to other mortgage charges and typically higher aggregate loan-to-value ratio. This higher risk is compensated for by a higher rate of return. Also, 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. When a charge on real property is in a position other than the first rank, it is possible for the holder of a prior charge, if the

borrower is in default under the terms of its obligations to such holder, to take a number of actions against the borrower and ultimately against the underlying real property. Such actions may include foreclosure, the exercising of a giving-in-payment clause or an action forcing the underlying real property to be sold (known as a “**power of sale**”). Foreclosure or the exercise of a giving-in-payment clause may have the ultimate effect of depriving any person, other than the holder of a first-ranking charge on the underlying real property, of the security of such real property. 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

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

Nevertheless, the Corporation is required under the Act to send a copy of its audited annual financial statements to its shareholders. In addition, the Corporation also sends a copy of interim unaudited financial statements on a semi-annual basis to its shareholders.

Each shareholder will also receive a statement of their shareholdings on a quarterly basis. Annually, each shareholder receives a letter from the Corporation indicating the performance of the Corporation during the previously completed financial year. The financial year of the Corporation ends on the 31st day of August of each year.

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.

In addition to the aforementioned resale restrictions, section 130.1(6)(d) of the Tax Act stipulates that a MIC may not have fewer than 20 shareholders and no one shareholder may hold more than 25% of the total issued and outstanding shares of any class of the Corporation's capital. Accordingly, under the Corporation's articles, the right to transfer shares of the Corporation is restricted and no shares shall be transferred without the consent of the majority of the directors of the Corporation expressed by a resolution passed by the Board of Directors.

Requests to transfer shares of the Corporation will be acceded to by the directors of the Corporation provided that the requested transfer of shares does not impair the Corporation's status as a MIC or contravene any law, rule, policy or regulation prescribed by any applicable securities commission or the provisions of the Act or any other applicable laws. For greater certainty, the terms "transfer" and "transferred" shall not be construed so as to include a tender of shares by a shareholder for the purpose of their retraction by the Corporation.

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.

Two Day Cancellation Right

You can cancel your agreement to purchase these securities. 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 securities.

Ontario

Statutory Rights of Action for Damages or Rescission

Securities legislation in Ontario provides subscribers resident in Ontario with, in addition to any other right they may have at law, rights of rescission or damages where the Offering Memorandum and any amendment thereto contains a misrepresentation. However, such rights must be exercised by the subscriber within specified time limits.

If the Offering Memorandum, together with any amendment or supplement thereto, delivered to a purchaser of Preferred Shares resident in Ontario contains an untrue statement of material fact or omits to state a material fact that is required to be stated or that is necessary in order to make any statement therein not misleading in light of the circumstances in which it was made (herein called a "**misrepresentation**") and it was a misrepresentation at the time of purchase, the purchaser will have, without regard to whether the purchaser relied on such misrepresentation, a right of action, either for damages or alternatively for rescission, against the Corporation while still the owner of any of the Preferred Shares offered hereunder, provided that:

- (a) the Corporation shall not be held liable pursuant to such right of action if the Corporation proves the investor purchased the Preferred Shares with knowledge of the misrepresentation;

- (b) in an action for damages, the Corporation is not liable for all or any portion of such damages that it proves do not represent the depreciation in value of the Preferred Shares acquired by the investor as a result of the misrepresentation relied upon;
- (c) the Corporation will not be liable for a misrepresentation in forward looking information if the Corporation proves that:
 - (i) this Offering Memorandum contains reasonable cautionary language identifying the forward looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
 - (ii) the Corporation has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward looking information;
- (d) in no case shall the amount recoverable pursuant to such right of action exceed the price at which the Preferred Shares were offered to the investor; and
- (e) no action may be commenced to enforce such right of action more than,
 - (i) in the case of an action for rescission 180 days after the date of the acceptance of the subscription by the Corporation; or
 - (ii) in the case of an action for damages, the earlier of
 - (a) 180 days after the investor has knowledge of the misrepresentation, or
 - (b) three years after the date of the acceptance of the subscription by the Corporation.

For the purposes of this section, a “material fact” means a fact that significantly affects, or would reasonably be expected to have a significant effect on, the market price or value of the Preferred Shares.

British Columbia

Statutory Rights of Action for Damages or Rescission

To the extent a Subscriber has subscribed pursuant to the Offering Memorandum Exemption as described in Section 5.2 “Subscription Qualification – Offering Memorandum Exemption”, in the event of 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, as such concept is defined in applicable securities laws, at the date of the Offering Memorandum, and every person or entity who signed the Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various 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 securities. If

you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. You must not commence your action for damages more than the earlier of (i) three years after the date of the transaction that gave rise to the cause of action; or (ii) 180 days after you first had knowledge of the facts giving rise to the cause of action.

Contractual Rights of Action for Damages or Rescission.

Purchasers of Preferred Shares pursuant to this Memorandum who are resident in British Columbia but who have not subscribed pursuant to the Offering Memorandum Exemption as described in Section 5.2 “Subscription Qualification – Offering Memorandum Exemption” shall be granted a contractual right of action for damages or rescission if this Memorandum, together with any amendments to it, contains a misrepresentation. The contractual right of action shall be granted on the same terms and conditions as the statutory rights of action for purchasers of Preferred Shares who are resident in Ontario as described above.

Alberta

Securities legislation in Alberta provides that every purchaser of securities pursuant to this Offering Memorandum shall have, in addition to any other rights they have at law, a right of action for damages or rescission, or both, against the issuer or selling security holder on whose behalf the distribution is made if the Offering Memorandum or any amendment thereto contains a misrepresentation. However, such rights must be exercised within prescribed time limits. Investors should refer to the applicable provisions of the Alberta securities legislation for particulars of those rights or consult with a lawyer.

In Alberta, unless provided in the *Securities Act* (Alberta), no action shall be commenced to enforce the statutory right of action more than,

- (a) in the case of an action for rescission, 180 days from the day of the transaction that gave rise to the cause of action, or
- (b) in the case of any action, other than an action for rescission, the earlier of: (i) 180 days from the day the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) one year from the day of the transaction that gave rise to the cause of action.

Manitoba

Sections 141.1, 141.1.2, and 141.4 of *The Securities Act* (Manitoba) provide that if the Offering Memorandum delivered to a purchaser of the Offered Securities resident in Manitoba contains a misrepresentation and it was a misrepresentation at the time of purchase of the Offered Securities by such purchaser, the purchaser will be deemed to have relied on such misrepresentation and will have a right of action against the Corporation, every person performing a function or occupying a position with respect to the Corporation which is similar to that of a director of a company, and every person or company that signed the Offering Memorandum for damages or, alternatively, while still the owner of the purchased Offered Securities, for rescission against the Corporation (in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages), provided that among other limitations:

- (a) the Corporation will not be liable if it proves that the purchaser purchased the Offered Securities with knowledge of the misrepresentation;

- (b) in the case of an action for damages, the Corporation will not be liable for all or any portion of the damages that it proves does not represent the depreciation in value of the Offered Securities as a result of the misrepresentation;
- (c) other than with respect to the Corporation, no person or company is liable if the person or company proves:
 - (i) that this Offering Memorandum was sent to the purchaser without the person's or company's knowledge or consent; and
 - (ii) that, after becoming aware that it was sent, the person or company promptly gave reasonable notice to the Corporation that it was sent without the person's or company's knowledge and consent;
- (d) other than with respect to the Corporation, no person or company is liable if the person or company proves that, after becoming aware of the misrepresentation, the person or company withdrew the person's or company's consent to this Offering Memorandum and gave reasonable notice to the Corporation of the withdrawal and the reason for it;
- (e) if, with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that:
 - (i) there had been a misrepresentation; or
 - (ii) the relevant part of the Offering Memorandum:
 - A. did not fairly represent the expert's report, opinion or statement; or
 - B. was not a fair copy of, or an extract from, the expert's report, opinion or statement;
- (f) other than with respect to the Corporation, no person or company is liable with respect to any part of this Offering Memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company:
 - (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; or
 - (ii) believed there had been a misrepresentation;
- (g) in no case will the amount recoverable in any action exceed the price at which the Offered Securities were sold to the purchaser; and
- (h) the right of action for rescission or damages will be exercisable only if the purchaser commences an action to enforce such right, not later than:
 - (i) in the case of an action for rescission, 180 days after the date of purchase of the Offered Securities; or

- (ii) in the case of an action for damages, the earlier of (A) 180 days following the date the purchaser first had knowledge of the misrepresentation, and (B) two years after the date of purchase of the Offered Securities.

A person or company is not liable in an action for a misrepresentation in forward-looking information if the person or company proves that:

- (a) this Offering Memorandum contains, proximate to that information,
 - (i) reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information;
 - (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the person or company had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, this Offering Memorandum, the misrepresentation is deemed to be contained in this Offering action for damages) provided that:

- (a) no person will be liable if it proves that the purchaser purchased the Offered Securities with knowledge of the misrepresentation;
- (b) in an action for damages, no person will be liable for all or any portion of the damages that it proves does not represent the depreciation in value of the Offered Securities as a result of the misrepresentation relied upon;
- (c) in no case shall the amount recoverable exceed the price at which the Offered Securities were offered under the Offering Memorandum or amendment;
- (d) the Corporation shall not be liable where it is not receiving any proceeds from the distribution of the Offered Securities being distributed and the misrepresentation was not based on information provided by the Corporation unless the misrepresentation:
 - (i) was based on information that was previously publicly disclosed by the Corporation;
 - (ii) was a misrepresentation at the time of its previous public disclosure; and
 - (iii) was not subsequently publicly corrected or superseded by the Corporation before the completion of the distribution of the Offered Securities being distributed; and
- (e) no action may be commenced to enforce a right of action:
 - (i) for rescission, more than 180 days after the date of the purchase; or

- (ii) for damages, more than the earlier of (A) one year after the purchaser first had knowledge of the misrepresentation, and (B) six years after the date of the purchase.
- (f) No person will be liable for a misrepresentation in forward-looking information if the person proves that:
- (g) the Offering Memorandum contains, proximate to that information,
 - (i) reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information;
 - (ii) and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (h) the person had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

Northwest Territories

Sections 112 and 121 of the *Securities Act* (Northwest Territories) provide that if the Offering Memorandum delivered to a purchaser of the Offered Securities resident in Northwest Territories contains a misrepresentation, a purchaser who purchases a security offered by the Offering Memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the Corporation, the selling security holder on whose behalf the distribution is made, every person performing a function or occupying a position with respect to the Corporation which is similar to that of a director of a company, and every person who signed the Offering Memorandum. In addition, such a purchaser also has a right of rescission against the Corporation or the selling security holder on whose behalf the distribution is made (in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages). Such rights of rescission and damages are subject to certain limitations including the following:

- (a) a person will not be liable if the person proves that the purchaser purchased the Offered Securities with the knowledge of the misrepresentation;
- (b) a person (other than the Corporation or selling security holder on whose behalf the distribution is made) will not be liable if:
 - (i) the Offering Memorandum was sent to the purchaser without the Corporation's knowledge or consent and that, on becoming aware of its being sent, the person promptly gave reasonable notice to the Corporation that it was sent without the knowledge and consent of that person or company;
 - (ii) the person, on becoming aware of the misrepresentation in the Offering Memorandum, withdrew the person's consent to the Offering Memorandum and gave reasonable notice to the Corporation of the withdrawal and the reason for it;

- (iii) with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe and did not believe that:
 - A. there had been a misrepresentation; or
 - B. the relevant part of the Offering Memorandum did not fairly represent the report, statement or opinion of the expert or was not a fair copy of, or an extract from, the report, statement or opinion of the expert;
 - (iv) except the Corporation and selling security holder, for any part of an Offering Memorandum that is not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, unless the person:
 - A. failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or
 - B. believed that there had been a misrepresentation;
- (c) in an action for damages, a defendant will not be liable for all or any part of the damages that the defendant proves does not represent the depreciation in value of the security resulting from the misrepresentation;
- (d) the Corporation and every person performing a function or occupying a position with respect to the Corporation which is similar to that of a director of a company at the date of the Offering Memorandum who is not a selling security holder, is not liable if the Corporation does not receive any proceeds from the distribution of the Offered Securities and the misrepresentation was not based on information provided by the Corporation, unless the misrepresentation
 - (i) was based on information previously publicly disclosed by the Corporation;
 - (ii) was a misrepresentation at the time of its previous public disclosure; and
 - (iii) was not subsequently publicly corrected or superseded by the Corporation before completion of the distribution of the Offered Securities being distributed;
- (e) the amount recoverable by the purchaser in an action for damages must not exceed the price at which the Offered Securities purchased by the purchaser were offered; and
- (f) no action may be commenced to enforce a right of action more than:
 - (i) in the case of an action for rescission, 180 days after the date of the purchase; or
 - (ii) in the case of an action for damages, the earlier of (A) 180 days after the purchaser first had knowledge of the misrepresentation, or (B) three years after the date of the purchase.

In addition, no person will be liable with respect to a misrepresentation in forward-looking information (excluding those made in financial statements) if:

- (a) the Offering Memorandum containing the forward-looking information contained, proximate to the forward-looking information,
 - (i) reasonable cautionary language identifying the forward-looking information as such and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information;
 - (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the person or company had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information.

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

Nova Scotia

Sections 138, 139A, and 146 of *Securities Act* (Nova Scotia) provide that if the Offering Memorandum or any amendment delivered to a purchaser of the Offered Securities resident in Nova Scotia contains a misrepresentation, a purchaser resident in Nova Scotia to whom this Offering Memorandum has been sent or delivered and who purchases the Offered Securities is deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and the purchaser has a right of action for damages against the Corporation, against every person acting in a capacity with respect to the Corporation which is similar to that of a director of a company, and every person or company that signed the Offering Memorandum or alternatively, may elect to exercise a right of rescission against the Corporation (in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages), provided that:

- (a) in an action for rescission or damages, a person will not be liable if it proves that the purchaser purchased the Offered Securities with knowledge of the misrepresentation;
- (b) no person other than the Corporation is liable if the person proves that:
 - (i) this Offering Memorandum or the amendment to this Offering Memorandum was sent or delivered to the purchaser without the person's knowledge or consent and that, on becoming aware of its delivery, the person gave reasonable general notice that it was delivered without the person's knowledge or consent;
 - (ii) after delivery of this Offering Memorandum or the amendment to this Offering Memorandum and before the purchase of the Offered Securities by the purchaser, on becoming aware of any misrepresentation in this Offering Memorandum, or amendment to this Offering Memorandum, the person withdrew the person's consent to this Offering Memorandum, or the amendment to this Offering

Memorandum, and gave reasonable general notice of the withdrawal and the reason for it;

- (iii) with respect to any part of the Offering Memorandum or amendment to the Offering Memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the Offering Memorandum or amendment to the Offering Memorandum

- A. did not fairly represent the report, opinion or statement of the expert, or

- B. was not a fair copy of, or an extract from, the report, opinion or

- (iv) with respect to any part of this Offering Memorandum or amendment to the Offering Memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person

- A. failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or

- B. believed that there had been a misrepresentation;

- (c) in an action for damages, a person is not liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Offered Securities as a result of the misrepresentation relied upon;

- (d) in no case shall the amount recoverable under the right of action described herein exceed the price at which the Offered Securities were offered; and

- (e) no action may be commenced to enforce a right of action more than 120 days:

- (i) after the date on which payment was made for the Offered Securities; or

- (ii) after the date on which the initial payment was made for Offered Securities where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment.

In addition, a person is not liable in an action for a misrepresentation in forward-looking information if:

- (a) this Offering Memorandum contains, proximate to that information,

- (i) reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information;

- (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the person had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

If a misrepresentation is contained in a record incorporated by reference in, or deemed incorporated into, this Offering Memorandum or an amendment to this Offering Memorandum, the misrepresentation is deemed to be contained in this Offering Memorandum or an amendment to this Offering Memorandum.

Nunavut

Sections 112 and 121 of the *Securities Act* (Nunavut) provide that if the Offering Memorandum delivered to a purchaser of the Offered Securities resident in Nunavut contains a misrepresentation, a purchaser who purchases a security offered by the Offering Memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the Corporation, the selling security holder on whose behalf the distribution is made, against every person acting in a capacity with respect to the Corporation which is similar to that of a director of a company, and every person who signed the Offering Memorandum. In addition, such a purchaser also has a right of rescission against the Corporation or the selling security holder on whose behalf the distribution is made (in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages). Such rights of rescission and damages are subject to certain limitations including the following:

- (a) a person will not be liable if the person proves that the purchaser purchased the Offered Securities with the knowledge of the misrepresentation;
- (b) a person (other than the Corporation or selling security holder on whose behalf the distribution is made) will not be liable if:
 - (i) the Offering Memorandum was sent to the purchaser without the person's knowledge or consent and that, on becoming aware of its being sent, the person promptly gave reasonable notice to the Corporation that it was sent without the knowledge and consent of that person;
 - (ii) the person, on becoming aware of the misrepresentation in the Offering Memorandum, withdrew the person's consent to the Offering Memorandum and gave reasonable notice to the Corporation of the withdrawal and the reason for it; or
 - (iii) with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe and did not believe that:
 - A. there had been a misrepresentation; or
 - B. the relevant part of the Offering Memorandum did not fairly represent the report, statement or opinion of the expert or was not a fair copy of, or an extract from, the report, statement or opinion of the expert;

- (iv) except for the Corporation and selling security holder, for any part of an Offering Memorandum that is not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, unless the person:
 - A. failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or
 - B. believed that there had been a misrepresentation;
- (c) the Corporation, and every person performing a function or occupying a position with respect to the Corporation which is similar to that of a director of a company at the date of the Offering Memorandum who is not a selling security holder, is not liable if the Corporation does not receive any proceeds from the distribution of the Offered Securities and the misrepresentation was not based on information provided by the Corporation, unless the misrepresentation:
 - (i) was based on information previously publicly disclosed by the Corporation;
 - (ii) was a misrepresentation at the time of its previous public disclosure; and
 - (iii) was not subsequently publicly corrected or superseded by the Corporation before completion of the distribution of the Offered Securities being distributed;
- (d) in an action for damages, a defendant will not be liable for all or any part of the damages that the defendant proves does not represent the depreciation in value of the security resulting from the misrepresentation;
- (e) the amount recoverable by the purchaser in an action for damages must not exceed the price at which the Offered Securities purchased by the purchaser were offered; and
- (f) no action may be commenced to enforce a right of action more than the earlier of:
 - (i) in the case of an action for rescission, 180 days after the date of the purchase; or
 - (ii) in the case of an action for damages, (A) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (B) three years after the date of the purchase.

In addition, no person will be liable with respect to a misrepresentation in forward-looking information (excluding those made in financial statements) if:

- (a) the Offering Memorandum containing the forward-looking information contained, proximate to the forward-looking information,
 - (i) reasonable cautionary language identifying the forward-looking information as such and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and

- (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the person had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information.

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

Prince Edward Island

Sections 112 and 121 of the *Securities Act* (Prince Edward Island) provide that if the Offering Memorandum contains a misrepresentation, a purchaser resident in Prince Edward Island who purchased a security under this Offering Memorandum will be deemed to have relied upon the misrepresentation and will have a right of action against the Corporation, the selling security holder on whose behalf the distribution is made, against every person acting in a capacity with respect to the Corporation which is similar to that of a director of a company, and every person who signed the Offering Memorandum. In addition, such a purchaser also has a right of rescission against the Corporation or the selling security holder on whose behalf the distribution is made (in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages). Such rights of rescission and damages are subject to certain limitations including the following:

- (a) no person will be liable if the person or company proves that the purchaser purchased the Offered Securities with knowledge of the misrepresentation;
- (b) except the Corporation or selling security holder, no person will be liable if it proves that
 - (i) the Offering Memorandum was sent to the purchaser without the person's knowledge or consent and that, on becoming aware of its being sent, the person had promptly given reasonable notice to the Corporation that it had been sent without the knowledge and consent of the person;
 - (ii) the person, on becoming aware of the misrepresentation in the Offering Memorandum, had withdrawn the person's consent to the Offering Memorandum and had given reasonable notice to the Corporation of the withdrawal and the reason for it; or
 - (iii) with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe and did not believe that
 - A. there had been a misrepresentation, or
 - B. the relevant part of the Offering Memorandum (1) did not fairly represent the report, statement or opinion of the expert, or (2) was not a fair copy of, or an extract from, the report, statement or opinion of the expert;

- (c) except the Corporation or selling security holder, no person or company will be liable with respect to any part of the Offering Memorandum not purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert unless the person,
 - (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation or,
 - (ii) believed that there had been a misrepresentation;
- (d) in an action for damages, the defendant is not liable for any damages that the defendant proves do not represent the depreciation in value of the security resulting from the misrepresentation;
- (e) an Corporation, and every person performing a function or occupying a position with respect to the Corporation which is similar to that of a director of a company at the date of the Offering Memorandum who is not a selling security holder, shall not be liable if the Corporation does not receive any proceeds from the distribution of the Offered Securities and the misrepresentation was not based on information provided by the Corporation, unless the misrepresentation:
 - (i) was based on information that was previously publicly disclosed by the Corporation;
 - (ii) was a misrepresentation at the time of its previous public disclosure; and
 - (iii) was not subsequently publicly corrected or superseded by the Corporation before completion of the distribution of the Offered Securities being distributed;
- (f) in no case shall the amount recoverable by a plaintiff exceed the price at which the Offered Securities purchased by the plaintiff were offered; and
- (g) no action shall be commenced to enforce a right of action more than:
 - (i) for rescission, 180 days after the date of the purchase; or
 - (ii) for damages, the earlier of (A) 180 days after the purchaser first had knowledge of the misrepresentation, or (B) three years after the date of the purchase.

A person is not liable for a misrepresentation in forward-looking information (excluding those made in financial statements) if:

- (a) the Offering Memorandum containing the forward-looking information contained, proximate to that information,
 - (i) reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information; and

- (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the person had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

If a misrepresentation is contained in a record incorporated by reference in, or deemed to be incorporated into, an Offering Memorandum, the misrepresentation is deemed to be contained in the Offering Memorandum

Quebec

Under legislation adopted but not yet in force in Québec, if this Offering Memorandum, together with any amendment hereto or any document incorporated by reference herein, delivered to an investor resident in Québec contains a misrepresentation, you will have: (i) a right of action for damages against the fund, every person in charge of the fund's patrimony, the dealer (if any) under contract to the fund and any expert whose opinion, containing a misrepresentation, appeared, with the expert's consent in this Offering Memorandum, and (ii) a right of action against the fund for rescission of the purchase contract or revision of the price at which the Special Shares were sold to you.

This statutory right of action will be available to you whether or not you have relied on the Offering Memorandum. You will be able to bring an action for rescission of the purchase contract or revision of the price without prejudice to your claim for damages.

However, there will be various defences available to the persons against whom you will have a right of action. For example, they will have a defence if you knew of the misrepresentation when you purchased the Special Shares. In an action for damages, a person listed above, other than the fund or the person(s) in charge of the fund's patrimony, will not be liable if that person acted with prudence and diligence.

In addition, the defendant will not be liable for a misrepresentation in forward-looking information if the defendant proves that:

- (a) this Offering Memorandum contains, proximate to the forward-looking information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection; and
- (b) there was a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information.

If you intend to rely on the rights described in (a) or (b) above, you will have to do so within strict time limitations. You will have to commence an action for rescission of the purchase contract or revision of the price within three years after the date of the purchase. You will have to commence an action for damages within the earlier of (i) three years after you first had knowledge of the facts giving rise to the cause of action (except on proof of tardy knowledge imputable to your negligence) or (ii) five years after the filing of this Offering Memorandum with the Autorité des marchés financiers.

Saskatchewan

Sections 138 and 147 of *The Securities Act* (Saskatchewan) provide that where an Offering Memorandum, together with any amendment to the Offering Memorandum, sent or delivered to a purchaser resident in Saskatchewan contains a misrepresentation, a purchaser who purchases a security covered by the Offering Memorandum or an amendment to the Offering Memorandum has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against (a) the Corporation or a selling security holder on whose behalf the distribution is made; (b) every promoter and every person performing a function or occupying a position with respect to the Corporation which is similar to that of a director of a company or the selling security holder, as the case may be, at the time the Offering Memorandum or the amendment to the Offering Memorandum was sent or delivered; (c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them; (d) every person who or company that, in addition to the persons or companies mentioned in clauses (a) to (c), signed the Offering Memorandum or the amendment to the Offering Memorandum; and (e) every person who or company that sells Offered Securities on behalf of the Corporation or selling security holder under the Offering Memorandum or amendment to the Offering Memorandum. In addition, such a purchaser also has a right of rescission against the Corporation or the selling security holder on whose behalf the distribution is made (in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages). Such rights of rescission and damages are subject to certain limitations including the following:

- (a) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the Offered Securities with knowledge of the misrepresentation;
- (b) except the Corporation or selling security holder, no person or company is liable if the person or company proves that:
 - (i) the Offering Memorandum or the amendment to the Offering Memorandum was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of its being sent or delivered, the person or company immediately gave reasonable general notice that it was so sent or delivered;
 - (ii) after the filing of the Offering Memorandum or the amendment to the Offering Memorandum and before the purchase of the Offered Securities by the purchaser, on becoming aware of any misrepresentation in the Offering Memorandum or the amendment to the Offering Memorandum, the person or company withdrew the person's or company's consent to it and gave reasonable general notice of the person's or company's withdrawal and the reason for it;
 - (iii) with respect to any part of the Offering Memorandum or of the amendment to the Offering Memorandum purporting to be made on the authority of an expert or purporting to be a copy of or an extract from a report, opinion or statement of an expert, the person or company had no reasonable grounds to believe and did not believe that:
 - A. there had been a misrepresentation;

- B. the part of the offering or of the amendment to the Offering Memorandum did not fairly represent the report, opinion or statement of the expert; or
 - C. the part of the Offering Memorandum or of the amendment to the Offering Memorandum was not a fair copy of or extract from the report, opinion or statement of the expert;
 - (iv) with respect to any part of the Offering Memorandum or of the amendment to the Offering Memorandum purporting to be made on the person's or company's own authority as an expert or purporting to be a copy of or an extract from the person's or company's own report, opinion or statement as an expert that contains a misrepresentation attributable to failure to represent fairly his, her or its report, opinion or statement as an expert:
 - A. the person or company had, after reasonable investigation, reasonable grounds to believe, and did believe, that the part of the Offering Memorandum or of the amendment to the Offering Memorandum fairly represented the person's or company's report, opinion or statement; or
 - B. on becoming aware that the part of the Offering Memorandum or of the amendment to the Offering Memorandum did not fairly represent the person's or company's report, opinion or statement as an expert, the person or company immediately advised the Commission and gave reasonable general notice that such use had been made of it and that the person or company would not be responsible for that part of the Offering Memorandum or of the amendment to the Offering Memorandum; or
 - (v) with respect to a false statement purporting to be a statement made by an official person or contained in what purports to be a copy of or extract from a public official document, the statement was a correct and fair representation of the statement or copy of or extract from the document and the person or company had reasonable grounds to believe, and did believe, that the statement was true;
- (c) except for the Corporation and selling security holder, no person or company will be liable for any part of the Offering Memorandum or the amendment to the Offering Memorandum purporting to be made on the person's or company's own authority as an expert or purporting to be a copy of or an extract from the person's or company's own report, opinion or statement as an expert, unless the person or company:
 - (i) failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; or
 - (ii) believed there had been a misrepresentation;
- (d) except for the Corporation and selling security holder, no person or company will be liable for any part of the Offering Memorandum or the amendment to the Offering Memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of or an extract from a report, opinion or statement of an expert, unless the person or company:

- (i) failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; or
 - (ii) believed there had been a misrepresentation;
- (e) every person who or company that sells Offered Securities on behalf of the Corporation or selling security holder under the Offering Memorandum or amendment to the Offering Memorandum is not liable if that person or company can establish that he, she or it cannot reasonably be expected to have had knowledge of any misrepresentation in the offering memorandum or the amendment to the offering memorandum;
- (f) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the Offered Securities resulting from the misrepresentation relied on;
- (g) in no case shall the amount recoverable exceed the price at which the Offered Securities were offered; and
- (h) no action shall be commenced to enforce a right of action more than:
 - (i) for rescission, 180 days after the date of purchase; or
 - (ii) for damages, the earlier of: (A) one year after the purchaser first had knowledge of the misrepresentation, or (B) six years after the date of the purchase.

A person or company is not liable for a misrepresentation in forward-looking information in the Offering Memorandum or amendment if the person or company proves that:

- (a) with respect to the document containing the forward-looking information, proximate to that information there is contained:
 - (i) reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information; and
 - (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the person or company had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

Yukon

Sections 112 and 121 of the *Securities Act* (Yukon) provides that where the Offering Memorandum is delivered to a purchaser resident in the Yukon and it contains a misrepresentation, a purchaser who purchases a security offered by the Offering Memorandum during the period of distribution is deemed to have relied on the misrepresentation, and has a right of action for damages against the Corporation, the selling security holder on whose behalf the distribution is made, every person performing a function or occupying a position with respect to the Corporation which is similar to that of a director of a company at

the date of the Offering Memorandum, and every person who signed the Offering Memorandum. In addition, such a purchaser also has a right of rescission against the Corporation or the selling security holder on whose behalf the distribution is made (in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages). Such rights of rescission and damages are subject to certain limitations including the following:

- (a) a person or company will not be liable if the person or company proves that the purchaser purchased the Offered Securities with the knowledge of the misrepresentation;
- (b) except the Corporation and selling security holder, a person or company will not be liable if:
 - (i) the Offering Memorandum was sent to the purchaser without the person or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the Corporation that it was sent without the knowledge and consent of that person or company;
 - (ii) the person or company, on becoming aware of the misrepresentation in the Offering Memorandum, withdrew the person or company's consent to the Offering Memorandum and gave reasonable notice to the Corporation of the withdrawal and the reason for it; or
 - (iii) with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe and did not believe that:
 - A. there had been a misrepresentation; or
 - B. the relevant part of the Offering Memorandum (1) did not fairly represent the report, statement or opinion of the expert (2) or was not a fair copy of, or an extract from, the report, statement or opinion of the expert;
- (c) for any part of an Offering Memorandum that is not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, unless the person or company:
 - (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or
 - (ii) believed that there had been a misrepresentation;
- (d) a Corporation, and every person performing a function or occupying a position with respect to the Corporation which is similar to that of a director of a company at the date of the Offering Memorandum who is not a selling security holder, is not liable if the Corporation does not receive any proceeds from the distribution of the Offered Securities and the misrepresentation was not based on information provided by the Corporation, unless the misrepresentation

- (i) was based on information that was previously publicly disclosed by the Corporation;
- (ii) was a misrepresentation at the time of its previous public disclosure; and
- (iii) was not subsequently publicly corrected or superseded by the Corporation before completion of the distribution of the Offered Securities being distributed;
- (e) the amount recoverable by the purchaser in an action for damages must not exceed the price at which the Offered Securities purchased by the purchaser were offered;
- (f) in an action for damages, a defendant will not be liable for all or any part of the damages that the defendant proves does not represent the depreciation in value of the security resulting from the misrepresentation; and
- (g) no action shall be commenced to enforce a right of action more than:
 - (i) for rescission, 180 days after the date of purchase; or
 - (ii) for damages, the earlier of: (A) 180 days after the purchaser first had knowledge of the misrepresentation, or (B) three years after the date of the purchase.

In addition, no person or company will be liable with respect to a misrepresentation in forward-looking information (excluding those made in financial statements) if:

- (a) the Offering Memorandum containing the forward-looking information contained, proximate to the forward-looking information,
 - (i) reasonable cautionary language identifying the forward-looking information as such and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information; and
 - (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the person or company had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information.

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

General

The foregoing summaries are subject to the express provisions of the applicable securities legislation, and the regulations, rules and policy statements under such legislation, and reference is made to such legislation, regulations, rules and policies for the complete text of such provisions.

Investors should consult with their legal advisers to determine whether and the extent to which they may have a right of action or rescission. The rights of action for rescission or damages described herein are in addition to and without derogation from any other right or remedy that the purchaser 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 as at September 27, 2019 are set forth below.

IQINVEST MORTGAGE INVESTMENT CORPORATION

FINANCIAL STATEMENTS

SEPTEMBER 27, 2019

IQINVEST MORTGAGE INVESTMENT CORPORATION

SEPTEMBER 27, 2019

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INDEPENDENT AUDITORS' REPORT

To the shareholders of IQInvest Mortgage Investment Corporation,

Opinion

We have audited the statement of financial position of IQInvest Mortgage Investment Corporation ("the Company") which comprise the statement of financial position as at September 27, 2019, and the statements of comprehensive income and equity, and cash flows for the year 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 September 27, 2019 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditors' 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 the 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 judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Rosenswig McRae Thorpe LLP

Toronto, Ontario
February 25, 2020

Chartered Professional Accountants
Licensed Public Accountants

IQINVEST MORTGAGE INVESTMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 27, 2019

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 813,603	\$ 1,330,872
Mortgages receivable (note 5)	4,804,122	2,835,858
Other receivable (note 8)	<u>897,250</u>	<u>40,735</u>
	<u>\$ 6,514,975</u>	<u>4,207,465</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 34,334	\$ 178,352
Note payable (note 9)	1,509,431	1,509,431
Preferred shares (note 7)	<u>5,007,276</u>	<u>2,589,305</u>
	<u>6,551,041</u>	<u>4,277,088</u>
SHAREHOLDERS' EQUITY		
Capital stock (note 7)	200	200
Retained earnings (deficit)	<u>(36,266)</u>	<u>(69,823)</u>
	<u>(36,066)</u>	<u>(69,623)</u>
	<u>\$ 6,514,975</u>	<u>\$ 4,207,465</u>

Approved on behalf of the Board:


_____, Director

IQINVEST MORTGAGE INVESTMENT CORPORATION

STATEMENT OF COMPREHENSIVE INCOME AND EQUITY

FOR THE YEAR ENDED SEPTEMBER 27, 2019

	<u>2019</u>	<u>2018</u>
Revenue		
Mortgage interest	\$ 506,905	\$ 123,595
Other income	<u>19,584</u>	<u>12,020</u>
	<u>\$ 526,489</u>	<u>135,615</u>
Operating expenses		
Dividends on Class B preferred shares	266,531	122,967
Interest and bank charges	127,716	9,377
Dividends on Class A preferred shares	36,740	31,414
Management fees	30,000	-
Professional fees	28,826	40,736
Office and general	2,034	851
Advertising and promotion	<u>1,085</u>	<u>93</u>
	<u>492,932</u>	<u>205,438</u>
Comprehensive income (loss) for the year	\$ 33,557	\$ (69,823)
Opening retained earnings (deficit)	<u>(69,823)</u>	<u>-</u>
Closing retained earnings (deficit)	<u><u>\$ (36,266)</u></u>	<u><u>\$ (69,823)</u></u>

IQINVEST MORTGAGE INVESTMENT CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 27, 2019

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Net income (loss) for the year	\$ 33,557	\$ (69,823)
Changes in non-cash working capital		
Increase in interest receivable	(22,767)	(19,950)
Increase in other receivable	(856,515)	(40,735)
Increase (decrease) in accounts payable and accrued liabilities	<u>(144,018)</u>	<u>178,352</u>
	<u>(989,743)</u>	<u>47,844</u>
Cash flows used in investing activities		
Funding of mortgage investments	(4,934,905)	(3,248,898)
Discharge of mortgage investments	<u>2,989,408</u>	<u>432,990</u>
	<u>(1,945,497)</u>	<u>(2,815,908)</u>
Cash flows from financing activities		
Proceeds from issuance of common shares	-	200
Proceeds from issuance of class A preferred shares	776,159	1,106,388
Proceeds from issuance of class B preferred shares	2,158,593	3,047,147
Redemption of class A preferred shares	(405,372)	(500,000)
Redemption of class B preferred shares	(33,816)	1,000,000
Share issuance costs	(77,593)	(64,230)
Note payable	<u>-</u>	<u>1,509,431</u>
	<u>2,417,971</u>	<u>4,098,936</u>
Net decrease in cash	(517,269)	1,330,872
Cash balance, beginning of year	<u>1,330,872</u>	<u>-</u>
Cash balance, end of year	<u>\$ 813,603</u>	<u>\$1,330,872</u>

IQINVEST MORTGAGE INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 27, 2019

1. Nature of operations

IQInvest Mortgage Investment Corporation (the "Corporation") was incorporated on September 22, 2017 in the province of Ontario, Canada. The address of the registered office of the corporation is 716 Gordon Baker Road, Suite 206, Toronto, Ontario, M2B 3H4.

The Corporation is a Canadian mortgage investment corporation ("MIC") pursuant to the Income Tax Act (Canada) Section 130.1. The objective of the Corporation is to make prudent investments in mortgages against real property located in Canada in order to generate sustainable and stable income while preserving investment capital for shareholders.

The Corporation is subject to rules under the Income Tax Act (Canada) that permit the Corporation to flow-through its net income to its shareholders. The income of the Corporation for purposes of the Income Tax Act (Canada) includes interest earned and the taxable portion of any net realizable capital gains. 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 shareholders' income as interest income.

The Corporation conducts its mortgage lending activities on properties located in Canada, primarily in the Greater Toronto Area in Ontario. The financial statements have been approved by the Board of Directors on February 25, 2020.

2. Basis of presentation

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").

New and amended standards and interpretations

The Company adopted IFRS 9 Financial Instruments effective September 28, 2018. The requirements of IFRS 9 represent a change from IAS 39 Financial Instruments: Recognition and Measurement, with respect to the measurement of financial assets. The changes to the recognition, measurement, presentation and disclosure of financial liabilities has remained substantially unchanged. The adoption of IFRS 9 has resulted in changes in accounting policies related to the classification, measurement, and impairment of the Company's financial assets, which are primarily comprised of mortgages receivable. There are no significant changes in accounting policies for financial liabilities, derivative instruments and derecognition of financial assets and liabilities. Changes in disclosures are reflected in these financial statements. The details of the Company's accounting policies arising from the adoption of IFRS 9 are described in Note 3.

This change in accounting policy was adopted, with no restatement of comparatives.

IQINVEST MORTGAGE INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

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2. Basis of presentation (continued)

The classification of financial instruments upon the initial application of IFRS 9, resulted in cash, other receivables and mortgages receivable being reclassified from loans and receivable to amortized cost basis. There were no measurement adjustments arising from this change and IFRS 9 had no material impact on the results of operations in the current year.

b) Functional and presentation currency

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

c) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for financial instruments that are measured at fair value. The methods used to measure fair values are discussed in note 4.

d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, 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.

The Corporation is required to make estimates relating to the fair value determination of mortgages receivable. These estimates may include assumptions regarding local real estate market conditions, interest rates and the availability of credit, cost and terms of financing, the impact of present or future legislation or regulation, prior encumbrances and other factors affecting the investments and underlying security of the investments. These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events.

The Corporation assesses the impairment and extent of losses on mortgages at each reporting date, and books a provision for mortgage losses accordingly. Judgement by management is required in assessing where there has been a significant increase in credit risk when a mortgage is impaired. Estimates are required to determine the amount and timing of future cash flows when determining losses.

By their nature, estimates of fair value are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated fair value could vary by a material amount.

IQINVEST MORTGAGE INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

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3. Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The significant accounting policies are detailed as follows:

a) Mortgages receivable

Mortgages receivable are recognized initially at cost plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgages receivable are measured at amortized cost using the effective interest method, less any impairment losses.

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

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

b) Revenue recognition

Mortgage interest is recognized in the statement of comprehensive income on a monthly basis using the effective interest method.

c) Preferred shares

Class A and Class B preferred shares are redeemable at the option of the holder. Accordingly, these are classified as liabilities. Incremental issuance costs directly attributable to these shares are recognized as a deduction from the liability.

d) Income taxes

The Corporation qualifies as a MIC under the Income Tax Act, and as such is not taxed on income provided that its taxable income is distributed to its shareholders in the form of dividends within 90 days after year-end. Accordingly, no provision for current or future income taxes is required unless the Corporation elects to retain income.

e) Financial instruments

A financial instrument is any contract that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized in accordance with IFRS 9.

IQINVEST MORTGAGE INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

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3. Significant accounting policies (continued)

Recognition and initial measurement

Financial instruments are recognized on the date of origination at the fair value of consideration exchanged. Except for financial instruments carried at fair value through profit or loss, the initial measurement includes transaction costs that are directly attributable to its issuance.

Impairment of financial assets

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net earnings. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of reversal is recognized in net earnings.

Transaction costs

The Corporation recognizes its transaction costs in net earnings in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

f) Related party transactions

All related party transactions must be disclosed in the financial statements which include 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 year in respect to bad or doubtful debts from related parties.

g) 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 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.

IQINVEST MORTGAGE INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 27, 2019

4. Determination of fair values

The Corporation's financial instruments are recorded at fair value or at amounts that approximate fair value in the financial statements. The Corporation classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchies are:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Cash is classified as level 1. Mortgage receivable is classified as level 3.

5. Mortgages receivable

The following is the breakdown of the mortgages receivable as at September 27:

	<u>2019</u>	<u>2018</u>
First-mortgages	\$ 3,316,900	\$ 2,149,500
Non-first mortgages	1,444,505	666,408
Interest receivable	42,717	19,950
Allowance for bad debts	<u>-</u>	<u>-</u>
Total mortgages receivable	<u>\$ 4,804,122</u>	<u>\$ 2,835,858</u>

Mortgages receivable consists of mortgages on residential properties in the province of Ontario. Non-first mortgages are loans with mortgage charges not registered in first priority.

IQINVEST MORTGAGE INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 27, 2019

5. Mortgages receivable (continued)

The Corporation recognizes expected credit losses (ECL) at an amount equal to 12 month ECL, if the credit risk on a mortgage at the reporting date has not increased significantly since initial recognition (Stage 1). Generally, mortgages overdue for 30 days are considered Stage 2 mortgages and those overdue by 90 days are considered impaired (Stage 3). However, a mortgage overdue by 90 days or more may be considered Stage 2 if the liquidation value of the collateralized assets is sufficient to prevent mortgage losses. All other performing assets are considered Stage 1.

	Stage 1	Stage 2	Stage 3	Total
Mortgages receivable, gross carrying value	\$ 4,631,900	\$ 129,505	\$ -	\$ 4,761,405
Provision for mortgage losses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Mortgages receivable, net carrying value	<u>\$ 4,631,900</u>	<u>\$ 129,505</u>	<u>\$ -</u>	<u>\$ 4,761,405</u>

The mortgage considered stage 2 was fully paid subsequent to year-end. No provision has been recorded as management expects full recovery from all mortgages.

The mortgages receivable as at September 27, 2019 bear interest rates ranging from 8.50% to 14.50%, with an weighted average rate of 10.58%. The typical term of the mortgages in the portfolio is 12 months. Principal repayments based on contractual maturity for all mortgages receivable as at September 27, 2019 are expected to occur in 2020.

For the year ended September 27, 2019, no transaction costs were incurred by the Corporation in the mortgage transactions.

6. Dividends

The Corporation intends to make dividend payments to the shareholders on a quarterly basis. The Corporation has the discretion to distribute to shareholders, within 90 days after the year end, the net income of the Corporation determined in accordance with the Income Tax Act (Canada), subject to certain adjustments.

7. Share capital

Authorized

Unlimited common shares

Unlimited Class A and Class B preferred shares

Class A preferred shares are entitled to cumulative dividends at 5% per annum. Under the terms of offering memorandum, the corporation intends to target the payment of dividends at 8.5% per annum to Class B preferred shares. No dividends on Class B preferred shares can be declared or paid until 5% cumulative dividends have been paid on the Class A preferred shares.

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 current share price as at the date of conversion. Class A and Class B preferred shares issued under the DRIP are issued by the company from its treasury.

IQINVEST MORTGAGE INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 27, 2019

7. Share capital (continued)

Issued and outstanding

The following Common shares were issued and outstanding as at September 27, 2019

	<u>Share</u>	<u>Amount</u>
Balance, beginning of year	200	\$ 200
New shares issued during the year	<u>-</u>	<u>-</u>
Balance, end of year	<u>200</u>	<u>\$ 200</u>

The following Class A Preferred shares were issued and outstanding as at September 27, 2019

	<u>Share</u>	<u>Amount</u>
Balance, beginning of year	60,639	\$ 606,388
New shares issued during the year	74,591	745,907
Dividend reinvestment plan	3,025	30,252
Redemption of shares	<u>(40,537)</u>	<u>(405,372)</u>
Balance, end of year	<u>97,718</u>	<u>\$ 977,175</u>

The following Class B Preferred shares were issued and outstanding as at September 27, 2019

	<u>Share</u>	<u>Amount</u>
Balance, beginning of year	204,715	\$ 2,047,147
New shares issued during the year	204,206	2,042,060
Dividend reinvestment plan	11,653	116,533
Redemption of shares	<u>(3,382)</u>	<u>(33,816)</u>
Balance, end of year	<u>417,192</u>	<u>\$ 4,171,924</u>

Preferred shares consists of:

Class A preferred shares	977,175
Class B preferred shares	4,171,924
Share issuance costs	<u>(141,823)</u>
	<u>\$ 5,007,276</u>

The Class A and Class B preferred shares are recorded as liabilities as the shares provide the holders with redemption privileges. Each share is redeemable for the lesser of \$10 and the net asset value per share. Most preferred shares are also subject to early redemption charges if redeemed within three years of issuance.

Related parties, including directors and common shareholders of the Corporation and related corporations held 9,000 Class A preferred shares and 123,500 Class B preferred shares as at September 27, 2019.

IQINVEST MORTGAGE INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

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8. Related party transactions

CWF Group Mortgages Inc. ("CWF"), a related party by virtue of common management, acts as the mortgage administrator to the Corporation. CWF is owned by one of the directors of the Corporations.

The Corporation entered into a Management Services Agreement with CWF effective January 15, 2018. The agreement provides for CWF to provide a wide range of services including, but not limited to, overseeing and managing the Corporation's investment portfolio. CWF is to receive a monthly fee from the Corporation equal to 1/12th of 2.0% of the book value of the total mortgage investments under administration as defined in the Offering Memorandum. The management fee is to be calculated and paid monthly.

CWF waived the management fee in excess of \$30,000 for the fiscal year 2019.

During the year, the Corporation paid referral fees of \$78,389 (2018 - \$64,230) to CWF Group Inc., a company related by virtue of common management. These transactions were conducted by the Corporation in the normal course of business.

The Corporation has a receivable from CWF Group Mortgages Inc. in the amount of \$897,250 (2018 - \$40,735) as at September 27, 2019. The balance occurred because two mortgages were discharged just prior to the year end and CWF Group Mortgages Inc. subscribed to the Class A preferred share capital of the Corporation. All amounts were received by the Corporation after year-end.

9. Note payable

The note payable is unsecured, bears interest at 8.5% per annum and is repayable on demand. Interest is payable quarterly. As at September 27, 2019, the note payable includes accrued interest in the amount of \$9,431 thereon. The note was repaid subsequent to the year end.

10. Financial risk management

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.

This note presents information about the Corporation's exposure, objectives, policies and processes for measuring and managing each of the above risks.

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, and arises principally from the Corporation's mortgage receivables.

IQINVEST MORTGAGE INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 27, 2019

10. Financial risk management (continued)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<u>2019</u>
Cash	\$ 813,603
Mortgages receivable	<u>4,804,122</u>
	<u>\$ 5,617,725</u>

Cash consists of bank deposits and petty cash. The Corporation manages the credit exposure related to cash by selecting financial institutions with high credit ratings. Mortgages receivable are issued to borrowers who must pass a credit check and the Corporation carries out property evaluations and targets a maximum loan to value of 80%. Given these controls, management expects minimal counterparty risk.

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 projected repayments under the existing investment portfolio exceeds projected needs.

The obligations for future advances under the Corporation's investment portfolio are anticipated to be funded from existing cash, mortgage interest, borrower repayments and future issuance of preferred shares. As at September 27, 2019, management assesses that the Corporation does not have significant exposure to liquidity risk.

c) Market risk

Market risk is the risk that changes in market prices, such as real estate prices, will affect the Corporation's net income 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, however, the underlying property prices could be affected by changes in interest rate.

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 its shareholder. The Corporation intends to maintain a flexible capital structure to maximize its ability to pursue additional investment opportunities, which considers the requirement to sustain future development of the business.

ITEM 13 DATE AND CERTIFICATE OF THE ISSUER AND PROMOTER

Dated the 28th day of February, 2020.

This Offering Memorandum does not contain a misrepresentation.

IQINVEST MORTGAGE INVESTMENT CORPORATION

“Jeffrey Hui”

Jeffrey Hui, Director, President and CEO

“Allan Taube”

Allan Taube, Director

“Arif Khan”

Arif Khan, Director

“Kim Chan”

Kim Chan, Director

“Benny Cheung”

Benny Cheung, Director

CWF GROUP MORTGAGES INC.

“Jeffrey Hui”

Jeffrey Hui, Director, President and CEO

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.