

FORM 45-106 F2
Offering Memorandum for Non-Qualifying Issuers



OFFERING OF CLASS "A" PREFERRED SHARES

Date: March 10, 2020

The Issuer

Name: Genesis Mortgage Investment Corporation (the "Company")
Head office: 200 - 3600 No. 3 Road, Richmond BC V6X 2C1
Phone #: 604-638-1580 (Toll Free: 1-855-982-6699)
E-mail: info@gentaicapital.com
Fax #: 604-630-7266
Website: www.gentaicapital.com (Genesis MIC)

Currently listed or quoted? No. **These securities do not trade on any exchange or market.**

Reporting issuer? No.

SEDAR filer? No.

The Offering

Securities offered: Class "A" Preferred shares (redeemable, non-voting), issuable in series, as follows: Series G – sales fees and trailer fees may apply; Series A – trailer fees may apply; Series F – issuable to managed accounts (no sales fees or trailer fees) (in any case, a "Preferred Share"). Refer to the subscription agreement.

Price per security: \$1.00 per Preferred Share.

Minimum/Maximum offering: **There is no Minimum Offering. You may be the only purchaser. Funds available under the offering may not be sufficient to accomplish our proposed objectives.** There is no Maximum Offering.

Minimum Subscription: 100,000 Preferred Shares (unless otherwise approved by the Company).

Payment terms: Bank draft, certified cheque or wire transfer on closing. See Item 5.2 "Subscription Procedure".

Proposed closing date(s): Continuous offering. Closings may occur from time to time as subscriptions are received.

Income Tax consequences: There are important tax consequences to these securities. See Item 6 "Income Tax Consequences and Eligibility for Investment".

Selling agent? The Company intends to sell Preferred Shares primarily through Gentai Asset Management Corporation ("Gentai"), an exempt market dealer registered in British Columbia, Alberta and Ontario. The Company may also sell Preferred Shares through sub-agents contracted through Gentai and other registered dealers. See Item 7 "Compensation Paid to Sellers and Finders" and Item 2.7 "Material Agreements – Agency Agreement".

Resale restrictions

You will be restricted from selling your securities for an indefinite period. See Item 10 "Resale Restrictions". However, the Preferred Shares are redeemable in certain circumstances. See Item 5.1 "Terms of Preferred Shares – Redemption Rights".

Purchaser's rights

You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 11 "Purchasers' Rights".

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

The Company is a "connected issuer" and may be considered a "related issuer" of Gentai, as such terms are defined in National Instrument 33-105 – *Underwriting Conflicts*, which may result in potential conflicts of interest. The Company has determined that it is a connected issuer and may be considered a related issuer of Gentai by virtue of Gentai's role as an exempt market dealer engaged to sell Preferred Shares offered hereby and based on the fact that: (i) the Company and Gentai have a director and officer in common, and (ii) due to the relationship between certain of the securityholders of the Company and the sole securityholder of Gentai. See Item 2.7 "Material Agreements – Agency Agreement" and Item 8 "Risk Factors – Conflicts of Interest".

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SUMMARY

The following is a summary of certain information contained in this Offering Memorandum, and reference should be made to the more detailed and additional information contained elsewhere in this Offering Memorandum. Capitalized terms used in this Summary and not defined herein have the meaning given to them in the Glossary.

- Introduction:** The Company, Genesis Mortgage Investment Corporation, is a mortgage investment corporation incorporated on October 16, 2012 pursuant to the laws of the Province of British Columbia. This Offering is an offering of Preferred Shares and not of real estate or interests in real estate.
- Offering:** This is a continuous offering of Preferred Shares of the Company. There is no maximum or minimum Offering. You may be the only purchaser. This Offering is being made pursuant to exemptions from the prospectus and, where applicable, registration requirements of applicable securities legislation in Canada. See Item 5.2 “Subscription Procedure”. A subscriber whose subscription is accepted will become a Preferred Shareholder of the Company.
- Price:** The price per Preferred Share under this Offering is \$1.00.
- Minimum Subscription:** Investors must subscribe for a minimum of 100,000 Preferred Shares (unless otherwise approved by the Company). See Item 5.2 “Subscription Procedure”.
- Use of Proceeds:** The net proceeds of the Offering (also referred to herein as “Net Subscription Proceeds”) will be invested primarily in loans secured by mortgages on real estate in Canada. Subject to any restrictions under the Tax Act that are applicable to mortgage investment corporations, the Company may make other permitted investments over time. The Manager will use its best efforts to make suitable investments of the Net Subscription Proceeds as soon as possible following each Closing.
- Investments in mortgages will be made as set out in Item 2.2 “The Company’s Business - Investment Policies and Guidelines”.
- Manager:** The Company does not have and does not expect to have any employees. In order to obtain ongoing management and administrative services, the Company has entered into a management and administration agreement dated October 1, 2014, as amended January 4, 2016, December 22, 2016 and January 1, 2020 (as so amended, the “Management Agreement”) with Gentai Capital Corporation (formerly Genesis Capital Corporation) (the “Manager”), which will be responsible for managing and overseeing the Company’s business and affairs, including management, brokerage, supervision and administration of the Company’s mortgage portfolio. The Manager is registered as a mortgage broker in British Columbia and licenced as a mortgage broker in Alberta and Ontario.
- Pursuant to the Management Agreement, the Company has agreed to pay the Manager: (i) subject to an annual return of 8% to the Preferred Shareholders and the Class B preferred shareholders, a fee of 2% per year (0.1667% per month) of funds under management (comprising: (A) the outstanding preferred share capital, (B) the upper limit of the Credit Facility with Canadian Western Bank and (C) all other mortgage loans registered in the name of the Company which are funded by third parties other than the Company) calculated on a monthly basis and paid on the first business day of the following month; (ii) a bonus equal to the net income otherwise payable to the Company’s

shareholders that represents a net return on capital to said shareholders of more than 10% per annum; and (iii) a foreclosure administration fee. In addition, the Manager may charge broker's fees, lenders fees, commitment fees, extension fees, renewal fees, insufficient funds fees, administration fees and similar fees to borrowers with respect to any mortgage loan. Further, the Company will reimburse the Manager for approved expenses, including, without limitation, travel, marketing and business development expenses.

The Company and the Manager have common directors, officers and controlling securityholders.

This is a risky investment and returns are not guaranteed. See Item 2.2 "The Company's Business – The Manager".

Dividends:

Pursuant to the Articles, no dividends shall be paid on Preferred Shares otherwise than out of funds and/or assets properly available for the payment of dividends and a declaration by the directors as to the amount of such funds or assets available for dividends shall be conclusive. Subject to the rights of shareholders, if any, holding shares with special rights as to dividends, all dividends on shares of any class shall be declared and paid according to the number of such shares held. No dividend shall bear interest against the Company.

Redemption:

Preferred Shares will be eligible for redemption commencing 12 months after issuance at the request of the Preferred Shareholders by way of an irrevocable notice of redemption specifying the shares to be redeemed, or at the option of the Company, subject to applicable laws and certain other conditions. Pursuant to the Company's Articles, so long as the notice of redemption is received by the Company 90 days before its fiscal year end in any calendar year, the Company shall within 90 days redeem the Preferred Shares specified in such notice.

At the discretion of the Company, redemptions of Preferred Shares may be made on a monthly basis provided that the Company is given at least: (i) 30 days written notice for redemption amounts under \$1,000,000; and (ii) 90 days written notice for redemption amounts over \$1,000,000. The Company may not accept redemption requests for Preferred Shares in the same calendar month where they represent more than 5% of the total number of Preferred Shares outstanding on the redemption date. Should the amount of Preferred Shares rendered for redemption exceed the limit, the Company may, at its discretion, redeem all tendered shares, redeem the shares tendered on a *pro rata* basis, or suspend redemptions. The redemption price for any redemption will be the book value at the relevant time less any applicable discount for early redemption plus any dividends declared but unpaid, plus interest for the relevant period prior to the date of payment. See Item 5.1 "Terms of the Preferred Shares – Redemption of Shares".

Closings:

Closings of subscriptions for Preferred Shares will take place on such dates as the Company determines.

Conflicts of Interest:

The Company and the Manager have common directors, officers and controlling securityholders. There may be situations where the interests of the Company or its shareholders conflict with the interests of the officers and directors of the Manager. The risk exists that such conflicts will not be resolved in the best interests of the Company and the Preferred Shareholders.

However, the Manager will make any decision involving the Company or the Preferred Shareholders in accordance with its duty to deal honestly and in good faith.

The Company and Gentai are connected issuers and may be considered related issuers based on the fact that: (i) they have a director and officer in common, and (ii) due to the relationship between the securityholders of the Company and the sole securityholder of Gentai. Accordingly, there may be conflicts of interest if the interests of the Company and Gentai are inconsistent.

Selling Agent:

The Company intends to sell Preferred Shares primarily through Gentai, an exempt market dealer registered in British Columbia, Alberta and Ontario. The Company may also sell Preferred Shares through sub-agents contracted through Gentai and other registered dealer. See Item 7 “Compensation Paid to Sellers and Finders” and Item 2.7 “Material Agreements – Agency Agreement”.

Taxation:

As a mortgage investment corporation, the Company is entitled to deduct from its income dividends paid to holders of Preferred Shares. The amount of such dividends will be included in the income of the holders of Preferred Shares as interest or taxable capital gains. The Company intends to pay out all of its net income and net realized capital gains as dividends within the time period specified in the Tax Act. The Preferred Shares are qualified investments for RRSPs, RRIFs and TFSAs. See Item 6 “Income Tax Consequences and Eligibility for Investment”.

Resale Restrictions:

Under applicable securities laws, the resale of the Preferred Shares is subject to restrictions. Since the Company is not a “reporting issuer” under applicable securities laws and it is not contemplated that it will become one, if no exemption is available under applicable securities laws and regulations or an appropriate discretionary order obtained pursuant to applicable securities laws, the Preferred Shares cannot be sold without a prospectus for an indefinite period of time. See Item 10 “Resale Restrictions”.

Risk Factors:

An investment in Preferred Shares is highly speculative due to the nature of the Company’s business and entails a number of risks. These risks include but are not limited to the following:

- (a) Although investments in mortgages will be carefully chosen by the Company and/or the Manager, there is no representation made that such investments will have a guaranteed return to Preferred Shareholders, nor that losses may not be incurred by the Company in respect of such investments. This Offering is not suitable for investors who cannot afford to assume any significant risks in connection with their investments.
- (b) All investments in mortgages are subject to risks such as the borrowers financial circumstances, liquidity, fluctuations in real property values, occupancy rates, operating expenses, interest rates and other factors.
- (c) The Company will invest in mortgages which will not necessarily be secured by a first charge on the underlying real property. Mortgages ranking subsequent to a first charge are generally considered a higher risk than first position mortgages

since they are subject to the interests of prior charge holders. The Company intends to make investments in mortgages where the loan may be up to 85% of the appraised value of the real property which is mortgaged, which exceeds the investment limit for conventional mortgage lending.

- (d) Investment in real estate is subject to numerous financial and operating risks.
- (e) Investors will be relying on the good faith and expertise of the principals of the Company and the Manager in identifying potential investment opportunities for the Company. Depending on the return on investment achieved on the mortgages, the Preferred Shareholders' return on their respective investments in the Preferred Shares will vary. Losses are possible and neither return on invested capital nor return of invested capital are guaranteed.
- (f) A Preferred Shareholder is relying on the good faith, skill, judgment and experience of the Manager as they relate to all aspects of the operation and management of the Company.
- (g) Changes in economic conditions and other factors may cause Preferred Shareholders to redeem their Preferred Shares and could cause a shortfall in funds available to meet redemptions or distributions to the Preferred Shareholders.
- (h) Redemptions of Preferred Shares must be made in accordance with the provisions of the Company's Articles and the policies of the Company, as adopted, amended and/or supplemented from time to time. Preferred Shareholders electing to redeem their Preferred Shares must deliver a notice of redemption to the Company within prescribed time limits in order to receive the redemption payment therefor. Preferred Shareholders may experience lengthy delays in the event that the notice of redemption is not received by the Company within such prescribed time limits.
- (i) Situations may arise where the interests of the officers/directors of the Manager and their associates and Affiliates will conflict with those of Preferred Shareholders. The risk exists that such conflicts will not be resolved in the best interests of the Company and its shareholders. Prospective investors should review Item 8 "Risk Factors" under the sub-heading "Conflicts of Interest" for a discussion concerning the factors which should be considered by prospective investors concerning these conflicts.
- (j) The Company and Gentai are connected issuers and may be considered related issuers based on the fact that: (i) they have a director and officer in common, and (ii) the relationship between the securityholders of the Company and the sole securityholder of Gentai, and accordingly, there may be conflicts of interest if the interests of the Company and Gentai are inconsistent.

- (k) There is no market for the Preferred Shares and a market for the Preferred Shares is not expected to develop. The Preferred Shares are not transferable, except with the consent of the directors of the Company. As well, securities laws may prohibit or restrict transferability of the Preferred Shares. See Item 10 “Resale Restrictions”.
- (l) The Company may be adversely affected by changes in income tax laws and other laws, governmental policies or regulations.
- (m) Failures or breaches of the electronic systems of the Company, the Manager and/or the Company’s other service providers, if any, have the ability to cause disruption and negatively impact the Company’s business operations, potentially resulting in financial losses to the Company and its shareholders.
- (n) The Company may borrow funds on the security of the mortgages and its other investments, which could increase the risk of the Company’s insolvency.

The risks are more fully described in Item 8 “Risk Factors”.

Compensation paid to Sellers and Finders:

Pursuant to an amended and restated agreement (the “Agency Agreement”) dated January 7, 2020 between the Company, the Manager and Gentai, the Manager has agreed to pay Gentai the following fees in connection with Preferred Shares purchased through Gentai:

- (a) At each closing, a fee equal to 1% of the aggregate gross proceeds of Preferred Shares (Series G) from subscribers purchasing through Gentai; and
- (b) a trailer fee of 0.20% calculated daily based on the outstanding preferred share capital of the Company purchased through Gentai, for so long as the Preferred Shares (Series G and Series A) (including Preferred Shares (Series G, Series A) issued pursuant to the Company’s dividend reinvestment plan or DRIP) to which such preferred share capital is attributable are outstanding, paid monthly in arrears.

In addition, the Company may engage other registered dealers in connection with the distribution of Preferred Shares. In such cases, the Company and/or the Manager may pay such registered dealers: (a) at each closing, a fee in an amount not to exceed 4% of the aggregate gross proceeds of Preferred Shares (Series G) from subscribers purchasing through such registered dealers, and (b) a trailer fee in an amount not to exceed 1% based on the outstanding preferred share capital of the Company purchased through such registered dealer, for so long as the Preferred Shares (Series G, Series A) to which such preferred share capital is attributable are outstanding, paid monthly in arrears. Any such fees will be negotiated on a case-by-case basis and disclosed to the potential subscriber prior to their purchase of Preferred Shares.

See Item 7 “Compensation Paid to Sellers and Finders” and Item 2.7 “Material Agreements – Agency Agreement”.

GLOSSARY

The following terms appear throughout this Offering Memorandum. Care should be taken to read each term in the context of the particular provision of this Offering Memorandum in which such term is used.

“**Affiliate**” or “**Affiliates**” has the same meaning as in the B.C. Securities Act;

“**Agency Agreement**” means the amended and restated agency agreement entered into on January 7, 2020 between the Company, the Manager and Gentai;

“**B.C. Securities Act**” means the *Securities Act* (British Columbia), with all amendments thereto in force from time to time and any statutes that may be passed which have the effect of supplementing or superseding such statute;

“**Business Day**” means a day other than a Saturday, Sunday or any day on which the principal office of the Company’s bankers located in Vancouver, British Columbia, is not open for business during normal banking hours;

“**Closing**” means a closing of the sale of Preferred Shares as the Manager may determine from time to time;

“**Credit Facility**” means the revolving credit facility established on October 28, 2014, as amended May 11, 2015, March 30, 2016, December 20, 2016, February 9, 2018, January 24, 2019 and March 10, 2020, with Canadian Western Bank, as described under Item 2.7 “Material Agreements – Credit Facility, as may be amended, restated, modified or supplemented from time to time;

“**Deferred Plan**” has the meaning given to it under Item 6.5 “Eligibility for Investment by Deferred Plans”;

“**Fiscal Year**” means each consecutive period of 12 months ending on the last day of September, provided that the first fiscal year of the Company commenced on October 16, 2012 and ended on September 30, 2013;

“**Gentai**” means Gentai Asset Management Corporation, an exempt market dealer;

“**LTV**” means loan-to-value;

“**Management Agreement**” means the management and administration agreement dated October 1, 2014, as amended January 4, 2016, December 22, 2016 and January 1, 2020, between the Company and the Manager, as may be amended, restated, modified or supplemented from time to time;

“**Management Fee**” has the meaning given to it under Item 2.2 “The Company’s Business – The Manager”;

“**Manager**” means Gentai Capital Corporation (formerly Genesis Capital Corporation), a company existing under the laws of the Province of British Columbia;

“**Mortgage**” or “**Mortgages**” means a mortgage, a mortgage of a mortgage or a mortgage of a leasehold interest (or other like instrument, including an assignment of or an acknowledgement of an interest in a mortgage), hypothecation, deed of trust, charge or other security interest of or in Real Property used to secure obligations to repay money by a charge upon the underlying Real Property;

“**Mortgage Broker**” means a party licensed under the Mortgage Brokers Act;

“**Mortgage Brokers Act**” means the *Mortgage Brokers Act* (British Columbia), with all amendments thereto in force from time to time and any statutes that may be passed which have the effect of supplementing or superseding such statute;

“**Net Subscription Proceeds**” means the gross proceeds to the Company from the sale of the Preferred Shares less the costs of this Offering and any sales fees;

“**NI 45-106**” has the meaning given to it under Item 5.2 “Subscription Procedure”;

“**Offering**” means this Offering of Preferred Shares;

“**Preferred Share**” means a Class “A” preferred (redeemable, non-voting) share, issuable series, in the capital of the Company;

“**Preferred Shareholder**” means those investors whose subscriptions to purchase Preferred Shares are accepted by the Company and thereafter at any particular time the persons entered in the central securities register of the Company as holders of Preferred Shares and the singular form means one such registered holder;

“**Real Property**” means land, rights or interest in land (including without limitation leaseholds, air rights and rights in condominiums, but excluding Mortgages) and any buildings, structures, improvements and fixtures located thereon;

“**Redemption**” means a redemption of Preferred Shares by a Preferred Shareholder;

“**Securities Authority**” means the British Columbia Securities Commission;

“**Subscriber**” means a subscriber for Preferred Shares;

“**Subscription Form**” means the subscription form to subscribe for Preferred Shares;

“**Subscription Price**” means \$1.00 per Preferred Share; and

“**Tax Act**” means the *Income Tax Act* (Canada), R.S.C. 1985 (5th Supp.) c.11.

CANADIAN CURRENCY

All dollar amounts stated herein, unless otherwise stated, are expressed in Canadian currency.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “proposes”, “expects”, “estimates”, “intends”, “anticipates” or “believes”, or variations (including negative and grammatical variations) of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Actual results, performance and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Offering Memorandum. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect including, but not limited to: the continued ability to raise capital from the Offering, the ability of the Company to make loans secured by Mortgages capable of generating the necessary income to enable the Company to achieve its investment objectives, the maintenance of prevailing interest rates at favourable levels, the ability of borrowers to service their obligations under the loans, the ability of the Manager to effectively perform its obligations to the Company, anticipated costs and expenses, competition, changes in general economic conditions and changes in tax laws. While the Company anticipates that subsequent events and developments may cause its views to change, the Company specifically disclaims any obligation to update these forward-looking statements, except as required by applicable law. These forward-looking statements should not be relied upon as representing the Company’s views as of any date subsequent to the date of this Offering Memorandum. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results, performance and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Company. Additional factors are noted under Item 8 “Risk Factors”.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference as part of this Offering Memorandum:

- (a) the marketing materials (the “marketing materials”), including the annual brochure, quarterly powerpoint presentation and quarterly fact sheet, related to this Offering prepared as at, or prior to, the date of this Offering Memorandum and delivered or made reasonably available to a prospective purchaser; and
- (b) the marketing materials related to this Offering which may be prepared after the date of this Offering Memorandum and delivered or reasonably made available to a prospective purchaser prior to the termination of this Offering.

ITEM 1 USE OF AVAILABLE FUNDS

1.1 Funds

The net proceeds of the Offering and the funds available to the Company from other sources are as follows:

		Assuming Minimum Offering ⁽¹⁾	Assuming Maximum Offering ⁽²⁾
A.	Amount to be Raised by this Offering	\$ -	\$ 60,000,000
B.	Selling Commissions and Fees ⁽³⁾	\$ -	\$ 0
C.	Estimated Offering Costs (legal, accounting, audit, etc.) ⁽⁴⁾	\$ 50,000	\$ 50,000
D.	Available Funds D = A – (B + C)	(\$ 50,000)	\$ 59,950,000
E.	Additional Sources of Funding Required (available):		
	Cash on Hand ⁽⁵⁾	\$ 10,201	\$ 10,201
	Credit Facility ⁽⁶⁾	\$ 15,909,926	\$ 15,909,926
F.	Working Capital Deficiency	\$ 0	\$ 0
G.	Total: G = (D + E) – F	\$15,920,127	\$ 75,870,127

(1) There is no minimum Offering. You may be the only purchaser of Preferred Shares.

(2) There is no maximum offering. The amount shown under “Assuming maximum offering” is an estimate based on the sale of 60,000,000 Preferred Shares, which the Company expects to sell pursuant to this Offering, and is used for illustrative purposes only.

(3) The Company intends to sell Preferred Shares primarily through Gentai, an exempt market dealer registered in British Columbia, Alberta and Ontario. The Company may also engage sell Preferred Shares through sub-agents contracted through Gentai. Selling commissions and fees in respect of the sale of Preferred Shares (Series G, Series A (as applicable)) through Gentai will be paid by the Manager. The Company will not be required to reimburse the Manager for such commissions and fees paid to Gentai. In addition, the Company may engage other registered dealers in connection with the distribution of Preferred Shares. In such cases, the Company and/or the Manager may pay such registered dealers: (a) at each closing, a fee in an amount not to exceed 4% of the aggregate gross proceeds of Preferred Shares (Series G) from subscribers purchasing through such registered dealers, and (b) a trailer fee in an amount not to exceed 1% based on the outstanding preferred share capital of the Company purchased through such registered dealer, for so long as the Preferred Shares (Series G, Series A) to which such preferred share capital is attributable are outstanding, paid monthly in arrears. Any such fees will be negotiated on a case-by-case basis and disclosed to the potential subscriber prior to their purchase of Preferred Shares. As of the date hereof, the Company has not engaged any other such registered dealers. See Item 7 “Compensation Paid to Sellers and Finders”.

(4) Offering Costs as shown are estimated, and include legal, accounting and audit costs, printing and other administrative costs associated with marketing the Preferred Shares pursuant to this Offering Memorandum.

(5) Cash on hand as at the date of this Offering Memorandum.

(6) Balance available under the Credit Facility as at the date of this Offering Memorandum. The balance available depends on the amount of qualifying mortgage loans held, and, as a result, the full amount of the Credit Facility may not be available. See Item 2.2 “Description of our Business – Credit Facility”.

1.2 Use of Available Funds

The Net Subscription Proceeds will be invested primarily in loans secured by Mortgages. Investments in such loans will be made as set out in Item 2.2 “The Company’s Business - Investment Policies and Guidelines”. The Manager will use its best efforts to make suitable investments of the Net Subscription Proceeds as soon as possible following each Closing.

Description of Intended Use of Available Funds (Listed in Order of Priority)^{(1)*}	Assuming Minimum Offering	Assuming Maximum Offering⁽²⁾
Investment in residential, commercial, construction (development) and bare land mortgages ⁽³⁾	\$15,920,127	\$ 75,870,127
Total	\$15,920,127	\$ 75,870,127

(1) Revenue from operations has been, and is expected to continue to be, sufficient to cover operating costs.

(2) There is no maximum offering. The amount shown under “Assuming maximum offering” is an estimate based on the sale of 60,000,000 Preferred Shares, which the Company expects to sell pursuant to this Offering, and is used for illustrative purposes only. See Item 1.1 “Funds”.

(3) Full or partial repayment of the Credit Facility using the Net Subscription Proceeds will enable the Company to borrow additional funds under the Credit Facility and make additional mortgage loans. See Items 2.2 “Description of our Business – Credit Facility” and 4.2 “Share Capital – Long Term Debt”.

* Pursuant to the Management Agreement, the Company has agreed to pay the Manager: (i) subject to an annual return of 8% to the Preferred Shareholders and the Class B preferred shareholders, a fee of 2% per year (0.1667% per month) of funds under management (comprising: (A) the outstanding preferred share capital, (B) the upper limit of the Credit Facility with Canadian Western Bank and (C) all other mortgage loans registered in the name of the Company which are funded by third parties other than the Company) calculated on a monthly basis and paid on the first day of the following month; (ii) a bonus equal to the net income otherwise payable to the Company’s shareholders that represents a net return on capital to said shareholders of more than 10% per annum; and (iii) a foreclosure administration fee. In addition, the Manager may charge broker’s fees, lenders fees, commitment fees, extension fees, renewal fees, insufficient funds fees, administration fees and similar fees to borrowers with respect to any mortgage loan. Further, the Company will reimburse the Manager for approved expenses, including, without limitation, travel, marketing and business development expenses. The current directors and officers of the Company are also directors and officers of the Manager. See Item 2.2 “The Company’s Business – The Manager”, Item 2.7 “Material Agreements” and Item 8 “Risk Factors – Conflicts of Interest”.

1.3 Reallocation

The Company intends to utilize the net proceeds as stated. The Company will reallocate funds only for sound business reasons.

1.4 Working Capital Deficiency

The Company does not have a working capital deficiency.

ITEM 2 BUSINESS OF THE COMPANY

2.1 Structure

The Company is a mortgage investment corporation as defined in the Tax Act and intends to continue to qualify as such. It was incorporated under the *Business Corporations Act* (British Columbia) on October 16, 2012 under Incorporation No. BC0952821. The Company’s registered and records office is located at 19th Floor, 885 West Georgia Street Vancouver, BC V6C 3H4 and its head office is located at 200 - 3600 No. 3 Road, Richmond BC V6X 2C1.

Gentai Capital Corporation (formerly Genesis Capital Corporation) is the Manager of the Company pursuant to the terms of the Management Agreement. It is a corporation incorporated under the *Business Corporations Act* (British Columbia) on October 16, 2012 under Incorporation No. BC0952819. The Manager’s registered and records office is located at 6345 – 197 Street, Langley, BC V2Y 1K8 and its head office is located at 200 - 3600 No. 3 Road, Richmond BC V6X 2C1.

2.2 The Company's Business

The Company

The Company is a mortgage investment corporation (or "MIC"). It was incorporated for the purpose of generating a stable stream of income for investors, primarily by making loans secured by Mortgages, thereby providing investors with an opportunity to participate indirectly in a portfolio of Mortgages. The Company intends to make a diversified range of residential and commercial real estate loans, and a small number of other real estate (construction (development) and bare land) loans, all secured by first and second mortgages, and a small number of third mortgages, on real estate properties. The Company will mainly earn revenue through interest and renewal fees, pre-payment penalties, performance bonuses and other fees and charges related to such mortgages. Subject to limitations and restrictions applicable to mortgage investment corporations that are contained in the Tax Act, the Company may also earn revenue from other permitted investments, including short term rental of properties acquired from foreclosures under mortgages and capital gains when such properties are sold.

Mortgage Brokerage

The Company is registered as a Mortgage Broker with the British Columbia Financial Services Authority ("BCFSA") (formerly the British Columbia Financial Institutions Commission) in accordance with the Mortgage Brokers Act. The Office of the Registrar of Mortgage Brokers at the BCFSA regulates the mortgage brokering and lending activities of mortgage investment corporations under the Mortgage Brokers Act. The Registrar and the Mortgage Brokers Act do not regulate the capital raising and investment marketing activities of MICs which are subject to securities legislation and regulation.

The Manager

The Company does not have and does not expect to have any employees and will be managed by the Manager, which will provide ongoing management and administrative services relating to the Company's business pursuant to the Management Agreement. The Manager is responsible for managing and overseeing the Company's business and affairs, including day-to-day operations and managing the mortgage portfolio, and providing administrative services for the Company's operations. The Manager is registered as a mortgage broker in British Columbia and licenced as a mortgage broker in Alberta and Ontario. The Company and the Manager have common directors and officers, and certain of the securityholders of the Company and the Manager are related, as follows:

- (a) H. Tina Mu is the President and a director of the Company and the Manager;
- (b) Yu (Peter) Yang is the Managing Director and a director of the Company and the Corporate Secretary and a director of the Manager. Yu (Peter) Yang and H. Tina Mu indirectly control all of the voting shares of the Manager;
- (c) Yu (Peter) Yang is the spouse of H. Tina Mu; and
- (d) H. Tina Mu owns 25% of the voting shares of the Company. In addition, Yu (Peter) Yang's brother owns 8% of the voting shares of the Company.

Pursuant to the Management Agreement, the Manager is primarily responsible for overseeing and managing the Company's investment portfolio, including but limited to its mortgage portfolio. More specifically, the Manager has agreed to provide to the Company the following services:

- (a) negotiation and execution of any investment related agreements, including, but not limited to, term sheets, mortgage commitments, and any and all mortgage documents including postponements and discharges as may be required;
- (b) negotiation and execution of any agreements with professional consultants, independent contractors, suppliers and brokers;

- (c) discussion and negotiation with government authorities having jurisdiction over the Company and obtaining required consents and approvals related to the administration of the Company;
- (d) assisting with the investment of the Company's assets in mortgage loans acceptable to the Company and in accordance with the Company's investment policies and guidelines;
- (e) providing ongoing assistance and guidance to the Company to ensure it is compliant at all times with any and all legislation applicable to the Company and its business activities, including, but not limited to, the Tax Act, the *Real Estate Development Marketing Act* (British Columbia), the *Real Estate Services Act* (British Columbia) and the B.C. Securities Act and any associated regulations and policies, which the Manager may contract to third parties;
- (f) general administration of the Company;
- (g) supervision on an ongoing basis of all Company funds, including, but not limited to, general investments, advances, draws, interest payments, collection and dispersal of any funds payable or receivable in accordance with the requirements of the arrangements, mortgages, agreements, undertakings and contracts therefor;
- (h) sourcing, arranging, providing support and assistance with respect to obtaining loans from lenders and funds from investors of the Company;
- (i) arranging for any insurance coverage, as may from time to time be required with respect to the Company;
- (j) providing regular and continuing accounting, on the basis of generally accepted accounting practices, respecting all costs and expenses of the Company;
- (k) providing the Company with interim financial statements of the Company and any related financial information within 10 days of a written request for same by the Company;
- (l) instituting, prosecuting and defending legal actions affecting the Company;
- (m) maintaining and administering all records, documents and materials in the possession or control of the Company, including, but not limited to, books of account of the Company and a database of mortgages included in the Company's mortgage portfolio;
- (n) establishing and maintaining the register of the Company's investors;
- (o) processing all documentation relating to the business of the Company, including, but not limited to, applications, appraisals, commitments, registration, funding, collection and discharge of such documents;
- (p) reporting to the investors, on a minimum of an annual basis, regarding the operation of the Company;
- (q) collecting and mailing financial and other reports and all other notices required to be completed by the Company;
- (r) attending to all arrangements necessary for meetings of the Company;
- (s) responding to inquiries by Company investors;
- (t) distributing annual tax information prepared by or for the Company to the investors each year for the preceding calendar year;

- (u) providing the investors with annual financial statements prepared by the Manager on behalf of the Company; and
- (v) generally do any and all things necessary and incidental to the supervision, administration and business enterprise of the Company.

The Management Agreement also requires the Manager to provide the Company with offices, equipment, furniture, internet, telephone and other necessities to continue the Company's business.

Pursuant to the Management Agreement, the Company has agreed to pay the Manager, subject to an annual return of 8% to the Preferred Shareholders and the Class B preferred shareholders, a fee (the "Management Fee") of 2% per year (0.1667% per month) of funds under management (comprising: (A) the outstanding preferred share capital; (B) the upper limit of the Credit Facility with Canadian Western Bank; and (C) all other mortgage loans registered in the name of the Company which are funded by third parties other than the Company) calculated on a monthly basis and paid on the first business day of the following month. Such fee is used to pay the wages of the Manager's employees and the costs of providing office space, telephone, power, stationery, internet service and other office expenses.

The Manager is entitled to a bonus equal to the net income otherwise payable to the Company's shareholders that represents a net return on capital to said shareholders of more than 10% per annum. The Manager is also entitled to a foreclosure administration fee for each foreclosure proceeding initiated against a mortgaged property. In addition, the Manager may charge broker's fees, lenders fees, commitment fees, extension fees, renewal fees, insufficient funds fees, administration fees and similar fees to borrowers with respect to any mortgage loan. Further, the Company will reimburse the Manager for approved expenses, including, without limitation, travel, marketing and business development expenses.

If the annualized return on the Preferred Shares and the Class B Preferred Shares is less than 8%, the Manager must, within three months after the Company's financial year end, repay the Company that portion of the Management Fee as is necessary to increase the annual return to 8%. For greater clarity, the Manager is not required to pay more than 100% of the Management Fee received for the respective financial year, even if repayment of 100% of such fee does not increase the annualized return to 8%.

Pursuant to the Management Agreement, the Company has agreed to indemnify the Manager, its directors, officers, employees, agents and direct and indirect shareholders, from and against all claims, actions, suits, proceedings, demands, assessments, judgements, losses, damages, liabilities, expenses, costs to which such persons may be put or suffer as a result of performing their respective duties thereunder except those claims, demands, actions costs or finds and costs caused by the Manager's gross negligence or willful misconduct of the Manager or its employees.

The Management Agreement is for an indefinite term, and may be terminated by the Company or the Manager, as applicable, in the event that:

- (a) a bankruptcy, receivership or liquidation order is issued against the other;
- (b) the other party 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 other party commits a breach or default under the Management Agreement (not related to the payment of any money to be paid by the breaching party) and the same is not cured within 30 days of receiving notice thereof; or
- (d) the other party commits a breach or default under the Management Agreement (related to the payment of any money to be paid by the breaching party) and the same is not cured within 30 days of receiving notice thereof.

In addition, the Management Agreement may be terminated by the Company in the event that the Manager assigns the Management Agreement or its rights and obligations thereunder to any person who is not an affiliate of the

Manager without the prior written consent of the directors of the Company. The Management Agreement may also be terminated by mutual consent on 180 days' written notice or upon appointment of a suitable replacement.

Investment in Loans

The Mortgages to be invested in by the Company are a common form of financing within the real estate industry. The standard documentation used with respect to Mortgages will provide that, in the event of a failure by the mortgagor to pay any amount owing under a Mortgage, the mortgagees will be entitled to enforce the Mortgage in accordance with applicable law. In the event of a failure by a mortgagor to make a payment of interest and/or principal when due, the mortgagees will immediately communicate with the mortgagor and, failing prompt rectification, will issue a notice of its intent to exercise the remedy or remedies which are available to the mortgagees which the Manager considers appropriate. Typically, all legal costs, costs related to registration of Mortgages and costs relating to obtaining appraisals of Real Property, as allowed by law, will be for the account of the mortgagors.

The Mortgages will usually be held by and registered in the name of the Company. However, from time to time, the Manager may elect Mortgages to be held by and registered in the name of nominees of the Company on behalf of the Company. Mortgages may also be held by another entity or entities holding an interest in such Mortgages jointly with and/or in trust for the Company, with the Company holding beneficial title and ownership to its interest. Where legal title to a Mortgage is held by and registered in the name of an entity wholly-owned by the Company, such entity may also hold legal title to such Mortgage on behalf of the other beneficial owners of such Mortgage.

The Company may also acquire interests in Mortgages by entering into participation agreements. The participation agreements will provide a beneficial interest of the Company in the subject Mortgage, although not a directly registered interest.

Where necessary, title insurance will be obtained. Any title insurance will be held in the name of the Company. In addition, the Company will obtain standard security in respect of commercial Mortgages which, depending on the specific Mortgage, may include one or more of an assignment of rents, an assignment of insurance proceeds, an assignment of purchase agreements (on residential development projects) and a general security agreement.

The Company will invest in Mortgages secured by various types of Real Property, including single and multi-family residential properties and residential land developments, and commercial land developments and income-producing properties that have retail, commercial, service, office and/or industrial uses. Such Mortgages will comply with the investment policies of the Company. Such Mortgages will often be short term, generally six to 12 months and on an "interest-only" basis, and up to a maximum term of 36 months, and will primarily be first or second ranking mortgages, but may also be subsequent ranking Mortgages.

The Loans may include "acquisition" loans and "construction" loans. An "acquisition" loan is normally used to finance the acquisition of land and, possibly, the installation and construction thereon of roads, municipal fees, drainage and sewage systems, utilities, and similar improvements. When funding improvements to the land, subsequent loan advances are made pursuant to a stipulated schedule after an inspection and review of the project's progress by the lender or its agent and the furnishing of reports by professional engineers, architects or quantity surveyors. In some instances, acquisition loans may be made to finance the acquisition of more land than will be improved immediately, or land, the development of which is contemplated at a later date. Take-out commitments are not normally a prerequisite to the granting of an acquisition loan.

A "construction" loan is normally used to finance the construction of buildings, recreational facilities and similar improvements. Construction loan advances are also made pursuant to a stipulated schedule after appropriate inspections and progress reports. The Company will only invest in a construction loan if the funds made available under the construction loan plus any additional financing arranged by the borrower or the borrower's available capital is considered to be sufficient to complete the proposed construction. The Company may invest in subsequent ranking loans for any or all development and construction situations.

Investment Policies and Guidelines

The Manager will use its discretion in establishing, from time to time, guidelines, policies and procedures respecting the investments the Company will make, including, but not limited to, the following:

- (a) the Company will primarily invest in residential and commercial mortgages;
- (b) the Company will invest primarily in first and second mortgages;
- (c) a first mortgage (being a mortgage having priority over all other security interests registered against the same real property used to secure such mortgage) may not exceed 85% of the appraised value of the underlying real property securing the mortgage, as determined by a qualified appraiser and calculated at the time of commitment;
- (d) a second mortgage (being a mortgage having second place priority over all other security interests registered against the same real property used to secure such mortgage) may not exceed 85% of:
(i) the appraised value of the underlying real property securing the mortgage and (ii) other mortgages on such underlying property having priority to the second mortgage, as determined by a qualified appraiser and calculated at the time of commitment;
- (e) mortgages may contain clauses permitting the mortgagor, when not in default, to renew the mortgage for additional terms at the sole discretion of the Company;
- (f) the Company may borrow funds in order to acquire or invest in specific mortgage investments; provided, the interest rate is less than the interest rate charged by the Company on the corresponding mortgage investment or portfolios acquired with such borrowed funds; and
- (g) the Company may participate in mortgages on a syndication basis.

The Manager will apply the following investment criteria, which are consistent with the Company's Articles, the provisions of the Tax Act and applicable real estate legislation:

- (a) all mortgages, promissory notes and caveatable interests will, prior to funding, be registered on the title of the approved property or title insured, as the Manager shall direct;
- (b) where investment is made by the Company in purchasing an interest in a mortgage offered for sale by the Manager that amounts to less than full acquisition of that mortgage, the purchase agreement will contain a charging clause enabling the Company to register a beneficial caveat on title to the subject property in the Company's name;
- (c) all mortgage investments will initially be made in the Province of British Columbia or any other Canadian jurisdiction as permitted by the Tax Act;
- (d) the Company will maintain at least 50% of the Company's assets in investments in mortgages secured by residential real estate;
- (e) no more than 50% of the Company's assets will be invested in mortgages secured by commercial and industrial real estate;
- (f) the Company may advance funds on approved loans by way of progress payments upon Manager evaluation and acceptance of completion of specified stages of construction or development;
- (g) the Company will not make any investment that would result in the Company not qualifying as a mortgage investment corporation pursuant to the Tax Act;

- (h) the Company will not make short sales of securities or maintain a short position in any securities;
- (i) the Company will not act as an underwriter in the capital stock of any corporation;
- (j) the Company will not guarantee the securities or obligations of any person;
- (k) to the extent that the Company'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 Company in short term deposits, savings accounts or government guaranteed income certificates or treasury bills so as to maintain a level of working capital for ongoing operations considered acceptable by the Company's directors; and
- (l) the Company will not make any investments that would result in the Manager developing or managing real property on the behalf of the Company.

If, due to a change in the provisions of the Tax Act or other legislation applicable to the Company, any of the foregoing restrictions require amendment in order to comply with such change in legislation, the Company may make such change and such change will be binding on the Company. In addition, the foregoing restrictions may be changed at any time (so long as such change complies with applicable legislation) if the change is determined by the Manager to be required in order to ensure that the Company remains competitive in making of the highest quality loans being undertaken in the marketplace at the time of such change and is in the best interests of the Company.

Source of Funding for Dividends

The Company is considered a mortgage investment corporation or MIC under the Tax Act. As such, the Company is entitled to deduct from its taxable income dividends paid to Preferred Shareholders during the year or within 90 days of the end of the year to the extent the dividends were not deducted previously. The Company intends to maintain its status as a MIC and intends to make sufficient dividend payments in the year and in future years to ensure that the Company is not subject to income taxes payable. Dividends paid to Preferred Shareholders are a return on capital, and at no point have they been a return of capital, nor does the Company anticipate that a future dividend will be a return of capital.

From time to time, operating cashflows may not be consistent with operating income due to the accrual of interest income on outstanding mortgage balances consistent with their terms and other amounts to be received or paid at a later date. When cashflows from operations are insufficient to meet the distribution of earnings, the Company will fund the dividend from cash reserves.

The Company maintains a certain amount of liquid cash available to invest in opportunities, as they arise, to pay the Company's operating costs, and to fund dividends paid to Preferred Shareholders in the event that cashflows from operations are not sufficient relative to earnings.

The effective annual yield on adjusted share capital for the Company's shareholders for the financial years indicated is set out below:

Year	Dividends Paid (includes cash and Preferred Shares)	Effective Annual Yield*
2013	\$359,091.00	8.24%
2014	\$1,692,580.00	8.24%
2015	\$2,112,607.00 ⁽¹⁾	8.34%
2016	\$3,189,755.00	8.24%
2017	\$4,038,516.00	8.24%
2018	\$ 5,942,432.00 ⁽²⁾	8.35%
2019	\$ 8,414,010.00	8.24%

*Historic results may not be indicative of future performance. See Item 8 “Risk Factors”.

(1) Includes special dividend of \$26,034 for fiscal 2015 which was paid on December 16, 2015 (ie, during fiscal 2016).

(2) Includes special dividend of \$76,359 for fiscal 2018 which was paid on December 28, 2018 (ie, during fiscal 2019).

Since inception, all to the Company’s shareholders have been, and are expected to continue to be, made out of the Company’s net income and capital gains received in each financial year, and none of such dividends have been funded by sources such as loans, share issuances or the Credit Facility. It is the Company’s intention to continue to pay dividends on such basis.

The rates of return are averages for all of the Company’s shareholders and may not reflect the return received by any one investor. There is no guarantee that such rates of return will continue or that investors will receive similar returns in future years. See Item 8 “Risk Factors” for factors that may affect the Company’s business and the rates of return realized by investors.

2.3 Development of the Business

The Company was incorporated on October 16, 2012, and has issued Preferred Shares as more fully described in Section 4.3 “Prior Sales”. The Company’s strategy is to expand in a controlled manner by diversifying geographically and focusing on real estate sectors with the lowest risk. The Company believes that this growth and strategy has resulted in acceptable rates of return on invested capital relative to alternative investment opportunities for shareholders. During the Company’s two most recently completed financial years, there have not been any unusual events or conditions that have materially favourably, or adversely, influenced the development of its business.

During the financial year ended September 30, 2019, the Company funded 45 mortgage loans totalling over \$80,524,000, as follows:

Province	First Mortgages			Second Mortgages			Third Mortgages		
	No.	Percent	Principal	No.	Percent	Principal	No.	Percent	Principal
British Columbia	17	100%	\$57,204,000	28	100%	\$23,320,000	0	-	-
Alberta	0	-	-	0	-	-	0	-	-
Ontario	0	-	-	0	-	-	0	-	-
Total	17	100%	\$57,204,000	28	100%	\$23,320,000	0	-	-

The Company's mortgage portfolio as of September 30 for each of the past three financial years was as follows:

Mortgage Rank	2019			2018			2017		
	No.	Percent	Principal	No.	Percent	Principal	No.	Percent	Principal
First	20	54.42%	\$73,270,608	14	31.46%	\$31,247,500	11	30.71%	\$23,145,000
Second	55	45.58%	\$61,370,157	68	68.54%	\$68,092,816	57	69.29%	\$52,232,416
Third	0	-	-	0	-	-	0	-	-
Total	75	100%	\$134,640,765	82	100%	\$99,340,316	68	100%	\$75,377,416
Weighted Average Interest Rate			10.57%	10.57%			10.14%		

As at the date of this Offering Memorandum, the Company has 71 mortgages as security for loans totalling approximately \$ 145,442,076, as follows:

Province	First Mortgages			Second Mortgages			Third Mortgages		
	No.	Percent	Principal	No.	Percent	Principal	No.	Percent	Principal
British Columbia	23	97.55%	\$ 83,497,988	46	100%	\$ 59,844,088	0	-	-
Ontario	1	2.10%	\$1,800,000	0	-	-	0	-	-
Quebec	1	0.35%	\$300,000	0	-	-	0	-	-
Total	25	100.00%	\$ 85,597,988	46	100.00%	\$ 59,844,088	0	-	-

As of the date hereof, the Company's loans are secured by different property types, as follows:

Property Type	Number of Loans	Aggregate Principal Amount	Percent of Aggregate Principal
Apartment Complex	1	\$5,000,000	3.44%
Commercial	7	\$23,200,000	15.95%
Condominiums	12	\$6,977,988	4.80%
Construction (Development)	3	\$9,203,373	6.33%
Hotel/Motel	1	\$5,160,000	3.55%
Land	4	\$23,000,000	15.81%
Multiple Family	1	6,800,000	4.68%
Single Family Homes	41	\$65,980,715	45.36%
Townhouse	1	\$120,000	0.08%
Totals	71	\$ 145,442,076	100.00%

The LTV ratio of each of the Company's outstanding loans varies. As at the date of this Offering Memorandum, 100% of the aggregate principal amount of the Company's mortgages did not exceed a 75% LTV ratio.

As at the date of this Offering Memorandum, four of the mortgage loans representing an aggregate amount of \$5,992,500 are subject to foreclosure proceedings. The Company expects to recover 100% of the amount of the mortgage loans subject to such proceedings.

2.4 Long Term Objectives

The Company's long term objectives are:

- (a) to establish a pool of high quality loans through prudent investment in mortgages of real property in Canada;
- (b) to provide Preferred Shareholders with sustainable income while preserving capital;
- (c) to distribute income on an annual basis; and
- (d) to continue to qualify as a mortgage investment corporation pursuant to the Tax Act.

The Company will seek to achieve these investment objectives by investing primarily in loans secured by mortgages. The Company's income will primarily consist of interest received on the Mortgages, less fees paid to the Manager and other operating expenses. There is no assurance that the Company will meet its long term objectives. See Item 8 "Risk Factors".

2.5 Short Term Objectives and How We Intend to Achieve Them

The Company's business objectives for the next 12 months are to complete the offering of a sufficient number of Preferred Shares pursuant to this Offering Memorandum to continue the establishment of a high quality loan portfolio.

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
Offering of Preferred Shares as described in this Offering Memorandum	Next 12 months	\$50,000
Investment of Net Subscription Proceeds in loans secured by mortgages	Next 12 months	Not yet known ⁽¹⁾

(1) The costs to complete the investment of the Net Subscription Proceeds will vary based on the amount of funds actually invested and the different type of mortgages invested in.

2.6 Insufficient Funds

The Company may not raise sufficient funds to accomplish its proposed objectives and there is no assurance that alternative financing will be available. The Company intends to continue to use existing capital and cash flows to carry on its current business.

2.7 Material Agreements

The following is a list of agreements which are material to this Offering and to the Company, which are in effect:

- (a) the Management Agreement. See Item 2.2 "The Company's Business – The Manager";
- (b) the Credit Facility. See Item 2.7 "Material Agreements – Credit Facility"; and
- (c) the Agency Agreement. See Item 2.7 "Material Agreements – Agency Agreement".

The statements in this Offering Memorandum concerning the material agreements are intended to be only a summary of the material provisions of each such agreement. Copies of all agreements referred to above may be inspected during normal business hours at the registered and records office of the Company, located at: 19th Floor, 885 West Georgia Street Vancouver, British Columbia V6C 3H4.

Credit Facility

The following is a summary of certain material provisions of the Credit Facility. Pursuant to the Credit Facility, and subject to CWB's capital requirements, the Company is permitted to borrow additional funds which may be used to make mortgage loans.

Pursuant to the Credit Facility, the Company may borrow up to the lesser of \$25,000,000 and, provided the LTV ratio does not exceed 75%, the aggregate of the following eligible mortgages:

- (a) 75% of first residential mortgages in "major regions";
- (b) 70% of first residential mortgages in "non-major regions";
- (c) 65% of second residential mortgages in "major regions";
- (d) 60% of second residential mortgages in "non-major regions"; and
- (e) 55% of first and second commercial mortgages in "major regions".

The Credit Facility also allows the Company to include 55% of first and second residential mortgages where the LTV ratio is between 76% and 85%.

Under the Credit Facility, "major regions" include the Greater Vancouver Area, Abbotsford, Chilliwack, Port Moody, Maple Ridge, Mission, Pitt Meadows, Aldergrove and Anmore; and "non-major regions" include Kelowna, Whistler and Squamish. All other regions are excluded unless approved by CWB. Notwithstanding anything else to the contrary in the Credit Facility, eligible mortgages in non-major regions cannot exceed 25% and eligible mortgages against commercial properties cannot exceed 20% of the outstanding amount borrowed under the Credit Facility.

Mortgages not eligible under the Credit Facility include:

- (a) mortgages securing non-arm's length loans;
- (b) mortgages securing construction loans or loans to entities such as pubs, hotels, motels and senior housing, or on raw or vacant land, gas stations and commercial properties in a non-major region;
- (c) mortgages securing loans exceeding \$1,500,000 to any one borrower and its related parties for any single property or property group in a major region, and, if the loan exceeds that amount, the portion exceeding \$1,500,000 is excluded;
- (d) mortgages securing loans of more than \$1,000,000 to any one borrower and its related parties for any single property or property group in a non-major region, and, if the loan exceeds that amount, the portion exceeding \$1,000,000 is excluded;
- (e) second mortgages, where the first mortgage exceeds \$2,000,000;
- (f) mortgages without an appraisal from an appraiser registered with or licenced by the Appraisal Institute of Canada (AACI) or the Real Estate Institute of BC;
- (g) syndicated or shared mortgages;

- (h) mortgages at a combined LTV of over 85%;
- (i) mortgages with a term exceeding one year;
- (j) mortgages more than 90 days in arrears or in foreclosure; and
- (k) third or higher mortgages.

Pursuant to the Credit Facility, the Company must provide CWB with audited financial statements within 90 days of the financial year end and unaudited monthly financial statements and a certificate of compliance within 20 days of each month end. In addition, a CWB representative may audit, each quarter, not less than ten of the mortgages or at least 20% of the mortgage portfolio. Further, CWB has restricted the Company's borrowing such that leverage to capital (i.e., the debt to tangible net worth ratio) is not more than a 0.75:1 ratio (tested monthly). Among other things, CWB also requires the Company to maintain a minimum tangible net worth (shareholders' equity and loans and excluding intangible assets and amounts due from related parties) at not less than \$32,500,000 (tested monthly) and cash flow coverage (i.e., cash flow divided by debt service costs) of at least 50:1 (tested monthly).

The Credit Facility is secured by a general security agreement over all of the Company's assets and assignments of mortgages and insurance, all having first priority in favour of CWB, and guarantees from the Manager, the Company's President, H. Tina Mu, and Managing Director, Yu (Peter) Yang.

Any funds borrowed under the Credit Facility are repayable on demand with interest at CWB's prime rate plus 1.25% per year. The Company pays CWB an administration fee for the Credit Facility of \$600 per month, a quarterly audit fee of \$400, an annual renewal fee of \$2,500 and a monthly standby fee of 0.25% per year of the difference between the amount borrowed and the amount available to be borrowed under the Credit Facility. In addition, an application fee of \$10,000 was paid in connection with the March 4, 2020 amendment to the Credit Facility.

As of the date of this Offering Memorandum, to the knowledge of the Company, the Company has complied with, and is currently in compliance with, all of the requirements in the Credit Facility.

Agency Agreement

The Agency Agreement was entered into effective January 7, 2020 between the Company, the Manager and Gentai. The Company is a "connected issuer" and may be considered a "related issuer" of Gentai, as such terms are defined in National Instrument 33-105 – *Underwriting Conflicts*, which may result in potential conflicts of interest. The Company has determined that it is a connected issuer and may be considered a related issuer of Gentai by virtue of Gentai's role as an exempt market dealer engaged to sell Preferred Shares offered hereby and based on the fact that: (i) the Company and Gentai have a director and officer in common, and (ii) due to the relationship between certain of the securityholders of the Company and sole securityholder of Gentai.

In addition, Gentai is currently considered a "captive dealer" as defined by CSA Staff Notice 31-343 *Conflicts of Interest in Distributing Securities of Related or Connected Issuers* because it solely or primarily distributes securities of related or connected issuers. As such, Gentai has adopted policies and procedures for identifying and responding to conflicts of interest by avoiding, controlling or disclosing conflicts of interest. Gentai will avoid conflicts of interest that are prohibited by law. If a conflict of interest is not prohibited by law, Gentai will avoid the conflict if it is sufficiently contrary to the interests of a client that there can be no other reasonable response. Gentai must ensure that its clients are adequately informed about any conflicts of interest that may affect the services provided to them.

Pursuant to the Agency Agreement, Gentai shall have the right to act as non-exclusive agent to the Company in connection with the sale of Preferred Shares to qualified purchasers in British Columbia, Alberta and Ontario. Gentai will market the Preferred Shares on a best efforts basis in reliance on exemptions from the prospectus requirements of applicable securities laws.

Under the Agency Agreement, Gentai acknowledges that the Company will be relying on prospectus exemptions in National Instrument 45-106 *Prospectus Exemptions* to distribute the Preferred Shares on a prospectus-exempt basis and, accordingly, Gentai will, and will use commercially reasonable efforts to cause any sub-agent to, take reasonable steps to ensure that each subscriber executes a subscription agreement, together with such other certificates, acknowledgements or instruments deemed necessary or advisable to confirm the availability of and compliance with the terms and conditions necessary to rely on the intended prospectus exemption.

For Gentai's services, Manager has agreed to pay to Gentai the fees described in Item 7 "Compensation Paid to Sellers and Finders" for each Preferred Share sold through Gentai.

During the offering, the Company has agreed to: (i) promptly notify Gentai of certain events affecting the business or affairs of the Company, (ii) allow Gentai to conduct due diligence reviews, and (iii) update its offering documents from time to time and provide same to Gentai for review and to use in connection with the distribution of Preferred Shares (Series G).

The Company may also enter into agency agreements with registered dealers other than Gentai that are unrelated to the Company, to use reasonable efforts to sell the Preferred Shares to qualified purchasers on similar terms and conditions as contained in the Agency Agreement.

ITEM 3 INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

Gentai Capital Corporation is the Manager of the Company pursuant to the terms and conditions of the Management Agreement. The head office of the Manager is located at 200 - 3600 No. 3 Road, Richmond BC V6X 2C1. The Manager is a corporation incorporated under the laws of British Columbia.

The current directors and officers of the Company are also directors and officers of the Manager. In addition, certain of the securityholders of the Company and the Manager are related.

3.1 Compensation and Securities Held

The Company

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

Name and municipality of principal residence	Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by issuer or related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the issuer held ⁽¹⁾
MU, Hong Yu Tina Vancouver, BC	President, Director and Principal Holder October 16, 2012	N/A ⁽²⁾	100 Common Shares (25.0%)

Name and municipality of principal residence	Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by issuer or related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the issuer held⁽¹⁾
NI, Yongmei Richmond, BC	Principal Holder October 16, 2012	N/A	96 Common Shares (24.0%) 250,000 Class A Preferred Shares (<1%)
YANG, Yu (Peter) Vancouver, BC	Managing Director and Director October 16, 2012	N/A ⁽²⁾	-

(1) Includes shares beneficially held, directly or indirectly, or over which control or direction is exercised, by such person but does not include shares held jointly with a spouse. Amounts are as of the date of this Offering Memorandum and are subject to change resulting from share issuances and redemptions. Percentages are calculated based on the number of shares outstanding in each class. There is no minimum or maximum offering.

(2) The Company's President and Managing Director do not receive any remuneration from the Company and are remunerated by the Manager.

3.2 Management Experience

The following table sets out the principal occupations of the directors and senior officers of the Company and Manager over the past five years and any relevant experience in a business similar to the Company's business:

Name	Position with the Company	Position with the Manager	Principal Occupation and Related Experience
MU, H. Tina	President and Director	President and Director	H. Tina Mu is the President (since October 2012) and co-founder of the Company and the Manager. She is also the President (since May 2010) and co-founder of Acer Mortgage Lending Corp. ("Acer") (a mortgage brokerage company). Tina has over 18 years' experience in the financial services, real estate and mortgage industries. She received her Master of Business Administration degree from University of Wollongong, Australia in 1999, and is Certified Financial Planner (2004) and a licensed Sub-Mortgage Broker of the Company, the Manager and Acer.
YANG, Yu (Peter)	Managing Director and Director	Corporate Secretary and Director	Yu (Peter) Yang is the Managing Director (since October 2012) and co-founder of the Company and the Manager. He is also a director (since May 2010) and co-founder of Acer. Peter has over 17 years of experience in the financial services, real estate and mortgage industries. He received his Bachelor of Arts from Sichuan Foreign Language Institute in 1991 and is a licensed Sub-Mortgage Broker of the Manager.

3.3 Penalties, Sanctions and Bankruptcy

No penalty or sanction or any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors, appointment of a receiver, receiver manager or trustee to hold assets has been in effect during the last ten years against or with regard to any:

- (a) director, senior officer or control person of the Company or Manager, or
- (b) any issuer that a person or company referred to in (a) above was a director, senior officer, or control person of at that time.

3.4 Loans

There are no debentures or loans due to or from the directors, management, promoters or principal holders of the Company as at the date of this Offering Memorandum.

ITEM 4 CAPITAL STRUCTURE

4.1 Share Capital

The following are the details of the outstanding securities of the Company as of the date of this Offering Memorandum:

Description of Security ⁽¹⁾	Number Authorized to be Issued	Price per Security	Number Outstanding as of the date of this Offering Memorandum	Number Outstanding after min. Offering ⁽²⁾	Number outstanding after max. Offering ⁽²⁾
Common Shares	unlimited	\$1.00	400	400	400
Class "A" Preferred Shares (all Series)	unlimited	\$1.00	130,984,988	130,984,988	130,984,988
Class "B" Preferred Shares	unlimited	\$1.00	4,045,608	4,045,608	4,045,608
Class "C" Preferred Shares	unlimited	\$1.00	0	0	0
Class "D" Preferred Shares	unlimited	\$1.00	0	0	0

(1) There are no options, warrants nor other securities convertible into Common Shares or Preferred Shares.

(2) There is no minimum or maximum Offering.

4.2 Long Term Debt Securities

The Company's current and long term indebtedness is as follows:

Description of long term debt (including whether secured)	Interest rate	Repayment terms	Amount outstanding at March 10, 2020
Current			
Demand Loan⁽¹⁾	CWB prime rate + 1.25%	Interest payable monthly & Principal repayable on demand	\$ 9,090,074

Description of long term debt (including whether secured)	Interest rate	Repayment terms	Amount outstanding at March 10, 2020
Long Term			
Term Loans	-	-	nil

(1) The Demand Loan is described under Item 2.7 “Material Agreements – Credit Facility”.

4.3 Prior Sales

Within the last 12 months, the Company has issued the following Preferred Shares:

Date of Issuance and Type	Number of Securities Issued	Price per Security	Total Funds Received
Class “A” Preferred Shares (all Series)			
March 2019	4,856,566	\$1.00	\$4,856,566
April 2019	6,491,672	\$1.00	\$6,491,672
May 2019	5,507,484	\$1.00	\$5,507,484
June 2019	4,099,567	\$1.00	\$4,099,567
July 2019	4,548,640	\$1.00	\$4,548,640
August 2019	6,947,342	\$1.00	\$6,947,342
September 2019	5,854,825	\$1.00	\$5,854,825
September 2019	3,414,919	\$1.00**	\$3,414,919
October 2019	8,365,403	\$1.00	\$8,365,403
November 2019	7,603,101	\$1.00	\$7,603,101
December 2019	5,448,245	\$1.00	\$5,448,245
January 2020	5,550,865	\$1.00	\$5,550,865
February 2020	4,296,406	\$1.00	\$4,296,406
March 2020*	749,910	\$1.00	\$749,910
Total	73,734,945		\$73,734,945
Class “B” Preferred Shares			
September 2019	134,866	\$1.00**	\$134,866
December 2019	35,064	\$1.00	\$35,064
January 2020	-	-	-
February 2020	-	-	-
March 2020*	-	-	-
Total	169,930		\$169,930

* Up to the date of this Offering Memorandum.

** Issued in lieu of the Company’s annual cash dividend at a deemed price of \$1.00.

4.4 Redemption History

The Company has redeemed Preferred Shares for the periods indicated, as follows:

Class “A” Preferred Shares (all Series)

Financial Year	Redemption Requests							
	Opening Outstanding Requests		Received during Financial Year		Paid Out during Financial Year		Ending Outstanding Requests	
2015	0	\$0	15	\$2,750,804	15	\$2,750,804	0	\$0
2016	0	\$0	19	\$11,251,242	19	\$11,251,242	0	\$0
2017	0	\$0	58	\$17,147,205	58	\$17,147,205	0	\$0
2018	0	\$0	114	\$29,949,620	114	\$29,949,620	0	\$0
2019	0	\$0	160	\$37,699,667	160	\$37,699,667	0	\$0
2020 ⁽¹⁾	0	\$0	100	\$17,767,134	100	\$17,767,134	0	\$0

(1) For the period from October 1, 2019 to the date of this Offering Memorandum.

Class “B” Preferred Shares

Financial Year	Redemption Requests							
	Opening Outstanding Requests		Received during Financial Year		Paid Out during Financial Year		Ending Outstanding Requests	
2015	0	\$0	39	\$15,092,863	39	\$15,092,863	0	\$0
2016	0	\$0	20	\$10,236,760	20	\$10,236,760	0	\$0
2017	0	\$0	16	\$5,469,669	16	\$5,469,669	0	\$0
2018	0	\$0	13	\$7,327,193	13	\$7,327,193	0	\$0
2019	0	\$0	2	\$232,105	2	\$232,105	0	\$0
2020 ⁽¹⁾	0	\$0	0	\$0	0	\$0	0	\$0

(1) For the period from October 1, 2019 to the date of this Offering Memorandum.

The Company paid all redemption requests in full using cash on hand and, if necessary, funds available from the Credit Facility. The Company expects redemptions to continue approximately as they have for the last two financial periods and does not expect that such redemptions will cause any adverse effect on the Company’s operations or payment of income distributions.

ITEM 5 SECURITIES OFFERED

5.1 Terms of Preferred Shares

The Company is offering Class “A” Preferred Shares, issuable in series, without par value (which are referred to herein as the “Preferred Shares), pursuant to this Offering Memorandum.

In addition to the Class “A” Preferred Shares, the Company is authorized to issue the following shares:

- (a) Common shares, without par value (each, a “Common Share”);
- (b) Class “B” Preferred shares, without par value (each, a “Class B Share”);
- (c) Class “C” Preferred shares, without par value (each, a “Class C Share”); and
- (d) Class “D” Preferred shares, without par value (each, a “Class D Share, and together with the Preferred Shares, the Class B Shares and the Class C Shares, the “Preferred Classes”).

The principal rights and restrictions attaching to the capital of the Company are as follows:

Class	Annual Dividend	Redemption	Redemption Amount	Voting
Preferred Shares	8%	12 months from issuance*	\$1.00	No
Class B Shares	Pro rata share of net income after payment of dividends on Class A shares	Immediately	Net book value (which is expected to be \$1.00) per share, less a discount of: <ul style="list-style-type: none"> • 4% if redeemed within first 12 months from issuance; • 3% if redeemed between 13 to 24 months from issuance; • 2% if redeemed between 25 to 36 months from issuance; and • 1% if redeemed between 37 to 48 months from issuance. No discount if redeemed after 48 months from issuance.	No
Class C Shares	Pro rata share of net income after payment of dividends on Class A shares	Immediately	Net book value (which is expected to be \$1.00) per share, less a discount of: <ul style="list-style-type: none"> • 3% if redeemed within first 12 months from issuance; • 2% if redeemed between 13 to 24 months from issuance; and • 1% if redeemed between 25 to 36 months from issuance. No discount if redeemed after 36 months from issuance.	No
Class D Shares	Pro rata share of net income after payment of dividends on Class A shares	Immediately	Net book value (which is expected to be \$1.00) per share, less a discount of: <ul style="list-style-type: none"> • 2% if redeemed within first 12 months from issuance; and • 1% if redeemed between 13 to 24 months from issuance. No discount if redeemed after 24 months from issuance.	No

* Provided a notice of redemption is received by the Company 90 days before its fiscal year end in any calendar year. See Item 5.1 “Terms of the Preferred Shares – Redemption of Shares”.

All of the Company’s shares issued to date are, and those issued pursuant to this Offering Memorandum will be, fully paid and non-assessable.

Voting

The Preferred Classes do not have any right to vote except in respect of any amendment to special rights and privileges attaching thereto. The Common Shares are entitled to vote, and each has one vote at every meeting of shareholders.

Distribution of Profits

Each financial year, the Company distributes to the holders of the Preferred Classes all of the Company's net profits and half of the net capital gains for that financial year. This is done through four distributions to each Preferred Class outstanding as at the end of the first, second and third financial quarters, with the fourth and final distribution being made within 90 days after the financial year end. The distributions may be made by the issuance of further Preferred Classes or by way of cash, or a combination of both, as elected by the shareholder.

Redemption of Shares

Preferred Shares will be eligible for redemption commencing 12 months after issuance at the request of the Preferred Shareholders by way of an irrevocable notice of redemption specifying the shares to be redeemed, or at the option of the Company, subject to applicable laws and certain other conditions. Pursuant to the Company's Articles, so long as the notice of redemption is received by the Company 90 days before its fiscal year end in any calendar year, the Company shall within 90 days redeem the Preferred Shares specified in such notice. At the discretion of the Company, redemptions of Preferred Shares may be made on a monthly basis provided that the Company is given at least: (i) 30 days written notice for redemption amounts under \$1,000,000; and (ii) 90 days written notice for redemption amounts over \$1,000,000. The Company may not accept redemption requests for Preferred Shares in the same calendar month where they represent more than 5% of the total number of Preferred Shares outstanding on the redemption date. Should the amount of Preferred Shares rendered for redemption exceed the limit, the Company may, at its discretion, redeem all tendered shares, redeem the shares tendered on a *pro rata* basis, or suspend redemptions.

The redemption price for any redemption will be the book value at the relevant time less any applicable discount for early redemption plus any dividends declared but unpaid, plus interest for the relevant period prior to the date of payment. After appropriate notice to redeem Preferred Classes has been delivered to the Company, any unpaid cash distributions on the Preferred Classes to be redeemed will only be paid in cash and may not be used to reinvest in further Preferred Classes.

The Company will not redeem Preferred Classes if such redemption would result in the Company not meeting the requirements for a MIC under the Tax Act or the solvency requirements of the *Business Corporations Act* (British Columbia).

Transferability

The Preferred Classes are subject to restrictions on transfer as contained in the Company's Articles and as imposed by applicable securities legislation. See Item 10 "Resale Restrictions".

The Company's Articles provide that a holder of a Preferred Class shareholder cannot transfer any of their Preferred Shares without the consent of the Company's Board of Directors. The Company will permit transfers to a shareholder's Deferred Plan or a Deferred Plan owned by the shareholder's spouse.

The Tax Act requires that a MIC have no fewer than 20 shareholders and no one shareholder (including the shareholder's spouse and children under 18, and companies controlled by any of them and the shareholder) to hold more than 25% of its issued shares. Accordingly, the Company's Articles also prohibit any transfer of shares if it would result in the Company having fewer than 20 shareholders, in any one shareholder holding more than 25% of issued shares or any other situation that would be contrary to such requirements.

Conversion

The Preferred Classes are not convertible into any other form of share or security of the Company.

Liquidation

Upon liquidation, dissolution or wind-up, the proceeds after payment of all expenses and outstanding indebtedness will be paid to the holders of the Preferred Classes in proportion (and up to) the amount paid to the Company for such Preferred Classes. If any net proceeds remain, the holders of Common Shares will share in the remaining proceeds in proportion (and up to) the amount paid to the Company for such Common Shares. Finally, if any net proceeds still remain, the holders of the Common Shares and Preferred Classes shall equally split such remaining proceeds in proportion to the number of shares (Common and Preferred) held. Since the Company pays out all of its net profits and taxable capital gains each year, it is possible that on a liquidation, dissolution or winding-up, the Company's shareholders may not be paid the full amount paid for their shares.

Amendment of Terms

The terms of the Preferred Classes may only be amended by a vote of not less than three-quarters of the holders of the Preferred Classes representing at least three-quarters of the outstanding Preferred Classes.

5.2 Subscription Procedure

The Preferred Shares are conditionally offered if, as and when Subscriptions are accepted by the Company and subject to prior sale. Subscriptions for Preferred Shares will be received by the Company subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

This Offering is being made in accordance with certain statutory prospectus and, where applicable, registration exemptions contained in securities legislation in the jurisdictions in which the Preferred Shares are being offered. Such exemptions relieve the Company from provisions under such statutes requiring the Company to file a prospectus and utilize a registered securities dealer to sell the Preferred Shares. As such, investors will not receive the benefits associated with purchasing the Preferred Shares pursuant to a filed prospectus, including the review of the material by the securities commissions or similar regulatory authority in such jurisdictions, or, if applicable, the benefits associated with the involvement of such registrants.

In order to subscribe for Preferred Shares, investors must be within one of the following categories:

- (a) an "accredited investor" as such term is defined in National Instrument 45-106 ("NI 45-106"), provided the subscriber delivers a signed risk acknowledgement form in the form required by NI 45-106, if applicable; or
- (b) resident in British Columbia, who acknowledges having received and read a copy of this Offering Memorandum and delivers a signed risk acknowledgement form in the form required by NI 45-106; or
- (c) resident in Manitoba or Yukon, who acknowledges having received and read a copy of this Offering Memorandum and delivers a signed risk acknowledgement form in the form required by NI 45-106 and is either:
 - (i) an "Eligible Investor" (as defined in NI 45-106); or
 - (ii) purchasing a number of Preferred Shares which have an aggregate Subscription Price of less than \$10,000; or
- (d) resident in Alberta, Ontario or Saskatchewan, who acknowledges having received and read a copy of this Offering Memorandum and delivers a signed risk acknowledgement form, including Schedule 1 Classification of Investors under the Offering Memorandum Exemption, in the form required by NI 45-106 and the acquisition cost of all securities acquired by the subscriber who is an individual in the preceding 12 months does not exceed the following amounts:

- (i) in the case of a subscriber that is not an “Eligible Investor”, \$10,000;
- (ii) in the case of a subscriber that is an “Eligible Investor”, \$30,000;
- (iii) in the case of a subscriber that is an “Eligible Investor” and that received advice from a portfolio manager, investment dealer or exempt market dealer that the investment is suitable, \$100,000,

provided, however, that the investment limits described in (d)(i) and (ii) above do not apply if the subscriber is an “accredited investor” or a person described in Section 2.5(1) of NI 45-106; or

- (e) acquiring Preferred Shares that have a Subscription Price of not less than \$150,000, provided the conditions of Section 2.10 of NI 45-106 are satisfied.

Notwithstanding the foregoing, Preferred Shares may be issued pursuant to other available exemptions from the prospectus requirements of applicable securities legislation provided the conditions of such exemptions are satisfied.

Investors may subscribe for Preferred Shares by returning to the Company at 200 - 3600 No. 3 Road, Richmond, British Columbia V6X 2C1 the following:

- (a) a completed Subscription Form; and
- (b) a certified cheque or bank draft in an amount appropriate for the number of Preferred Shares subscribed for, payable to “Genesis Mortgage Investment Corp.”

Each investor will also be required to sign two copies of a Risk Acknowledgment (Form 45-106F4, and, for subscribers resident in Alberta, Saskatchewan or Ontario, Schedule 1 Classification of Investors Under the Offering Memorandum Exemption to Form 45-106F4), and in accordance with the requirements of NI 45-106. Each investor that is an individual that is relying on the “accredited investor” exemption in Section 2.3 of NI 45-106 will also be required to sign two copies of a Risk Acknowledgment Form (Form 45-106F9), in accordance with the requirements of NI 45-106. In accordance with the requirements of NI 45-106, the Company will hold the subscription monies advanced by each investor in trust for the investor until midnight on the second business day after the Subscription Form is signed by the investor.

Subscriptions received will be subject to rejection or allotment by the Company in whole or in part. The Company is not obliged to accept any subscription. If any subscription is not accepted, the Company will promptly return to the subscriber the Subscription Form and the money comprising such subscription without interest thereon. Confirmation of acceptance of a subscription will be forwarded to the subscriber by the Company. The Company reserves the right to close the subscription books at any time without notice. The original share certificates are kept by the Company, in its corporate records, unless you subscribe for your shares through a Deferred Plan, in which case the original share certificates will be sent to the financial institution administering your Deferred Plan. The Company will provide you with a copy of your share certificate for your records at your request.

The Preferred Shares have not been and will not be registered under the *United States Securities Act of 1933*, as amended, and subject to certain exceptions, may not be offered or sold in the United States.

All subscription documents should be reviewed by prospective subscribers and their professional advisers prior to subscribing for Preferred Shares.

ITEM 6

INCOME TAX CONSEQUENCES AND ELIGIBILITY FOR INVESTMENT

6.1 General

In the opinion of management of the Company, the following sets out a summary of the principal Canadian federal income tax consequences of acquiring, holding and disposing of the Preferred Shares by a Subscriber who, at all relevant times, is a resident of Canada, deals with the Company at arm's length, and who acquires and holds the Preferred Shares as capital property. This summary is not applicable to any Preferred Shareholder which is a "financial institution" or "specified financial institution" as defined in the Tax Act, or to any holder of Preferred Shares an interest in which is a "tax shelter investment" for the purposes of the Tax Act.

This summary is based upon the current provisions of the Tax Act, the regulations made under the Tax Act (the "Tax Regulations"), all specific proposals to amend the Tax Act and the Tax Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this Offering Memorandum and the current published administrative practices of Canada Revenue Agency. This summary assumes that all such tax proposals will be enacted as currently proposed but does not take into account or anticipate any other changes in law whether by legislative, government or judicial action and does not take into account tax legislation or considerations of any province, territory or foreign jurisdiction.

You should consult your own professional advisors to obtain advice on the tax consequences that apply to you. The summary contained in this section is of a general nature only and is not exhaustive of all possible Canadian federal income tax consequences. It is not intended to be and should not be interpreted as legal or tax advice to any particular subscriber.

6.2 Status as a Mortgage Investment Corporation

This summary is based on the assumption that the Company qualifies as a mortgage investment corporation under the Tax Act. The Company will qualify as a mortgage investment corporation throughout a taxation year of the Company if throughout that taxation year:

- (a) the Company is a Canadian corporation as defined in the Tax Act;
- (b) the Company's only undertaking is the investing of funds and it did not manage or develop any real or immovable property;
- (c) no debts are owed to the Company that are secured on real or immovable property situated outside of Canada;
- (d) no debts are owed to the Company by non-residents, other than debts secured on real or immovable property situated in Canada;
- (e) the Company does not own shares of any corporation not resident in Canada;
- (f) the Company does not own real or immovable property located outside of Canada or any leasehold interest in such property;
- (g) the Company has at least 20 shareholders, and no person is a "specified shareholder" of the Company, as that term is defined in 248(1) of the Tax Act and modified by paragraph 130.1(6)(d) of the Tax Act, which generally means a person who alone or together with the person's spouse, children under the age of 18, and other related parties, owns more than 25% of the issued shares of any class of the Company (except that the Company is deemed to comply with this requirement throughout its first taxation year if it complies with it on the last day of its first taxation year);
- (h) any holders of preferred shares of the Company (as defined for the purposes of the Tax Act) 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 common shares (as defined for the purposes of the Tax Act) to participate *pari passu* with the holders of common shares in any further payment of dividends;

- (i) the cost amount of the Company's property represented by Loans on houses (as defined in section 2 of the *National Housing Act*) or on property included within a housing project (as defined in section 2 as it read on June 16, 1999), together with cash on hand and deposits with a bank or any other lender whose deposits are insured by the Canada Deposit Insurance Corporation or a credit union, (collectively, the "Qualifying Property") is at least 50% of the cost amount to it of all of its property;
- (j) the cost amount of real or immovable property (including leasehold interests therein but excluding real property acquired as a consequence of foreclosure or defaults on a Mortgage held by the Company) owned by the Company does not exceed 25% of the cost amount to it of all of its property; and
- (k) where at any time in the year the cost amount to the Company of its Qualifying Property is less than 2/3 of the cost amount to it of all of its property, the Company's liabilities throughout the year do not exceed three times the amount by which the cost amount to it of all of its property exceed its liabilities, or, where throughout the taxation year the cost amount to the Company of its Qualifying Property equals or exceeds 2/3 of the cost amount of all of its property, the Company's liabilities do not exceed five times the amount by which the cost amount to it of all of its property exceed its liabilities.

It is intended, and this summary assumes, that these requirements will be satisfied so that the Company will qualify as a mortgage investment corporation at all relevant times. If the Company were not to qualify as a mortgage investment corporation, the income tax consequences would be materially different from those described below.

6.3 Taxation of the Company

As a mortgage investment corporation, the Company will, in computing its taxable income, generally be entitled to deduct the full amount of all taxable dividends (other than capital gains dividends) which it pays during the year or within 90 days after the end of the year to the extent that such dividends were not deductible by the Company in computing its income for the preceding year. As a mortgage investment corporation is deemed to be a public corporation for the purposes of the Tax Act, the Company cannot pay capital dividends. However, a mortgage investment corporation may, by election, declare a capital gains dividend in an amount equal to the gross amount of its capital gains and is entitled to deduct one-half of such dividend from its taxable income. As discussed below, a capital gains dividend is taxed in the hands of a Preferred Shareholder as a capital gain arising from a notional disposition of capital property. The combination of the Company's deduction for capital gains dividends and the Preferred Shareholder's deemed capital gain will allow the Company to flow capital gains through to a Preferred Shareholder on a tax efficient basis. The Company will be subject to tax at the general corporate tax rate. However, at this time the Company intends to declare taxable dividends and elect to pay capital gains dividends each year in sufficient amounts to reduce its taxable income to nil. Notwithstanding the foregoing, the Company may retain earnings as it may deem advisable, for example if required to bring the Net Asset Value per Preferred Share up to the Subscription Price.

6.4 Taxation of Preferred Shareholders

Dividends other than capital gains dividends which are paid by the Company on the Preferred Shares will be included in the income of a Preferred Shareholder as interest. Capital gains dividends received by a Preferred Shareholder will be treated as a realized capital gain, and will be subject to the general rules relating to the taxation of capital gains. **The normal gross-up and dividend tax credit rules do not apply to dividends paid on Preferred Shares to individuals and trusts, and corporate holders of the Preferred Shares will not be entitled to deduct the amount of any dividends paid on their Preferred Shares from their taxable income.**

The cost to a Subscriber of Preferred Shares acquired pursuant to the Offering will equal the purchase price of the Preferred Shares plus the amount of any other reasonable costs incurred in connection therewith. This cost will be

averaged with the cost of all other Preferred Shares held by the Preferred Shareholder to determine the adjusted cost base of each Preferred Share.

A disposition or a deemed disposition of Preferred Shares (other than to the Company) will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition of the Preferred Shares exceed (or are exceeded by) the adjusted cost base of the Preferred Shares and the disposition costs. Amounts paid by the Company on the redemption or acquisition by it of a Preferred Share, up to the paid-up capital thereof, will be treated as proceeds of disposition. Any amount paid by the Company on the redemption or acquisition of a Preferred Share which is in excess of the paid-up capital of such Preferred Share will be deemed to be a dividend and will be included in the income of a holder of Preferred Shares, in accordance with the rules described above.

Fifty percent of any capital gain realized by a Preferred Shareholder (including capital gains deemed to be realized as a result of a receipt of a capital gains dividend) will be included in the Preferred Shareholder's income under the Tax Act as a taxable capital gain. Subject to certain specific rules in the Tax Act, one-half of any capital loss realized in a taxation year may be deducted against any taxable capital gains realized by the Preferred Shareholder in that year, in the three preceding taxation years or in any subsequent taxation year.

The taxable capital gains realized by a Preferred Shareholder that is an individual may give rise to alternative minimum tax depending upon the Preferred Shareholder's circumstances. A Preferred Shareholder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax on certain investment income, including amounts in respect of interest and taxable capital gains. The refundable tax is to be added to such corporation's non-eligible refundable dividend tax on-hand account and will be eligible for refund upon subsequent payment of taxable dividends by the Company.

6.5 Eligibility for Investment by Deferred Plans

The Preferred Shares will be qualified investments for a trust governed by a registered retirement savings plan ("RRSP"), registered retirement income fund ("RRIF"), tax-free savings account ("TFSA"), registered education savings plan ("RESP"), registered disability savings plan ("RDSP"), or tax-free savings account ("TFSA") all as defined under the Tax Act (collectively, "Deferred Plans") at a particular time if the Company qualifies as a mortgage investment corporation under the Tax Act at such particular time and if throughout the calendar year in which the particular time occurs, the Company does not hold as part of its property any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a subscriber, or a holder, as the case may be, of or under the relevant Deferred Plan or of any other person who does not deal at arm's length with that person. Deferred Plans will generally not be liable for tax in respect of any dividends received from the Company.

If the Preferred Shares cease to be a qualified investment for a Deferred Plan, the Deferred Plan will be subject to a penalty tax.

Notwithstanding that the Preferred Shares may be qualified investments for a trust governed by a Deferred Plan, the annuitant, subscriber, or holder of the Deferred Plan will be subject to a penalty tax if the Preferred Shares are a "prohibited investment" for Deferred Plan for the purposes of the Tax Act. The Preferred Shares will generally not be a "prohibited investment" provided that the annuitant, subscriber, or holder of the Deferred Plan deals at arm's length with the Company for the purposes of the Tax Act and does not have a "significant interest", as defined in the Tax Act, in the Company or in a corporation, partnership or trust that does not deal at arm's length with the Company for purposes of the Tax Act. A "significant interest" in a corporation generally means ownership of 10% or more of the issued shares of any class of the capital stock of the corporation (or of any related corporation), either alone or together with persons with which the shareholder does not deal at arm's length for purposes of the Tax Act. **Prospective purchasers who intend to hold Preferred Shares in a Deferred Plan are urged to consult their own tax advisors to ensure that the Preferred Shares would not constitute a "prohibited investment" in their particular circumstances.**

ITEM 7 COMPENSATION PAID TO SELLERS AND FINDERS

Pursuant to the Agency Agreement, the Manager has agreed to pay Gentai the following fees in connection with Preferred Shares purchased through Gentai:

- (a) At each closing, a fee equal to 1% of the aggregate gross proceeds of Preferred Shares (Series G) from subscribers purchasing through Gentai; and
- (b) a trailer fee of 0.20% calculated daily based on the outstanding preferred share capital of the Company purchased through Gentai, for so long as the Preferred Shares (Series G, Series A) (including Preferred Shares (Series G, Series A) issued pursuant to the Company's dividend reinvestment plan or DRIP) to which such preferred share capital is attributable are outstanding, paid monthly in arrears.

The Company is a "connected issuer" and may be considered a "related issuer" of Gentai, as such terms are defined in National Instrument 33-105 – *Underwriting Conflicts*, which may result in potential conflicts of interest. The Company has determined that it is a connected issuer and may be considered a related issuer of Gentai by virtue of Gentai's role as an exempt market dealer engaged to sell Preferred Shares offered hereby and based on the fact that the Company and Gentai have a director and officer in common, and due to the relationship between certain of the voting securityholders of the Company and the sole securityholder of Gentai. See Item 2.7 "Material Agreements – Agency Agreement" and Item 8 "Risk Factors – Conflicts of Interest".

In addition, the Company may engage other registered dealers in connection with the distribution of Preferred Shares. In such cases, the Company and/or the Manager may pay such registered dealers: (a) at each closing, a fee in an amount not to exceed 4% of the aggregate gross proceeds of Preferred Shares (Series G) from subscribers purchasing through such registered dealers, and (b) a trailer fee in an amount not to exceed 1% based on the outstanding preferred share capital of the Company purchased through such registered dealer, for so long as the Preferred Shares (Series G, Series A) to which such preferred share capital is attributable are outstanding, paid monthly in arrears. Any such fees will be negotiated on a case-by-case basis and disclosed to the potential subscriber prior to their purchase of Preferred Shares.

ITEM 8 RISK FACTORS

The purchase of Preferred Shares involves a number of risks factors. An investor should reach a decision to invest in the Company after careful consideration with his or her advisors as to the suitability of an investment in the Company in lights of its investment objective and the information set out in this Offering Memorandum. Neither the Company nor the Manager makes any recommendation as to the suitability of the Company for investment by any person. All prospective investors should consider an investment in the Company within the overall context of their investment policies. Investment policy considerations include, but are not limited to, setting objectives, defining risk/return constraints and considering time horizons. In addition to the factors set forth elsewhere in this Offering Memorandum, prospective investors should consider the following factors.

Nature of Mortgage Backed Investments

Investments in Mortgages are affected by general economic conditions, local real estate markets, demand for leased premises, fluctuation in occupancy rates, interest rates and operating expenses, and various other factors. The Company's investments in mortgage loans will be secured by real estate, the value of which can fluctuate. The value of a real estate property may ultimately depend on the credit and financial stability of the tenants. Changes in market conditions may decrease the value of the secured property and reduce the cash flow from the property, thereby affecting the ability of the borrower to service the debt and/or repay the loan based on the property income. Investments in Mortgages are relatively illiquid. Such illiquidity will tend to limit the Company's ability to change its portfolio promptly in response to changing economic or investment conditions. Investments in Mortgages on Real Properties under development may be riskier than investments in Mortgages on existing Properties.

Borrower Risk

The value of the Company's mortgage loans may also depend on the credit worthiness and financial stability of its borrowers. The Company's income and funds available for distribution to shareholders would be adversely affected if a significant number of its borrowers were unable to pay their obligations to the Company or if the Company were unable to invest its funds in mortgage loans on economically favourable terms. On default by a borrower, the Company may experience delays or increased costs in enforcing and protecting its rights as lender.

Insurance

The Company's mortgage loans will not usually be insured by Canada Mortgage and Housing Corporation (or CMHC) or any other mortgage insurer in whole or in part. In addition, the Issuer and its Manager are not members of the Canada Deposit Insurance Corporation, and the Preferred Shares offered hereunder are not insured against loss through the Canada Deposit Insurance Corporation. Moreover, mortgages held by the Company are not insured through the Canada Deposit Insurance Corporation or otherwise.

Decline in Property Value

The Company's mortgage loans will be secured by real estate. All real estate investments are subject to elements of risk. Real property value is affected by general economic conditions, local real estate markets, the attractiveness of the property to tenants, competition from other available properties and other factors. While independent appraisals are required before the Company may make any mortgage investments, the appraised value provided therein, even where reported on an "as is" basis, are not necessarily reflective of the market value of the underlying real property, which may fluctuate.

Impaired Loans

The Company may from time to time have one or more impaired loans in its portfolio, particulars of which can be obtained by contacting the Company. The Company defines loans as being impaired where full recovery is considered in doubt on a current valuation of the security held and for which write-downs have been taken or specific loss provisions established.

Interest Rate Fluctuations

The business of mortgage investment corporations can be significantly affected by prevailing rates of interest. Interest rates may be subject to sudden fluctuations. Substantially increased interest rates could have a materially adverse effect on the Issuer's business.

Priority

Financial charges funded by first mortgage lenders may rank in priority to the mortgages registered in favour of the Company. In the event of default by the mortgagor under any prior financial charge, the Company may be required to arrange a new first mortgage or pay out same, in order to avoid adverse financial implications.

Non-Reporting Issuer

The Offering constitutes a private placement offering of Preferred Shares by the Company only in those jurisdictions where, and to those persons to whom, they may be lawfully offered for sale under exemptions from the prospectus and, if applicable, registration requirements under applicable securities laws. This Offering Memorandum is not, and under no circumstances should be construed as a prospectus, advertisement or public offering of the Preferred Shares. The Company is not a reporting issuer in any jurisdiction, and undertakes no obligation to provide continuous disclosure as to its business and operations except as otherwise required under applicable securities laws.

No Guaranteed Return

Although investments in Mortgages will be carefully chosen by the Company, there is no representation made by the Company and/or the Manager that such investments will have a guaranteed return to Preferred Shareholders, nor that losses will not be incurred by the Company in respect of such investments. Returns will be determined with reference to any cumulative net gains or losses (if any) arising from the performance of the mortgages in the Company's mortgage portfolio. The return on the Preferred Shares may decrease or increase. The declaration and payment of dividends on the Preferred Shares is at the discretion of the Company's directors. This Offering is not suitable for investors who cannot afford to assume significant risks in connection with their investments.

Conflicts of Interest

The Manager

The Company and the Manager have common directors, officers and controlling securityholders. In addition, certain of the securityholders of the Company and the controlling securityholders of the Manager are related. There may be situations where the interests of the Company or its shareholders conflict with the interests of the officers and directors of the Manager. The risk exists that such conflicts will not be resolved in the best interests of the Company and the Preferred Shareholders. However, the Manager will make any decision involving the Company or the Preferred Shareholders in accordance with its duty to deal honestly and in good faith.

Gentai

The Company is a "connected issuer" and may be considered a "related issuer" of Gentai, as such terms are defined in National Instrument 33-105 – *Underwriting Conflicts*, which may result in potential conflicts of interest. The Company has determined that it is a connected issuer and may be considered a related issuer of Gentai by virtue of Gentai's role as an exempt market dealer engaged to sell Preferred Shares offered hereby and based on the fact that: (i) the Company and Gentai have a director and officer in common, and (ii) due to the relationship between certain of the securityholders of the Company and the sole securityholder of Gentai.

In addition, Gentai is currently considered a "captive dealer" as defined by CSA Staff Notice 31-343 *Conflicts of Interest in Distributing Securities of Related or Connected Issuers* because it solely or primarily distributes securities of related or connected issuers. As such, Gentai has adopted policies and procedures for identifying and responding to conflicts of interest by avoiding, controlling or disclosing conflicts of interest. Gentai will avoid conflicts of interest that are prohibited by law. If a conflict of interest is not prohibited by law, Gentai will avoid the conflict if it is sufficiently contrary to the interests of a client that there can be no other reasonable response. Gentai must ensure that its clients are adequately informed about any conflicts of interest that may affect the services provided to them.

Availability of Mortgage Investments

The ability of the Company to make investments in Mortgages in accordance with its investment policies will depend upon the availability of suitable investments and the amount of Mortgages available. The Company will compete with individuals, partnerships, companies, trusts and institutions for the investment in the financing of real properties. Many of these competitors have greater resources than the Company or operate with greater flexibility.

Subordinate and Non-Conventional Financing

Subordinate financing which will be carried on by the Company is generally considered a higher risk than primary financing. Mortgages will be secured by a charge which is in a first or subsequent-ranking position upon or in the underlying real estate. When a charge on a real property is in a position other than first-ranking on a real property, it is possible for the holder of a prior charge on the real property, 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 real property in order to realize the security given for his loan. Such actions may include a foreclosure action, or an action forcing the real property to be sold. A foreclosure action may have the ultimate effect of depriving any person having other than a first-ranking charge the security of the real property. If an action is taken to sell the real property and sufficient

proceeds are not realized from such sale to pay off all creditors who have prior charges on the property, the holder of a subsequent charge may lose his investment or part thereof to the extent of such deficiency, unless he can otherwise recover such deficiency from other property owned by the debtor. The Company may make investments in Mortgages where the loan exceeds 85% of the value of the Real Property which is mortgaged, which exceeds the typical investment limit for conventional mortgage lending.

Composition of Loan Portfolio

The composition of the Loan Portfolio may vary widely from time to time and may be concentrated by type of mortgage, industry, or geographic region, resulting in the Loan Portfolio being less diversified than anticipated. The returns generated by the Loan Portfolio may change as its composition changes. Further, a lack of diversification may result in the Company being exposed to economic downturns or other events that have an adverse and disproportionate effect on particular types of mortgage, industry or geographic region.

Reliance on the Manager

To the extent that the Company invests in real estate properties, Preferred Shareholders will be relying on the good faith and expertise of the Manager and its principals in selecting such investments and negotiating the pricing and other terms of the agreements leading to the acquisition of such investments.

No Market for Preferred Shares

There is currently no market for the Preferred Shares and it is not anticipated that any market will develop. The Preferred Shares are not transferable, except as approved by the Company. Consequently, holders of Preferred Shares will not be able to resell their Preferred Shares. See Item 10 “Resale Restrictions”.

Redemption Matters

Changes in economic conditions and other factors may cause Preferred Shareholders to redeem their Preferred Shares and could cause a shortfall in funds available to meet redemptions or dividends to the Preferred Shareholders. Redemptions of Preferred Shares must be made in accordance with the provisions of the Company’s Articles and the policies of the Company, as adopted, amended and/or supplemented from time to time. Preferred Shareholders electing to redeem their Preferred Shares must deliver a notice of redemption to the Company within prescribed time limits in order to receive the redemption payment therefor. Preferred Shareholders may experience lengthy delays in the event that the notice of redemption is not received by the Company within such prescribed time limits. To the extent the average share capital per Preferred Share is less than the redemption price, a portion of the redemption price paid will represent a taxable dividend rather than repayment of capital.

Tax Matters

The return on the Preferred Shareholder’s investment in the Preferred Shares is subject to changes in Canadian federal and provincial tax laws, tax proposals, other governmental policies or regulations and governmental, administrative or judicial interpretation of the same. There can be no assurance that tax laws, tax proposals, policies or regulations, or the interpretation thereof, will not be changed in a manner which will fundamentally alter the tax consequences to Preferred Shareholders acquiring, holding or disposing of Preferred Shares.

If, for any reason, the Company fails to maintain its qualification as a mortgage investment corporation under the Tax Act, dividends paid by the Company on the Preferred Shares will cease to be deductible from the Company’s income and the Preferred Shares may cease to be qualified investments for Deferred Plans. See Item 6 “Income Tax Consequences and Eligibility for Investment”.

Cybersecurity

Failures or breaches of the electronic systems of the Company, the Manager and/or the Company’s other service providers, if any, have the ability to cause disruption and negatively impact the Company’s business operations,

potentially resulting in financial losses to the Company and its shareholders. While the Company has established continuity plans and risk management systems to mitigate the risk of system breaches or failures, there are inherent limitations in such plans and systems. In addition, the Company cannot control the cybersecurity plans and the systems of the Manager and/or other services providers.

Potential Liability under Environmental Protection Legislation

Environmental and ecological legislation and policies have become increasingly important in recent years. Under various laws, as the owner of real estate properties the Company could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on, from or in one or more of the properties. The failure to remove or remediate such substances, if any, may adversely affect the Company's ability to sell such a property or to borrow using a property as collateral.

Other Activities of the Manager

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

Borrowing

The Company may from time to time borrow funds to increase the mortgage portfolio. Borrowings would be secured by Mortgages in the Company's portfolio. This could increase the risk of the Company's insolvency.

ITEM 9 REPORTING OBLIGATIONS

Because the Company is not a "reporting issuer" as defined in the applicable securities legislation, the continuous reporting requirements of those statutes do not generally apply to the Company.

The Company is not required to send you any documents on an annual or ongoing basis. The Company will, however, on or before that date which is 90 days following the end of the Company's Fiscal Year, provide to each Preferred Shareholder audited financial statements and all other information required to file Canadian income tax returns.

ITEM 10 RESALE RESTRICTIONS

The Preferred Shares will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, subscribers will not be able to trade the Preferred Shares unless they comply with an exemption from the prospectus and registration requirements under securities legislation. Unless permitted under securities legislation, investors cannot trade the securities before the date that is four months and a day after the date the Company becomes a reporting issuer in any province or territory of Canada. The Company does not intend to become a reporting issuer at any time, with the result that the Preferred Shareholders may never be able to trade or re-sell their Preferred Shares.

ITEM 11 PURCHASERS' RIGHTS

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

Two Day Cancellation Right - You can cancel your Subscription Agreement to purchase these securities. To do so, you must send a notice to the Company by midnight on the 2nd business day after you sign the subscription agreement to buy the securities.

Statutory Rights of Action in the Event of a Misrepresentation

Applicable securities laws in the offering jurisdictions provide you with a remedy to sue to cancel your agreement to buy the Preferred Shares or for damages if this Offering Memorandum, or any amendment thereto, contains a misrepresentation. Unless otherwise noted, in this section, a “**misrepresentation**” means an untrue statement or omission of a material fact that is required to be stated or that is necessary in order to make a statement in this Offering Memorandum not misleading in light of the circumstances in which it was made.

These remedies are 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. In addition, these remedies, or notice with respect thereto, must be exercised or delivered, as the case may be, by you within the strict time limit prescribed in the applicable securities laws.

The applicable contractual and statutory rights are summarized below. Subscribers should refer to the applicable securities laws of their respective offering Jurisdiction for the particulars of these rights or consult with professional advisors.

Investors in British Columbia

If you are a resident in British Columbia and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, you have a statutory right to sue:

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

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 Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Preferred Shares. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action or commence your action for damages within the earlier of: (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the transaction that gave rise to the cause of action.

Investors in Alberta

If you are a resident in Alberta and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, you have a statutory right to sue:

- (a) the Company to cancel your agreement to buy the Preferred Shares; or

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

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 Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Preferred Shares. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action or commence your action for damages within the earlier of: (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the transaction that gave rise to the cause of action

Investors in Ontario

If you are a resident of Ontario and there is a misrepresentation in this Offering Memorandum, together with any amendment to it, you have a statutory right to sue:

- (a) the Company to cancel your agreement to buy the Preferred Shares; or
- (b) for damages against the Company.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Preferred Shares. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action.

You must commence your action for damages within the earlier of: (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action; or (ii) three years after the date of the transaction that gave rise to the cause of action.

A misrepresentation is defined in the *Securities Act* (Ontario) as 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 in order to make any statement therein not misleading in light of the circumstances in which it is made. A material fact, when used in relation to securities issued or proposed to be issued, is defined in the *Securities Act* (Ontario) as a fact that significantly affects, or would reasonably be expected to have a significant effect on, the market price or value of such securities.

Investors in Saskatchewan

If you are resident in Saskatchewan and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, subject to certain limitations, you have a statutory right to sue:

- (a) the Company to cancel your agreement to buy the Preferred Shares; or
- (b) for damages against:
 - (i) the Company, every person who was a director or the promoter of the Company, respectively, at the date of this Offering Memorandum,

- (ii) 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,
- (iii) every person who, or company that, in addition to the persons or companies mentioned in clauses (i) and (ii), signed this Offering Memorandum, and
- (iv) every person who, or company that, sells the Preferred Shares on behalf of the Company under this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Preferred Shares. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action.

You must commence your action for damages within the earlier of: (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or (ii) six years after the date of the transaction that gave rise to the cause of the action.

In addition, subject to certain limitations, where any advertising or sales literature (as such terms are defined in the Saskatchewan securities legislation) disseminated in connection with the Offering contains a misrepresentation, a purchaser who purchases Preferred Shares referred to in that advertising or sales literature has a right of action against the Company, every promoter and director of the Company, and every person or company that sells Preferred Shares under the Offering with respect to which the advertising or sales literature was disseminated. In addition, subject to certain limitations, where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the Preferred Shares and the verbal statement is made either before or contemporaneously with the purchase of Preferred Shares, the purchaser has a right of action for damages against the individual who made the verbal statement.

Investors in Manitoba

If you are a resident in Manitoba and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, you have a statutory right to sue:

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

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 Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Preferred Shares. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action or commence your action for damages within the earlier of: (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) two years after the day of the transaction that gave rise to the cause of action.

Investors in Yukon

If you are a resident in Yukon and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, you have a statutory right to sue:

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

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 Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Preferred Shares. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action or commence your action for damages within the earlier of: (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the transaction that gave rise to the cause of action.

You should refer to the applicable provisions of the securities legislation for particulars of the rights or consult with a lawyer.

You should consult your own legal advisers with respect to your rights and the remedies available to you. The rights discussed above are in addition to and without derogation from any other rights or remedies, which you may have at law.

ITEM 12
FINANCIAL STATEMENTS

Financial Statements
(Expressed in Canadian dollars)

GENESIS MORTGAGE INVESTMENT CORP.

And Independent Auditors' Report thereon

Year ended September 30, 2019



KPMG LLP
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Vancouver BC V7Y 1K3
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Genesis Mortgage Investment Corp.

Opinion

We have audited the financial statements of Genesis Mortgage Investment Corp. (the "Entity"), which comprise:

- the statement of financial position as at September 30, 2019
- the statement of income (loss) and comprehensive income (loss) for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at September 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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

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



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

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

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

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

Auditors’ 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 auditors’ report that includes our opinion.

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
December 9, 2019

GENESIS MORTGAGE INVESTMENT CORP.

Statement of Financial Position
(Expressed in Canadian dollars)

September 30, 2019, with comparative information for 2018


	Note	2019	2018
Assets			
Cash		\$ 10,321	\$ 725
Software	12	8,400	-
Prepaid expenses		243,354	138,538
Mortgage receivable	5	133,988,040	98,223,115
		<u>\$ 134,250,115</u>	<u>\$ 98,362,378</u>

Liabilities and Shareholders' Equity (Deficiency)

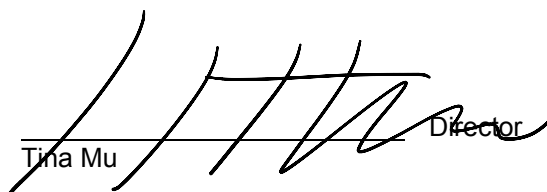
Bank indebtedness	6	\$ 8,509,420	\$ 14,075,751
Accounts payable and accrued liabilities		116,090	115,415
Distribution payable to preferred shareholders	9	1,207,400	899,387
Due to related parties	7	42,132	4,812
Redeemable preferred shares	9	124,638,849	83,266,613
		<u>134,513,891</u>	<u>98,361,978</u>
Shareholders' equity (deficiency):			
Share capital	9	400	400
Retained earnings (deficit)		(264,176)	-
		<u>(263,776)</u>	<u>400</u>
		<u>\$ 134,250,115</u>	<u>\$ 98,362,378</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Peter Yang Director



Tina Mu Director

GENESIS MORTGAGE INVESTMENT CORP.

Statement of Income (Loss) and Comprehensive Income (Loss)
(Expressed in Canadian dollars)

Year ended September 30, 2019, with comparative information for 2018

	Note	2019	2018
Revenue:			
Mortgage interest		\$ 12,893,683	\$ 9,532,857
Other income		47,310	43,921
		12,940,993	9,576,778
Expenses:			
Management fees	7	2,726,157	1,952,551
Provision for mortgage losses	5	900,109	-
Interest		621,926	626,213
Advertising and promotion		181,483	181,180
Professional fees		128,689	121,034
Bank charges		35,275	24,154
Investment referral fee		30,885	11,146
Office and miscellaneous		11,033	56,403
Commitment fee		8,000	3,000
Licenses, dues and fees		5,469	3,911
Appraisal fee		2,520	-
		4,651,546	2,979,592
Income before other item		8,289,447	6,597,186
Loss on foreclosed property held-for-sale		-	(508,505)
Net income before distributions on preferred shares		8,289,447	6,088,681
Distributions to preferred shareholders		8,414,010	5,942,432
Net income (loss) and comprehensive income (loss)		\$ (124,563)	\$ 146,249

See accompanying notes to financial statements.

GENESIS MORTGAGE INVESTMENT CORP.

Statement of Changes in Equity
(Expressed in Canadian dollars)

Year ended September 30, 2019, with comparative information for 2018

	Issued capital		Retained earnings (deficit)	Shareholders' equity (deficiency)
	Number of shares	Amount		
Balance, September 30, 2017	400	\$ 400	\$ (146,249)	\$ (145,849)
Net income and comprehensive income	-	-	146,249	146,249
Balance, September 30, 2018	400	400	-	400
Adjustment on initial adoption of IFRS 9 (note 4)	-	-	(139,613)	(139,613)
Balance, October 1, 2018 (adjusted)	400	400	(139,613)	(139,213)
Net loss and comprehensive loss	-	-	(124,563)	(124,563)
Balance, September 30, 2019	400	\$ 400	\$ (264,176)	\$ (263,776)

See accompanying notes to financial statements.

GENESIS MORTGAGE INVESTMENT CORP.

Statement of Cash Flows
(Expressed in Canadian dollars)

Year ended September 30, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Cash flows from operating activities:		
Net income (loss)	\$ (124,563)	\$ 146,249
Items not involving cash:		
Interest income	(12,893,683)	(9,532,857)
Provision for mortgage losses	900,109	-
Dividends declared	8,414,010	5,942,432
	(3,704,127)	(3,444,176)
Changes in non-cash operating working capital:		
Prepaid expenses	(104,816)	(133,594)
Accounts payable and accrued liabilities	675	85,127
Due to related parties	37,320	(237,422)
Deferred revenue	(916,110)	582,755
Foreclosed property held-for-sale	-	1,408,504
Mortgage receivables	(35,300,450)	(23,962,900)
Distribution payable to preferred shareholders	308,013	210,117
	(39,679,495)	(25,491,589)
Interest received	12,305,596	9,315,003
Net cash provided by operating activities	(27,373,899)	(16,176,586)
Cash flows from financing activities:		
Borrowings from (repayment of) bank indebtedness	(5,566,331)	2,748,148
Proceeds from issuance of redeemable preferred shares	75,734,982	54,234,460
Redemption of redeemable preferred shares	(37,931,772)	(37,276,813)
Dividends paid	(4,844,984)	(3,529,437)
Increase in loans	61,000	5,875,000
Repayment of loans	(61,000)	(5,875,000)
Net cash provided by financing activities	27,391,895	16,176,358
Cash flows from investing activities:		
Acquisition of software	(8,400)	-
Net cash used in investing activities	(8,400)	-
Increase (decrease) in cash	9,596	(228)
Cash, beginning of year	725	953
Cash, end of year	\$ 10,321	\$ 725

See accompanying notes to financial statements.

GENESIS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Year ended September 30, 2019

1. Reporting entity:

Genesis Mortgage Investment Corp. (the "Company") is a non-bank lender domiciled in Canada. The Company's corporate office and principal place of business is located at 200 - 3600 No. 3 Road, Richmond, British Columbia, V6X 2C1. The Company was incorporated under the Business Corporations Act of British Columbia on October 16, 2012.

The investment objective of the Company is to provide preferred shareholders with income generated from a diversified portfolio of mortgage loan investments (also referred to as mortgages), while preserving the Company's capital. The Company engaged Gentai Capital Corporation, formerly known as Genesis Capital Corporation (the "Manager"), as the manager of the Company responsible for the day to day operations and providing all general management and administrative services of the Company's mortgage loan portfolio. The Manager is a related company with certain common directors and officers. The Company engaged Gentai Asset Management Corporation to sell the preferred shares of the Company in British Columbia pursuant to BC Instrument 32-517. Exemption from dealer registration requirement for trade in securities of mortgage investment entities. Gentai Asset Management Corporation has filed a "substantially complete" application to register as an Exempt Market Dealer with the British Columbia Securities Commission by the February 15, 2019. Gentai Asset Management Corporation is a related company with certain common directors and officers.

2. Significant accounting policies:

(a) Statement of compliance:

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

These financial statements were approved by the Board of Directors on December 9, 2019.

(b) Basis of measurement:

These financial statements are prepared on an accrual basis and are based on historical cost basis except for foreclosed properties held for sale which are measured at lower of cost and fair value less costs to sell.

(c) Functional and presentation currency:

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

GENESIS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Year ended September 30, 2019

2. Significant accounting policies (continued):

(d) Use of estimates and judgments:

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. It also requires management to exercise judgment in applying the Company's accounting policies.

The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the financial statements are related to investment in mortgages. In making estimates, the Manager relies on external information and observable inputs where possible supplemented by internal analysis as required. Estimates and judgments related to allowance for credit losses for investments in mortgages have been revised following adoption of IFRS 9, *Financial Instruments* ("IFRS 9"), effective October 1, 2018 as follows:

Investments in mortgages:

The Company is required to make an assessment of the impairment of investments in mortgages. Under the previous standard (IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39")) prior to October 1, 2018, investments in mortgages were considered to be impaired only if objective evidence indicated that one or more events ("loss events") had occurred after its initial recognition, that would have a negative effect on the estimated future cash flows of that asset. IFRS 9 replaces the 'incurred loss' model in IAS 39 as of October 1, 2018 with a forward looking 'expected credit loss' ("ECL") model which is applied to investments in mortgages that are classified as amortized cost. The new expected credit loss model is further explained in note 3(f)(iii). The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary by a material amount.

Foreclosed property held-for-sale:

The Company uses management's best estimate to determine fair value of the property, which may involve frequent inspections, engaging realtors to assess market conditions based on previous property transactions or retaining professional appraisers to provide independent valuations. Refer to accounting policy note 3(b) for further information.

GENESIS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Year ended September 30, 2019

3. New accounting standards:

(a) Cash and cash equivalents:

The Company considers highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value to be cash equivalents.

(b) Foreclosed property held for sale:

When the Company obtains legal title of the underlying security of an impaired mortgage investment, the carrying value of the mortgage investment, which comprises principal, costs incurred, accrued interest and the related provision for mortgage investment loss, if any, is reclassified from mortgage investments to foreclosed property held for sale ("FPHFS"). At each reporting date, FPHFS are measured at the lower of carrying value and fair value less costs to sell, with changes in value recorded in profit or loss in the period they arise. The Company uses management's best estimate to determine fair value of the property, which may involve frequent inspections, engaging realtors to assess market conditions based on previous property transactions or obtaining property appraisals from independent valuation specialists.

(c) Revenue recognition:

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the entity and when the amount of the revenue can be measured reliably.

Mortgage interest income is accounted for using the effective interest method over the term of the mortgage.

(d) Income taxes:

It is the intention of the Company to qualify as a mortgage investment corporation ("MIC") under section 130.1 of the Income Tax Act (Canada) (the "Tax Act"). A MIC is able to deduct, in computing its income for a taxation year, dividends paid to its shareholders during the year or within 90 days of the end of the year to the extent that those dividends were not deducted previously.

Actual qualification as a MIC will depend upon meeting the various conditions imposed under the Tax Act throughout the year. Management believes that all conditions necessary for qualification as a MIC under the Tax Act have been met in the current and all previous reporting periods. In addition, the Company intends to pay sufficient dividends to its shareholders in the current year and in future years to ensure that it will not be subject to income taxes. Accordingly, no provision for current or deferred income taxes has been made for financial statement purposes.

GENESIS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Year ended September 30, 2019

3. Significant accounting policies (continued):

(e) Share capital:

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

Redeemable preferred shares are classified as a liability as they are redeemable at the option of the holder and are therefore considered current.

(f) Financial instruments - policy applicable from October 1, 2018:

(i) Recognition, classification and measurement:

All financial assets are initially recorded at fair value and subsequently classified as measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit and loss ("FVTPL").

A financial asset that is a debt instrument is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

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

A debt security is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

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

On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL.

GENESIS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Year ended September 30, 2019

3. Significant accounting policies (continued):

(f) Financial instruments - policy applicable from October 1, 2018 (continued):

(i) Recognition, classification and measurement (continued):

All financial liabilities are initially recorded at fair value and subsequently classified as measured at amortized cost or FVTPL. On initial recognition, the Company may irrevocably designate a financial liability at FVTPL when doing so results in more relevant information, because either:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or
- a group of financial assets and financial liabilities is managed with its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel.

For financial assets classified as measured at FVTPL or designated at FVTPL, changes in fair value are recognized in the statement of income. For financial assets classified as measured at FVOCI for which an irrevocable elected has been made, changes in fair value are recognized in the statement of comprehensive income. For financial assets and other financial liabilities measured at amortized cost, interest income and interest expense is calculated using the effective interest method and is recognized in the statement of income.

Business model assessment:

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the asset is managed and information is provided to management. The information considered includes:

- how the performance of the portfolio is evaluated and reported to management;
- how managers of the business are compensated;
- whether the assets are held for trading purposes;
- the risks that affect the performance of the financial assets held within the business model and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sale activity.

GENESIS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Year ended September 30, 2019

3. Significant accounting policies (continued):

(f) Financial instruments - policy applicable from October 1, 2018 (continued):

(i) Recognition, classification and measurement (continued):

Contractual cash flow characteristics assessment:

In assessing whether the contractual cash flows are solely payments of principal and interest, 'principal' is defined as the fair value of the financial asset on initial recognition and 'interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

The Company considers the contractual terms of the financial asset and whether the asset contains contractual terms that could change the timing or amount of cash flows such that it would not meet the condition of principal and interest. Contractual terms considered in this assessment include contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms, terms that limit the claim to cash flows from specified assets, and features that modify the consideration from time value of money.

(ii) Reclassification of financial assets:

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing those assets. There were no changes to any of the Company's business models for the year ended September 30, 2019.

(iii) Impairment:

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss ("ECL") model. The new impairment model applies to amortized cost financial assets, debt investments at FVOCI, off-balance sheet loan commitments, and financial guarantee contracts.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECL: these are losses that result from possible default events within the 12 -months after the reporting date; and
- lifetime ECL: these are losses that result from all possible default events over the expected life of a financial instrument.

The ECL model requires the recognition of credit losses based on up to 12-months of expected losses of performing loans ("Stage 1") and the recognition of lifetime expected losses on performing loans that have experience a significant increase in credit risk since origination ("Stage 2") and credit impaired assets ("Stage 3").

GENESIS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Year ended September 30, 2019

3. Significant accounting policies (continued):

(f) Financial instruments - policy applicable from October 1, 2018 (continued):

(iii) Impairment (continued):

Assessment of significant increase in credit risk:

The assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. Factors considered in the assessment include macroeconomic outlook, management judgment, and delinquency and monitoring. The importance and relevance of each specific macroeconomic factor depends on the portfolio, characteristics of the financial instruments, and the borrower. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap.

For certain instruments with low credit risk as at the reporting date, it is presumed that credit risk has not increased significantly relative to initial recognition. Credit risk is considered to be low if the instrument has a low risk of default and the borrower has the ability to fulfill their contractual obligations both in the short and long term, including periods of adverse changes in the economic or business environment.

Measurement of ECL:

ECL is a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls, which is the difference between the cash flows due in accordance with the contract and the cash flows expected to be received. The measurement of ECL is based primarily on the product of the following variables: probability of default ("PD"); loss given default ("LGD"); and exposure at default ("EAD").

The PD is an estimate of the likelihood that a loan will not be repaid and will go into default in either a 12-month or lifetime horizon. The LGD is an estimate of the amount that may not be recovered in the event of default. The EAD is an estimate of the outstanding amount of credit exposure at the time a default may occur. These estimates are modelled based on historic data, current market conditions, and reasonable and supportable information about future economic conditions, where appropriate.

GENESIS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Year ended September 30, 2019

3. Significant accounting policies (continued):

(f) Financial instruments - policy applicable from October 1, 2018 (continued):

(iii) Impairment (continued):

Credit-impaired and restructured financial assets:

At each reporting date, the Company assesses whether financial assets measured at amortized cost or FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

If the terms of a financial asset are renegotiated or modified, or a financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and how ECL is measured. If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset. If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow of the existing asset at the time of its derecognition.

Presentation of impairment:

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities measured at FVOCI, the loss allowance is recognized in OCI instead of reducing the carrying amount of the asset.

Write-off:

Loan and debt securities are written off (either partially or full) when there is no probable prospect of recovery.

Expected credit loss allowance:

The ECL model requires the recognition of credit losses based on 12-months of expected losses for performing loans ("Stage 1") and recognition of lifetime losses on performing loans that have experienced a significant increase in credit risk since origination ("Stage 2"). Credit impaired assets require lifetime losses to be estimated ("Stage 3"). The determination of a significant increase in credit risk takes into account many different factors and varies by product and risk segment, which requires experienced credit judgment.

In determining whether there has been a significant increase in credit risk and in calculating the amount of the ECL, the Company must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the ECL allowance.

GENESIS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Year ended September 30, 2019

3. Significant accounting policies (continued):

(f) Financial instruments - policy applicable from October 1, 2018 (continued):

(iii) Impairment (continued):

The calculation of ECL includes explicit incorporation of forecasted economic conditions. The Company has developed models incorporating specific macroeconomic variables that are relevant to each specific portfolio. Experienced credit judgment is required to incorporate multiple probability-weighted forward-looking scenarios in the determination of the ECL allowance. The allowance is sensitive to changes in economic forecasts and the probability-weight assigned to each forward-looking scenario.

(iv) Derecognition of financial instruments:

IFRS 9 retains, largely unchanged, the requirements of IAS 39 relating to the derecognition of financial instruments.

(g) Financial instruments - policy applicable prior to October 1, 2018:

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either at FVTPL or other financial liabilities. Financial instruments comprise cash, amounts receivable, mortgage investments, bank overdraft, accounts payable, distribution payable to preferred shareholders, loans payable, amounts due to related parties and redeemable preferred shares. The Company does not use any derivative or hedging instruments. Transaction costs related to financial instruments other than at FVTPL are capitalized as part of the cost of the financial instrument.

At initial recognition management has classified financial assets and liabilities as follows:

(i) Financial assets:

The Company has classified its cash at FVTPL. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in income.

GENESIS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Year ended September 30, 2019

3. Significant accounting policies (continued):

(g) Financial instruments - policy applicable prior to October 1, 2018 (continued):

(i) Financial assets (continued):

Amounts receivable and mortgage investments are classified as loans and receivable. Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

(ii) Financial liabilities:

The Company has classified its bank overdraft, accounts payable, distribution to preferred shareholders, loans payable, amounts due to related parties and redeemable preferred shares as other financial liabilities. Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost using the effective interest method. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

(iii) Impairment of financial assets:

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

GENESIS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Year ended September 30, 2019

3. Significant accounting policies (continued):

(h) Provisions:

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(i) New standards and interpretations not yet adopted:

IFRS 16 - Leases:

IFRS 16, *Leases* is effective for the Company beginning on October 1, 2019. Early application is permitted. IFRS 16 will replace IAS 17, *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12-months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhances disclosures to be provided by the lessor. Management is currently evaluating the extent of the impact of the adoption of this standard.

GENESIS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Year ended September 30, 2019

4. Change in accounting policies:

IFRS 9 - Financial Instruments:

The Company has adopted IFRS 9 with a date of initial application of October 1, 2018. As permitted under IFRS 9, the Company has elected not to restate comparative information. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition were recognized in opening retained earnings and accumulated other comprehensive income on October 1, 2018. Accordingly, the comparative information presented for 2018 does not reflect the requirements of IFRS 9.

Transition impact from adopting IFRS 9:

Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and AOCI as at October 1, 2018. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2019 under IFRS 9.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- the determination of the business model in which a financial asset is held;
- the designation and revocation of previous designations of certain financial assets and financial liabilities at FVTPL; and
- the designation of certain equity instruments not held for trading at FVOCI.

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9:

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Company's financial assets and liabilities as at October 1, 2018:

	IAS 39		IFRS 9	
	Measurement category	Carrying amount September 30, 2018	Measurement category	Carrying amount October 1, 2018
Financial assets:				
Cash	Loans and receivables	\$ 725	Amortized cost	\$ 725
Mortgage receivable	Loans and receivables	98,223,115	Amortized cost	98,083,502
Total financial assets		\$ 98,223,840		\$ 98,084,227
Financial liabilities:				
Bank indebtedness	Financial liabilities	\$ 14,075,751	Amortized cost	\$ 14,075,751
Redeemable preferred shares	Financial liabilities	83,266,613	Amortized cost	83,266,613
Total financial liabilities		\$ 97,342,364		\$ 97,342,364

GENESIS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Year ended September 30, 2019

4. Changes in accounting policies (continued):

IFRS 9 *Financial Instruments* (continued):

Transition impact from adopting IFRS 9 (continued):

Reconciliation of carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on transition as at October 1, 2018:

	IAS 39		IFRS 9	
	Balance September 30, 2018	Adjustment for reclassification	Adjustment for remeasurement	Balance, October 1, 2018
Financial assets:				
Cash	\$ 725	\$ -	\$ -	\$ 725
Mortgage receivable	98,223,115	-	(139,613)	98,083,502
Total financial assets	\$ 98,223,840	\$ -	\$ (139,613)	\$ 98,084,227
Financial liabilities:				
Bank indebtedness	\$ 14,075,751	\$ -	\$ -	\$ 14,075,751
Redeemable preferred shares	83,266,613	-	-	83,266,613
Total financial liabilities	\$ 97,342,364	\$ -	\$ -	\$ 97,342,364
Retained earnings	\$ -	\$ -	\$ (139,613)	\$ (139,613)

Reconciliation of closing allowance under IAS 39 to opening ECL allowance under IFRS 9

	IAS 39 Impairment allowance September 30, 2018	Adjustment for remeasurement or reclassification	IFRS 9 ECL October 1, 2018	Stage 1	Stage 2	Stage 3
Mortgage receivable	\$ -	\$ (139,613)	\$ (139,613)	\$ (139,613)	\$ -	\$ -

IFRS 15, *Revenue from Contracts with Customers*:

On October 1, 2018, the Company adopted IFRS 15, *Revenue from Contracts with Customers*. IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognized. It replaced IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and a number of revenue-related interpretations. The Company has determined there is no significant impact to its revenue streams from the adoption of IFRS 15. The Company has applied IFRS 15 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

GENESIS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Year ended September 30, 2019

5. Mortgage investments:

(a) Mortgages receivable

	2019	2018
Interest in first mortgage	\$ 73,470,608	\$ 31,247,500
Interest in second mortgage	61,170,158	68,092,816
	134,640,766	99,340,316
Accrued mortgage interest	1,466,839	878,752
Deferred mortgage interest	(1,079,843)	(1,995,953)
	135,027,762	98,223,115
Provision for mortgage losses	(1,039,722)	-
	\$ 133,988,040	\$ 98,223,115

Mortgage investments are secured by real properties to which they relate, bearing interest at a weighted average interest rate of 10.57% (2018 - 10.57%).

All of the mortgage investments contain a prepayment option, whereby the borrower may repay the principal at any time prior to maturity, subject to payment of an interest penalty that is specific to each mortgage.

As part of the assessment of impairment, the Manager routinely reviews each mortgage investment for changes in credit quality of the mortgage and underlying real estate assets and determines whether such changes result in the carrying value of the mortgage being in excess of its fair value. During the current year, the Company provided \$1,039,722 provision for mortgage losses (2018 - nil). See note 5(b) below. The mortgage investments are used to secure the Company's line of credit (see note 6).

GENESIS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Year ended September 30, 2019

5. Mortgage investments (continued):

(b) Provision for mortgage losses:

	2019				Total	2018
	Stage 1	Stage 2	Stage 3			
Commercial	\$ 21,681,601	\$ -	\$ 853,524	\$ 22,535,125	\$ 8,873,916	
Construction	6,835,072	-	-	6,835,072	9,247,348	
Residential	100,246,991	2,041,344	3,369,230	105,657,565	80,101,851	
Provisions for mortgage losses	(188,736)	(4,900)	(846,086)	(1,039,722)	-	
Mortgages receivable	\$ 128,574,928	\$ 2,036,444	\$ 3,376,668	\$ 133,988,040	\$ 98,223,115	

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

	Stage 1	Stage 2	Stage 3	Total
Balance at October 1 per IFRS 9	\$ 139,613	\$ -	\$ -	\$ 139,613
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(2,450)	2,450	-	-
Transfers to Stage 3	(6,092)	-	6,092	-
Net remeasurement	8,542	2,450	839,994	850,986
Mortgage advances	97,861	-	-	97,861
Mortgage repayments	(48,738)	-	-	(48,738)
Balance, end of year	\$ 188,736	\$ 4,900	\$ 846,086	\$ 1,039,722

GENESIS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Year ended September 30, 2019

6. Bank indebtedness:

Pursuant to an overdraft lending agreement dated October 28, 2014 and amended on May 11, 2015, March 30, 2016, December 28, 2016, February 19, 2018 and January 24, 2019 with the Canadian Western Bank (the "Bank"), the Company was extended a line of credit (overdraft) of up to \$5,000,000 that was increased to \$8,000,000 on May 11, 2015, subsequently increased to \$10,000,000 on March 30, 2016, \$15,000,000 on December 28, 2016, \$18,000,000 on February 19, 2018, and \$23,000,000 on January 24, 2019.

The line of credit is due on demand, and bears interest at the Bank's prime lending rate plus 1.25% per annum to be repaid monthly. The loan requires a general security agreement of the Company's present and future property, general assignment of mortgages and general assignment of insurance interest held by the Company in favour of the Bank, full liability guarantee from the Manager, assignment and postponement of creditor's claim (loans and promissory notes) by the Manager, and waiver of creditor business line of credit life insurance executed by the President and Managing Director of the Manager. The Company is also required to comply with the Bank's margin requirements, debt to tangible net worth ratio, tangible net worth threshold and debt service coverage. The Company also agreed not to become a guarantor or allow any further encumbrances of its assets without the Bank's prior consent.

As at September 30, 2019, the Company has an overdraft of \$8,509,420 (2018 - \$14,075,751) including accrued interest of \$37,371 (2018 - \$51,284) on the line of credit.

7. Related party transactions and balances:

The below related party transactions and balances took place in the normal course of operations and are not disclosed elsewhere in the financial statements.

(a) Manager fees:

Pursuant to a management and administration agreement dated October 1, 2014 with the Manager, and subsequently amended on January 4, 2016 and December 22, 2016, in consideration of the provision of services thereunder, the Manager will receive a fee from the Company equal to 2.00% per year (0.1667% per month) of the funds under management by the Company (being, for the avoidance of doubt, the total of (i) the Company's outstanding preferred share capital, (ii) the upper limit amount of the Company's credit facility with its bankers, and (iii) the outstanding amounts due under all mortgage loans made by the Company), calculated on a monthly basis and paid on the first business day of the following month. If, however, the annual return for the Company's Class A Preferred shares or Class B Preferred shares is less than 8%, the Manager must, within three months after the Company's financial year end, repay to the Company that portion of the foregoing fee as is necessary to increase the annual return to 8% for such financial year. The Manager is not required to repay more than 100% of its fees for such financial year even if repayment of 100% of its fees does not increase the annualized return to 8%.

GENESIS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Year ended September 30, 2019

7. Related party transactions and balances (continued):

(a) Manager fees (continued):

The Manager is a related company with certain common directors and officers (see note 1).

For the year ended September 30, 2019, the Company incurred management fees of \$2,726,157 (2018 - \$1,952,551) to the Manager.

For the year ended September 30, 2019, the Manager received \$935,300 (2018 - \$586,047) of commitment fees as a result of new mortgage investments made during the year.

As at September 30, 2019, amounts due to the Manager of \$42,132 (2018 - \$4,812) are unsecured, non-interest bearing and due on demand.

(b) Related party loan:

During the year ended September 30, 2019, the Company received a loan of nil (2018 - \$250,000) from the Manager. The loan amount of \$250,000 plus interest of \$125 was fully repaid in 2018.

(c) Key management personnel:

The compensation to the senior management of the Manager is paid through management fees paid to the Manager. There was no compensation paid to the Board of Directors.

(d) Guarantee:

As at September 30, 2019, the Company had a shareholders' deficiency of \$263,776 (2018 - nil). Pursuant to the guarantee dated April 18, 2018, the Manager shall cover an amount up to the shareholders' deficiency indicated in the statement of financial position in the event of the liquidation, dissolution or winding up of the Company.

8. Foreclosed property held-for-sale:

As at September 30, 2017, there was one foreclosed property held for sale ("FPHFS") which was recorded at fair value of \$1,408,504. In January 2018, the company completed the sale of the foreclosed property. The gross sales proceeds that the company received was \$900,000. The company paid \$30,450 in transaction fees. During the year ended September 30, 2019, the company recorded a realized loss of nil (2018 - \$508,505) in the Statement of Income and Comprehensive Income.

GENESIS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Year ended September 30, 2019

9. Share capital:

(a) Authorized:

Unlimited number of voting common shares, without par value

Unlimited number of non-voting class A preferred shares without par value

Unlimited number of non-voting class B preferred shares without par value

Unlimited number of non-voting class C preferred shares without par value

Unlimited number of non-voting class D preferred shares without par value

(b) Common shares issued:

400 common shares have been issued for cash at \$1.00 per share.

(c) Redeemable preferred shares issued:

	Class A preferred shares		Class B preferred shares	
	Numbers issued	Amount	Numbers issued	Amount
2019				
Balance, September 30, 2018	79,160,467	\$ 79,160,467	4,106,146	\$ 4,106,146
Issued	75,734,982	75,734,982	-	-
Redeemed	(37,699,667)	(37,699,667)	(232,105)	(232,105)
Reinvested dividends	3,432,524	3,432,524	136,502	136,502
Balance, September 30, 2019	120,628,306	\$120,628,306	4,010,543	\$ 4,010,543
2018				
Balance, September 30, 2017	52,780,954	\$ 52,780,954	11,115,017	\$ 11,115,017
Issued	54,234,460	54,234,460	-	-
Redeemed	(29,949,620)	(29,949,620)	(7,327,193)	(7,327,193)
Reinvested dividends	2,094,673	2,094,673	318,322	318,322
Balance, September 30, 2018	79,160,467	\$ 79,160,467	4,106,146	\$ 4,106,146

All classes of preferred shares within a class rank equally with respect to dividends, rank senior to the common shares of the Company and are redeemable at the option of the holders.

GENESIS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Year ended September 30, 2019

9. Share capital (continued):

(c) Redeemable preferred shares issued (continued):

At the discretion of the Company, redemptions of Preferred Shares may be made on a monthly basis provided that the Company is given at least: (i) 30 days written notice for amounts under \$1,000,000; and (ii) 90 days written notice for amounts over \$1,000,000. The Company may not accept redemption requests for Preferred Shares in the same calendar month where they represent more than 5% of the total number of Preferred Shares outstanding on the redemption date. Should the amount of Preferred Shares rendered for redemption exceed the limit, the Company may, at its discretion, redeem all tendered shares, redeem the shares tendered on a *pro rata* basis, or suspend redemptions. Class A Preferred Shareholders can request redemption after holding the shares for 12 months.

(d) Dividends:

The Company intends to pay dividends to shareholders on a quarterly basis, the first quarter paid on December 28, 2018 and on or about the 15th day following the subsequent quarters.

For the year ended September 30, 2019, the Company declared and paid dividends on Class A and B preferred shares of \$7,206,610 (2018 - \$5,043,045), and declared dividends payable of \$1,207,400 (2018 - \$823,028) and special dividends payable of nil (2018 - \$76,359), which will be distributed within 90 days after the year end. Of the dividends declared, \$4,844,984 (2018 - \$3,453,078) was paid in cash and \$3,569,026 (2018 - \$2,412,995) was reinvested into the preferred shares.

(e) Dividend reinvestment plan:

The Company has instituted a dividend reinvestment plan ("DRIP") available to preferred shareholders. Under the DRIP, shareholders may enrol to have their cash dividends reinvested to purchase additional preferred shares of the same class at an amount of \$1.00 per share. For the year ended September 30, 2019, total dividends of \$3,569,026 (2018 - \$2,412,995) was reinvested in Class A and Class B preferred shares.

10. Capital management:

The Company manages its capital structure in order to support ongoing operations while focusing on its primary objectives of preserving shareholder capital and generating a stable monthly cash dividend to holders of redeemable shares. The Company defines its capital structure as the common and preference shares of the Company.

The Company reviews its capital structure on an ongoing basis and adjusts its capital structure in response to mortgage and loan investment opportunities, the availability of capital and anticipated changes in general economic conditions.

GENESIS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Year ended September 30, 2019

10. Capital management (continued):

The Company's internally imposed investment restrictions and asset allocation model incorporate various restrictions and investment parameters to manage the risk profile of the mortgage and loan investments. The investment restrictions permit the Company to use leverage to maintain liquidity, for general working capital purposes and to bridge the timing differences between loan advances, maturities and equity offerings. The aggregate amount of borrowing by the Company may not exceed 20% of the book value of the Company's mortgage investment portfolio without the approval of the board of directors. In addition, the asset allocation model dictates the allocation of the mortgage and loan investments based upon geographical, borrower, zoning, term, security position, and loan-to-appraised value criteria. At September 30, 2019, the Company had loans payable of \$8,509,420 (2018 - \$14,075,751), which represented 6.35% (2018 - 14.33%) of the carrying value of the Company's mortgage investment portfolio. During fiscal 2015, the Company obtained the approval of the members of the board of directors' approval for these loans and the Company was in compliance with its investment restrictions and the asset allocation model parameters. The Company is subject to certain debt covenants on its capital (see note 6).

11. Financial instruments:

(a) Fair values:

The Company's financial instruments include cash, amounts receivable, mortgage receivable, prepaid expenses, bank overdraft, accounts payable and accrued liabilities, distribution payable to preferred shareholders, due to related parties and redeemable preferred shares. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature.

The Company classifies its fair value measurements in accordance with the level three fair value hierarchy as follows:

Level 1 - 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 (i.e., as prices) or indirectly; and

Level 3 - Inputs that are not based on observable market data.

The level in fair value hierarchy within which the fair value is categorized shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The Company's financial instruments are classified as Level 2 in the fair value hierarchy. During the year ended September 30, 2019 and 2018, no financial assets and liabilities were transferred between the levels of the fair value hierarchy.

As at September 30, 2019, the Company has no financial instruments measured at fair value (2018 - nil).

GENESIS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Year ended September 30, 2019

11. Financial instruments (continued):

(b) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of the mortgage investments, bank overdraft and preferred shares will fluctuate because of changes in market interest rates. As of September 30, 2019, no mortgage investments and preferred shares bear interest at variable rates (2018 - nil); therefore, the Company is not exposed to cash flow risk from mortgage investments and preferred shares as a result of interest rate fluctuations. Further, the Company does not have material fair value risk on its mortgage investment portfolio primarily as a result of the less than one year short term nature of the maturity dates of the mortgage loan investments. The Company is exposed to interest rate risk on its bank overdraft to the extent that its credit facility is based on floating rate of interest. For the year ended September 30, 2019, a 10% increase (decrease) in interest rates would have decreased (increase) comprehensive income by \$119,600 (2018 - \$74,250).

The Company does not have material interest rate risk on any of its other financial instruments.

(c) Credit risk:

The following assets are exposed to credit risk: cash and mortgages receivable. Credit risk primarily relates to the possibility that counterparties to mortgage investments may be unable to honor their debt commitments as a result of a negative change in market conditions that could result in a loss to the Company. The credit risk for cash is very low because the Company maintains cash balances with a major Schedule I chartered bank.

At September 30, 2019, outstanding amounts owed by one mortgage borrower accounted for 7.86% of the total mortgages (2018 - 7.84%).

The Company mitigates this risk by the following:

- (i) adhering to the investment restrictions and operating policies included in the asset allocation;
- (ii) performing a due diligence process on each mortgage loan investment prior to funding. These generally include, but not limited to engaging professional independent consultants, lawyers and appraisers and performing credit checks and financial statement review on prospective borrowers;
- (iii) having mortgage investments approved by the independent review committee in accordance with the Company's operating policies; and
- (iv) actively monitoring the mortgage portfolio and initiating recovery procedures in a timely manner when required.

GENESIS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Year ended September 30, 2019

11. Financial instruments (continued):

(d) Liquidity risk:

The company's maximum credit exposure (without taking into account collateral and other credit enhancements) at September 30, 2019 and 2018 is representative of the relevant financial assets in the statement of financial position.

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's policy and the Manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid cash to meet its liabilities when due, under both normal and stress conditions, including estimated redemptions of shares, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's articles provide for the monthly cancellation of shares and it is therefore exposed to the liquidity risk of meeting preferred shareholder redemptions at each redemption date.

The Company's financial assets include a portfolio of mortgages, which are generally illiquid. As a result, the Company may not be able to liquidate some of its investments in these assets in due time in order to meet its liquidity requirements.

The Company's liquidity risk is managed on an ongoing basis by the Manager in accordance with the policies and procedures in place. The Company's overall liquidity is monitored on a weekly basis by the board of directors. The Company's redemption policy only allows for redemptions on giving thirty (30) days written request for amounts under \$1,000,000 and ninety (90) days when the amount is over \$1,000,000. It is the Manager's policy to have liquid assets comprising cash and cash equivalents or access to bank lending in order to meet anticipated redemptions.

The board of directors is empowered to impose a redemption gate should redemption levels exceed 5% of the preferred shares issued and outstanding as at the redemption date.

GENESIS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Year ended September 30, 2019

11. Financial instruments (continued):

(d) Liquidity risk (continued):

The following table presents contractual terms to maturity of the financial liabilities owed by the Company as at September 30, 2019 and 2018:

Financial liability	Carrying amount 2019	Contractual terms to maturity
Bank overdraft	\$ 8,509,420	Due on demand
Distribution payable to preference shareholders	1,207,400	Due within 30 days
Other accounts payable and amounts due to related parties	158,222	Due within 3 months
Redeemable preference shares	124,638,849	Due within 30 days of request when the amount is less than \$1,000,000 and 90 days when over \$1,000,000

Financial liability	Carrying amount 2018	Contractual terms to maturity
Bank overdraft	\$ 14,075,751	Due on demand
Distribution payable to preference shareholders	899,387	Due within 30 days
Other accounts payable and amounts due to related parties	120,227	Due within 3 months
Redeemable preference shares	83,266,613	Due within 30 days of request when the amount is less than \$1,000,000 and 90 days when over \$1,000,000

(e) Currency risk:

The Company invests in mortgages, generates revenues and incurs expenses and expenditures primarily in British Columbia, Canada and is not exposed to risk from changes in foreign currency exchange rates.

12. Other matter:

During the second half of the year, the Company incurred software cost pertaining to the software upgrade. The Company has chosen to start amortization in 2020.

ITEM 13
DATE AND CERTIFICATE

Dated: March 10, 2020

This Offering Memorandum does not contain a misrepresentation.

Issuer:

GENESIS MORTGAGE INVESTMENT CORP.

(signed) HONG YU TINA MU
Director and Acting Chief Executive Officer

(signed) YU (PETER) YANG
Director and Acting Chief Financial Officer

Manager and Promoter:

GENTAI CAPITAL CORPORATION

(signed) HONG YU TINA MU
Director

(signed) YU (PETER) YANG
Director