



INVEST. LEND. GROW.

2017

Offering Memorandum



No securities regulatory authority or regulator has assessed the merits of the Shares or this offering or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. You could lose all the money you invest. See Item 8 - Risk Factors. This offering memorandum does not constitute an offer to sell or the solicitation of an offer to buy securities within the United States or by residents of the United States. There shall be no sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. This offering memorandum is for the confidential use of only those persons to whom it is transmitted in connection with the Offering for the purpose of evaluating the securities offered hereby. Prospective Investors should only rely on the information in this offering memorandum. No person has been authorized to give any information or make any representation in respect of the Company or the securities offered herein and any such information or representation must not be relied upon. Any such information or representation that is given or received must not be relied upon. By accepting this offering memorandum, recipients agree that they will not transmit, reproduce or make available to anyone, other than their professional advisors, this offering memorandum or any information contained herein.

OFFERING MEMORANDUM

August 30, 2017



THREE POINT CAPITAL CORP.

210 - 1980 Cooper Road, Kelowna, British Columbia V1Y 8K5

Phone: 250-979-2911

Fax: 250-762-3297

Email: investing@threepointcapital.ca Website: www.threepointcapital.ca

Currently listed or quoted?
Reporting Issuer?
SEDAR filer?

No. **These securities do not trade on any exchange or market.**

No.

Yes but only as required pursuant to section 2.9 of NI 45-106. The Company is not a reporting issuer and does not file continuous disclosure documents on SEDAR.

THE OFFERING

Securities Offered:	10,000,000 Class A Shares (individually, a " Share " and collectively the " Shares ")
Price per Security:	\$1.00 per Class A Share, (the "Subscription Price")
Maximum Offering:	\$10,000,000 (10,000,000 Shares)
Minimum Offering:	There is no minimum. You may be the only purchaser. Funds available under the offering may not be sufficient to accomplish our proposed objectives.
Minimum Subscription Amount:	There is no minimum subscription amount an investor must invest.
Payment Terms:	The full Subscription Price will be payable by bank draft or certified cheque upon closing (" Closing ") payable to Three Point Capital Corp.
Closing Date(s):	One or more Closings may occur on a date or dates established by the Company until the earlier of such date determined by the Company or the issuance of the Company's annual financial statements for its current financial year. All subscriptions are subject to rejection or acceptance in full or in part and the Company may terminate this offering of the Shares (the " Offering ") at any time without notice.
Income Tax Consequences:	There are important tax consequences to these securities. See Item 6 "Income Tax Consequences and Eligibility for Registered Investments" .
Selling Agents:	Yes. See Item 7 – "Compensation Paid to Sellers and Finders" .

RESALE RESTRICTIONS

The Company is not a reporting issuer in any jurisdiction. You will be restricted from selling your Shares for an indefinite period. You may never be able to resell the Shares. See **Item 10 "Resale Restrictions"**.

PURCHASER'S RIGHTS

You have two (2) business days to cancel your agreement to purchase these Shares. 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 "Purchaser's Rights"**.

The Shares will be offered for sale in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario pursuant to exemptions from prospectus requirements contained in NI45-106.

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NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain information in this Offering Memorandum is "forward looking information" within the meaning of applicable securities laws. Forward looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "forecast", "target", "likely", "possible", "probable", "scheduled", "positioned", "goal", "objective" or other similar words, or statements that certain events or conditions "may" or "will" occur. Forward looking information involves significant known and unknown risks and uncertainties. A number of factors, many of which are beyond the control of the Company, could cause actual results to differ materially from the results discussed in the forward looking information. Information regarding sales revenues, plans for ongoing development, and potential contracts assumes that the prevalent economic conditions will not materially affect the business in a manner greater than anticipated. Although the forward looking information contained in this Offering Memorandum is based upon assumptions which management of the Company believes to be reasonable, the Company cannot assure investors that actual results will be consistent with this forward looking information. Because of the risks, uncertainties and assumptions inherent in forward looking information, prospective investors in the Company's securities should not place undue reliance on this forward looking information.

In particular, this Offering Memorandum contains forward looking information pertaining to the following:

- the Company's status as a Mortgage Investment Company;
- business development plans and estimated timing;
- business strategy and plans;
- other expectations, beliefs, plans, goals, objectives, assumptions, information; and
- statements about possible future events, conditions, results of operations or performance.

Undue reliance should not be placed on forward-looking information. Forward-looking information is based on current expectations, estimates and projections that involve a number of risks which could cause actual results to vary and, in some instances to differ materially from those anticipated by the Company and described in the forward-looking information contained in this Offering Memorandum. The material risk factors include, but are not limited to:

- the risks of the competition within the Company's business;
- the risk and changes of international, national and regional economic and business conditions;
- the uncertainty of estimates and projections relating to the real estate industry;
- fluctuations in interest rates;
- uncertainties as to the availability and cost of financing and changes in capital markets;
- adverse changes in real estate prices or other changes that negatively impact the real estate market;
- the possibility that government policies or laws may change or governmental approvals may be delayed or withheld;
- the Company's ability to implement its business strategy.

The foregoing list of risk factors is not exhaustive. Additional information on these and other factors that could affect the Company's operations or financial results are included under the heading "Risk Factors" in this Offering Memorandum. Forward-looking information is based on the estimates and opinions of the Company at the time the information is presented. The foregoing statements expressly qualify any forward-looking information contained in this Offering Memorandum. The Company assumes no obligation to update forward-looking information should circumstances or the Company's estimates or opinions change, except as required by law.

PROSPECTIVE INVESTORS SHOULD THOROUGHLY REVIEW THIS OFFERING MEMORANDUM AND ARE ADVISED TO CONSULT WITH THEIR OWN LEGAL AND TAX ADVISORS CONCERNING THIS INVESTMENT.

DOCUMENTS INCORPORATED BY REFERENCE

Any documents of the type referred to in NI 45-106 to be incorporated by reference in an offering memorandum, including any marketing materials that are effective after the date of this Offering Memorandum and before the termination of the Offering, are deemed to be incorporated by reference in this Offering Memorandum. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Company at 210 - 1980 Cooper Road, Kelowna, British Columbia V1Y 8K5.

Any statement contained in this Offering Memorandum or in a document incorporated or deemed to be incorporated by reference herein is deemed to be modified or superseded for the purposes of this Offering Memorandum to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded is not deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum.

Information contained or otherwise accessed through the Company's website or any website does not form part of this Offering Memorandum or the Offering.

GLOSSARY

The following are definitions of certain terms used in this offering memorandum:

"Agency Agreement" means the agency agreement between TPCM, a party related to the Company, and the Company dated August 1, 2017 regarding the sale of Shares under the Offering in the Province of British Columbia.

"Applicable Laws" means all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Policies.

"Asset Purchase Agreements" means the two asset purchase agreements between the Company and Paradigm dated March 23, 2017 one of which carried out the First Stage Mortgage Sale Transaction and one of which carried out the Second Stage Mortgage Sale Transaction;

"BCBCA" means the *Business Corporations Act* (British Columbia), as amended.

"CRA" means the Canada Revenue Agency.

"Company" means Three Point Capital Corp., a company incorporated under the laws of British Columbia.

"Closing" means completion of a purchase and sale of Shares under this Offering. The Company may have more than one Closing, with the final Closing expected to occur by April 30, 2018, or such other date as the Company may determine in its sole discretion.

"Commercial Mortgages" has the meaning ascribed to it under Item 2.2 - "Our Business - Categories of Mortgage Investments - Commercial Mortgages".

"Discounted Mortgages" means those Purchased Mortgages that were written down by Paradigm prior to the sale thereof.

"DRIP" means the Company's Dividend Reinvestment Plan. See Item 5.1 - "Terms of Security - Dividend Policy".

"EMD" means a registered Exempt Market Dealer, as such term is defined in NI 31-103.

"First Stage Mortgage Sale Transaction" means the initial sale transaction whereby portions of the Purchased Mortgages were sold by Paradigm to the Company and the Company issued 20,266,265 Payment Shares to Paradigm and assumed the TD Debt as payment of the purchase price for such Purchased Mortgages.

"First Stage Redemptions" means the redemption of Paradigm common shares immediately following the closing of the First Stage Mortgage Sale Transaction whereby Paradigm redeemed certain common shares from its shareholders, pro rata to shareholdings, in exchange for the Payment Shares it received as partial consideration for the sale of Purchased Mortgages included in the first Asset Purchase Agreement.

"Gross Proceeds" means for any period, the aggregate subscription amounts raised under this Offering, without deduction.

"Guaranteed Mortgages" means those Purchased Mortgages that are secured by vacant land, commercial properties, or are residential mortgages that did not meet the lending criteria of the Company and are secured by the Limited Guarantee and a collateral general security agreement from Paradigm in favour of the Company.

"Investors" mean those Persons subscribing for Shares pursuant to this Offering, and "Investor" means any one of them. Where an Investor has acquired Shares and all or a portion of the subscription amount has been contributed by their Registered Plan, such Investor and the trust governing the Registered Plan shall be collectively referred to as the "Investor".

"Limited Guarantee" has the meaning ascribed to it under Item 2.3 - "Development of the Company's Business".

"Line of Credit" means the revolving demand credit facility the Company has with the TD Bank pursuant to a demand operating facility agreement dated June 2, 2017. Under the Line of Credit the Company has an overall maximum credit limit in the amount of \$20,000,000.

"LTV" means the loan to value ratio, which is determined by dividing the sum of (i) the principal amount outstanding under a loan secured by a Mortgage and (ii) the principal amount owing in respect of any other financial encumbrance registered on the same title as such Mortgage and in priority thereto, by the value of the underlying property, as such value is determined by an independent qualified appraiser or a realtor, or is based on a tax assessment, and in the case of a construction Mortgage, is then pro-rated to the portion of construction complete.

"Manager" means Three Point Capital Management Corp., the Company's manager pursuant to a management agreement dated June 1, 2017, and a party related to the Company, as described in Item 2.2 – "Business of the Company – Our Business".

"Management Agreement" means the mortgage services and management agreement dated June 1, 2017 between the Company and the Manager with respect to the management of the Company.

"Mortgage Investment Corporation" or **"MIC"** has the meaning ascribed to it by the Tax Act.

"Mortgage" means a mortgage granted by a borrower in favour of a lender, as security for repayment of a loan, and which is registered against title to such borrower's real property or, if applicable, any guarantor's real property, and for greater certainty, includes, without limitation all agreements, contracts, security documents and other instruments that relate to that Mortgage.

"Mortgage Sale Transactions" means the two (2) sequential but near concurrent sale transactions under the First Stage Mortgage Sale Transaction and Second Stage Mortgage Sale Transaction pursuant to the Asset Purchase Agreements in respect of the Purchased Mortgages.

"Net Proceeds" means, at any time, the Gross Proceeds of the Offering less any selling commissions and fees and the expenses of the Offering, all as more particularly described in the table under "Item 1 – Use of Available Funds".

"**NI 31-103**" means National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registration Obligations*, as amended, supplemented and restated from time to time.

"**NI 45-106**" means National Instrument 45-106 *Prospectus Exemptions*, as amended, supplemented and restated from time to time.

"**Offering**" means the offering of the Shares by this Offering Memorandum.

"**Offering Memorandum**" means this confidential offering memorandum, including any amendment hereto;

"**Paradigm**" means Paradigm Mortgage Investment Corporation, a corporation incorporated under the laws of British Columbia, and a company related to the Company through common directors, officers and shareholders.

"**Payment Shares**" means those Shares issued by the Company to Paradigm as partial consideration for the Purchased Mortgages.

"**Performing Mortgages**" means those Purchased Mortgages which were generally considered by Paradigm to be in good-standing as the borrower was current with payments due in respect thereof and Paradigm had not written down or otherwise taken any impairment or interest losses in connection with them as at the closing of the Asset Purchase Agreements.

"**Person**" means any individual, company, corporation, limited partnership, general partnership, firm, joint venture, syndicate, trust, joint stock company, limited liability corporation, association, bank, pension fund, business trust or other organization, whether or not a legal entity, and any government agency or political subdivision thereof or any other form of entity or organization.

"**Power of Attorney**" means the power of attorney granted by each Investor to the Company upon execution of the Subscription Agreements, but conditional on the closing thereof.

"**Promissory Notes**" means the following promissory notes issued by the Company to certain lenders as evidence of indebtedness to such lenders: i) the unsecured demand promissory notes that are payable on demand and bear interest at the prime rate of interest of the TD Bank from time to time less 0.5%; and ii) the term promissory notes that are unsecured promissory notes with a one year term and bear interest at the prime rate of interest of the TD Bank from time to time.

"**Purchased Mortgages**" means the Discounted Mortgages, Guaranteed Mortgages and the Performing Mortgages, all of which were purchased by the Company under the Mortgage Sale Transactions.

"**Registered Plans**" mean a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan, a deferred profit sharing plan, a registered disability savings plan or a tax free savings account, all as defined in the Tax Act, and "**Registered Plan**" means any one of them.

"**Residential Mortgages**" has the meaning ascribed to it under Item 2.2 - "Our Business - Categories of Mortgage Investments - Residential Mortgages".

"**Second Stage Mortgage Sale Transaction**" means the sale transaction occurring immediately after the First Stage Mortgage Sale Transaction and First Stage Redemptions whereby the balance of the Purchased Mortgages were purchased by the Company from Paradigm and the Company issued additional Payment Shares to Paradigm as payment of the purchase price for such Purchased Mortgages.

"**Second Stage Redemptions**" means the redemption of common shares of Paradigm immediately following the closing of the Second Stage Mortgage Sale Transaction whereby Paradigm redeemed 19,523,462 common shares from its shareholders, pro rata to shareholdings, in exchange for the Payment Shares it received as consideration for the sale of Purchased Mortgages included in the second Asset Purchase Agreement.

"Securities Policies" means the *Securities Acts* of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, and all applicable securities policies, rules, instruments and legislation adopted by the Securities Commission of such provinces, as such may be amended from time to time.

"Shareholder" means a registered holder of Shares.

"Shares" or **"A Shares"** means the Class "A" voting common shares in the capital of the Company.

"Subscription Agreement" means a subscription agreement, including the Power of Attorney granted therein, between the Company and each Investor respecting a subscription for Shares.

"Tax Act" means the *Income Tax Act* (Canada), as amended, supplemented, restated and in effect from time to time, and it includes all regulations promulgated thereunder.

"TPCM" means Three Point Capital Marketing Corp. a company related to the Company by common directors, officers and shareholders, and the selling agent pursuant to the Agency Agreement, and the Transfer Agent pursuant to the Transfer Agency and Services Agreement.

"TD Bank" means the Toronto Dominion Bank and operating as the TD Bank Group, the senior lender to the Company.

"TD Debt" means the indebtedness of Paradigm to the TD Bank assumed by the Company as part of the Mortgage Sale Transactions.

"Transfer Agency and Services Agreement" means the transfer agency and services agreement between TPCM, a party related to the Company, and the Company dated August 1, 2017.

"Transfer Agent" has the meaning ascribed to in under Item 2.2 - "Business of the Company - Transfer Agent and Registrar".

"Work Out Loan" has the meaning ascribed to it under Item 2.2 - "Our Business - Categories of Mortgage Investments - Work Out Loan".

In this Offering Memorandum, unless the context otherwise requires, grammatical variations of the words and terms in this Glossary have meanings corresponding to the meanings given in this Glossary. Without limiting the generality of the foregoing, words and terms in the Glossary that give the singular number only include the plural and vice versa, and words and terms importing the masculine, feminine or neuter gender include the other genders.

In this Offering Memorandum all references to currency are in Canadian dollars unless otherwise indicated.

In this Offering Memorandum, unless the context otherwise requires, terms such as "we", "us" and "our" - are meant to refer to the Company and terms such as "you" are meant to refer to Investors who purchase Shares under the Offering and become Shareholders.

In this Offering Memorandum, unless expressly modified by the words "only" or "solely", the words "include", "includes" or "including", when following any general term or statement, are not to be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters but rather are to be construed as meaning "include(s) without limitation" or "including without limitation" (as the context requires) and permitting such general term or statement to refer to all other items or matters that could reasonably fall within its broadest possible scope.

Unless otherwise indicated, the economic and industry data contained in this Offering Memorandum is based upon information from independent industry and government publications. While the Company believes this data to be reliable, market and industry data is subject to variation and cannot be verified due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Company has not independently verified the accuracy or completeness of such information contained herein.

PURPOSE OF THE OFFERING

The purpose of this Offering is to provide Investors with the opportunity to subscribe for Shares. The Company intends to be a "Mortgage Investment Corporation" for purposes of the Tax Act. The Company will invest the Net Proceeds of the Offering in Mortgages and other permitted investments as described herein. 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. Dividends other than capital gains dividends, which are paid by the Company on the Shares to Shareholders, will be included in Shareholders' incomes as interest.

The Shares will be qualified investments for a trust governed by a Registered Plan at a particular time if the Company qualifies as a MIC under the Tax Act or meets such other obligations as are defined in Item 6 – "Income Tax Consequences".

ITEM 1. - USE OF AVAILABLE FUNDS

1.1 Funds

The Net Proceeds of the Offering and the funds which will be available to us from other sources are as follows:

	Description	Assuming	
		Minimum Offering	Maximum Offering
A	Amount to be raised by this Offering ⁽¹⁾	\$0	\$10,000,000
B	Selling commissions and fees ⁽²⁾	\$0	\$300,000 ⁽³⁾
C	Estimated offering costs (e.g. legal, accounting, audit, etc.)	\$20,000	\$25,000
D	Available funds: $D = A - (B + C)$	(\$20,000)	\$9,675,000
E	Additional sources of funding required	\$0	\$0
F	Working capital deficiency	\$0	\$0
G	Total: $G = (D + E) - F$	(\$20,000)	\$9,675,000

- (1) In addition to this Offering, the Company also intends to sell Shares under other available prospectus exemptions available under NI45-106 outside of this Offering Memorandum. Any such sales will not reduce the Maximum Offering under this Offering Memorandum.
- (2) The Company intends to utilize TPCM and one or more EMDs to assist with the sale of Shares. The Company anticipates paying arm's length EMDs commissions of up to 6% from the Gross Proceeds of any Shares sold through the EMD, plus a 1% annual trailer fee so long as the Share to which the trailer fee relates remains issued and outstanding. Trailer fees are not paid from the Gross Proceeds of the Offering. They will be paid by the Company from its income, or from other sources of cash available to it. Pursuant to the Agency Agreement, the Company will pay a 5% commission for Shares sold in British Columbia through TPCM, a party related to the Company. No commissions will be paid on any Shares sold to current Shareholders or referrals from current Shareholders. No commissions will be paid to the Manager, other than management fees paid under the Management Agreement. See Item 2.7 - "Material Contracts" and Item 7 – "Compensation paid to Sellers and Finders".
- (3) This is an estimate of selling commissions and referral fees based on the anticipated number of Shares to be sold through commission based channels as described in Note 2, above, and it does not include any trailer fees.

1.2 Use of Available Funds

We intend to use the funds available to us from the Offering, as estimated in Item 1.1- "Funds", as follows:

Description of intended use of available funds listed in order of priority.	Assuming	
	Minimum Offering	Maximum Offering

Description of intended use of available funds listed in order of priority.	Assuming	
	Minimum Offering	Maximum Offering
Invest in residential, commercial, construction and other Mortgages, through lending secured by real estate, in British Columbia, Alberta, Saskatchewan and Manitoba as described under Item 2 "Business of the Company" ⁽¹⁾⁽²⁾⁽³⁾	\$0	\$9,675,000
Totals	\$0	\$9,675,000

- (1) The Company may also invest in Mortgages in Ontario.
- (2) It is intended that the Available Funds will be fully invested in Mortgages as described herein. Until the Company can do so, it may elect from time to time to temporarily apply any non-invested Available Funds against the Line of Credit with the TD Bank to reduce debt and minimize the related interest expense until acceptable Mortgage investment opportunities are identified. As the Line of Credit is a revolving credit facility, any Available Funds used to pay down the Line of Credit may be re-advanced to the Company for Mortgage investments.
- (3) Any payments to be made to related parties, including the Manager or TPCM, will not be paid out of Available Funds and will be paid from the cash flow from operations. Commissions paid to TPCM under the Agency Agreement will however be paid out of Gross Proceeds.

1.3 Reallocation

We intend to spend the available funds as stated. However, there may be circumstances where a reallocation of funds may be necessary. Funds will only be reallocated for sound business reasons.

ITEM 2. - BUSINESS OF THE COMPANY

2.1 Structure

The Company

We are a company incorporated under the BCCA on February 22, 2017 as "Three Point Capital Corp." The Company amended its Articles on March 22, 2017 to amend the rights of redemption of the Shares. The Company is not a reporting issuer in any jurisdiction, nor are there any intentions to become a reporting issuer, nor are the Shares listed on any stock exchange. The Company is carrying on a business of and intends to be a Mortgage Investment Corporation under the provisions of the Tax Act. The Company is extra-provincially registered to carry on business in Alberta, Saskatchewan and Manitoba. The registered and principal office of the Company is 210 - 1980 Cooper Road, Kelowna, B.C. V1Y 8K5.

The Company is licenced as a mortgage broker in British Columbia through the Financial Institutions Commission. In Saskatchewan the Company is licensed under the Trust and Loans Corporations Act (Saskatchewan). In Manitoba the Company is exempt from registration or carries on business through registered or licenced mortgage brokers. The Company may change the provinces outside of British Columbia in which it is licenced as a mortgage broker or become licensed in additional provinces depending on, among other things, financial results from each province and lending opportunities and market conditions.

The Company is the result of a reorganization transaction, carried out pursuant to the Mortgage Sale Transactions between Paradigm and the Company, which closed in June of 2017. This reorganization transaction was structured as a spin-off transaction whereby Paradigm spun off a new corporation, being the Company, and transferred the Purchased Mortgages into the Company, in exchange for Shares and the assumption of debt, while leaving behind certain distressed Mortgages. The reorganization was designed to position the Company with a strong balance sheet and be well positioned to raise capital, grow its portfolio and otherwise be a competitive player in the lending industry. See "*Development of the Company's Business, Mortgage Sale Transaction*".

The Manager

The Company is managed by the Manager pursuant to the Management Agreement. The Manager is a related party to the Company by way of common directors, officers and shareholders. The Manager,

Three Point Capital Management Corp. was incorporated under the BCCA on March 16, 2001. See "Material Agreements - Management Agreements. The Manager is registered as a licensed mortgage broker in British Columbia and Alberta. See Item 2.2 - "Our Business - The Manager".

CSA Staff Notice 31-323 (the "**Notice**") entitled "Guidance Relating to the Registration Obligations of Mortgage Investment Entities" provides guidance to mortgage investment entities, including MICs, on whether a MIC is considered to be an investment fund and requiring a MIC to engage a registered investment fund manager (an "**IFM**"). The Company has considered the Notice and has determined that it is not an investment fund and, accordingly, has not engaged an IFM with respect to the management of the Company's lending activities and mortgage portfolio. These activities are being managed by the Manager as described herein.

2.2 Our Business

Overview

We intend to qualify, and remain qualified, as a Mortgage Investment Corporation pursuant to Section 130.1 of the Tax Act. As a MIC, the Company intends to operate as a "flow through" conduit by distributing all of its net income and net realized capital gains as dividends to its Shareholders. The Tax Act provides that all taxable dividends (other than capital gains dividends) paid by a MIC to its shareholders may be deducted from the MIC's income. As a result, by annually distributing all of its net income, a MIC's income can be reduced to nil such that it does not have to pay income taxes. Rather, the dividends paid to the MIC's shareholders are taxed as income in the hands of the Shareholder, and not as dividends. As a result, the Company does not anticipate paying any income tax. See Item 6 - "Income Tax Consequences and Eligibility for Registered Investments".

Our business involves investing in Mortgages through lending secured on real estate in Canada, with the primary purpose of generating returns to our Shareholders. The Company's Mortgage loans typically serve a niche market of individual, builder and corporate borrowers requiring quick response times, and flexible and often short term (generally one year) financing terms that do not typically meet the standard financing criteria of banks, trust companies, credit unions and other traditional lenders, and which are otherwise considered to be more risky. As a result of these more flexible terms and greater risk, higher rates of interest and fees are charged to the borrowers than generally charged by the more traditional lenders, thereby generating greater returns than that which is typically generated on the Mortgage loans advanced by these traditional lenders. There is an established and continuing need for Mortgage loans commensurate with the higher yield, higher risk niche in which the Company competes, and, because of this need the services of private lenders and organizations such as the Company are sought. The Mortgages we invest in are generally sourced by licensed mortgage brokers operating throughout western Canada.

In pursuing our business, our objective is to hold a diversified portfolio of Mortgages registered as security on real estate across western Canada, with the most significant exposure in British Columbia, a province that currently represents one of the strongest economic growth rates in Canada. The Company is also evaluating the opportunities to invest in Mortgages in Ontario. However, our Mortgage portfolio will vary from time to time depending on our assessment of real property markets, and general economic conditions in specific regions and nationally within Canada in which the Company may invest. The investment activity of the Company is dependent on a high level of experience and expertise in assessing potential Mortgage investments. See Item 2.2 - "Our Business - Mortgage Portfolio".

Mortgages that we invest in may be residential, commercial or construction Mortgages, and they may be first, second or subsequent subordinate Mortgages. We have not established any fixed limits on the composition of first, second or subsequent subordinate Mortgages that may comprise our Mortgage portfolio. However, we will be primarily focused on first priority Mortgages and will target a minimum of 80% first priority Mortgages (by dollars) in our Mortgage portfolio. Similarly, we have no fixed limits on the composition of residential, commercial or construction Mortgages that will comprise our Mortgage portfolio, but we will target residential Mortgages to comprise (by dollars) a target minimum of 85% of the Mortgage portfolio. See Item 2.2 - "Our Business - Categories of Mortgages".

We have established lending guidelines policies and procedures for our Mortgage secured lending activities (the "Lending Policies"). The Lending Policies will be reviewed annually by the Board of Directors and the Manager with any amendments being approved by the Board of Directors. Any material amendments to the Lending Policies will be communicated to the Shareholders. The Board of Directors, in consultation with the Manager, do have the discretion, acting reasonably, to consider and advance Mortgage loans that may not comply with all aspects of the Lending Policies. See for example Item 2.2 - "Our Business - Categories of Mortgages - Workout Loans". Also See Item 2.2 - "Our Business - Lending Policies".

We intend to fund our Mortgage investments through the Available Funds, the Line Of Credit and any subsequent sale of Shares or other securities, dividend re-investment and other borrowings. The Company has also issued and expects to continue to issue Shares to qualified Investors outside of this Offering Memorandum in reliance upon other available prospectus exemptions contained in NI45-106.

We intend to employ leverage, as permitted by the Tax Act, by borrowing or issuing debt obligations up to a maximum of one-half of the net book value of the Company's assets and using the proceeds from these borrowing activities to invest in Mortgages by lending secured on real estate. The Company borrows to the extent that the Manager is satisfied that such borrowing and additional investments will increase the overall profitability of the Company. See Item 2.2 - "Our Business - Line of Credit and Leverage" and Item 4.2 - "Capital Structure – Long Term Debt Securities".

It is intended that the Available Funds from this Offering will be fully invested in Mortgages as described herein. Until the Company can fully invest the Available Funds in Mortgages through lending secured on real estate, the Company may elect from time to time to temporarily apply such non-invested Available Funds against the Line of Credit with the TD Bank to reduce debt and minimize the related interest expense until acceptable Mortgage investment opportunities are identified. As the Line of Credit is a revolving credit facility, any Available Funds used to pay down the Line of Credit may be re-advanced to the Company for Mortgage investments.

Categories of Mortgage Investments

The following is a description of the main categories of Mortgages the Company will invest in, and types of Mortgages the Purchased Mortgages represent.

Residential Mortgages

The single-family conventional mortgage market in Canada is dominated by the Schedule I banks which are aggressive in underwriting single-family conventional Mortgage loans under rigid underwriting criteria. However, in certain situations business opportunities exist for lenders such as the Company.

Schedule I banks are less aggressive in pursuing single-family conventional Mortgage loans where the borrower has damaged credit, is self-employed, compensated by commission income as opposed to a wage or salary, or has experienced difficulties as a result of a failed business venture, loss of employment or lack of long-term employment. Consequently, borrowers who do not meet the rigid underwriting criteria of the Schedule I banks often find it difficult to obtain financing from traditional financial institutions, regardless of loan-to-value ratios or the equity they possess in the property(s) offered as security for the Mortgage loan. In short, MICs, such as the Company, are generally equity-based lenders while conventional financial institutions tend to be income-based lenders as well as equity-based lenders.

The Company defines a "Residential Mortgage" as a Mortgage registered as security against single or multifamily dwellings, vacant land (serviced or un-serviced) zoned for residential dwellings and construction loans to build residential dwellings (single family or multifamily units up to a four-plex).

The Company acquired 225 Residential Mortgages totalling \$44,177,683, representing 91% in dollar value of all Purchased Mortgages. The Company will target Residential Mortgages to comprise a target minimum of 85% of its Mortgage portfolio by dollar value. These Residential Mortgages are broken down into categories of property type as at July 31, 2017 as follows:

- (i) 206 Residential Mortgages as security registered against lands with existing residential dwellings totalling \$39,183,583 (87% by number and 79% by dollar value) of the Mortgage portfolio.
- (ii) 10 Residential Mortgages as security registered against vacant land for purposes of construction or future residential development totalling \$1,973,264 (4% by number and 4% by dollar value) of the Mortgage portfolio.
- (iii) 11 Residential Mortgages as security for construction loans for residential dwellings totalling \$3,874,347 (5% by number and 8% by dollar value) of the Mortgage portfolio.

The Lending Policies for Residential Mortgage loans provide for a maximum LTV that will typically vary from 50% to 75% depending on the nature of the underlying property, which are categorized as follows:

- (i) For Residential Mortgages registered as security against properties with existing single or multifamily dwellings, the Company expects to lend up to a 75% LTV. The Company's business focus is on lending secured by Mortgages registered against these types of residential properties located within 50 kilometres of those urban centres listed below under "Additional Lending Policies".
- (ii) For Residential Mortgages on vacant land (which excludes vacant land for the purposes of construction or development), the Company expects to lend up to a 50% LTV, although the amount is dependent upon the location and Mortgage priority. The Company will only lend on vacant land on a case by case basis, based on the discretion of the Company's Board of Directors and the Manager, and typically not for land speculation purposes. The Company does not intend to provide loans to large real estate developments as part of its regular business operations. Except in special circumstances at the discretion of the Company's Board of Directors and the Manager, the Company will not make loans secured only by Mortgages on vacant lands and will generally require additional security from the borrower and/or guarantors.
- (iii) The Company's construction program provides for lending up to a 65% LTV. Construction Mortgages may be made to property owners or builder/developers for single family homes or multifamily homes up to a maximum size of a four-plex. The LTV for Construction Mortgage loans is based on the value of the underlying land plus the construction or development value achieved to the time of loan advance. For example, the initial draw of a Construction Mortgage loan will be based on the value of the vacant land the Construction Mortgage is secured against with subsequent loan advances based on additional value created by the development and construction of that land.

Residential Mortgages will typically have contract terms of one year but may have terms up to three years. Provided the LTV is sufficient (as per the Lending Policies), the maximum aggregate Mortgage loan secured by a Residential Mortgage(s) on a single property is \$1,000,000. Residential Mortgages may be either a first, second or subsequent priority Mortgage.

Commercial Mortgages

The Company defines a "Commercial Mortgage" as a Mortgage registered as security against commercial or industrial property or any non-residential property. The underlying loan for which a Construction Mortgage is granted will have a fixed rate of interest. Commercial Mortgages will not include Mortgages where the related Mortgage loans are for the construction and development of commercial buildings on vacant lands for commercial development.

Borrowers in this category are typically willing to pay higher rates of interest for shorter term Mortgage loans from the Company. Once the renovation or need for interim funds is complete, these borrowers typically refinance their debt with longer-term loans at lower interest rates with conventional financial institutions. As at July 31, 2017, the Company has Commercial Mortgages totalling \$4,332,538 (5% by number and 9% by dollar value) of the Mortgage portfolio. It is anticipated that a significant majority of the Company's Mortgage portfolio will be Residential Mortgages and not Commercial Mortgages. The Company will target commercial Mortgages to comprise 10% or less of its Mortgage portfolio by dollar value. Although the Company purchased 12 Commercial Mortgages under the Mortgage Sale Transactions, it does not intend to invest in any further Commercial Mortgages in the foreseeable future. In the event it does so, any subsequent Commercial Mortgage loans would have a maximum LTV of 65% with a one year term.

Workout Loans

The Company may be prepared to enter into workout loan agreements with borrowers in default with the Company under a Mortgage loan as an alternative to foreclosure or bankruptcy (a "**Workout Loan**"). This may involve, among other things, the Company waiving or forbearing certain rights or remedies arising as a result of default by the borrower under the Mortgage loan in exchange for receiving additional collateral, and or a renegotiation of terms such as lengthening the term of the Mortgage loan, providing additional lending or refinancing to fund repairs necessary to maintain and sell the property underlying the Mortgage at a more favourable price, rescheduling repayments, or any number of other negotiated terms and conditions.

Workout Loan agreements can also be structured to mitigate losses that may occur in the foreclosure process as a consequence to selling a "distressed property", being the property secured by a Mortgage loan that is in default. As an example, a new borrower may request the Company finance the purchase of the distressed property with flexible terms, the proceeds of which are then used by the (selling) defaulting borrower to repay amounts owing to the Company. The Company will consider such financing if the new borrower can demonstrate to the reasonable satisfaction of the Manager that it has the ability to improve the value of the distressed property over time and maintain the Mortgage loan in good standing going forward. Any Workout Loan agreements will be negotiated by the Manager, and, if over \$500,000, must also be approved by the Company's Board of Directors.

Workout Loans will have typically originated as either a Residential Mortgage loan or a Commercial Mortgage loan advanced in accordance with the Lending Policies. Workout Loans are therefore considered on a case-by-case basis and will typically exceed the maximum LTV limits for the type of Mortgage and underlying property involved. When Mortgages are in default, the LTV ratio tends to exceed the guideline limits provided for in the Lending Policies because of unpaid interest and other costs incurred on behalf of the defaulting borrower, such as property taxes, insurance, strata/condo fees and legal fees, all of which are included in the loan amount used for calculating LTV. By their nature, Workout Loans will generally carry a higher risk of default or impairment and will not necessarily comply with some or all of the various aspects of the Lending Policies.

Future Workout Loans will only be entered into where it can be demonstrated that the Workout Loan may result in an improved position for the Company. Prospective Investors should be aware that these Workout Loans do not necessarily meet all aspects of the Lending Policies, including the appropriate LTV for the nature of the Mortgage and the underlying property. Three of the Guaranteed Mortgages acquired are related to Workout Loans, including both Commercial and Residential Mortgages, totalling \$639,230 (1% by number and 1% by dollar value of the Mortgage portfolio), and are backed by the Limited Guarantee of Paradigm and supported by a subordinate general security agreement up to an amount of \$1,500,000. As Paradigm provided a security interest to the TD Bank as a condition of the assumption of the TD Debt and the Line of Credit, the general security agreement granted by Paradigm to support the Limited Guarantee will be subordinate to the security interest Paradigm grants to TD Bank. See Item 2.7 - "Development of Business".

Priority of Mortgages

One of the key factors in advancing Mortgage loans is the priority of the registration of the Mortgage charging the underlying collateral real estate. First priority Mortgages (the first priority position of financial security registered against a property) provide better security than subordinate Mortgages, and have a greater likelihood of collection than subordinate Mortgages in the event of default or foreclosure because the lender (or mortgagee) is generally first in line to receive proceeds from sale, subject to governmental encumbrances and taxes. However, a first priority Mortgage does not guarantee the ultimate collection of all principal and interest that it secures repayment of. This is because there may be, for example, unpaid property taxes or other financial obligations owed to government creditors or encumbrancers, maintenance and legal expenses, or the market value of the property may drop, any of which will reduce the net proceeds available from the property for repayment of principal and interest. As a general rule second priority Mortgages (where the Mortgage is registered behind a first Mortgage or financial charge) and subsequent priority Mortgages (where the Mortgage is registered behind more than one Mortgage or financial charge) carry a greater risk than first Mortgages as the lender (or mortgagee) is subordinate in ranking to receive proceeds on sale. There is always a risk that there will be insufficient sale proceeds to payout in full, or at all, a Mortgage. Typically, the higher the risk of the Mortgage the higher the interest

rate that attaches to the Mortgage loan. Therefore, second or subsequent priority Mortgages may often have higher interest rates and better yields than first Mortgages to compensate for the risk.

The LTV for second Mortgages or other subordinate Mortgages must meet the same Lending Policies as those of a first Mortgage. Specifically, a Mortgage loan secured by a second or other subordinate Residential Mortgage typically must have a maximum LTV that does not exceed between 50% and 75% depending on the nature of the residential property, and a Mortgage loan secured by a second Commercial Mortgage or other subordinate Commercial will typically have a maximum LTV that does not exceed 65%. The LTV calculation factors in any Mortgages that rank ahead of the second or other subordinate Mortgage. Although expected to be an infrequent occurrence, the Company may advance a loan secured by a second Mortgage or other subordinate Mortgages behind its own first Mortgage or other priority Mortgage.

As at July 31, 2017, Second Mortgages comprised 20% by number and approximately 8% by dollar value of the Company's Mortgage portfolio, and First Mortgages comprised 80% by number and 92% by dollar value of the Mortgage portfolio. The Company will target a Mortgage portfolio that contains a maximum of 20% second or subsequent Mortgages by dollar value. See Item 2.2 - "Our Business - Mortgage Portfolio".

Although most of the Purchased Mortgages meet the Lending Policies of the Company, it should be noted that not every Purchased Mortgage meets all the criteria of the Lending Policies. However, going forward the Company will follow its Lending Policies, subject to any amendments to those policies, the discretion of the Company's Board of Directors and any Workout Loans. See Item 2.2 - "Our Business - Categories of Mortgage Investments - Workout Loans", and Item 2.2 - "Our Business - Additional Lending Policies".

Additional Lending Policies

The Company's Lending Policies have been determined by the Company's Board of Directors and enable it to qualify for the special tax treatment afforded to MICs under the Tax Act. These policies provide that its business activities will be conducted in accordance with the following:

1. Mortgages will be secured by property primarily in, or within 50 kilometres of, the following urban centres in British Columbia, Alberta, Saskatchewan and Manitoba:

<u>British Columbia</u>	<u>Alberta</u>	<u>Saskatchewan</u>	<u>Manitoba</u>
Greater Vancouver	Edmonton	Regina	Winnipeg
Fraser Valley	Calgary	Saskatoon	Brandon
Victoria	Red Deer		
Nanaimo	Medicine Hat		
Kamloops	Lethbridge		
Kelowna			
Penticton			
Vernon			
Prince George			
Dawson Creek			
Parksville			
Qualicum			
Courtney-Comox			

The Company may also invest in Mortgages in smaller centres on an exceptional basis based upon the merits of the transaction and the credit adjudication. It may also expand into other jurisdictions of Canada, and the Manager in consultation with the Company's Board of Directors is currently considering investing in Mortgages in Ontario, and will make a determination upon completion of its review and due diligence;

2. A current independent appraisal is required for most Mortgage applications; such appraisals are prepared by independent, qualified appraisers acceptable to the Company. To be acceptable, appraisers must have both the Certified Residential Appraiser (CRA) and Accredited Appraisal Canadian Institute (AACI) designations. Current municipal tax assessments and appraisals by

real estate professionals may also be used or considered in conjunction with or in lieu of an appraisal.

3. The Company does not have any current plans to invest in syndicated Mortgages.
4. The Company does not intend to invest in any joint Mortgages with Paradigm and does not anticipate advancing a Mortgage loan secured against real property that is subject to a Mortgage held by Paradigm.
5. In order to facilitate the final stages of the orderly wind up of Paradigm, the Company may, subject to approval of the Company's Board of Directors, consider purchasing from Paradigm some of its final remaining Mortgages provided such Mortgages meet the Company's Lending Policies
6. Mortgage loan applications under \$500,000 must be approved by two senior loans officers of the Manager;
7. Mortgage loan applications over \$500,000, or applications when combined with prior ranking financial charges (i.e. a first or second priority Mortgage), must be approved by two senior loans officers of the Manager as well as by one director of the Company;
8. The current maximum Mortgage loan amount per underlying property secured by a Mortgage in respect of such Mortgage Loan will be limited to \$1,000,000, unless the loan is for the re-finance of an existing loan or a Workout Loan, in which case it must be approved by the Company's Board of Directors;
9. The Mortgage portfolio may be partially margined, with the intent of optimizing earnings through reasonable leverage. Leverage may be used to help meet the demand for new Mortgage investments or to fund operating expenses, dividends and or share redemptions;
10. Where warranted, the Company may agree to renew a Mortgage loan for an additional term. Renewal decisions are made pursuant to a modified underwriting procedure. The Manager must conduct a review of the Mortgage loan file, including an evaluation of the security and payment history of the borrower, prior to determining whether a renewal term should be offered; and
11. No single borrower will be provided with a Mortgage loan which exceeds, in aggregate, 15% of the cost amount of all the assets of the Company at the time of origination.

The Company's Mortgage investments are also subject to the following restrictions under the Tax Act:

1. at least 50% of the cost amount of the assets of the Company must be invested in loans secured by houses, or property included in a housing project, as those terms are defined in the National Housing Act (Canada)¹ or held in cash deposits with approved depositories;
2. no more than 25% of the cost of all the Company's assets can consist of ownership of real estate unless acquired through foreclosure;
3. The Company cannot invest its funds in:
 - a) real estate located outside of Canada or in leasehold interests in such real estate,

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

- b) debts of persons not resident in Canada unless the debt is secured by a Mortgage on real estate located within Canada, and
- c) shares of corporations not resident in Canada;

Due Diligence

In addition to the Lending Policies, the Company will identify Mortgage investment opportunities based on an economic analysis of the above referenced geographic markets and the properties therein. The Company will generally limit its Mortgages to properties located within 50 kilometers of those above referenced urban areas that demonstrate reasonable growth and economic stability.

Due diligence investigations and credit adjudication for a proposed Mortgage loan will be undertaken by the Manager, on behalf of the Company, and is generally tailored to each Mortgage investment opportunity based on the type of loan. It may include, without limit, review of borrower applications, credit bureau searches, credit scoring, self-employment income, tax returns, appraisals, environmental reports and financial statements.

Borrowers must also be evaluated for their credit risk. The fundamentals of which include:

- income (quantum and stability);
- credit history (total loan vs income and past performance);
- security (what is the nature and condition of the underlying real estate collateral);
- geographical location of collateral (urban or rural);
- ability of the borrower to meet the required debt ratio; and
- the borrower's equity and establishing loan to value ratios based on independent appraisals.

Upon completion of due diligence, proposed Mortgage loans will follow an established approval process based on loan type and size. See "Additional Lending Policies", above.

The Manager, on behalf of the Company, will monitor loans and Mortgages, and regularly assess status, risk, interest rate, and deal with Mortgages that are not operating satisfactorily or are impaired. Ongoing monitoring will be done with a view to identify problems and mitigate losses, and avoid overstating assets and revenue.

Line of Credit and Leverage

Subject to compliance with the provisions of the Tax Act applicable to a MIC, we intend to use the Line of Credit in order to achieve optimum earnings through reasonable leverage as well as meet the demand for new Mortgage lending, operating expenses, dividend distributions and share redemptions. Of the \$20,000,000 of available credit, the Company assumed \$9,300,000 of debt (being the TD Debt) from Paradigm, in reduction of such available credit, pursuant to the Mortgage Sale Transactions. As at July 31, 2017 the amount outstanding on the Line of Credit was \$7,527,610. The Company may arrange additional or alternate financing through other appropriate lenders as authorized by the Board of Directors from time to time. The Company anticipates that it will use the Line of Credit, beyond the maximum \$9,675,000 amount of Available Funds that may be raised under the Offering, to invest in Mortgages from time to time.

It is intended that the Company will deploy its Available Funds as described herein. However, until such time as the Company has fully invested the Available Funds in Mortgage loans, the Company may elect from time to time to apply such non-invested Available Funds against the Line of Credit to minimize the related interest expense until acceptable Mortgage investment opportunities are identified. As the Line of Credit is a revolving credit facility, any Available Funds used to pay down the Line of Credit may be re-advanced to the Company from time to time for Mortgage investments.

Under the Line of Credit facility with the TD Bank, the Company can either borrow by way of a demand loan at TD Bank's prime plus 1% or use Bankers Acceptances at a stamping fee of 2.4% per annum in addition to a stated interest rate. The Line of Credit is repayable on demand. As security for the bank indebtedness, the Company has provided the TD Bank with a general security agreement on all present and after acquired personal property and a general hypothecation of collaterals. This provides the TD

Bank with security over the Mortgages held by the Company. Additionally, Paradigm has provided a guarantee in favour of the TD Bank in support of the Line of Credit. The Company and Paradigm, as guarantor, must comply with certain positive and negative covenants, and the Company must maintain certain financial covenants to maintain the Line of Credit in good standing. In the event of liquidation or wind-up, the Company's creditors will rank in priority to the Shareholders. See Item 4.2 - Long Term Debt Securities.

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

The Company believes that this statutory based leverage opportunity is integral to its dividend performance, and the Company intends to maximize its leverage opportunity under the Tax Act. The Company will borrow funds when available provided management believes it is economical and prudent to do so.

In addition to the Line of Credit, the Company has also issued the Promissory Notes in the aggregate amount of \$1,546,749 as at July 31, 2017. The Promissory Notes are comprised of: i) \$545,930 of unsecured demand notes bearing interest at TD Bank's prime rate of interest (2.95% as at July 31, 2017) less 0.5% per annum; and ii) \$1,000,819 of unsecured one year term notes bearing interest at TD Bank's prime rate of interest (2.95% as at July 31, 2017). It is anticipated that the Company may from time to time raise additional funds through the issuance of unsecured promissory notes at competitive interest rates. In the event the Company issues additional promissory notes, such promissory notes may be issued to insiders and/or their respective associates and affiliates.

Manager

The Company entered into a Mortgage Services and Management Agreement dated June 1, 2017 with Three Point Capital Management Corp. ("the **Manager**"), a British Columbia incorporated company and registered mortgage broker under the *Mortgage Brokers Act* (British Columbia) and licenced through the Financial Institutions Commission. The Manager is not registered with any securities commission as an EMD or an Investment Fund Manager. The Management Agreement is for a 5 year term, with an option to renew for a further 5 year term at the same or similar terms. If either party does not wish to renew for an additional term, there is a one year written notice of termination required. The Management Agreement may also be terminated in the event that either the Manager or the Company becomes insolvent, or commits a breach or default that is not cured within 120 days of notification, or cannot be cured within 120 days. The Agreement may also be terminated by mutual written consent.

Pursuant to the Management Agreement, the Manager will be solely responsible for managing the Company's day-to-day operations in accordance with its Articles, Lending Policies and other investment policies, including:

- a. originating, processing and administering mortgage loans secured by real property;
- b. performing due diligence to facilitate Mortgage loans;
- c. providing administrative services for the operation of the Company;
- d. acting as the Company's nominee or agent in respect of the services provided;
- e. prosecute and settle claims relating to the Company's Mortgage loans including foreclosures or other enforcement;
- f. preparing and maintaining the books and records of the Company, excluding those records which are the responsibility of the Company's Transfer Agent to maintain;
- g. advertising and marketing to the mortgage broker community for loan opportunities;
- h. communicating on behalf of the Company with dealers, regulators, shareholders and trustees;
- i. preparation and dissemination of reports and tax information to shareholders including quarterly reports to its directors, shareholder communications, proxy materials and preparation of accounting information for the Company's auditors;

- j. advising the Company's Board of Directors with corporate governance procedures and assisting the Board of Directors with formulating, reviewing and revising the Company's Lending Policies;
- k. arranging and directing financing and capital raising activities for the Company, including preparation of offering memoranda and marketing material and engaging dealers and other selling agents (but not selling Shares); and
- l. providing personnel and labour, office space and administrative services required by the Company in carrying on business as a MIC under the Tax Act.

The Management Agreement does not prohibit the Manager, nor its directors, officers, employees, agents or affiliates, from engaging in similar management activities and services for other companies and institutions, including other MICs which may compete with the Company. The Manager is currently providing similar management services to Paradigm under a management agreement and is expected to continue to provide such services to Paradigm during its wind-up phase. The Manager is prohibited under the Management Agreement from borrowing from the Company.

The Company will pay the Manager an annual fee (the "**Management Fee**") for its services equal to a percentage of net assets under management as based on the following schedule:

Percent per Annum	Assets under Management
1.95%	Up to \$100 Million
1.75%	From \$100 to \$150 Million
1.50%	Over \$150 Million

The Management Fee is calculated monthly and paid by the 10th day of the following month. In calculating the Management Fee, net assets under management is the total of the principal amount of outstanding mortgage balances (less any provisions for credit losses) and the estimated net realizable value of real estate holdings obtained from foreclosure proceedings as determined by the Manager, acting reasonably. In addition to the Management Fee, the Manager will charge to borrowers under the Mortgage loans and receive 100% of NSF fees, renewal fees, tax search and inspection fees and will charge the borrower a fee for any payment of insurance premiums, property taxes or strata/condominium fees paid on the borrower's behalf. 100% of loan origination and broker fees will be retained by the Company.

The expenses to be paid directly by the Company instead of the Manager include:

- the cost of acquisition of Mortgages;
- travel to borrowers' locations to help assess and administer loans;
- director and shareholder meeting costs;
- fees incurred in collection activities and all foreclosure costs including, but not limited to, legal fees and real estate commissions related to the sale of properties in the foreclosure process;
- taxes of all kinds to which the Company is subject;
- interest expenses;
- fees payable in respect of the issuance and administration of the Shares (including any fees paid to the Company's Transfer Agent);
- the cost of preparing and delivering copies of financial reports or other information to shareholders, dealers and regulators;
- capital raising costs including, but not limited to travel, meetings and commissions;
- land title searches;
- legal, accounting and other professional fees; and
- insurance premiums.

All expenses paid by the Company must be approved by the Manager.

The Manager will be entitled to reimbursement of reasonable out of pocket expenses. The Manager will be responsible for its own ordinary overhead and administrative expenses incurred to maintain and operate its office (including the salaries and compensation of officers, directors and employees of the Manager, which includes certain individuals that are also officers of the Company), advertising, equipment and supplies and other expenses related to day-to day operations.

The Manager may retain professional advisors which may be the same professional advisors as the Company. In the event of a conflict of interest or perceived conflict, at the request of the Board of Directors, the Manager shall cease to use such professional advisors.

The Management Agreement includes an indemnity by the Company in favour of the Manager for any claims, judgments, losses, liabilities, damages and costs, among other things, which may be incurred by the Manager in connection with any action taken by the Manager in connection with the Management Agreement, except to the extent the Manager was in breach of its obligations under the Management Agreement. The Manager has also provided an indemnity in favour of the Company for claims against the Company arising out of any breach of the Management Agreement by the Manager or any gross negligence or wilful negligence on the part of the Manager.

The Manager is subject to confidentiality provisions in respect of the confidential information it receives concerning the Company and will not disclose such confidential information, other than to the extent contemplated under the Management Agreement for purposes of providing its services as the Manager.

Other than the registries maintained by the Transfer Agent, the Manager will maintain the books and records of the Company which books and records are available for inspection and audit during normal business hours by the Company or its professional advisors. The Manager also has the responsibility and authority, for and on behalf of the Company, for the bank accounts as reasonably necessary or appropriate for the conduct of the Company's business. The Manager must promptly notify the Company of any opening, closing or changes to any bank accounts. Each director of the Manager and of the Company shall have signing authority on the Company's bank accounts with cheques requiring signatures of two signing authorities.

The Manager is not at arm's length to the Company. The Manager's directors and officers are: Donald Crompton, Leanne Wilson, Marylyn Needham, Bradley Graham and Ryan Lee. Mr. Crompton is a director of the Company, and Messrs. Graham and Lee and Mesdames Wilson and Needham are officers of the Company. The Manager is owned as follows:

- 28.25% by Meier Enterprises Ltd. (owned by Rae Meier, Gail Meier and the Meier Family Trust, of which Rae Meier and Gail Meier are the trustees) Meier Enterprises Ltd. is a shareholder of the Company holding less than 10% of the Shares without giving effect to the Offering;
- 28.25% - Kensington Enterprises Ltd. (owned by Donald Crompton and Victoria Crompton and their adult children: Jackson Crompton, Benjamin Crompton, Daniel Crompton and Gregory Crompton) – Mr. Crompton is a director of the Company and he is a shareholder of the Company holding less than 10% of the Shares without giving effect to the Offering;
- 12.75% - R553 Enterprises Ltd. (owned by Leanne Wilson and Samuel Wesley Wilson). Leanne Wilson is the Chief Operating Officer of the Company. She is a shareholder of the Company holding less than 10% of the Shares without giving effect to the Offering;
- 10.25% - Gramar Holdings Inc. (owned by Marylyn Needham and the Needham Family Trust, of which Marylyn Needham is the trustee). Ms. Needham is the Vice President of the Company. She is a shareholder of the Company holding less than 10% of the Shares without giving effect to the Offering;
- 10.25% - B&D Graham Enterprises Ltd. (owned by the Graham Family Trust, of which Bradley Graham and Donna Graham are the trustees). Mr. Graham is the Chief Credit Officer of the Company;
- 10.25% - 1975 Lee Holdings Corp. (owned by Ryan Lee and Wendy Lee). Mr. Lee is the President of the Company.

Mesdames Needham and Wilson and Messrs. Crompton, Graham and Lee are all employed by the Manager.

Transfer Agent and Registrar

The Company has also entered into a Transfer Agency and Services Agreement dated August 1, 2017 with Three Point Capital Marketing Corp ("**TPCM**") to provide registrar and transfer agency services in

respect of the Shares for a term of five years (the "**Transfer Agent**"). As the Transfer Agent, TPCM will provide the following primary transfer agency and registrar services:

- maintain the Company's central securities register;
- administer the transfer and issuance of Shares;
- issue replacement lost, stolen or destroyed share certificates;
- provide statements, lists, entries, information and material concerning transfers and other matters relating to its capacity as registrar and transfer agent.

The Transfer Agent will also act as a dividend disbursing agent and administer the DRIP (dividend reinvestment plan). The Transfer Agent will be paid a per transaction fee of \$85.00 for such registrar and transfer agent services. Fees, plus any applicable taxes, are payable within 30 days for the date of the invoice. The fees charged by the Transfer Agent may be revised by the Transfer Agent on 30 days' notice to the Company.

The Transfer Agency and Services Agreement contains an indemnity in which the Company will indemnify the Transfer Agent from claims arising out of: i) the Transfer Agent relying on or the carrying out of any instructions or requests of the Company, the Manager or their respective legal counsel, (ii) acting as registrar and transfer agent or dividend disbursement agent for the Company, (iii) the performance by the Transfer Agent of its duties under the Transfer Agency and Services Agreement or as required by applicable law, (iv) any gross negligence or wilful misconduct on the part of the Company, or (v) any breach of Transfer Agency and Services Agreement by the Company or any breach of applicable law on the part of the Company.

The Transfer Agent is subject to confidentiality and privacy provisions in respect of the confidential information it receives concerning the Company and will not disclose such confidential information, other than to the extent contemplated under the Transfer Agency and Services Agreement for purposes of providing its services as the Transfer Agent.

The Transfer Agent is a related party to the Company and the Manager. TPCM has also entered into the Agency Agreement with the Company where it will be compensated on a commission basis to sell Shares in the Province of British Columbia. See additional disclosure about TPCM under "Item 2.7 - Material Contracts" and "Item 7 - Compensation Paid to Sellers and Finders".

Mortgage Portfolio

The Company's assets consist primarily of Mortgage loans secured by first and second Mortgages registered against real property in Canada.

Security Priority

The following table summarizes the priority ranking of the Company's Mortgages as at July 31, 2017:

By Ranking	As at July 31, 2017		
	Number of Loans	Amount	Percentage
1st Mortgages	191	\$45,274,644	92%
2nd Mortgages	47	4,089,088	8%
Totals	238	\$49,363,732	100%
Average Balance		\$207,411	

It is anticipated that the Company's Mortgage portfolio will be substantially concentrated in first Mortgages with a target minimum of 80% first priority Mortgages. Second Mortgages are expected to enhance the Company's yield but are expected to comprise a target maximum of 20% of the Mortgage portfolio.

Asset Type

A summary of our Mortgage portfolio by asset type as at July 31, 2017 is presented below:

By Type	As at July 31, 2017		
	Number of Loans	Amount	Percentage
Residential Mortgages⁽¹⁾			
Residential Homes	206	\$ 39,183,583	79%
Vacant Land	10	1,973,264	4%
Construction Loans	<u>11</u>	<u>3,874,347</u>	<u>8%</u>
Total Residential Mortgages	227	45,031,194	91%
Commercial Mortgages⁽²⁾	<u>11</u>	<u>4,332,538</u>	<u>9%</u>
Totals	238	\$49,363,732	100%

(1) The LTV for Residential Mortgage loans will vary from a maximum of not more than 50% to 75% depending on the nature of the underlying property. Where the property has an existing single or multifamily dwelling, the maximum LTV is typically 75%. Residential Mortgage loans secured by Mortgages registered against vacant land will typically have a maximum LTV of 50%. Construction Mortgage loans will typically have a maximum LTV of 65%. See Item 2.2 - "Our Business - Categories of Mortgages".

(2) The LTV will generally be up to 65% for Commercial Mortgages.

Interest Rate

A summary of our Mortgage portfolio by interest rate as at July 31, 2017 is presented below:

By Interest Rate	As at July 31, 2017		
	Number of Loans	Amount	Percentage
< 7.00%	20	\$3,854,072	8%
7.00% - 7.99%	52	13,849,937	28%
8.00% - 8.99%	79	17,836,461	36%
9.00% - 9.99%	43	9,532,587	19%
10.00 – 10.99%	16	2,258,209	5%
11.00 – 11.99%	22	1,684,456	3%
12.00 – 12.99%	6	348,010	1%
Totals	238	\$49,363,732	100%

The weighted average interest rate is 8.45%.

Due Date

A summary of our Mortgage portfolio by due date as at July 31, 2017 is presented below:

By Due Date	As at July 31, 2017		
	Number of Loans	Amount	Percentage
< 1 year	231	48,259,804	98%
1-2 years	7	1,103,928	2%
2-3 years	0	0	0%
> 3 years	0	0	0%
Totals	238	49,363,732	100%

Geographic Diversification

A summary of our Mortgage portfolio by geographic diversification as at July 31, 2017 is presented below:

By Province	As at July 31, 2017		
	Number of Loans	Amount	Percentage
British Columbia	151	\$33,501,106	67%
Alberta	18	3,750,088	8%
Saskatchewan	59	10,377,796	21%

By Province	As at July 31, 2017		
	Number of Loans	Amount	Percentage
Manitoba	10	1,734,742	4 %
Totals	238	\$49,363,732	100%

Loan Size

A summary of our Mortgage portfolio by loan size as at July 31, 2017 is presented below:

By Dollar Value	As at July 31, 2017	
	Number of Loans	Percentage
< \$250,000	174	72%
\$250,000-\$500,000	49	21%
\$500,000-\$1,000,000	14	6%
\$1,000,000-\$2,000,000	1	1%
Totals	238	100%
Average Loan Balance	\$207,411	

To the knowledge of the directors, none of the Company's directors, officers or employees holds a direct or indirect financial interest in any of the above-described Mortgages (other than indirectly through their respective interest in the Company, the Manager and or TPCM as director, officer, employee and or securityholder, as applicable).

Foreclosures and Impaired Mortgages

From time to time in the normal course of business, mortgage loans will go into arrears and the Company may demand the loans be repaid in full. In many cases it is expected that the borrower will either bring the loan current or satisfy the loan demand. In some cases it is expected that the Company will foreclose on the mortgaged property, which may result in the Company acquiring the underlying property or having a court appointed receiver manage the property. The underlying property would then be put up for sale and the net proceeds of sale applied to satisfy the outstanding balance (after satisfying amounts owing in respect of any priority Mortgage or other priority financial charge that encumbered the property at the time of the sale). In some cases, there may be a resulting shortfall.

The Company and the Manager will work closely with delinquent borrowers and legal counsel in an effort to minimize any potential loan losses. It is also the Company's policy to commence foreclosure action with respect to Mortgages which are in default more than 90 days unless, in the opinion of the Manager and/or the Company's Board of Directors, there is a good indication of resolution of the default.

It is our policy to provide, on the Company's financial statements, a specific allowance for individual Mortgage loans identified as impaired due to a reasonable doubt as to the collectability of principal and interest. Such allowances could include, without limitation, allowances for loss of property value, legal fees and foreclosure costs, and payments for utilities, strata/condo fees and property taxes. The Company will generally determine the amount of the provision for loan losses in conjunction with the preparation of its quarterly financial statements.

When determining allowances to be made for impaired lands, values of the underlying properties will be determined based on management's best estimates taking into account any input they may seek from realtors, appraisers, other industry professionals. Informed estimates can be determined but ultimately until the underlying properties are actually liquidated, the Company cannot be certain of the liquidation value.

Discounted Mortgages and Guaranteed Mortgages

The Company does have some Mortgages that are in foreclosure or are impaired. These Mortgages have been previously written down by Paradigm. The written down value of these Mortgages is the value at which the Company carries these Mortgages on its books and represents the Discounted Mortgages

acquired from Paradigm. Other than the Discounted Mortgages set out in the table below, all other Mortgages included in the Company's portfolio are in good standing as at July 31, 2017.

The table below outlines all Discounted Mortgages and the current status of such Mortgages as at July 31, 2017:

City	Province	Property type	Rank	Original Appraised Value	Face Value	Net Realizable Value after discount	Status
Residential							
Grand Prairie	AB	2 Residential homes	1st	\$895,470	\$827,598	\$727,598	In foreclosure
Edmonton	AB	Single Family house	1st	\$355,000	\$298,412	\$268,412	Conduct of sale
Lloydminster	SK	Single Family home with acreage	1st	\$375,000	\$278,136	\$193,136	In foreclosure
Regina	SK	Single Family house	1st	\$284,500	\$197,471	\$155,471	In foreclosure
Saskatoon	SK	Single Family house	1st	\$325,000	\$285,527	\$226,946	In foreclosure
Winnipeg	MB	Single Family house	1st	\$255,000	\$209,813	\$189,813	In foreclosure
Sicamous	BC	Single Family house	1st	\$205,000	\$198,132	\$165,132	In good standing
Moose Jaw	SK	Single Family house	1st	\$220,000	\$159,187	\$139,187	In foreclosure
Saskatoon	SK	Single Family house	1st	\$170,000	\$125,277	\$98,277	In foreclosure
Total Residential				\$3,084,970	\$2,579,553	\$2,163,972	
Commercial							
Summerland	BC	Commercial Building	1st	\$540,000	\$405,435	\$246,628	Forbearance agreement (in good standing)
Falkland	BC	Commercial building (Workout Loan)	1st	\$275,000	\$204,705	\$174,705	In good standing
Total Commercial				\$815,000	\$610,140	\$421,333	
Total Impaired Loans				\$3,899,970	\$3,189,693	\$2,585,305	

The Discounted Mortgages also comprise a portion of the Guaranteed Mortgages acquired under the Mortgage Sale Transactions. As per the Limited Guarantee, Paradigm will guarantee these Discounted Mortgages for up to a maximum of \$1,500,000 for 3 years. The Limited Guarantee is secured by a subordinated general security agreement over the assets of Paradigm. The Guaranteed Mortgages include other Mortgages in addition to the Discounted Mortgages. They consist of Mortgage loans secured by land only, and Commercial Mortgages and Residential Mortgages where the related Mortgage loan did not meet the Company's Lending Policies at the time of purchase.

It is a term of the Asset Purchase Agreement for the First Stage Mortgage Sale Transaction that Three Point will reimburse Paradigm in cash for any recovery of principal received in excess of the net book value of any of the Discounted Mortgages.

2.3 Development of the Company's Business

Mortgage Sale Transactions

The Company is a result of a reorganization transaction between Paradigm and the Company, in which Paradigm wished to spin off a new corporation and transfer the Purchased Mortgages into it while leaving behind certain distressed Mortgages. Paradigm is a company related to the Company in that it has directors, officers and shareholders in common. This reorganization was designed to position the Company with a strong balance sheet to better position it to raise capital, grow its portfolio and otherwise be a competitive player in the lending industry.

The Mortgage Sale Transactions, and related matters, were subject to Paradigm's shareholder approval, which was sought and obtained at Paradigm's shareholders' meeting held on April 27, 2017. At the time of the Paradigm shareholders' meeting and at the time of the closing of the Mortgage Sale Transaction, the Company had only one shareholder and shareholder approval was not required by the Company to proceed with the Mortgage Sale Transaction.

The following is a summary of the Mortgage Sale Transactions which provided the Company with its initial Mortgage portfolio and provided for shareholders of Paradigm to become the initial Shareholders of the Company.

The Mortgage Sale Transactions were carried out in two (2) separate and sequential (but near concurrent) stages, being the First Stage Mortgage Sale Transaction and the Second Stage Mortgage Sale Transaction, each of which were completed pursuant to a separate Asset Purchase Agreement. The Asset Purchase Agreements are near identical, except that: (i) each relates to one such stage and a separate group of Purchased Mortgages; (ii) all Guaranteed Mortgages and Discounted Mortgages were included in the First Stage Mortgage Sale Transaction; and (iii) the TD Debt was assumed pursuant to the First Stage Mortgage Sale Transaction and in partial satisfaction of the purchase price in respect thereof. The sole purpose of carrying out the Mortgage Sale Transactions in two stages rather than one was to ensure that during the reorganization of Paradigm it maintained its status under the Tax Act as a Mortgage Investment Corporation at all times.

Pursuant to the Asset Purchase Agreements, the Purchased Mortgages sold thereunder had an aggregate purchase price of \$53,207,046, which was subject to adjustments at Closing based on the status of the Purchased Mortgages as at the Closing Date and the fluctuating value of those Mortgages. For example, between the date of the Asset Purchase Agreements and the Closing Date, Mortgages continued to approach maturity in accordance with their terms, some matured and were no longer included in the sale, some were renewed, some mortgage loans were reduced as payments were made on account of the principal, there were newly originated Mortgages, and some were removed from the Mortgage Sale Transaction at the discretion of the Company and Paradigm, all of which was adjusted for at the Closing. The total adjusted purchase price under the First Stage Mortgage Sale Transaction was \$29,566,265 and the total adjusted purchase price under the Second Stage Mortgage Sale was \$19,523,462 for an overall adjusted aggregate purchase price of \$49,089,727. The purchase price under the Asset Purchase Agreements was based on Paradigm's book values of the Purchased Mortgages (as adjusted) and there was no premium or discount applied to these book values prior to the sale of the Purchased Mortgages to the Company.

For each \$1.00 of purchase price payable by the Company for the Purchased Mortgages, the Company assumed \$1.00 of TD Debt and, with respect to each \$1.00 of balance of the purchase price, issued one (1) Share to Paradigm at a deemed price of \$1.00. In total, the Company assumed \$9,300,000 of TD Debt from Paradigm leaving a net balance under the First Stage Mortgage Sale Transaction of \$20,266,265, which was satisfied by the Company issuing 20,266,265 Shares to Paradigm. The Company then issued a further 19,523,462 Shares to Paradigm under the Second Stage Mortgage Sale Transaction for an aggregate total of 39,789,727 Shares issued to Paradigm.

In order to reduce or eliminate the substantial registration fees associated with registering the transfers of all the Purchased Mortgages, the Asset Purchase Agreements provided that the Company and Paradigm could enter into a bare trust agreement under which Paradigm would hold the registrations for the Purchased Mortgages in trust for the Company and, if necessary, the covenants and obligations under the contracts or agreements related to the Mortgages would be performed by Paradigm in the name of the

Company and all benefits and obligations existing therein, including without limitation, the registration of such Mortgages, would be for the account of the Company. Upon the request of the Company at any time, and from time to time, Paradigm would be required to transfer the registration of one or more of the Purchased Mortgages, at Paradigm's expense, into the Company's name, or as directed by the Company, at the applicable land registry office or land titles office.

In addition to mutual covenants typically provided for in transactions similar in nature and size to the Mortgage Sale Transactions, the Asset Purchase Agreements include a covenant of Paradigm in favour of the Company whereby Paradigm is required to refrain from all further lending activities, with the exception of certain limited and restricted lending necessary to facilitate the orderly wind-up of Paradigm. As part of the reorganization of Paradigm, it obtained the necessary approval of its shareholders to wind-up over an estimated 5 to 7 years while it attempts to monetize its remaining Mortgage assets and subsequently dissolve the company.

Further, to help ensure the Company obtains the full value of the Purchased Mortgages it acquired (subject to the "**Payout Refund**", see below), the Asset Purchase Agreements contained the following covenants of Paradigm for the benefit of the Company, among others:

- a. The obligation of Paradigm to deliver a corporate guarantee (the "**Limited Guarantee**") in favour of the Company in the limited amount of One Million Five Hundred Thousand Dollars (\$1,500,000) in respect of the performance of the Guaranteed Mortgages purchased by the Company, being any Mortgage loan secured by vacant land, commercial property or any residential property that did not meet the lending criteria of the Company. The Limited Guarantee effectively provides the Company with certain rights to seek recovery from Paradigm of losses (up to \$1,500,000) in the event a borrower defaults in respect of any of these "Guaranteed Mortgages". The obligations of Paradigm as guarantor are supported by a collateral security agreement over all of its present and after acquired property. The collateral security agreement is a subordinate security agreement and ranks behind TD Bank's security interests over Paradigm. The Limited Guarantee has a term of three (3) years from June 27, 2017.
- b. A general obligation to indemnify the Company in the event the Company incurs any loss or damage as a result of a breach of a representation or warranty given by Paradigm in either Asset Purchase Agreement; and
- c. Following the closing of each Asset Purchase Agreement, an obligation that Paradigm carry out certain redemptions, an orderly wind-up and subsequent dissolution in accordance with the dissolution resolution obtained from Paradigm's shareholders.

The Purchased Mortgages included in the Asset Purchase Agreement in respect of the First Stage Mortgage Sale Transaction include the Discounted Mortgages. These Discounted Mortgages were previously written down by Paradigm and have a net book value that is less than the original appraised value of the underlying real estate. As the portion of the purchase price allocated to each Discounted Mortgage under the Asset Purchase Agreement is based on this net book value it is possible that following the Mortgage Sale Transactions repayments of principal by a borrower on a Discounted Mortgage exceed the actual price paid by the Company for such Mortgage. To compensate Paradigm in the event this occurs, the Asset Purchase Agreement in respect of the First Stage Mortgage Sale Transaction includes a covenant that provides that in the event the Company receives a principal payout from a borrower on a Discounted Mortgage in an aggregate amount (excluding interest, fees or penalties) that exceeds the net book value of such Discounted Mortgage, the Company will refund to Paradigm in cash the difference between the principal payout amount received by it and the net book value of such Discounted Mortgage (the "**Payout Refund**").

Immediately following the closing of the First Stage Mortgage Sale Transaction, Paradigm proportionately redeemed Paradigm common shares from its shareholders in exchange for the Shares it received as consideration for the sale of the Purchased Mortgages included in the first Asset Purchase Agreement. This redemption resulted in Paradigm shareholders becoming the Shareholders of the Company. The same type of redemption was carried out by Paradigm following the closing of the Second Stage Mortgage Sale Transaction. Upon completion of the redemptions, Paradigm shareholders held a total of 39,789,727 Shares, which represented 100% of the issued and outstanding Shares of the Company, without giving effect to this Offering or any other offering.

The Company completed the Mortgage Sale Transactions on June 27 and June 28, 2017 respectively and has since then commenced operations as a Mortgage Investment Corporation and has limited operating history. Since this date, the Company has not had any substantial available funds or working capital other than cash flow resulting from payments made under loans in respect of the Purchased Mortgages and from borrowing pursuant to the Line of Credit and the Promissory Notes.

Declarations of Trust

In order to reduce or eliminate the substantial registration fees associated with registering the transfers of all the Purchased Mortgages, pursuant to the Asset Purchase Agreements the Company entered into two Declarations of Trust with Paradigm (one in respect of each stage of the Mortgage Sale Transaction) under which Paradigm holds the registrations for the Purchased Mortgages in trust for the Company as nominee, agent and bare trustee. All benefit, interest, profit or advantage arising out of or accruing from the Purchased Mortgages belongs solely to the Company. Any such benefit received by Paradigm shall be paid or delivered to the Company. Other than the reimbursement of expenses incurred by Paradigm for carrying out the instructions of the Company relating to the Purchased Mortgages, there is no consideration or fees payable to Paradigm to act as the nominee.

Under the Declarations of Trust, Paradigm holds the legal title to the Purchased Mortgages as mere nominee and the Company is the sole beneficial owner of the Purchased Mortgages. As the nominee, Paradigm is required to do all acts and things in respect of the Purchased Mortgages at the expense and direction of the Company. Paradigm has the power to execute and deliver any instrument or document pertaining to the Purchased Mortgages at the instruction of the Company and such instruments and documents are binding on the Company. However, Paradigm cannot deal with the Purchased Mortgages in any way or execute any instrument, document or encumbrance without the prior written consent of the Company.

The Company may, at any time and from time to time, direct Paradigm to transfer the legal ownership of one or more of the Purchased Mortgages to the Company without any further consideration, and the Company can register the transfers of the Purchased Mortgages at the applicable land registries or land titles offices.

The Declarations of Trust Agreements contain an indemnity by the Company in favour of Paradigm to hold Paradigm harmless for claims, expenses and liabilities arising out of Paradigm holding the legal title to the Purchased Mortgages or dealing with the Purchased Mortgages as directed by the Company, except to the extent that such claim, expense or liability arises from a dishonest, fraudulent or negligent act or omission of Paradigm.

Post Transaction

Since the completion of the Mortgage Sale Transactions to July 31, 2017, the Company has raised \$1,546,749 through the issuance of the Promissory Notes and has raised a further \$826,360 through the issuance of Shares pursuant to available exemptions under NI 45-106, other than under this Offering. From completion of the Mortgage Sale Transactions until July 31, 2017, the Company has advanced \$5,192,550 in new Mortgage loans and received \$4,452,050 in mortgage payouts. Management believes these sources of capital are sufficient to fund operations until the Company can complete the Offering.

The Company has incurred costs in connection with the Offering and has been engaged in activities in preparation for the Offering which have included, among other things: (a) putting a management team in place; (b) consulting with financial and legal advisors and mortgage brokers; and (c) preparing the offering documents and the agreements discussed in this Offering Memorandum.

From completion of the Mortgage Sale Transactions until July 31, 2017, the Company has declared a dividend of 4% or \$142,614 on Class A shares outstanding as of July 31, 2017. Since the completion of the Mortgage Sale Transactions, the Company has not redeemed any of the Shares. As of the date of this Offering, the Company has received requests for redemption totalling \$741,191. The Company plans to redeem all of these requests on October 1, 2017 as a regular quarterly redemption transaction. As at July 31, 2017, the Company had very limited operating history but is calculating a current annualized return to investors of approximately 6.47% per annum.

2.4 Long Term Objectives

Our long-term objectives are to provide our Shareholders with sustainable income (through dividend payments) and a competitive rate of return on investment, while preserving their capital and maintaining the liquidity of their investment. We intend to achieve this objective by investing in Mortgages through lending activities that meet our Investment Policies, as well as by raising additional capital through subsequent Share offerings and other debt financing activities and security offerings. Further, to achieve this objective, we intend to utilize the services of the Manager to develop our business and Mortgage portfolio with the goal of realizing an orderly and consistent growth of earnings, assets and operations. Other than the short term costs identified below, we do not anticipate any significant costs associated with ongoing operations. The Company's income is expected to primarily consist of interest received on the loans secured by the Mortgages included in its Mortgage portfolio and lender fees.

2.5 Short Term Objectives and How We Intend to Achieve Them

Our business objectives for the next 12 months are the same as our long-term objectives set out in Item 2.4 - "Long-term Objectives". We intend to meet those objectives for the next 12 months as set out in the following table:

What we must do and how we will do it	Target Completion Date	Our Cost to Complete
Complete the Offering	Ongoing	\$325,000
Through the Management Agreement, manage and administer the existing Mortgage portfolio, and manage and administer shareholder communications	Ongoing	\$975,000 ⁽¹⁾
Continue to invest in Mortgages through lending activities secured by real estate in Canada	Ongoing	\$9,675,000 ⁽²⁾⁽³⁾

- (1) The expected costs of the Management Fee for the next 12 months. The Management Fee will be paid out of cash flow from operations and not from Available Funds.
- (2) This amount represents the Available Funds which is intended to be used for investment in Mortgages as described herein. Until the Company can fully invest the Available Funds in Mortgages, the Company may elect from time to time to apply such non-invested Available Funds against the Line of Credit with the TD Bank to minimize the indebtedness and the related interest expense until acceptable Mortgage investment opportunities are identified. See Item 2.2 - "Our Business - Line of Credit and Leverage."
- (3) Amounts do not include fees paid to the Manager under the Management Agreement or to the Transfer Agent under the Transfer Agency and Services Agreement. See Item 2.7 - "Material Agreements".

The proceeds of this Offering will be used to accomplish our business objectives for the next 12 months. There is no assurance that the maximum Offering or any portion of the maximum Offering will be sold, however any funds raised will be used as set out in Item 1.2 and Item 2.5, subject to Item 1.3.

2.6 Insufficient Funds

The Available Funds together with the Company's on-going cash flows and access to its Line of Credit are expected to be sufficient to accomplish all of our business objectives for the next 12 months. However, there is no assurance that: (i) any of the Offering will be sold; (ii) the proceeds of the Offering, if any, will be sufficient to accomplish our proposed objectives; or (iii) any alternative financing will be available. If none of the Offering is sold, we will continue to use our existing capital and cash flows and the Line of Credit to carry on our current business. However, without substantial proceeds from the Offering the Company will not be able to reduce its Line of Credit and the Company's lending activities could be severely limited.

2.7 Material Agreements

The Company is currently a party to the following formal, written agreements that can reasonably be regarded as material, currently or upon being entered into, to the Company in connection with the Offering, the use of Available Funds or with a related party:

- (a) Management Agreement dated June 1, 2017 with the Manager. Please refer to the summary of the Management Agreement in Item 2.2 "Our Business – Manager";
- (b) Transfer Agency and Services Agreement dated August 1, 2017 with Three Point Capital Marketing Corp. Please refer to the summary of the Transfer Agency and Services Agreement in Item 2.2 "Our Business– Registrar and Transfer Agent";
- (c) Demand Credit Facility agreement dated June 2, 2017 with the TD Bank. Please refer to the summary of the Demand Credit Facility in Item 2.2 "Our Business – Line of Credit" and Item 4.2 – "Long Term Debt Securities".
- (d) Agency Agreement dated August 1, 2017 with Three Point Capital Marketing Corp. regarding the sale of Shares. Please refer to the summary of the Agency Agreement in Item 7 "Compensation Paid to Sellers and Finders";
- (e) Declarations of Trust dated June 27, 2017 and June 28, 2017 between the Company and Paradigm. Please refer to the summary of the Declarations of Trusts in Item 2.3 – "Development of Our Business - Declarations of Trust"; and
- (f) Subscription Agreements with Investors dated upon acceptance by the Company. Each Investor must execute and deliver the required form of Subscription Agreement for the Offering. See Item 5.3 - "Subscription Procedure".

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

3.1 Compensation and Shares Held

The following table discloses the name, municipality of residence, positions held, compensation paid to, and Shares held by, each of the Company's directors and officers, and each person who directly or indirectly beneficially owns or controls 10% or more of any class of the Shares ("**Principal Holders**"):

Name and Municipality of Residence	Positions held and the date of obtaining that position	Compensation paid by the Company in the most recent completed financial year and the compensation anticipated in the current financial year	Number and percentage of Shares of the Company held ⁽¹⁾ after completion of	
			Minimum Offering	Maximum Offering
Braam, Francis R. Kelowna, B.C.	Director February 23, 2017	Paid last year: \$nil Anticipated this year: \$5,000	1,024,784 (2.6%)	1,021,784(2.0%)
Crompton, Donald J. Kelowna, B.C.	Director February 22, 2017	Paid last year: \$nil Anticipated this year: \$nil See Notes 2 and 7.	905,218 (2.3%)	905,218 (1.8%)
Graham, Bradley D. Kelowna, B.C.	Chief Credit Officer February 22, 2017	Paid last year: \$nil Anticipated this year: \$nil See Notes 3 and 7.	nil (0%)	nil (0%)
Kippan, Duncan R. Kelowna, B.C.	Director February 23, 2017	Paid last year: \$nil Anticipated this year: \$5,000	573,587 (1.4%)	573,587 (1.1%)
Lee, Ryan G. Kelowna, B.C.	President February 22, 2017	Paid last year: \$nil Anticipated this year: \$nil See Notes 5 and 7.	nil (0%)	nil (0%)
Needham, Marylyn W. West Kelowna, B.C.	Vice-President February 22, 2017	Paid last year: \$nil Anticipated this year: \$nil See Notes 4 and 7.	330,986 (0.8%)	330,986 (0.7%)

Name and Municipality of Residence	Positions held and the date of obtaining that position	Compensation paid by the Company in the most recent completed financial year and the compensation anticipated in the current financial year	Number and percentage of Shares of the Company held ⁽¹⁾ after completion of	
			Minimum Offering	Maximum Offering
Pushor, Richard J. Kelowna, B.C.	Director February 23, 2017	Paid last year: \$nil Anticipated this year: \$5,000	1,427,054 (3.6%)	1,427,054 (2.9%)
Turik, Grant R. Kelowna, B.C.	Director February 23, 2017	Paid last year: \$nil Anticipated this year: \$5,000	44,873 (0.1%)	44,873 (0.1%)
Ungaro, Joseph F. Kelowna, B.C.	Director February 23, 2017	Paid last year: \$nil Anticipated this year: \$5,000	663,635 (1.6%)	663,635 (1.3%)
Wilson, Leanne P. Kelowna, B.C.	Chief Operating Officer February 22, 2017	Paid last year: \$nil Anticipated this year: \$nil See Notes 6 and 7.	421,894 (1.1%)	421,894 (0.8%)

Notes:

- (1) Directors, officers and principal holders only own Class A Voting Common shares. The numbers and percentages shown will vary depending on the purchases and redemptions of Shares by and for the directors, officers or principal holders during the term of this Offering. Amounts shown are as at the date of this Offering Memorandum.
- (2) Donald Crompton is a salaried employee of the Manager and is a shareholder of Kensington Enterprises Ltd. that holds a 28.25% interest in the Manager and also holds a 20% interest in TPCM.
- (3) Bradley Graham is a salaried employee of the Manager and is a trustee and beneficiary of a trust that indirectly holds a 10.25% interest in the Manager indirectly through B&D Graham Enterprises Ltd. B&D Graham Enterprises Ltd. also holds a 20% interest in TPCM.
- (4) Marylyn Needham is a salaried employee of the Manager and is a shareholder of Gramar Holdings Inc. and is trustee and beneficiary of a trust that is also a shareholder of Gramar Holdings Inc. Gramar Holdings Inc. holds a 10.25% interest in the Manager and also 20% interest in TPCM.
- (5) Ryan Lee is a salaried employee of the Manager and is a shareholder of 1975 Lee Holdings Corp. which holds a 10.25% interest in the Manager and also 20% interest in TPCM.
- (6) Leanne Wilson is a salaried employee of the Manager and shareholder of R553 Enterprises Ltd. which holds a 12.75% interest in the Manager. Leanne Wilson also holds a 20% interest in TPCM.
- (7) The Manager derives income from other business activities in addition to the income it receives from the Company under the Management Agreement. Since the Manager is paid only from our net income (based upon the outstanding balance of the Company's mortgage portfolio), none of the proceeds of the Offering will be used directly to pay the compensation of the Manager. The Manager also receives 100% of the NSF fees and renewal fees charged to borrowers. See Manager under Item 2.2 - Our Business.
- (8) TPCM will derive income from commissions on the sales of Shares under the Agency Agreement. Messrs, Crompton, Graham and Lee and Mesdames Needham and Wilson may receive dividends from Three Point Capital Marketing Corp.

3.2 Management Experience

The following discloses the principal occupations of the directors and executive officers of the Company over the past five years.

Name	Principal occupations and related experience
Francis R. Braam	Director of the Company since February 23, 2017. Director of Paradigm since November 5, 2014 and also from 2004 to 2009. Principal and Director of Royal LePage Kelowna, a real estate agency, since 1997.
Donald J. Crompton	Director and Chair of the Company since February, 2017. Director and Chair of Paradigm since 1994. Director and officer of Three Point Capital Management Corp, a registered mortgage brokerage, since 2001. Former Principal and President of Carruthers & Meikle Ltd. (real estate brokerage firm from 1972-2003). Past chair of the Real Estate Council of B.C. Past chair of Real Estate Errors & Omissions Corp Ltd.
Bradley D. Graham	Chief Credit Officer of the Company since February, 2017. Director and Senior Portfolio Manager of Paradigm since 2011. Director and Principal of Three Point Capital Management Corp, a registered mortgage brokerage, since 2013. Licensed Mortgage Broker. Member of Mortgage Brokers Association of B.C. Member of the Alberta Mortgage Brokers Association. Former commercial banker with T.D. Canada Trust (1990-2009)

Name	Principal occupations and related experience
Duncan R. Kippan	Director of the Company since February 23, 2017. Director of Paradigm since 1994. Retired, Licensed Real Estate Agent from 1972 to 2015.
Ryan G. Lee	President of the Company since February 22, 2017. Capital Relations Manager of Paradigm since 2013. Director and Principal of Three Point Capital Management Corp, a registered mortgage brokerage, since 2015.VP Business Development and Dealing Representative with Becksley Capital, an exempt market dealer, from 2008 to 2013. President of Becksley Capital from 2012 to 2013.
Marylyn W. Needham	Vice President of the Company. Chief Financial Officer and Vice President of Paradigm since 2010. Director and Principal of Three Point Capital Management Corp, a registered mortgage brokerage, since 2010. Chartered Professional Accountant (CA and CGA) .Director of B.C. MIC Managers Association. Former CFO of Royal LePage Kelowna (real estate brokerage firm) (1998 to 2010).
Richard J. Pushor	Director of the Company since February 23, 2017. Director of Paradigm since 2014. Retired lawyer and founding partner of Pushor Mitchell LLP.
Grant R. Turik	Director of the Company since February 23, 2017. Licensed Realtor with Royal LePage Kelowna (real estate agency) since 1998. Director of Paradigm Corporation since 2011.
Joseph F. Ungaro	Director of the Company since February 23, 2017. Director of Paradigm since 2014. Licensed Realtor, Royal LePage Kelowna, a real estate agency, since 1997 and Hoover Realty Ltd. from 1980 to 1997.
Leanne P. Wilson	Chief Operating Officer of the Company since February 22, 2017. President of Paradigm since 2010. Director and Principal of Three Point Capital Management Corp, a registered mortgage brokerage, since 2010. Member of Canadian Association of Accredited Mortgage Professionals. Member of Mortgage Brokers Association of B.C. Member of the Alberta Mortgage Brokers Association

3.3 Penalties, Sanctions and Bankruptcy

There has been: (a) no penalty or sanction that has been in effect during the last 10 years against a (i) a director, executive officer or control person of the Company, or (ii) an issuer of which any of the persons or companies referred to in (i) was a director, executive officer or control person, at the time; and (b) no declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, that has been in effect during the last 10 years with regard to any trustee, executive officer or control person of the Company or an issuer of which a director, executive officer or control person of the Company was a director, executive officer or control person at that time.

3.4 Loans

There is no outstanding indebtedness between the Company and its directors, management, promoters or Principal Holders as at July 31, 2017.

ITEM 4. - CAPITAL STRUCTURE

4.1 Share Capital

Our share capital is set out in the following table.

Description of Security	Number authorized to be issued	Price per Security	Number outstanding ⁽¹⁾		
			as at August 1, 2017	after Minimum Offering ⁽³⁾	after Maximum Offering ⁽²⁾
Class A Common (voting) Shares, \$1.00 Par Value	Unlimited	\$1.00	40,619,088	40,619,088	50,619,088

(1) There are not any issued or outstanding options, warrants or other securities convertible into Shares.

- (2) Assumes the completion of the maximum Offering.
(3) There is no minimum Offering.

4.2 Long Term Debt Securities

The following table summarizes information about outstanding long term debt of the Company.

Description of Long Term Debt and Security	Interest Rate	Repayment terms	Amount outstanding as at July 31, 2017
TD Bank Line of Credit ⁽¹⁾	3.95% ⁽²⁾	on demand	\$7,527,610
Promissory Notes ⁽³⁾	see note 3	see note 3	\$1,549,774 ⁽⁴⁾

- (1) This loan is secured as described under Item 2.2 "Our Business - Line of Credit".
(2) Interest rate is TD Bank's prime rate plus 1% or by bankers' acceptances with a stamping fee of 2.4% per annum.
(3) There are two types of promissory notes: i) unsecured demand promissory notes that are payable on demand and bear interest at the prime rate of interest of the TD Bank from time to time less 0.5%; and ii) term promissory notes that are unsecured promissory notes with a one year term and bear interest at the prime rate of interest of the TD Bank from time to time.

4.3 Prior Sales

During the last 12 months the Company has issued the following Shares (and no securities convertible or exchangeable into Shares):

Date of Issuance	Type of Security Issued	Number of Securities Issued	Price per Security	Total funds Received
February 22, 2017	Class A Voting common shares	1	\$1.00	\$1.00
June 27, 2017	Class A Voting common shares	20,266,265	\$1.00	\$nil ⁽¹⁾
June 28, 2017	Class A Voting common shares	19,526,462	\$1.00	\$nil ⁽²⁾
July 19, 2017	Class A Voting common shares	261,310	\$1.00	\$261,310 ⁽³⁾
August 1, 2017	Class A Voting common shares	565,050	\$1.00	\$565,050 ⁽³⁾
TOTALS		40,619,088	\$1.00	\$826,361

- (1) The Shares issued on June 27, 2017 were issued to Paradigm as partial consideration under the First Stage Mortgage Sale Transaction. The Company did not receive funds but did receive \$29,566,265 of Mortgage assets from Paradigm. The difference between the value of the Mortgage assets and the Shares issued represents the \$9,300,000 of TD Debt assumed by the Company. These Shares were subsequently distributed by Paradigm to its shareholders in exchange for the proportionate redemption of Paradigm Shares. See Item 2.3 "Development of Business - Mortgage Sale Transactions".
(2) The Shares issued on June 28, 2017 were issued to Paradigm as consideration under the Second Stage Mortgage Sale Transaction. The Company did not receive funds but did receive \$19,523,462 of Mortgage assets from Paradigm. These Shares were subsequently distributed by Paradigm to its shareholders in exchange for the proportionate redemption of Paradigm Shares. See Item 2.3 "Development of Business - Mortgage Sale Transactions".
(3) These Shares were issued pursuant to available prospectus exemptions under NI45-106 other than under this Offering.

4.4 Redemption History

Since incorporation to the date of this Offering Memorandum, the Company has received requests for redemption of Shares totalling \$1,304,443 (1,304,443 Shares) based on an expected redemption price of \$1.00 per Share. The Company expects to meet all of these redemption requests by December 1, 2017 as regular quarterly redemption transactions. The Shares are redeemable. See Item 5.1 "Terms of Securities".

ITEM 5. - SECURITIES OFFERED

5.1 Terms of Securities

The Shares offered for sale by this Offering Memorandum are Class A common shares with a par value of \$1.00 each. Set out below is a description of the Shares as well as the characteristics of the Class, B, C, D, E and F common shares of the Company. At the date hereof we do not intend to issue shares other

than the Class A common shares. However, we reserve the right to make an offering of one or more classes of the Class B, C, D, E or F common shares of the Company in such series, amounts and prices as may be determined in the sole discretion of the Board of Directors and in accordance with the Articles of the Company.

Class A Common Shares ("A Shares")

The Company can issue an unlimited number of A Shares with a par value of \$1.00 which have the following rights, restrictions, privileges and conditions attached thereto:

- a. Voting - The holders of the A Shares shall be entitled to receive notice of and to attend, in person or by proxy, all meetings of the shareholders of the Company and to one vote in respect of each A Share held at all such meetings, and the holders shall also be entitled to consent to and sign a resolution in writing to be signed by the shareholders of the Company as if it had been passed at a meeting of shareholders of the Company.
- b. Dividends - The holders of the A Shares shall be entitled to receive, pro rata, if, as and when declared by the Board of Directors of the Company, non-cumulative dividends. Notwithstanding the foregoing, and subject to the BCBCA, if no record date is set for purposes of determining holders of A Shares entitled to receive payment of a dividend, the Board of Directors may, in the resolution declaring the dividend, elect to pay to persons who were not holders of A Shares for a complete financial period or as at the date on which such resolution is passed a pro rata amount of the dividend they would have been entitled to had they been a holder of A Shares for the entire financial period. **Such dividends are not entitled to the dividend tax credit under the Tax Act. See Item 6 "Income Tax Consequences and Eligibility for Registered Investments".**
- c. Liquidation, Dissolution or Winding-Up - Subject to the rights of any other class of shares of the Company, or series thereof, in the event of the liquidation, dissolution or winding up of the Company or other distribution of the assets of the Company among its shareholders for the purposes of winding up its affairs, the holders of the A Shares shall, after the payment of any declared but unpaid dividends, participate rateably and with the holders of all other shares in the distribution of the assets of the Company.
- d. Redemption by Company - The Company may, if authorized by a resolution of the Board of Directors, purchase, redeem or otherwise acquire, at any time, and from time to time, from one or more shareholders and without the consent of any such shareholders, any of the shareholder or shareholders' A Shares specified in such resolution for an amount per share not less than the "Class A Share Redemption Price", together with all declared but unpaid dividends thereon (the "**Class A Redemption**"). For purposes hereof, "**Class A Share Redemption Price**" means an amount determined by dividing the **Net Asset Value** of the Company, as at the applicable date for which the Net Asset Value is determined, by the number of shares of the Company which are issued and outstanding as at that date. For purposes hereof, "**Net Asset Value**" means the assets of the Company minus its liabilities, determined as at the end of the most recently completed fiscal quarter prior to the date on which the calculation is made, as conclusively determined by the audited or unaudited quarterly balance sheet of the Company for such prior fiscal quarter; and, in any case, calculated in accordance with the internal accounting policies of the Company as established from time to time by the board of directors of the Company.
 - i. Not less than thirty (30) days' notice (the "**Class A Redemption Notice**") in writing of any Class A Redemption shall be given by personal delivery (which shall include by facsimile or other electronic means) or by mailing such notice to the registered holder at the last address as it appears in the records of the Company or its transfer agent. In the case of each Class A Redemption Notice so mailed, delivery of such notice shall be deemed to have been made to the registered holder as soon as the letter containing the same has been deposited in the mail, or, when personally delivered, on the first Business Day following the date of delivery (the date upon which the Redemption Notice is deemed to be given pursuant to this section, the "**Notice Date**").
 - ii. The Class A Redemption Notice shall specify the date and manner by which the Class A Redemption Price is to be paid, which may be by direct deposit or cheque, in Canadian

funds, drawn on any branch of any financial institution or any trust company with which the Company deals, payable to, or deposited to the account of, the registered holder of the shares so redeemed. Payment of the Class A Redemption Price made by the Company is conclusively deemed to have been made when deposited to the account of the registered holder, which may be at any Canadian financial institution, trust company or the offices of the Company's solicitors, or upon the depositing in the mail of a cheque in a postage pre-paid envelope addressed to the payee unless such cheque is dishonored upon presentment. Upon receipt of the Class A Redemption Notice by the holder of the Class A Redemption Shares, such holder will thereafter cease to have any rights with respect to the Class A Redemption Shares to be redeemed or purchased, other than, upon surrender of the certificate or certificates representing the Class A Redemption Shares to be redeemed or purchased, to receive payment of the applicable Class A Redemption Price, and the right to receive any dividends declared thereon prior to the Notice Date which remain unpaid. Surrender of the certificate or certificates for such Class A Redemption Shares to be redeemed or purchased is sufficient only if such certificate or certificates are duly and properly endorsed by the registered holder in blank for transfer or accompanied by a form of transfer acceptable to the Company and duly executed in blank by the registered holder. Notwithstanding the foregoing, such certificate(s) or transfer(s) may be executed by the authorized attorney of the registered holder, in which case such certificate(s) or transfer(s) shall be accompanied by evidence of the authority of such attorney satisfactory to the Company.

- e. **Redemption Request by Shareholder** - Subject to the applicable provisions of the BCBCA and its Articles and the special rights and restrictions attached to the shares of any class or series, the Company shall, in each financial year, purchase, redeem or otherwise acquire from Shareholders that give a written request therefor up to 10% of the total number of shares outstanding in the Company as of the beginning of such financial year but no more than 2.5% of the total number of shares of the Company shall be purchased, redeemed or otherwise acquired during or in respect of each financial quarter (and if more shares than such percentages are tendered, the Company shall purchase, redeem or otherwise acquire such shares pro rata) provided any such request is given during, or within one month after, the relevant financial quarter of such financial year and if more shares than 2.5% are tendered during any financial quarter or 10% during any financial year, the excess shall not carry over nor have priority over shares tendered during the next financial quarter or year.

Where any shares are properly tendered for redemption, the redemption price per share shall be the amount specified pursuant to the special rights and restrictions attached to the applicable class of shares or series so tendered, together with all declared but unpaid dividends thereon, or if not specified, an amount determined by dividing the Net Asset Value of the Company, as at the applicable date for which the Net Asset Value is determined, by the number of shares of the Company which are issued and outstanding as at that date, together with all declared but unpaid dividends thereon (the "**Redemption Price**"). For purposes hereof, "Net Asset Value" means the assets of the Company minus its liabilities, determined as at the end of the most recently completed fiscal quarter prior to the date on which the calculation is made, as conclusively determined by the audited or unaudited quarterly balance sheet of the Company for such prior fiscal quarter; and, in any case, calculated in accordance with the internal accounting policies of the Company as established from time to time by the Board of Directors.

In the event a request is made by a shareholder to redeem or repurchase all or a portion of that shareholder's A Shares pursuant to the Articles of the Company, the redemption or repurchase price shall be the Class A Share Redemption Price and if a selling commission, trailer fee or other similar fee or discount was paid by the Company in connection with the sale or issuance of any of the A Shares to be redeemed or repurchased, and the shareholder has not owned or otherwise held those A Shares for more than five (5) years, then at the discretion of the Board of Directors a discount may be applied to the Class A Share Redemption Price in respect of those A Shares up to but not exceeding the aggregate amount of all such commissions and other fees and discounts paid in respect of the sale or issuance of such A Shares. Shareholders are eligible to receive dividends paid during the year of redemption for those months prior to the actual redemption of the Shares.

Early Redemption Discounts

In accordance with the Articles of the Company, the Board of Directors has determined in their discretion to apply the following discounts to the Redemption Price based on the length of time the Shares have been held by an Investor and the manner in which such Shares were purchased.

- No Discount – Applies only to those Shares held by persons who are Shareholders as of the date hereof and referrals from such existing Shareholders. As there is no commission or finders' fees paid on the sale of these Shares, upon redemption there will be no early redemption discount on the Redemption Price or any trading fee or deferred sales charged regardless of when such Shares are redeemed.
- Low Discount – Applies only to new Investors who purchase Shares by referral through TPCM and do not purchase Shares through an EMD. As there is a maximum 5% commission or finders' fees paid (without trailer fees) on the sale of these Shares, upon redemption there will be an early redemption discount on the Redemption Price where the Investor redeems their Shares within the first three years of purchase as follows:
 - 1st year redemption - 3% discount;
 - 2nd year redemption - 2% discount;
 - 3rd year redemption - 1% discount; and
 - Redemption subsequent to 3rd year - no discount
- Deferred Discount – Applies only to Investors that purchase Shares through an EMD. As maximum commission payable to an EMD is 6% plus a 1% annual trailer fee (beginning in the first year), upon redemption there will be an early redemption discount on the Redemption Price where the Investor redeems their Shares within the first three years of purchase as follows:
 - 1st year redemption - 4% discount;
 - 2nd year redemption - 3% discount;
 - 3rd year redemption - 2% discount;
 - 4th years redemption - 1% discount; and
 - Redemption subsequent to 4th year - no discount

Class B, C, D, E and F Shares

The Company can issue an unlimited number of Class B, C, D, E and F common shares, all of which are without nominal or par value, each as a separate class, and shall have the following rights, restrictions, privileges and conditions attached thereto:

- a. Series
 - i. The B, C, D, E and F shares, each as a separate class, may be issued from time to time in one or more series and, subject to the Articles and the BCBCA, the Board of Directors of the Company is authorized to fix, from time to time before issuance, the number of shares in and the designation, rights, privileges, restrictions and conditions attaching to the shares of each such series, and, without limiting the generality of the foregoing, but subject to the BCBCA, the Board of Directors, by resolution, is authorized to do one or more of the following:
 - A. determine the maximum number of shares of any of those series of shares that the Company is authorized to issue, determine that there is no maximum number or alter any determination made, under this section or otherwise, in relation to a maximum number of those shares, and authorize the alteration of the notice of Articles accordingly;
 - B. alter the Articles of the Company, and authorize the alteration of the notice of Articles, to create an identifying name by which the shares of any of those series

of shares may be identified or to alter any identifying name created for those shares;

- C. alter the Articles, and authorize the alteration of the notice of Articles, to attach special rights or restrictions to the shares of any of those series of shares or to alter any special rights or restrictions attached to those shares.
- ii. Notwithstanding anything contained herein to the contrary, no special rights or restrictions attached to a series of any such class of share shall confer on the series priority over another series of that class of shares respecting (i) dividends, or (ii) a return of capital on the dissolution of the Company or on the occurrence of any other event that entitles the shareholders holding the shares of all series of shares of the same class of shares to a return of capital.
- b. Voting - Except as expressly provided in the special rights or restrictions which the board of directors may create, define or attach to any series, the holders of the B, C, D, E and F common shares, each as a separate class, shall be entitled to receive notice of and to attend, in person or by proxy, all meetings of the shareholders of the Company and to one vote in respect of each such share held at all such meetings, and the holders shall also be entitled to consent to and sign a resolution in writing to be signed by the shareholders of the Company as if it had been passed at a meeting of shareholders of the Company.
- c. Dividends
 - i. Except as expressly provided in the special rights or restrictions which the board of directors may create, define or attach to any series of any of the B, C, D, E or F common shares, the board of directors may declare and or pay dividends from time to time with respect to any one or more of the other classes of shares, and or any one or more series thereof, and to the exclusion of any other classes of shares, and or any one or more series thereof.
 - ii. Notwithstanding anything herein contained to the contrary, where shares of one or more series of the same class are entitled to cumulative dividends, and where cumulative dividends in respect of any series of such class are not paid in full, the shares of all series of that class entitled to cumulative dividends shall participate rateably in respect of accumulated dividends in accordance with the amounts that would be payable on those shares if all the accumulated dividends were paid in full.
- d. Liquidation, Dissolution or Winding-Up
 - i. Except as expressly provided in the special rights or restrictions which the Board of Directors may create, define or attach to any series of any of the B, C, D, E or F common shares, in the event of the liquidation, dissolution or winding up of the Company or other distribution of the assets of the Company among its shareholders for the purposes of winding up its affairs, the holders of the B, C, D, E or F common shares, each as a separate class, shall, after the payment of any declared but unpaid dividends, participate rateably and with the holders of all other shares in the distribution of the assets of the Company.
 - ii. Notwithstanding anything herein contained to the contrary, if amounts payable on a dissolution of the Company, or on the occurrence of any other event that entitles the shareholders holding the shares of all series of shares of the same class of shares to a return of capital, are not paid in full, the shares of all series of shares of the same class of shares must, in a return of capital in respect of that class of shares, participate rateably in accordance with the amounts that would be payable on the return of capital if all amounts so payable were paid in full.

Constraints on Transferability

The Articles of the Company will not permit the registration of a transfer of shares of the Company unless: (i) a duly signed instrument of transfer has been received; (ii) the applicable share certificate for the shares being transferred is surrendered; and (iii) if a non-transferable written acknowledgement of the shareholder's right to obtain a share certificate has been issued by the Company in respect of the share to be transferred, such acknowledgement has been surrendered. Also, the Company's Board of Directors intends to refuse registration of any transfer of Shares which would result in the Company ceasing to meet the qualifications of a MIC.

The Tax Act stipulates that a MIC must have 20 or more Shareholders and no one shareholder may hold more than 25% of the issued shares of any class of the Company. For the purposes of calculating the percentage of issued the Shares held by a shareholder, the Tax Act provides that:

- i. a shareholder is deemed to own each share owned at that time by a person related to the shareholder;
- ii. each beneficiary of a trust is deemed to own that proportion of all such shares owned by the trust at that time that the fair market value at that time of the beneficial interest of the beneficiary in the trust is of the fair market value at that time of all beneficial interests in the trust, provided that where a beneficiary's share of the income or capital of the trust depends on the exercise by any person of, or the failure of any person to exercise, any discretionary power, the beneficiary shall be deemed to own each share owned at that time by the trust; and
- iii. each member of a partnership is deemed to own that proportion of all the shares of any class of the capital stock of the Company that are property of the partnership at that time that the fair market value at that time of the member's interest in the partnership is of the fair market value at that time of the interests of all members in the partnership.

For the purposes of the foregoing, the Tax Act provides that a person is related to a shareholder if they meet the definition of "related persons" in the Tax Act, except that for individuals, the following individuals are considered to be related:

- i. an individual and the individual's child (as defined in s. 70(10) of the Tax Act) who is under 18 years of age; or
- ii. an individual and the individual's spouse or common-law partner. The term "common-law partner" is defined in the Tax Act.

The Tax Act states that a trust governed by a registered pension plan or a deferred profit sharing plan is counted as four shareholders for the purposes of determining the number of shareholders and as one shareholder for the purposes of determining if a shareholder owns more than 25% of the issued shares.

There is no one shareholder of the Company that owns more than 25% of the issued shares after giving effect to the First Stage Redemption and the Second Stage Redemption. However, the Company makes no representation as to whether the above deeming rules would result in any one shareholder being deemed to hold more than 25% of the issued shares.

In addition to the restrictions in the Articles and the Tax Act, the Shares and other classes of shares of the Company are subject to indefinite resale restrictions under National Instrument 45-102- *Resale of Securities*. Accordingly, the shares of the Company cannot be transferred without reliance upon one of the limited prospectus exemptions available under NI 45-106.

Restrictions on Ownership

The Tax Act imposes significant penalties on investments by Registered Retirement Savings Plans (RRSP), Registered Retirement Income Funds (RRIF), Registered Education Savings Plans (RESP) and Tax Free Savings Accounts (TFSA), collectively "**Registered Plan**") if the ownership through a Registered Plan by an investor and parties related to the investor equals 10% or more of the shares of a MIC. A "related party" includes the investor and anyone related to the investor by blood, marriage, "common law" partnership or adoption. **These Tax Act rules are complex and investors should seek advice from an**

accountant, investment advisor or other qualified person if the investor and the investor's related parties might jointly own 10% or more of our Shares.

Conversion and Exchange

The Shares are not convertible into or exchangeable for any other form of share or security of the Company.

Dividend Policy

Subject to compliance with the applicable provisions of the BCBCA and the Company's Articles, the Board of Directors, with input from the Manager may, in their sole discretion, declare and distribute dividends to holders of the Shares. Dividends are neither cumulative nor guaranteed. However, as a MIC, we intend to pay out all of the Company's net income and net realized capital gains as dividends (which dividends are taxed as income in the hands of the Shareholders, not as dividends). Any such dividends are not entitled to the dividend tax credit under the Tax Act. See Item 6 - "Certain Canadian Income Tax Consequences".

It is the intention of the Board of Directors to declare a monthly dividend which, in aggregate, will represent up to 60% of the estimated annual dividend return that can be paid in cash or through a dividend re-investment plan with a top up within 90 days of each financial year end. The Company declared a dividend of 4% or \$142,614 on Class A shares outstanding as of July 31, 2017.

Shareholders will have the option to elect annually to be enrolled in a Dividend Reinvestment Plan (DRIP) that provides for enrolled shareholders to automatically re-invest any cash dividends in Shares. The DRIP is available to all Shareholders. **Unless Shareholders specifically elect to receive cash dividends and opt out of the DRIP in the Subscription Agreement, Shareholders will be considered to be enrolled in the DRIP.** The DRIP is administered by the Transfer Agent.

5.2 Subscription Procedure

Persons wishing to subscribe for Shares under this offering may do so by returning to the Company at #210 – 1980 Cooper Road, Kelowna, British Columbia V1Y 8K5, the following:

- (a) a completed and signed Subscription Agreement with **all** applicable schedules; and
- (b) a bank draft or certified cheque in the amount of your investment payable to "Three Point Capital Corp."

Investors wishing to subscribe for Shares are required to enter into a Subscription Agreement with the Company in the form accompanying this Offering Memorandum, containing, among other things, representations, warranties, certifications, acknowledgments and covenants by you, as the Investor. The procedure for your Share subscription is set out in the Subscription Agreement. You should carefully review the terms of the Subscription Agreement accompanying this Offering Memorandum for more detailed information concerning the rights and obligations of you and the Company. Execution and delivery of the Subscription Agreement will bind you to the terms thereof, whether executed by you or by an agent on your behalf. You should consult with your own professional advisors. See Item 8 – "Risk Factors".

In addition to the representations, warranties, certifications, acknowledgments and covenants provided for in the Subscription Agreement, the Subscription Agreement includes a power of attorney whereby you, as the Investor, irrevocably authorizes the Company, in its sole discretion: (a) to act as your representative at the Closing and to execute in your name and on your behalf all closing receipts and documents required; (b) to complete or correct any minor errors or omissions in any form or document, including the Subscription Agreement, provided by the Investor; (c) to receive on your behalf certificates representing the Shares purchased under the Subscription Agreement; and (d) to approve any opinions, certificates or other documents addressed to the Investor. Such power of attorney is irrevocable and is coupled with an interest, and it survives any legal or mental incapacity, dissolution, bankruptcy or death of the Investor.

Subject to the rights of rescission described in Item 11 – "Investors' Rights", your subscription, as evidenced by your completed and signed Subscription Agreement delivered to the Company, is

irrevocable. No prospective Investor has any right to withdraw his subscription for Shares unless the Company terminates the Offering or does not accept the subscription.

The Company will not deposit your cheque representing the subscription price, until at least midnight on the second business day after the day on which you signed your Subscription Agreement, after which time those funds will be deposited and will be held until the Company has accepted or rejected such subscription, in whole or in part, in connection with a Closing of the Offering. Holding your cheque or your aggregate subscription price in this manner does not constitute acceptance of your subscription for Shares.

At any Closing of the Offering:

- proceeds from subscriptions for Shares will be available to the Company for its use, as described in this Offering Memorandum; and
- the Company will arrange for delivery to your trustee (if the Shares are being held within a registered plan), one or more certificates representing fully paid Shares, provided the aggregate subscription price has been paid in full and the Shares are held by a trustee. It is expected that certificates representing the Shares will be available for delivery within a reasonable period of time after the relevant Closing Date(s).

No interest will be paid to or accrued for the benefit of the subscriber for Shares on any portion of your aggregate subscription price held prior to Closing. Any interest earned on such funds belongs to the Company irrespective of its acceptance or rejection of your subscription for Shares.

Unless Shareholders specifically opt to receive cash dividends in the Subscription Agreement, Shareholders will be considered to be enrolled in the DRIP.

By purchasing Shares pursuant to the Offering, you have consented to and requested that all documents evidencing or relating in any way to the sale of the Shares be drawn up in the English language only. The Company may close the subscription books at any time without notice. Any subscription funds for subscriptions that the Company does not accept will be returned promptly after the Company has determined not to accept such subscription.

This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy securities within the United States or by residents of the United States. There shall be no sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

5.3 Investor Qualifications

The Shares offered hereby are being distributed pursuant to Securities Policies and as set out in Part 2.9 [*Offering Memorandum Exemption*] of NI 45-106. This Part sets out the specific criteria and investment limits for Investors based on the jurisdiction the Investor is resident in. Please refer to the accompanying Subscription Agreement and review it carefully to determine whether you are eligible to subscribe for Shares and the aggregate number of Shares you are eligible to subscribe for.

ITEM 6. - INCOME TAX CONSEQUENCES AND REGISTERED PLAN ELIGIBILITY

6.1 Tax Advice

You should consult your own professional advisors to obtain advice on the income tax consequences that apply to you.

6.2 Certain Canadian Income Tax Considerations

THIS SUMMARY IS OF A GENERAL NATURE ONLY, IS NOT EXHAUSTIVE OF ALL POSSIBLE CANADIAN FEDERAL INCOME TAX CONSIDERATIONS AND IS NOT INTENDED TO BE AND SHOULD NOT BE CONSTRUED TO BE LEGAL, BUSINESS OR TAX ADVICE TO ANY PARTICULAR PERSON. THIS SUMMARY DOES NOT ADDRESS PROVINCIAL OR TERRITORIAL LAWS OF CANADA OR ANY TAX LAWS OF ANY JURISDICTION OUTSIDE OF CANADA. ACCORDINGLY,

INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE PARTICULAR TAX CONSEQUENCES TO THEM.

The following is a summary prepared by Grant Thornton LLP respecting of the principal Canadian federal income tax considerations under the *Income Tax Act* ("**Tax Act**") and regulations thereunder generally applicable to an individual (other than a trust) or corporation who acquires Shares pursuant to this Offering based on the following facts and assumptions:

- a. Persons are, and will not cease to be, individuals or corporations resident in Canada;
- b. Persons hold the Shares as capital property;
- c. Persons deal at arm's length with the Company and are not affiliated with the Company for purposes of the Tax Act; and
- d. The Company will qualify as a MIC at all relevant times. The Company has advised us that it intends to meet all of the requirements under the Tax Act to qualify as a MIC throughout each taxation year and for all future taxation years. See "*Criteria for Qualifying as a MIC*" below for an analysis. We express no opinion as to the current status of the Company as a MIC, however, based on our analysis of the financial statements and the shareholders' register of the Company for the period ended June 30, 2017, we are not aware of any reason the Company would not meet the definition of a MIC throughout the June 30, 2017 taxation period. If the Company were to not qualify as a MIC at such times, the income tax considerations described below would in some respects be materially and adversely different.

It is incumbent upon Persons to fully investigate and substantiate the expectations above.

Generally, the Shares will be considered to be capital property to a Person unless such Shares are held in the course of carrying on a business of trading or dealing in securities or were acquired in one or more transactions considered to be in an adventure in the nature of trade. Certain Persons who might not otherwise be considered to hold Shares as capital property may, in certain circumstances, be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have their Shares and every other "Canadian security" (as defined in the Tax Act) owned by such Person in the taxation year of the election and in all subsequent taxation years deemed to be capital property.

This summary is not applicable to a person: (i) that is a "financial institution" for purposes of the market-to-market rules contained in the Tax Act; (ii) that is a "specified financial institution" or "restricted financial institution", each as defined in the Tax Act; (iii) who has acquired Shares upon the exercise of an employee stock option; or, (iv) that holds an interest which is or would constitute a "tax shelter investment", as defined under the Tax Act; or (v) to whom the "functional currency" reporting rules in section 261 of the Tax Act apply. All such Persons should consult their own tax advisors.

This income tax summary is also not applicable to a Person who holds their Shares in a Registered Plan or who is exempt from tax under Part I of the Tax Act, other than the comments contained in the sections "*Eligibility for Investment*" and "*Criteria for Qualifying as a MIC*" discussed below.

This summary is based upon the facts set out in the Offering Memorandum, the current provisions of the Tax Act and the Regulations, relevant decisions of the Canadian courts, and our understanding of the current administrative policies and assessing practices as published by the CRA as of the date hereof. This summary also reflects our understanding of any proposed legislation or regulations released by the Department of Finance.

It must be recognized that the applicable legislation, judicial interpretation thereof, and the CRA's administrative practices with respect thereto are subject to change, and that the policies and assessing practices prevailing in the future when the proposed transactions are reviewed by the tax authorities may be different from those relied on for the purposes of this summary. In the event of such changes, the views expressed herein may be affected.

Criteria for Qualifying as a MIC

As a MIC, a company is subject to special rules under the Tax Act that permit it to be operated, in effect, as a "flow through" conduit of its profit to its Shareholders. The income of the company for purposes of

the Tax Act includes interest earned and the taxable portion of any net realized capital gains. The company is permitted to deduct from its net income all taxable dividends it pays to its Shareholders and 50% of any capital gains dividends it pays to its Shareholders, as long as the amounts are paid within the periods prescribed by the Tax Act. If and to the extent the company has income after these and other applicable deductions, such income is subject to the prevailing tax rates applicable to a public corporation.

To qualify as a MIC under subsection 130.1(6) of the Tax Act, a corporation will be a MIC throughout a taxation year if, throughout the year:

- a. it was a Canadian corporation;
- b. its only undertaking was the investing of funds of the corporation and it did not manage or develop any real or immovable property;
- c. none of the property of the corporation consisted of:
 - i. debts owing to the corporation that were secured on real or immovable property situated outside Canada;
 - ii. debts owing to the corporation by non-resident persons, except any such debts that were secured on real or immovable property situated in Canada,
 - iii. shares of the capital stock of corporations not resident in Canada, or
 - iv. real or immovable property situated outside Canada, or any leasehold interest in such property;
- d. there were 20 or more shareholders of the corporation and no one shareholder (together with related persons) held more than 25% of the issued shares of any class of the capital stock of the corporation at any time in the year. There is an exception to this test for the first taxation year of a corporation (pursuant to paragraph 130.1(8), in the year of the incorporation a company will be deemed to have complied with the ownership test throughout the year if it complied on the last day of the first taxation year);
- e. any holders of preferred shares of the corporation had a right, after payment to them of their preferred dividends, and payment of dividends in a like amount per share to the holders of the common shares of the corporation, to participate *pari passu* with the holders of the common shares in any further payment of dividends;
- f. the cost amount to the corporation of such of its property as consisted of:
 - i. debts owing to the corporation that were secured, whether by mortgages, hypothecs or in any other manner, on houses (as defined in section 2 of the National Housing Act) or on property included within a housing project (as defined in that section as it read on June 16, 1999), and
 - ii. amounts of any deposits standing to the corporation's credit in the records of
 - A. a bank or other corporation any of whose deposits are insured by the Canada Deposit Insurance Corporation or the Regie de Lassurancedepots du Quebec, or
 - B. a credit union,plus the amount of any money of the corporation was at least 50% of the cost amount to it of all of its property;
- g. the cost amount to the corporation of all real or immovable property of the corporation, including leasehold interests in such property (except real or immovable property acquired by the corporation by foreclosure or otherwise after default made on a mortgage, hypothec or agreement of sale of real or immovable property) did not exceed 25% of the cost amount of all of its property;

- h. its liabilities did not exceed 3 times the amount by which the cost amount to it of all of its property exceeded its liabilities, where at any time in the year the cost amount to it of such of its property as consisted of property described in subparagraphs f(i) and (ii) plus the amount of any money of the corporation was less than 2/3 of the cost amount to it of all of its property; and,
- i. its liabilities did not exceed five times the amount by which the cost amount of all of its property exceeds its liabilities, where paragraph 6(h) is not applicable.

Further to the opinions detailed above regarding the Company's MIC status, it is assumed for the purposes of this summary that the Company is now, was and will at all material times continue to be a "mortgage investment corporation" as defined in the Tax Act.

It is assumed that no change in the circumstances or investments of the Company, or in the composition or activities of the Shareholders, will occur in the future that would cause the Company to cease to qualify as a MIC, although no opinion can be given in these respects. It is also assumed that the Company will take whatever steps are necessary to ensure that the Company will continue to meet the requirements of a MIC in the Tax Act. If the Company were not to qualify as a MIC, the income tax consequences would be materially different from those described above and below.

Taxation of the Company

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 MIC is deemed to be a public Company, no capital dividends can be paid by the Company. However, a MIC may declare a capital gains dividend in an amount equal to the gross of its capital gains and is entitled to deduct a portion of such dividend from its taxable income (capital gains dividends may be deducted in the taxation year where they are paid during the period commencing 91 days after the commencement of the taxation year and ending 90 days after the taxation year). As discussed below, a capital gains dividend is taxed in the hands of a 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 shareholder's deemed capital gain will allow the Company to flow capital gains through to a shareholder on a tax efficient basis. As a public Company, the Company will be subject to tax at the highest corporate rates. However, the Company intends to declare dividends and capital gains dividends each year in sufficient amounts to reduce its taxable income to nil.

Taxation of Shareholders

Dividends other than capital gains dividends, which are paid by the Company on the Shares will be included in shareholders' incomes as interest in the year the dividend is received. Capital gains dividends will be treated as realized capital gains of shareholders, and will be subject to the general rules relating to the taxation of capital gains. **THE NORMAL GROSS UP AND DIVIDEND TAX CREDIT RULES WILL NOT APPLY TO DIVIDENDS PAID BY THE COMPANY TO AN INDIVIDUAL AND TRUSTS ON A SHARE AND SHAREHOLDERS THAT ARE COMPANIES WILL NOT BE ENTITLED TO DEDUCT THE AMOUNT OF DIVIDENDS PAID BY THE COMPANY FROM THEIR TAXABLE INCOME.**

The cost to a subscriber of Shares acquired pursuant to this Offering will equal the purchase price of the Shares plus the amount of any other reasonable costs incurred in connection therewith. This cost will be averaged with the cost of all other Shares held by the subscriber to determine the adjusted cost base of each Share.

A disposition or a deemed disposition of 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 Shares exceed (or are exceeded by) the adjusted cost base of the Shares and the disposition costs. Amounts paid by the Company on the redemption or acquisition by it of a 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 Share which is in excess of the paid-up capital of such Share will be deemed to be a dividend and will be included in the income of a holder of Shares, in accordance with the rules described above.

Fifty (50%) percent of any capital gain realized by a Shareholder (including capital gains deemed to be realized as a result of a receipt of a capital gains dividend) will be included in the 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 shareholder in such year, in the three preceding taxation years or in any subsequent taxation year.

The taxable capital gains realized by a shareholder that is an individual may give rise to alternative minimum tax depending upon the shareholder's circumstances. A Shareholder that is a "Canadian Controlled Private Company" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 10 2/3% on certain investment income, including amounts in respect of interest and taxable capital gains. The 10 2/3% tax is to be added to such Company's refundable dividend tax on-hand account and will be eligible for a refund when appropriate dividends are paid by the Company.

6.3 Eligibility for Investment

Provided that the Company remains qualified as a MIC under the Tax Act, the Shares will at that time be qualified investments under the Tax Act for any trust that is governed by a RRSP, RRIF, RESP, or a TFSA (as those terms are defined in the Tax Act and collectively "Registered Plan").

Notwithstanding that the Shares may be a qualified investment for a Registered Plan, a holder of a Registered Plan will be subject to penalty tax under the Tax Act if the share is a "prohibited investment" of the Registered Plan for the purposes of the Tax Act. Generally, the Shares will not be a "prohibited investment" provided that, for the purposes of the Tax Act, the holder of the Registered Plan deals at arm's length with the Company for purposes of the Tax Act and does not have a "significant interest" (as defined in the Tax Act) in the Company or in any corporation, partnership or trust with which the Company does not deal at arm's length for purposes of the Tax Act.

ITEM 7. - COMPENSATION PAID TO SELLERS AND FINDERS

Assuming the maximum Offering, the Company will pay estimated commissions of \$300,000 on the sale of Shares (excluding any annual trailer fees which may be payable), which represents three percent of Gross Proceeds. See "Exempt Market Dealers" and "TPCM and Agency Agreement", below. Also see Item 1 - "Use of Available Funds".

Exempt Market Dealers

Where permitted by the Securities Policies of a jurisdiction, the Company will pay a commission to arm's length EMDs for the sale of Shares under this Offering. It is expected that a maximum of a 6% commission, plus 1% annual trailer fee, will be paid to arm's length EMDs. This would include any amounts paid in respect of Shares sold by an EMD through any referral arrangements it has or through any of its sub-agents. However, in no case will any commission be paid in respect of Shares sold to current Shareholders or to persons referred to an EMD from a current Shareholder.

Commissions payable to an EMD, with the exception of the trailer fee, will be paid from the Gross Proceeds received in connection with the sale of Shares under this Offering. Any trailer fees payable in respect of a Share will be paid annually by the Company, from its income or from other sources of cash available to it, so long as that Share remains issued and outstanding.

TPCM and Agency Agreement

In addition to any agency agreements the Company may enter into with arm's length EMDs from time to time, the Company has entered into the non-exclusive Agency Agreement with TPCM for the sale of Shares in British Columbia under this Offering. TPCM is under no obligation to solicit offers to purchase Shares or to purchase Shares itself. The Company will pay to TPCM up to a maximum of a 5% commission with no trailer fees for the sale of Shares realized through TPCM. However, in no case will any commission be paid in respect of Shares sold to current Shareholders or to persons referred to TPCM from a current Shareholder (other than to the extent the current Shareholder is a director, officer or employee of TPCM and acting in its capacity as such). TPCM is also entitled to be reimbursed for all expenses related to the services provided under the Agency Agreement.

TPCM is permitted under the Agency Agreement to negotiate referral arrangements with mortgage brokers and other intermediaries. TPCM is also entitled to retain sub-agents. Under such referral or sub-agency arrangements, TPCM is responsible for any commissions or other fees which may be payable to the referring person or sub-agent.

Pursuant to the Agency Agreement, the Company is obliged to advise TPCM of any material changes or material facts regarding the Company that arise subsequent to the date of the Offering Memorandum, and to advise TPCM of any changes in material facts that are contained in the Offering Memorandum or any amendments to the constating documents of the Company.

The Agency Agreement also contains an indemnity of the Company in favour of TPCM for any claims arising from: i) breaches under the Agency Agreement; ii) any information or statement in the Offering Memorandum alleged to be a misrepresentation or untrue, or any omission or alleged omission; iii) any order, inquiry, investigation or proceeding by a court, a securities regulatory authority or other competent authority based on untrue statements, omissions or misrepresentations; or iv) any failure by the Company to comply with securities laws. TPCM has also provided the Company with an indemnity for claims arising out of a breach of the Agency Agreement or any fraud, wilful default or misconduct, fraudulent misrepresentation, gross negligence or reckless disregard by TPCM.

The Agency Agreement may be terminated by either party for any reason upon providing 30 days' written notice to the other party. The Agency Agreement may be terminated immediately by the Corporation if TPCM is in breach of, default under or non-compliance with its obligations or any material covenant, representation or warranty, term or condition of the Agency Agreement.

TPCM is a related party to the Company and the Manager, and is not registered as a dealer in any jurisdiction. The beneficial owners of TPCM are Don Crompton, Leanne Wilson, Marylyn Needham, Brad Graham, Ryan Lee or their respective holding companies. TPCM and the Company have some directors, officers and shareholders in common. None of the officers, directors or employees of the Company, the Manager or TPCM receives a commission in respect of any Shares sold under this Offering, other than the compensation they would otherwise receive in their respective capacity(ies) as such.

Redemption Price Discount

The Board of Directors has approved a policy to effectively deduct a portion of any commissions that were paid in respect of the sale of Shares from the Redemption Price for those Shares (by way of a discount being applied to the Redemption Price) if the Shareholder has not owned those Shares for more than 4 years (in the case of Shares purchased through an EMD) or more than 3 years (in the case of Shares purchased through TPCM), as permitted by the Company's Articles. Any such discount to the Redemption Price shall be pro-rated based on the years the Shares were outstanding. See Item 5 - "Securities Offered - Early Redemption Discounts".

To date, the Company has not paid any commissions to EMDs or TPCM.

ITEM 8. - RISK FACTORS

Prospective investors should consult with their own independent professional legal, tax, investment and financial advisors before purchasing Shares in order to determine the appropriateness of this investment in relation to their financial and investment objectives and in relation to the tax consequences of any such investment.

In addition to the factors set forth elsewhere in this Offering Memorandum, prospective Investors should consider the following risks before purchasing Shares. Any or all of these risks, or other as yet unidentified risks, may have a material adverse effect on the Company's business and the return to the Investors.

Investment Risk

Speculative Nature of Investment - The ownership of Shares involve a number of significant risk factors and is suitable only for Investors who are aware of the risks inherent in mortgage investments and the

real estate industry, who have the ability and willingness to accept the risk of total loss of their invested capital and who have no immediate need for liquidity.

No Review by Regulatory Authorities - This Offering Memorandum will not have the benefit of a review of the material contained herein by any regulator or regulatory authority. This Offering Memorandum is not, and under no circumstances is to be construed as a prospectus, advertisement or public offering of these Shares.

No Market for the Shares - As no market for the Shares exists or will exist after this Offering, it may be difficult or impossible for a Shareholder to sell them. Accordingly, holding Shares should only be considered by investors who do not require liquidity.

Redemption of Shares – Shareholders may request a redemption of the Shares but the Company is only obligated to honour such redemption request to the limit of 10% per annum of the total outstanding share capital of the Company at the beginning of the fiscal year, and no more than 2.5% of the total outstanding share capital of the Company may be redeemed in each financial quarter. Any redemption requests beyond these limits shall not carry over to, nor have priority over any Shares of the Company tendered during, the next financial quarter or year.

In addition to these limits, the Company may not be in a position to redeem Shares if, for example, the redemption would render the Company insolvent or it could not otherwise meet the statutory test for redemptions, or it would cause the Company to fail to meet the requirements for a MIC under the Tax Act.

If any selling commissions, trailer fees or similar fees or discounts was paid by the Company in connection with the sale or issuance of any of the Shares to be redeemed or repurchased, and if the Shareholder requesting redemption has not owned the Shares for more than 5 years, then a discount will be applied to the redemption price for the Shares being redeemed. The Shares issued pursuant to the First Stage Redemptions or the Second Stage Redemptions will not be subject to this discount upon redemption.

The redemption price for the Shares is determined by dividing the net asset value by the then issued and outstanding Shares. The net asset value can fluctuate and as a result the redemption price can also fluctuate. There is no guarantee as to what amount the Shares may be redeemed for.

Accordingly, the holders of the Shares have no assurance of their ability to redeem all of their Shares and receive the redemption amount in any given quarter or fiscal year, or of what price the redemption may occur at.

Redemption by Company - The Articles permit the Board of Directors to authorize a redemption of Shares from one or more Shareholders from time to time at a redemption price equal to the net asset value of the Company divided by the number of issued and outstanding Shares in accordance with the Articles. Such redemption by the Company does not require the consent of the Shareholder nor does the redemption need to be done on a pro-rata basis. There is no assurance that a Shareholder will not have his or her Shares redeemed in whole or in part from time to time, and there is no assurance that the redemption price will be equal to the subscription price paid for the Shares.

Return on Investment - There is no assurance that the Company will be able to achieve its investment objectives or be able to pay dividend distributions based on its dividend policy. Any funds available for distribution to holders of Shares will vary according to, among other things, the interest and principal payments received in respect of the mortgage loans comprising the Company's Mortgage portfolio and the realizable value of the Company's assets. There is no assurance the Company's Mortgage portfolio will earn any return. There is a risk that the Company will not be able to declare or pay dividends if it cannot meet the statutory test governing the declaration and payment of dividends. The dividends which investors may be entitled to receive are not cumulative and the directors of the Company have the sole discretion as to whether or not any such dividends are paid. Therefore there is no guarantee that any dividends will be paid to the Shareholders.

Restriction on Transfer or Sale of Securities – The Shares are not traded on any stock exchange and there is not intent to list the Shares on a stock exchange. Therefore, Shareholders cannot easily liquidate their investment in Shares. The Shares are subject to an indefinite resale restriction and cannot be

transferred or assigned, unless such transfer or assignment is made in reliance upon one of the limited prospectus exemptions available under NI45-106.

Profitability of the Mortgage Portfolio – There is a risk that the value of the Company's Mortgage portfolio and profits can be affected by a variety of factors, many of which are beyond the control of the Company. Some of these factors include, without limitation: current economic and political conditions and sentiment, changes in interest rates and government policies, events in financial markets, and financial conditions of the borrowers to which the Company has advanced funds.

Dilution - The Company is authorized to issue an unlimited number of Shares and can also issue shares of other classes and series, and the directors have the sole discretion to issue additional Shares or other shares or series of shares. The proceeds of the Offering may not be sufficient to accomplish all of the Company's proposed objectives. In addition to alternate financing sources, the Company may conduct future offerings of Shares or other securities in order to raise the funds required which will result in a dilution of the interests of the holders of Shares.

Change in Tax Legislation - There is a risk that a change in the tax legislation could adversely affect a Shareholder's investment. Shareholders may hold their investment within registered plans such as RRSPs, RRIAs, TFSAs and RESPs ("**Registered Plans**"). While it is not currently anticipated the Tax Act as it pertains to such registered funds will change, there is always the possibility that it could be altered so the Shares would no longer be eligible investments for Registered Plans.

Risk of Dealing with Trustees – The Company will deal with trustees of Registered Plans as necessary, but the Company does not undertake any responsibility for the administration of any self-directed registered funds by such trustees. The trust company of a Shareholder's registered funds may impose conditions upon the Company with which the Company is unable or unwilling to comply. As a result, a Shareholder's trustee may refuse to allow the Shares to be an eligible investment for a Shareholder's registered fund.

Lack of Separate Legal Counsel — Investors have not been represented by separate counsel. Neither counsel for the Company nor counsel for the Manager purports to have acted for the Investors, or to have conducted any investigation or review on their behalf.

Securities Regulatory Risks - In the ordinary course of business, the Company may be subject to ongoing reviews by the securities regulators, who have broad powers to pass, interpret, amend and change the interpretation of Securities Policies from time to time and broad powers to protect the public interest and to impose terms, conditions, restrictions or requirements regarding registration under Securities Policies. Further, the securities regulators have the authority to retroactively deny the benefit of an exemption from prospectus or registration requirements otherwise provided for in the Securities Policies where the regulator considers it necessary to do so to protect investors or the public interest. While the Company believes that its position regarding compliance with Securities Policies is appropriate and supportable, it is possible that securities matters may be reviewed and challenged by the securities regulators. If such challenge were to succeed, it could have a material adverse effect on the Company. There can be no assurance that applicable Securities Policies or the securities regulators interpretation thereof or the practices of the securities regulators will not be changed or re-interpreted in a manner that adversely affects the Company.

Company Risk

Higher Risk Loans – The Company will undertake higher risk loans than banks and as a result, there is greater risk of default. Although the Company performs due diligence with respect to each mortgage loan and attempts to reduce the risk by diversification of its Mortgage portfolio, subject to its Lending Policies, defaults on loans may an investment in Shares and may materially adversely affect the Company.

Mortgage Ranking – Some of the Mortgages held by the Company are not first priority Mortgages. It is expected that the majority of the Company's Mortgages will be first priority Mortgages, however, there will be second priority or further subordinate priority Mortgages in the portfolio from time to time. While there is no assurance or guarantee that the principal amount of the loan plus interests and costs under a first priority Mortgage can always be collected, the risk of collection is generally considered greater with second or further subordinate Mortgages. The Limited Guarantee provided in respect of the Guaranteed Mortgages may be of limited value if Paradigm is unable to satisfy its obligations thereunder.

Reliance on the Manager – According to the terms of the Management Agreement between the Company and the Manager, the Manager has significant responsibility for assisting the Company to conduct its affairs. The Company and its Shareholders are dependent in large part upon the experience, expertise and good faith of the Manager. Any inability of the Manager to perform competently or on a timely basis will negatively affect the Company. The operations of the Company and the Manager are highly dependent upon the continued support and participation of their key personnel, including, without limit, their directors. The loss of their services may materially affect the timing or the ability of the Company to implement its business plan.

When assessing the risks and rewards of an investment in Shares, the Shareholders are relying on the Manager to make appropriate decisions with respect to the management of the Company's business. Shareholders have no right to take part in the management of the Company and the Company will be bound by the decisions of the Manager.

If the Manager or the Board of Directors makes any improper distributions of dividends, the Shareholders might be deemed to be holding such distributions in trust for creditors who could recover the amount of such distributions from Shareholders. If the Company defaults on secured indebtedness, the lender will be entitled to exercise available legal and equitable remedies against the Company which could result in the loss of all of the property of the Company. TD Bank is a secured creditor of the Company.

The Manager is not restricted from acting in a similar capacity for other MICs with similar or different investment policies to that of the Company or which compete with the Company. The Manager is contractually obligated pursuant to the terms of the Management Agreement to manage the affairs of the Company in a proper, prudent and adequate fashion. There is no assurance the Manager will fairly allocate Mortgage investment opportunities to the Company. The Manager will continue to provide management services to Paradigm. The Manager is not at arm's length to the Company.

MIC Designation Under the Tax Act –The Company's Articles include certain provisions intended to help ensure that the Company qualifies as a MIC pursuant to the Tax Act. As well, the Company's Articles grant the directors the discretion to reject any applications for dividends or subscriptions, transfers, redemptions or retractions if, in the view of the directors, such act would result in the Company no longer qualifying as a MIC under the Tax Act. There can be no assurance, however, that the Company will be able to meet the Tax Act's MIC qualifications at all material times.

As a corporation carrying on business as a MIC, the Company may deduct taxable dividends it pays from its income, and the normal gross-up and dividend tax credit rules will not apply to dividends paid by the Company on the Shares. Rather, the dividends will be taxable in the hands of Shareholders as if they had received an interest payment. If for any reason the Company fails to maintain its MIC qualification in a particular year, the dividends paid by the Company on the Shares would cease to be deductible from the income of the Company for that year and the dividends it pays on the Shares would be subject to the normal gross-up and dividend tax credit rules. In addition, the Shares might cease to be qualified investments for trusts governed by Registered Plans, with the effect that a penalty tax would be payable by the shareholders.

Bank Borrowing – The Company may borrow funds. These borrowings may take the form of lines of credit from banks and other lending institutions and promissory notes and other types of debt contracts with individuals, companies and other entities, as the case may be. It is probable that debt obtained by the Company from time to time will form part of a floating charge against the assets of the Company, and in the event of a wind-up, will rank in priority to the outstanding Shares. The Company has granted a security interest over its assets in favour of the TD Bank. As the senior secured creditor, TD Bank has priority over the Shareholders and all other creditors of the Company, other than government based super-creditors, such as Canada Revenue Agency.

Guaranteed Mortgages - Some of the Mortgages that the Company acquired under the Mortgage Sale Transactions are Mortgages that are guaranteed by Paradigm pursuant to the Limited Guarantee, and such Limited Guarantee is supported by a security interest over Paradigm's assets. Such security interest will be subordinate to the security interest Paradigm has provided to the TD Bank in connection with the assumption of the TD Debt by the Company. Therefore, Paradigm's security interest supporting the Limited Guarantee will rank behind any claims the TD Bank may have over Paradigm's assets. Furthermore, there is no assurance that the Company will be successful with any claims under the Limited Guarantee and security provided by Paradigm.

Impaired Mortgages - There are mortgages in the Company's Mortgage portfolio which are currently impaired and other Mortgages may become impaired. This typically means that the Company does not anticipate being able to recover the full repayment of the loan and accrued interest. Such impaired Mortgages may become work out loans or foreclosures. There are no assurances that the Company will be able to realize the repayment of any Mortgage loan and may need to take additional risks to maximize the recovery.

Working Capital - Until the Company can complete the Offering, it must rely on its cash flow from operations and advances from the Line of Credit to meeting its working capital requirements. As there are no assurances that the Company can complete the Offering as planned, The Company may not have sufficient working capital to cover operational expenses. The proceeds of the Offering may not be sufficient to accomplish all of the Company's proposed objectives. In addition to alternate financing sources, the Company may be required to conduct future offerings of Shares or other securities in order to raise the funds it requires which will result in a dilution of the interests of the holders of Shares.

Conflict of Interest – Conflicts of interest exist, and others may arise, between shareholders and the directors and officers of the Manager, the Company, TPCM and their respective associates and affiliates. The Company, the Manager and TPCM have, or will have, directors, officer and shareholders in common and therefore are not at arm's length and are considered to be related parties.

There is no assurance that any conflicts of interest that may arise will be resolved in a manner most favourable to Shareholders. Shareholders considering an investment in the Shares must rely on the judgment and good faith of the directors, officers and employees of the Manager, TPCM and the Company in resolving such conflicts of interest as they may arise from time to time.

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 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 may act as adviser or manager to such vehicles.

The Company and its Shareholders are wholly dependent upon the experience and good faith of the Manager. The Manager is entitled to and does act in a similar capacity for Paradigm with investment criteria similar to those of the Company (subject to the certain limitations and restriction on Paradigm's lending). As such, there is a risk the Manager will not be able to originate sufficient suitable investment opportunities to keep the Company's funds fully invested.

TPCM will be relied upon by the Company to generate the sale of Shares in British Columbia. TPCM is not a registered dealer and Investors may not receive adequate, or any, suitability advice respecting the purchase of Shares. Pursuant to British Columbia Instrument 32-517 *Exemption from Dealer Registration Requirement for Trades in Securities of Mortgage Investment Entities* ("BCI 32-517") the Company is not required to engage an EMD for the distribution of its own securities. However, BCI 32-517 is due to expire

in December 31, 2018 and the British Columbia Securities Commission has not announced a further extension or transition for this Instrument. There are no assurances the Company will be successful in selling the Maximum Offering prior to December 31, 2018. In the event BCI 52-517 is not extended, TPCM will either need to become a registered dealer in British Columbia or cease registrable activities, and the Company will need to make provisions to engage one or more EMDs in British Columbia for the sale of Shares.

Leverage Risk - Taking on debt through the TD Debt, the Line of Credit and the Promissory Notes will bring about a heightened level of risk due to the fact that the Company's income must be used to pay back this indebtedness even if its earnings or cash flows go down. A negative impact from the use of leverage could impact the Company's return on its investment in Mortgages as a consequence of the increased level of risk. Furthermore, as the Company may apply portions of Available Funds that are not invested in Mortgage loans to temporarily reduce the debt and the related interest expense under the Line of Credit and then re-advance such funds upon acceptable Mortgage loans opportunities being identified. Although the Line of Credit is a revolving credit facility it is payable on demand. Should the TD Bank demand repayment of the Line of Credit, the Company would lose access to a source of funds to make Mortgage loans from which it generates its earnings, including any Available Funds that were temporarily applied against the Line of Credit. The Company anticipates that it will use the Line of Credit beyond the \$9,675,000 amount of Available Funds to invest in Mortgages

Operational History - The Company has no history of operations and there are no assurances that it can successfully carryout its business plan and lending strategies.

Industry Risk

Competition - The ability of the Company to achieve income is dependent upon the Manager being able to identify and assemble an adequate supply of Mortgages. There is no assurance that this will occur. The investment industry in which the Company operates is subject to a wide variety of competition, some of whom have greater financial and technical resources than the Company. Such competition, as well as any future competition, may adversely affect the Company's success in the marketplace. Although the Company has a Mortgage portfolio, it currently has limited working capital and without raising additional capital under this Offering or otherwise, the Company's ability to compete in the alternative lending market will be limited.

Real Estate Development - There are also risks faced by the Company due to the industry in which it operates. Real estate investment is subject to significant uncertainties due to, among other factors, uncertain costs of construction, development and financing, uncertainty as to the ability to obtain required licenses, permits and approvals, and fluctuating demand for developed real estate. The anticipated higher returns associated with the Company's Mortgages reflect the greater risks involved in making the types of loans it makes as compared to long-term conventional mortgages loans provided by conventional institutional lenders. Inherent in these loans are completion risks as well as financing risks.

Yield - The profitability of the Company will be dependent on both general and local economic conditions and will be affected by fluctuations in the rate of economic growth and the rate of expansion of the real estate market in the target areas the Company intends to lend. The yield on real estate investments, including Mortgages, depends on many factors such as prevailing interest rates, the level of risk assumed, conditions in the real estate industry, market fluctuations, legislation, government regulation and taxes. The Company cannot predict the effect that such factors will have on its operations.

Higher Risk Mortgage Loans - The potential higher returns associated with the mortgage loans reflect the greater risks associated with the mortgage loans as compared to long-term conventional mortgage loans. Such greater risks include the delay or non-completion of construction of a borrower's project, the inability of a borrower to obtain necessary additional financing, and adverse changes in interest rates and the financial markets.

Priority - Financial charges for financing funded by other lenders, such as conventional third party 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 not recover under foreclosure proceedings, any or all of the monies advanced. As a result, second or subordinate priority Mortgages taken by the Company to secure mortgage loans carry a higher risk than first priority Mortgages on the

same properties. Notwithstanding that first priority Mortgages generally have a lower risk than a second or subordinate priority Mortgage, there are no assurances that the Company will in all cases be able to collect the entire amount of principal, interest and costs due under a first priority Mortgage loan.

Risks Associated with Foreclosure - In the event of default by a borrower, it may be necessary or prudent for the Company to engage in foreclosure or other legal proceedings to sell the defaulting borrower's property or to make further payments to complete an unfinished project (including additional costs of a receiver), or to pay off or maintain prior Mortgages in good standing. In those cases, it is possible that the total amount recovered by the Company may be less than the total principal invested, resulting in loss to the Company. As a result of foreclosure the Company may own real property, which can result in costs such as, among others, real estate taxes, strata/condo fees and legal fees, as well as environmental liabilities, which could adversely affect the Company's income. In a foreclosure the Mortgage is no longer performing and the Company loses its interest income stream and until the property can be sold the capital is tied up in the property without any income being earned. If the foreclosure is on a second Mortgage then the Company may determine it is in the best interests to assume the first Mortgage and begin paying mortgage payments on the first Mortgage, which further impacts the Company's cash flow and ability to invest its cash in performing Mortgages or pay dividends or redeem shares. There are no assurances that a sale of foreclosed property will provide sufficient proceeds to cover the Company's principal loan amount or accrued interest. The likelihood of this occurring is increased where the Company's Mortgage does not have a first priority.

In the event the Company takes title to a property in the foreclosure process, the provisions of the Tax Act prohibit a MIC from managing or improving the property. These restrictions prevent a MIC from renting the property until it can be sold, and limits the amount of maintenance a MIC can perform on the property to prepare it for sale. These limitations can impact the MIC's potential revenues and negatively impact the sale price of foreclosed properties.

Property Values – Real estate investments are generally subject to varying degrees of risk depending on the nature of the property. 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. The real property that the Company's Mortgages will be secured against is subject to fluctuations in value. Negative fluctuation can materially increase the Company's risk with its subordinate Mortgages or higher LTV ratio Mortgages. Real property mortgage investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and for the perceived desirability of the investment.

Financial Crisis - In 2007 through 2009 the global financial and real estate markets experienced a major downturn. The changes to the financial and real estate markets were dramatic and significant in the short term and resulted in tighter credit conditions, large drops in property values, slower growth and a recessionary economy. Real estate markets could experience further dramatic changes which may occur abruptly and unexpectedly. Continued concerns about the systemic impact of inflation, the availability and cost of credit, the real estate market, energy costs and geopolitical issues have contributed to increased volatility and diminished expectations for the global economy. These conditions, combined with declining business activity levels and consumer confidence, increases in unemployment and volatile oil prices, have contributed to unprecedented levels of volatility in the capital markets. If the global market and economic crisis intensifies or continues for a long period, disruptions in the capital and credit markets may adversely affect our business, financial condition and results of operations. In the event of financial crisis, real estate markets in Canada may be adversely impacted resulting in a loss of property value, defaulted loans and increased unemployment. This could cause the Company to have less opportunity to lend funds, increase the number of impaired loans and foreclosures and could jeopardize the security in the real property underlying the Mortgages. It could also cause the Company to hold foreclosed property for an increased length of time causing increased expenses, or selling the properties at significant losses to avoid such ongoing expenses. Overall, this could result in decreased revenues and increased costs which would impact on the ability of the Company to make a profit, declare and distribute dividends and operate as a going concern.

General Risks of Mortgage Investments -There are certain risks inherent in mortgage lending over which neither the Company nor the Manager has any control. These risks include abnormal fluctuations in interest rates, the general state of the economy, and falling real estate values. The Company's business is

to provide loans to borrowers who may not qualify for financing from conventional lenders. Accordingly, the risk of late payment or default of these loans may be high.

High Loan Ratios - When the Company is granted a Mortgage by the borrower, the ratio of the loan amount to the value of real property encumbered by the Mortgage (that is, the LTV) may be higher than a traditional mortgage lender would approve. The Company has established target LTV ratios for the various types of mortgages loans it may make under its Lending Policies. The Lending Policies are reviewed annually by the Board of Directors and are subject to change. The Company will advise Shareholders of any material changes in its Lending Policies.

Workout Loans - Notwithstanding the high ratio loans and established LTV ratio targets, Workout Loans that the Company enters into will have LTV ratios higher than those set out in its Lending Policies, which will increase the risk of the loan.

Potential Environmental Liability - Environmental and ecological legislation and policies have become increasingly important in recent years. Under various laws in the jurisdictions that the Company expects to carry on business, the Company could become liable for the costs of removal, remediation and/or management of certain hazardous or toxic substances released on, from or in one or more of the properties in respect of which mortgage loans are made.

Insurance – The structures located on properties securing the Company's mortgage loans will usually be insured, in whole or in part, by the borrower's household insurance, and the Company does currently have a blanket mortgage impairment policy. However, there are certain inherent risks in mortgage investment and the real estate industry, some of which the Company may not be able to insure against or which The Company may elect not to insure due to the cost of such insurance. The effect of these factors cannot be accurately predicted.

Fraudulent Activities – All MICs are subject to mortgage fraud including, among others, from borrowers misrepresenting their financial position and earnings potential. Controls such as title insurance, underwriting criteria, due diligence procedures, appraisals and the use of outside consultants are used to minimize such types of mortgage fraud. Notwithstanding such controls, there can be no guarantee that the Company will not be the victim of a mortgage fraud.

ITEM 9. - REPORTING OBLIGATIONS

9.1 Corporate

The Company is not, and currently has no intention of becoming a "reporting issuer" in any jurisdiction in Canada or the United States. As a result, **the Company will not be subject to the continuous disclosure requirements under Securities Policies and is not required to prepare, file disseminate or send you interim financial statements, annual or interim management discussion and analysis, news releases regarding material changes or facts or actions of the Company.**

In accordance with the BCBCA, the Shareholders are entitled to receive audited annual financial statements under the BCBCA. In accordance with the Articles, as the Shares are voting common shares of the Company, all Shareholders are given notice of and entitled to attend general meetings of Shareholders and vote their Shares in person or by proxy.

In Alberta, Saskatchewan and Ontario pursuant Section 2.9 of NI45-106, the Company must file with or deliver the securities regulator annual audited financial statements and make such financial statements reasonably available to Shareholders resident in Alberta, Saskatchewan and Ontario within 120 days of each of its financial years. Such financial statements must be in the form prescribed by Section 2.9 of NI45-106. The financial statements shall also be accompanied by a Notice of Use of Proceeds from the Company disclosing in reasonable detail the use of aggregate gross proceeds raised under the Offering in accordance with Form 45-106F16, unless the Company has previously made such disclosure. This disclosure is required to be made by the Company until it either becomes a reporting issuer in any jurisdiction in Canada or it ceases to carry on business.

If the Company decides to change its financial year end by more than 14 days, in compliance with Section 2.9 of NI45-106, the Company shall deliver a notice to the securities regulator within the required

timeframe and make such notice reasonably available to Shareholders resident in Alberta, Saskatchewan and Ontario.

The Company must make reasonably available to Shareholders resident in Ontario a notice of each of the following events in accordance with Form 45-106F17, within 10 days of the occurrence of such events:

- a discontinuation of the Company's business;
- a change in the Company's industry; or
- a change of control of the Company.

The Company will provide to each Shareholder quarterly statements reflecting their investment in the Company showing Shares held as well as Company information including total value of mortgages held by the Company and total share capital.

Shareholders holding their Shares outside of Registered Plans will also receive yearly T5 tax information slips for investment income received.

9.2 Availability of Information

Corporate or securities information about the Company is generally not available from any government, regulatory authority, stock exchange or quotation and trade reporting system. Certain information regarding the Company distribution of securities from time to time may be publicly available at the offices of applicable securities regulatory authorities and online at sedar.com. As well, the website of the Financial Institutions Commission of the province of British Columbia (FICOM) contains some relevant information.

Information is available about the Company on our website or from us at the phone and fax numbers and e-mail address which are set out on the front cover of this Offering Memorandum.

ITEM 10. RESALE RESTRICTIONS

10.1 General

For trades in Alberta, British Columbia, Ontario and Saskatchewan, **the Shares will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation.**

For trades solely in Manitoba, unless permitted under securities legislation, you must not trade the securities without the prior written consent of the regulator in Manitoba unless: (a) the Company has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus; or (b) you have held the securities for at least 12 months. The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

10.2 Restricted Period

For trades in other Canadian jurisdictions other than Manitoba, **unless permitted under securities legislation, you cannot trade the Shares 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 is not, and has no intention of becoming, a reporting issuer in any province or territory of Canada, and therefore the Shares will be subject to an indefinite hold period. The Shares may only be transferred under limited exemptions under applicable securities laws. There is no market over which the Shares can be transferred and it is very unlikely that one will develop. An Investor is encouraged to seek independent advice from its legal advisors.

10.3 Transfer Restrictions in Articles

The Articles of the Company will not permit the registration of a transfer of shares of the Company unless: (i) a duly signed instrument of transfer has been received; (ii) the applicable share certificate for the

shares being transferred is surrendered; and (iii) if a non-transferable written acknowledgement of the shareholder's right to obtain a share certificate has been issued by the Company in respect of the share to be transferred, such acknowledgement has been surrendered. Also, the Company's Board of Directors intends to refuse registration of any transfer of Shares which would result in the Company ceasing to meet the qualifications of a MIC.

ITEM 11. - PURCHASER'S RIGHTS

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

11.1 Two Day Cancellation Right

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

11.2 Statutory Rights of Action in the Event of a Misrepresentation

The following is a summary of the rights of rescission and damages, available to Investors under the securities legislation of certain provinces of Canada. Investors should refer to the applicable provisions of the securities legislation of their province of residence for the particulars of rights available to them, or consult with a legal adviser. The rights described below are in addition to and without derogation from any other rights or remedies available at law to an Investor.

11.2.1 Investors in British Columbia, Alberta or Manitoba

In addition to any other right or remedy available to you at law, if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Company to cancel your agreement to buy these 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 any other person who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. If you choose to rescind your purchase, you cannot then sue for damages. In addition, in an action for damages, the defendant will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of your Shares as a result of the misrepresentation. Further, the amount recoverable in an action for damages will not exceed the price at which the Shares were offered. There are various defences available to the persons or companies that you have a right to sue. For example, they have a defence if you knew of the misrepresentation when you purchased the securities.

Statutory rights for failure to deliver the offering memorandum

If you reside in British Columbia, Alberta or Manitoba and you do not receive a copy of this Offering Memorandum before you sign your Subscription Agreement, you have a right to sue for damages, or if you still own your Shares, you can choose to cancel your agreement instead of suing for damages.

Time limitations

If you intend to rely on the statutory right to sue described above, you must do so within strict time limitations. In British Columbia or Alberta you must commence your action to cancel the agreement within 180 days after the transaction or commence your action for damages within the earlier of:

- (i) 180 days after learning of the misrepresentation, or
- (ii) three years after the transaction.

In Manitoba, you must commence your action to cancel your agreement within 180 days after the transaction or commence your action for damages within the earlier of:

- (i) 180 days after learning of the misrepresentation, or
- (ii) two years after the day of the transaction.

11.2.2 Investors in Saskatchewan

If this Offering Memorandum together with any amendment hereto or advertising or sales literature used in connection therewith delivered to an Investor resident in Saskatchewan contains a misrepresentation, the Investor has, without regard to whether the Investor relied on the misrepresentation, a right of action for damages against the Company, every person acting in a capacity with respect to the Company which is similar to that of a director or promoter of the Company, and every person who or company that sells the Shares on behalf of the Company under this Offering Memorandum or amendment thereto, or, alternatively, an Investor may elect to exercise a right of rescission against the Company, provided that among other limitations:

- (a) no person or company is liable, nor does a right of rescission exist, where the person or company proves that the Investor purchased the Shares with knowledge of the misrepresentation;
- (b) in an action for damages, no person or company will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Shares as a result of the misrepresentation relied on;
- (c) in no case shall the amount recoverable exceed the price at which the Shares were sold to the Investor; and
- (d) no action shall be commenced to enforce these rights more than:
 - (i) in the case of an action for rescission, 180 days after the date of the acceptance of the Investor's Subscription Agreement by the Company; or
 - (ii) in the case of any action, other than an action for rescission, the earlier of one year after the Investor first had knowledge of the facts giving rise to the cause of action or six years after the date of the acceptance of the Investor's Subscription Agreement by the Company.

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

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

These rights are subject to more defences as more particularly described in *The Securities Act, 1988* (Saskatchewan).

11.2.3 Investors in Ontario

If this Offering Memorandum, together with any amendment or supplement to this Offering Memorandum, delivered to an Investor resident in Ontario contains a misrepresentation and it was a misrepresentation at the time of purchase of Shares by such Investor, the Investor will have, without regard to whether the Investor relied on such misrepresentation, a right of action against the Company for damages or, while still the owner of the Shares purchased by that Investor, for rescission, in which case, if the Investor elects to exercise the right of rescission, the Investor will have no right of action for damages against the Trust, provided that:

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

If you intend to rely on the statutory right to sue described above, you must do so within strict time limitations. You must commence your action:

- (a) in the case of an action for rescission, 180 days after the date of the acceptance of the Investor's Subscription Agreement by the Company; or
- (b) in the case of an action for damages, the earlier of:
 - (i) 180 days after the Investor first had knowledge of the facts giving rise to the cause of action, or
 - (ii) three years after the date of the acceptance of the Investor's Subscription Agreement by the Company.

The foregoing rights do not apply if the Investor purchased Shares of the Company using the "accredited investor" exemption and is:

- (a) a Canadian financial institution (as defined in Ontario Securities Commission Rule 45 501) or a Schedule III bank;
- (b) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada); or
- (c) a subsidiary of any person referred to in paragraphs (a) and (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by Directors of that subsidiary.

These rights are subject to more defences as more particularly described in the *Securities Act* (Ontario).

ITEM 12. - FINANCIAL STATEMENTS

The following are audited financial statements of the Company interim fiscal period ended June 30, 2017.



Financial Statements

Three Point Capital Corp.

June 30, 2017

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Independent Auditors' Report

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To the shareholders of Three Point Capital Corp.

We have audited the accompanying financial statements of Three Point Capital Corp. ("the Company"), which comprise the statement of financial position as at June 30, 2017, and the statement of net income and comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the period February 28, 2017 through June 30, 2017, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Three Point Capital Corp. as at June 30, 2017, and its results of operations and its cash flows for the period February 28, 2017 through June 30, 2017 in accordance with International Financial Reporting Standards.

Kelowna, Canada
August 22, 2017

Grant Thornton LLP
Chartered Professional Accountants

Three Point Capital Corp.

Statement of financial position

June 30

2017

Assets

Prepaid expenses	\$ 11,695
Mortgages receivable (Note 5)	48,673,912
Due from related party (Note 6)	<u>79,827</u>
	<u>\$ 48,774,434</u>

Liabilities

Bank indebtedness (Note 7)	\$ 7,737,663
Payables and accruals	27,830
Promissory notes payable (Note 8)	<u>1,181,930</u>
	<u>8,947,423</u>

Shareholders' equity

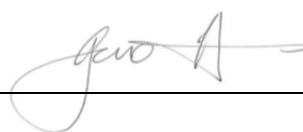
Share capital (Note 9)	39,789,730
Retained earnings	<u>28,281</u>
	<u>39,818,011</u>
	<u>\$ 48,765,434</u>

Commitment (Note 11)

On behalf of the Board



Director



Director

Three Point Capital Corp.

Statement of net income and comprehensive income

February 28, 2017 through June 30, 2017

Financial income

Mortgage interest	\$	40,639
Lender fees and penalties		4,175
		<u>44,814</u>

Expenses

Insurance		591
Interest		2,941
Management fees		10,922
Professional fees		2,079
		<u>16,533</u>

Net income and comprehensive income	\$	<u>28,281</u>
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Three Point Capital Corp.
Statement of changes in shareholders' equity
February 28, 2017 through June 30, 2017

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Balance, February 28, 2017	\$ -	\$ -	\$ -
Net income and comprehensive income	-	28,281	28,281
Issuance of share capital	<u>39,789,730</u>	<u>-</u>	<u>39,789,730</u>
Balance on June 30, 2017	<u>\$ 39,789,730</u>	<u>\$ 28,281</u>	<u>\$ 39,818,011</u>

See accompanying notes to the financial statements

Three Point Capital Corp.

Statement of cash flows

February 28, 2017 through June 30, 2017

Increase (decrease) in cash

Operating activities

Net income and comprehensive income	\$	28,281
Adjustments for non-cash items		
Interest income		(40,639)
Interest received		1,519
Changes in non-cash operating working capital		
Payables and accruals		27,830
Prepaid expenses		(11,695)
		<u>5,296</u>

Financing activities

Proceeds from promissory notes payable		1,181,930
--	--	-----------

Investing activities

Mortgages receivable, net		<u>(8,915,889)</u>
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Net increase in bank indebtedness		(7,728,663)
-----------------------------------	--	-------------

Bank indebtedness, beginning of period		<u>-</u>
--	--	----------

Bank indebtedness, end of period	\$	<u>(7,728,663)</u>
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Supplemental cash flow information

Issuance of share capital in exchange for mortgages receivable	\$	39,789,730
Assumption of bank indebtedness in exchange for mortgages receivable	\$	9,300,000
Advances to related party through exchange of bank indebtedness and mortgages receivable	\$	592,087

Three Point Capital Corp.

Notes to the financial statements

June 30, 2017

1. Governing legislation and nature of operations

Three Point Capital Corp. (“the Company”) is incorporated under the Companies Act of British Columbia and operates as a mortgage lender primarily in Western Canada. The Company is restricted to the guidelines of a Mortgage Investment Corporation, as defined by Section 130.1(6) of the Income Tax Act of Canada. The Company’s head office is located at 210 - 1980 Cooper Road, Kelowna, Canada.

The Company was incorporated on February 28, 2017 and did not begin operations until the purchase of mortgages disclosed in Note 10 on June 27, 2017.

These financial statements have been approved and authorized for issue by the Board of Directors on August 22, 2017.

2. Summary of presentation and statement of compliance

Basis of presentation

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

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

The Company’s functional and presentation currency is the Canadian dollar.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. Summary of significant accounting policies

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are initially measured at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are initially measured at fair value.

(continued)

Three Point Capital Corp.

Notes to the financial statements

June 30, 2017

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities is as described below.

- **Financial assets**

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held to maturity investments; and
- available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognized in net earnings or in other comprehensive income.

At least at each reporting date, all financial assets, except for those at fair value through profit or loss, are subject to a review for impairment. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in net income and comprehensive income are presented within revenue or expenses. Interest income from mortgages is recorded using the accrual method.

- **Loans and receivables**

Mortgages receivable that are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market have been designated as loans and receivables.

Mortgages receivable, inclusive of origination fees and transaction costs incurred, are initially measured at fair value.

Mortgages receivable are subsequently measured at amortized cost, using the effective interest rate method, less any impairment.

Mortgages receivable are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for credit losses, plus accrued interest.

If there is objective evidence that an impairment loss on mortgages receivable carried at amortized cost has incurred, the amount of the loss is measured as the difference between the mortgages receivable carrying amount and the present value of expected cash flows discounted at the mortgages receivable original effective interest rate. Short-term balances are not discounted.

(continued)

Three Point Capital Corp.

Notes to the financial statements

June 30, 2017

3. Summary of significant accounting policies (continued)

- **Loans and receivables** (continued)

The Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The expected future cash outflows for a group of financial assets with similar credit risk characteristics are estimated based on historical loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, only to the extent of the original impairment loss. Any subsequent reversal of an impairment loss is recognized in net income.

The accounting treatment for mortgage fees varies depending on the transaction. Significant fees that would result in an adjustment to the overall loan yield are capitalized and amortized using the effective interest method. All other fees are recognized in net income. Penalties from mortgages are recorded when earned.

- **Financial liabilities**

The Company's financial liabilities include bank indebtedness, payables and accruals and promissory notes payable.

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognized in net income.

Bad debts written off

Bad debts are written off from time to time as determined by management and approved by the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the allowance for impaired mortgages receivable, if an allowance for impaired mortgages receivable had previously been recognized. If no allowance had been recognized, the write offs are recognized as expenses in net income.

Impairment of non-financial assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

(continued)

Three Point Capital Corp.

Notes to the financial statements

June 30, 2017

3. Summary of significant accounting policies (continued)

Impairment of non-financial assets (continued)

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows. Impairment charges are included in net income and comprehensive income.

Standards, amendments and interpretations not yet effective

Certain new standards, amendments and interpretations have been published that are mandatory for the Company's accounting periods beginning on or after January 1, 2018 or later periods that the Company has decided not to early adopt. The standards, amendments and interpretations that will be relevant to the Company are:

- IFRS 9 *Financial Instruments* is part of the IASB's wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets, amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

4. Estimation uncertainty

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The effect of a change in an accounting estimate is recognized prospectively by including it in net earnings in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is discussed below.

(continued)

Three Point Capital Corp.

Notes to the financial statements

June 30, 2017

4. Estimation uncertainty (continued)

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities.

In applying the valuation techniques, management makes maximum use of market inputs and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make.

These estimates may vary from the actual prices that would be achieved in an arms' length transaction at the reporting date.

Mortgages receivable loss provision

See Note 5 for information regarding mortgage receivable loss provision.

5. Mortgages receivable

	<u>2017</u>	<u>#</u>
Residential mortgages		
Residential 1 st mortgages	\$ 39,167,377	177
Residential 2 nd mortgages	4,189,460	47
Commercial mortgages		
Commercial 1 st mortgages	<u>5,317,075</u>	<u>13</u>
	<u>\$ 48,673,912</u>	<u>237</u>

Terms and conditions

Mortgages have a fixed rate of interest with varying maturity dates from one to two years.

The interest rates offered on fixed rate loans advanced at June 30, 2017 range from 3% to 12.50%.

Residential mortgages are mortgages secured by residential property and are generally repayable monthly with either blended payments of principal and interest or interest only.

Commercial mortgages consist of mortgages secured by commercial property and have various repayment terms.

(continued)

Three Point Capital Corp.

Notes to the financial statements

June 30, 2017

5. Mortgages receivable (continued)

Average yields to maturity

Mortgages bear interest at fixed rates with the following average yields at:

	<u>2017</u>	
	<u>Principal</u>	<u>Yield</u>
Fixed rate due less than one year	\$ 46,043,071	8.50%
Fixed rate due between one and two years	<u>2,630,841</u>	7.97%
	<u>\$ 48,673,912</u>	

Credit quality of loans

It is not practical to value all collateral as at the balance sheet date due to the variety of assets and conditions. All mortgages within the mortgages receivable portfolio are secured by real property.

Fair value

The fair value of mortgages receivable at June 30, 2017 was \$48,673,912.

The estimated fair value of the fixed rate mortgages is assumed to be equal to book value as the majority of the mortgages receivable mature within one year.

Mortgage receivable loss provision

In determining the mortgage receivable loss provision, management considers factors such as the composition and credit quality of the portfolio, current economic conditions and trends and historical loss experiences. The Company has not provided for losses on the mortgages receivable portfolio as, at this time, it has determined that no individual mortgages are impaired.

Guarantee

The Company has been issued a corporate guarantee from Paradigm Mortgage Investment Corporation ("Paradigm") on the purchased mortgages to the extent of mortgages receivable losses up to \$1,500,000 for a period of three years from the purchase date on June 27, 2017. The guarantee is secured by a first priority general security agreement over the assets of Paradigm in favour of the Company. The guarantee applies to the performance of the 54 guaranteed mortgages, which have an aggregate carrying value of \$13,149,360 at June 30, 2017.

Mortgage principal refund

The Company has agreed to refund to Paradigm, in cash, the difference between the final mortgage principal payout amount received by the Company, and the net book value, as of the purchase date, of the mortgages purchased in the case that the mortgages are paid out in excess of their original purchase price. As at June 30, 2017, \$22,419 of refunds have been made to Paradigm.

Three Point Capital Corp.

Notes to the financial statements

June 30, 2017

6. Due from related party

2017

Due from Paradigm Mortgage Investment Corporation	<u>\$ 79,827</u>
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The balance due from Paradigm, a company under common control, is unsecured, non-interest bearing with no specific terms of repayment.

7. Bank indebtedness

The Company has a demand credit facility with TD Bank for an authorized amount totalling \$20,000,000. Under the facility agreement, the Company could either borrow demand loans at bank prime rate plus 1.00% or use banker's acceptances at banker's acceptance rate plus a stamping fee of 2.40% per annum. As at June 30, 2017, the outstanding facility balance is \$7,936,967 excluding outstanding cheques and deposits in transit, at an effective interest rate of 3.70% with no bankers' acceptances outstanding.

As security for the bank indebtedness, the Company has provided the following:

- a general security agreement
- an assignment of certain mortgages

Under the Company's bank credit facilities, the Company is required to comply with certain financial covenants including a borrowing base condition, a quarterly debt to tangible net worth requirement and a quarterly interest coverage requirement. At June 30, 2017, the Company is in compliance with these covenants.

8. Promissory notes payable

Demand promissory notes payable to various shareholders are unsecured, payable on demand and bear interest at TD bank prime rate less 0.5%. Term promissory notes payable to various shareholders are unsecured, payable in one year and bear interest at the TD bank prime rate.

2017

Demand promissory notes	\$ 333,646
Term promissory notes	<u>848,284</u>
	<u>\$ 1,181,930</u>

Three Point Capital Corp.

Notes to the financial statements

June 30, 2017

9. Share capital

Authorized

Unlimited class A voting common shares with a par value of \$1

Unlimited class B-F voting common shares with no par value

2017

Issued

39,789,730 class A shares

\$ 39,789,730

All shares are equally eligible to receive dividends and the repayment of capital and each represents one vote at the shareholders meeting.

During the year, 39,789,730 class A common voting shares were issued for consideration of \$39,789,730.

10. Related party transactions

The Company's related parties include Paradigm Mortgage Investment Corporation, a company under common control, and key management and their immediate family, as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and management. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are unsecured and usually settled in cash.

The Company entered into the following transactions with the above noted related parties, which are defined by IAS 24 *Related Party Disclosures*.

The Company has entered into a management agreement to receive administrative services from Three Point Capital Management Corp., a company under common management control. The management fee related to these services is based on the balance of the net mortgages receivable. Management fees incurred during the period were \$10,922 with management and other fees payable of \$27,500 included in payables and accruals.

As at June 30, 2017, key management personnel and directors and their immediate family held 9,640,992 shares of the Company.

On June 27th and 28th, 2017, the Company purchased mortgages from Paradigm of \$19,523,462 and \$29,566,265, respectively.

11. Commitment

In the normal course of business and as at June 30, 2017, the Company has committed to advance \$1,559,000 in mortgage fundings. The fundings are expected to be fully advanced subsequent to June 30, 2017.

Three Point Capital Corp.

Notes to the financial statements

June 30, 2017

12. Financial instrument risk management

General objectives, policies, and processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receives quarterly reports from the Company's Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower or counter party to honour its financial or contractual obligation to the Company. Credit risk primarily arises from mortgages receivable. Management and the Board of Directors reviews and updates the credit risk policy annually. The maximum exposure of the Company to credit risk before taking into account any collateral held is the carrying amount of the loans as disclosed on the statement of financial position.

Concentration of credit risk exists if a number of borrowers are engaged in similar economic activities or are located in the same geographic region, and indicate the relative sensitivity of the Company's performance to developments affecting a particular segment of borrowers or geographic region. Geographic risk is mitigated in that the company lends to all provinces in Western Canada.

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Company takes into consideration the borrower's character, ability to pay, and value of collateral available to secure the loan.

The Company's credit risk management principles are guided by its overall risk management principles. The Board of Directors ensures that management has a framework, and policies, processes and procedures in place to manage credit risks and that the overall credit risk policies are complied with at the business and transaction level.

The Company's credit risk policies set out the minimum requirements for management of credit risk in a variety of transactional and portfolio management contexts. Its credit risk policies comprise the following:

- General mortgage policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity, and loan administration;
- Mortgage lending limits including Board of Director limits, schedule of assigned limits and exemptions from aggregate indebtedness;

(continued)

Three Point Capital Corp.

Notes to the financial statements

June 30, 2017

12. Financial instrument risk management (continued)

- Mortgage collateral security classifications which set loan classifications, advance ratios and amortization periods;
- Procedures outlining loan overdrafts, release or substitution of collateral, temporary suspension of payments and loan renegotiations;
- Mortgage delinquency controls regarding procedures followed for loans in arrears; and
- Audit procedures and processes for the Company's lending activities.

With respect to credit risk, the Board of Directors receives monthly reports summarizing new mortgages, delinquent loans and overdraft utilization. The Board of Directors also receives an analysis of bad debts and allowance for doubtful mortgages receivable quarterly.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company's management oversees the Company's liquidity risk to ensure the Company has access to enough readily available funds to cover its financial obligations as they come due. The Company's business requires such capital for operating and regulatory purposes.

The assessment of the Company's liquidity position reflects management's estimates, assumptions and judgments pertaining to current and prospective Company specific and market conditions and the related behaviour of its shareholders and counterparties.

The Company manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities;
- Monitoring the maturity profiles of financial assets and liabilities; and
- Monitoring the liquidity ratios monthly.

The Board of Directors receives monthly liquidity reports as well as information regarding cash and bank indebtedness balances in order for it to monitor the Company's liquidity framework.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. For purposes of this disclosure, the Company segregates market risk into two categories: fair value risk and interest rate risk. The Company is not significantly exposed to currency risk or other price risk.

(continued)

Three Point Capital Corp.

Notes to the financial statements

June 30, 2017

12. Financial instrument risk management (continued)

Market risk (continued)

- **Fair value risk**

Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. The Company incurs fair value risk primarily on its mortgages receivable held. The Company does not hedge its fair value risk.

- **Interest rate risk**

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company incurs interest rate risk on its mortgages receivable, bank indebtedness, promissory notes payable and other interest bearing financial instruments.

13. Capital management

The Company defines capital as bank indebtedness, promissory notes payable and share capital. The capital management objectives of the Company are to retain adequate capital resources to support its working capital needs, business and growth strategy and build long term shareholder value.

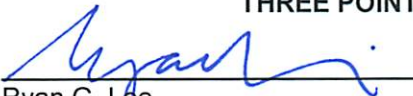
The Company's credit facilities are reviewed annually to ensure sufficient funds are available to meet operational needs (see Note 7).

CERTIFICATE

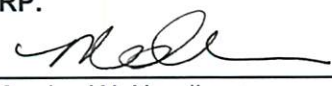
Dated: August 30, 2017

This offering memorandum does not contain a misrepresentation.

THREE POINT CAPITAL CORP.

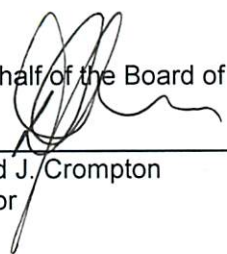


Ryan G. Lee
Acting Chief Executive Officer



Marylyn W. Needham
Acting Chief Financial Officer

On Behalf of the Board of Directors:



Donald J. Crompton
Director



Joseph Ungaro
Director