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## Offering Memorandum

**Form 45-106 F2**  
**Offering Memorandum for Non-Qualifying Issuers**

**Date:** March 31, 2007

**The Issuer**



**Name:** Fisgard Capital Corporation  
**Head Office:** 3378 Douglas Street  
Victoria BC V8Z 3L3  
Phone: (250) 382-9255 or 1-866-382-9255  
Fax: (250) 382-9295 or 1-866-384-1498  
Email: info@fisgard.com

Currently listed or quoted? No.  
Reporting issuer? No.  
SEDAR filer? No.

**The Offering**

Securities offered: 105,000,000 Class B (5-year term) Non-Voting shares.  
164,000,000 Class F (1-year term) Non-Voting shares.  
(the "Shares," any one of which is a "Share")

Price per security: \$1.00 per Share.

Minimum/Maximum offering: Minimum offering of \$0 / Maximum offering of \$269,000,000.

Payment terms: To be arranged on a per subscription basis.

Proposed closing date(s): Closings will take place periodically at the Issuer's discretion.

Income Tax consequences: There are important tax consequences to these securities. See item 6, Income Tax Consequences.

Selling agent? No.

**Resale Restrictions**

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

**Purchaser's Rights**

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

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

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## Item 1 Use of Net Proceeds

- 1.1 **Net Proceeds** – The net proceeds of the offering that will be available to the Issuer after the offering are as follows:

		Assuming min. offering	Assuming max. offering
A	Amount to be raised by this offering	\$ 0	\$ 269,000,000
B	Selling commissions and fees	\$ 0	\$ 18,830,000 <sup>1</sup>
C	Estimated offering costs (e.g. legal, accounting, audit)	\$ 0	\$ 50,000
D	Net proceeds: $D = A - (B + C)$	\$ 0	\$ 250,120,000

Notes:

1. This assumes the Issuer pays the maximum permitted commission. The Issuer may pay an aggregate of up to 7% of subscription proceeds to sellers of Shares.
- 1.2 **Use of Net Proceeds** – A detailed breakdown of how the Issuer will use the net proceeds is as follows:

Description of intended use of net proceeds listed in order of priority	Assuming min. offering	Assuming max. offering
Invest in mortgages secured by real estate property located in Canada. From time to time funds not invested in mortgages will be placed in short-term Canadian Deposit Insurance Corporation insured investments (e.g. bank deposits, GICs)	\$ 0	\$245,617,840
Yearly Management Fees <sup>1</sup>	\$0	\$ 4,502,160

- 1.3 **Reallocation** – The Issuer intends to spend the available funds as stated. The Issuer will reallocate funds only for sound business reasons.
- 1.4 **Working Capital Deficiency** – The Issuer has no working capital deficiency and, as a result of the Issuer's business, does not anticipate ever having a working capital deficiency.

## Item 2 Business of Fisgard Capital Corporation

- 2.1 **Structure** – Fisgard Capital Corporation was continued under the laws of British Columbia on March 13, 2000 and was originally incorporated under the Canadian federal jurisdiction on April 11, 1994. It was registered extra-provincially in Alberta on November 16, 2001, in Ontario on April 28, 2003, in Manitoba on July 10, 2003, in Quebec on October 29, 2004 and in Saskatchewan on February 13, 2006.

The Issuer may register extra-provincially in the future to conduct business in other Canadian jurisdictions as may be approved by the Issuer's directors.

- 2.2 **Business** – The Issuer currently qualifies and, under its Articles of Incorporation, is required to remain qualified as a "Mortgage Investment Corporation" ("MIC") under the *Income Tax Act* (Canada) (the "Tax Act"). This effectively enables the Issuer to operate as a tax-free "flow through" conduit of profit to its shareholders since it does not pay income taxes on net earnings from which dividends are paid.

<sup>1</sup> See item 2.6, Material Agreements, Management Services Agreement

The Issuer's business objective is to obtain a secure stream of income by optimizing its investment portfolio within the MIC criteria mandated by the Tax Act. These criteria provide, among other things, that one of the primary investments a MIC may make is mortgage loans secured by residential real estate. The Tax Act's MIC criteria are discussed in further detail below (under this same heading).

The Issuer's primary business is earning income through investing in residential mortgages. There is an established need for real estate mortgage financing that is not readily provided by banks, trust companies, credit unions and other traditional lenders. Short-term mortgage financing is a continuing need of individuals, builders and real estate developers and, because of their need for flexibility and quick response, they often require the services of private lenders and organizations such as the Issuer. The Issuer's primary revenue source has been, and will continue to be, interest earned on mortgage investments. Mortgages may generate additional revenue for the Issuer, including bonuses, due diligence charges, administrative set-up fees, renewal (mortgage extension) and discharge fees, mortgage guarantees and mortgage stand-by fees.

The Tax Act's MIC criteria permit revenue sources other than mortgages, including, among other things, equity investments in real estate and investments in stocks and securities of Canadian companies. Notwithstanding its ability to invest in the array of investments allowed under the Tax Act, it is the Issuer's policy to invest its non-CDIC (e.g. bank deposit) holdings in mortgages secured by Canadian real estate property, primarily residential real estate property. A MIC's only permitted undertaking under the Tax Act criteria is the investing of its funds, and it is specifically prohibited from managing or developing real property.

The Issuer's manager, Fisgard Asset Management Corporation (the "Manager"), is licensed under the Real Estate Act (BC) and the Mortgage Brokers Act (BC), and has many years of experience, either itself or through its personnel, as a realtor, property manager, mortgage broker, builder, property developer, project manager and trustee, and in arranging the financing of various business enterprises. These qualifications and experience place the Manager in an advantageous position to provide MIC-related management, administrative, advisory, development, real estate marketing and mortgage brokerage and financing services to the Issuer, and the Issuer has engaged the Manager to do so. The Manager's personnel also have substantial networks of established relationships with experienced owners, builders, developers, appraisers, property managers, bankers, and others active in the real estate industry. The Issuer believes the Manager is therefore suitably qualified to locate and recommend investment opportunities for the Issuer. The Manager has provided these services to the Issuer since it began its MIC activities in 1994. See item 2.6 "Material Agreements" for a discussion of the management agreement between the Issuer and the Manager.

## The Tax Act's MIC Criteria

Section 130.1 of the Tax Act sets out the criteria governing a MIC and, in summary, says that in order to qualify as a MIC for a taxation year a company must have met the following criteria throughout that taxation year:

1. Its only undertaking was the investing of its funds, and it did not manage or develop real property;
2. It did not invest in:
  - (a) mortgages or property outside Canada;
  - (b) shares of companies not resident in Canada; or
  - (c) real property or leasehold interests outside Canada;
3. It had at least twenty (20) shareholders, and no one shareholder together with related parties to that shareholder held between them more than 25% of the issued shares of any class of shares of the company;
4. At least 50% of the company's assets were comprised of:
  - (a) loans secured on houses or on property included in a housing project, as those terms are defined in the *National Housing Act* (Canada)\*;
  - (b) deposits insured by the Canada Deposit Insurance Corporation ("CDIC") (or Quebec "DIC");
  - (c) deposits in a credit union; and/or
  - (d) cash;
5. No more than 25% of the company's assets consisted of real property (excluding real property acquired by foreclosure);
6. The MIC did not exceed, generally speaking, a 3:1 debt-equity ratio, or a 5:1 debt-equity ratio if more than two-thirds (2/3rds) of the company's property consisted of Residential Mortgages and/or deposits secured by the Canada Deposit Insurance Corporation (or Quebec DIC) or credit union deposits.

\*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."

Section 130.1 of the Income Tax Act authorizes a MIC to borrow funds and leverage its capital in certain ratios related to the type of assets held. Provided one-half of a MIC's assets comprise a combination of *residential* mortgages and/or CDIC insured investments the MIC is authorized to borrow up to a maximum of three (3) times the amount of its assets. Provided two-thirds of a MIC's assets comprise a combination of *residential* mortgages and/or CDIC insured investments the MIC is authorized to borrow up to a maximum of five (5) times the amount of its assets.

The Issuer believes that this leverage opportunity is important in terms of its dividend performance, and the Issuer will maximize its leverage opportunity under the Act. The Issuer will borrow funds whenever funds are available provided it is economical and prudent to do so. These borrowings may take the form of Lines-of-Credit from banks and other lending institutions and/or promissory notes and other types of debt contracts with individuals and companies, as the case may be. It is probable that debt instruments will form part of a floating charge against the assets and equity of the Issuer, and in the event of liquidation or wind-up, will rank in priority to the outstanding shares of the Issuer.

As a MIC under the Tax Act the Issuer is entitled to deduct from its income the amount of taxable dividends it pays to its shareholders. The Issuer's Articles of Incorporation require it to pay as dividends substantially all of its net income and net realized capital gains every year<sup>2</sup> and, as a result, the Issuer anticipates that it will not be liable to pay income tax in any year. The result is that the Issuer is a tax-free conduit of profit to its shareholders. Refer to item 6, Income Tax Consequences.

- 2.3 Development of Business** – The Issuer began business in May 1994. Since that time the Issuer has been qualified as a MIC under the Tax Act and has been solely engaged in raising capital for investment in mortgages secured by real estate property located in Canada, primarily in British Columbia and Alberta.

From January, 2005 through March, 2007 the Issuer raised \$76,805,029 in equity capital, bringing the Issuer's total equity capital to \$130,484,245 as at March 31, 2007. The Issuer has distributed a dividend every quarter since beginning MIC operations in 1994. Its average net return per year over this period on its five (5) year term Class B Shares has been 11.790% based on cash dividends. Its average net return per year on one (1) year term Class F Shares has been 9.790% based on cash dividends.

Dividends fluctuate, and are not guaranteed. The following table details the average yearly net dividend and historical cumulative dividend in each of the years since the Issuer made its first quarterly dividend payment in January 1995.

Year	Average Yearly CASH Dividend (5-year term)		Average Yearly CASH Dividend (1-year term)	
	Yearly Average	Historical Cumulative Average	Yearly Average	Historical Cumulative Average
1995	13.645 %	13.645 %	11.645 %	11.645 %
1996	14.448 %	14.046 %	12.448 %	12.046 %
1997	10.561 %	12.884 %	8.561 %	10.884 %
1998	10.257 %	12.227 %	8.257 %	10.227 %
1999	10.161 %	11.814 %	8.161 %	9.814 %
2000	13.425 %	12.083 %	11.425 %	10.083 %
2001	12.007 %	12.072 %	10.007 %	10.072 %
2002	11.700 %	12.025 %	9.700 %	10.025 %
2003	11.763 %	11.996 %	9.763 %	9.996 %
2004	11.552 %	11.952 %	9.552 %	9.952 %
2005	11.281 %	11.891 %	9.281 %	9.891 %
2006	10.974 %	11.815 %	8.974 %	9.815 %
2007	10.589 %	11.790 %	8.589 %	9.790 %

The rate of return the Issuer earns from its mortgage investments fluctuates with prevailing market demand for short-term mortgage financing. In some cases the Issuer's mortgage investments may not meet financing criteria for conventional mortgages from institutional sources and, as a result, these investments generally earn a higher rate of return than that normally attainable from conventional mortgage

<sup>2</sup> Subject to the directors' discretion to establish reserves for the Issuer.

investments. The Issuer attempts to minimize risk by being prudent in its credit decisions and in assessing the value of the underlying Canadian real estate property offered as security.

**2.4 Long-Term Objectives** – As in the past, over the long term the Issuer intends to qualify as a MIC, raise investment capital, and invest substantially all of its capital in Canadian mortgages, except for small residual amounts of capital maintained in short-term CDIC insured deposits awaiting mortgage placement. As in the past, most of the mortgages the Issuer intends to invest in will be short-term mortgages secured by residential real estate property in Canada. As its capital base expands the Issuer may place some of its capital in longer-term mortgages. From time to time the Issuer may also invest in commercial mortgages, but this type of mortgage is intended to be the exception rather than the rule. Over time the Issuer anticipates expanding its mortgage base to other provinces in Canada, beyond BC and Alberta.

**2.5 Short-Term Objectives** – Over the next twelve (12) months the Issuer's objective is to raise further equity capital, invest it pursuant to the Tax Act's MIC criteria with the intent of optimizing return (as described in more detail above under items 2.2, 2.3 and 2.4), and continue paying quarterly dividends to its shareholders. The Issuer's goal over the next twelve (12) months is to increase its share capital base from its present amount of \$130,484,245 to \$175,000,000. The Issuer's business plan is not dependent on attaining this goal; it is simply a target. The Issuer anticipates that whatever funds are raised will be sufficient for the Issuer to continue implementing its business plan.

The Offering Memorandum form requires the following table to be completed with respect to the Issuer's objectives over the next twelve (12) months. It should be noted however that this particular table form is not well suited to the expression of the Issuer's business.

What we must do and how we will do it	Target completion date or, if not known, number of months to complete	Our cost to complete
While there is nothing the Issuer "must" do to carry out its business plan, since it already has a substantial capital base invested in compliance with the Tax Act's MIC criteria, the Issuer's goal over the next 12 months is to raise a total of \$175,000,000.00 in equity capital.	12 months	See item 1, Use of Available Funds.

**2.6 Material Agreements** – The Issuer is a party to the following material agreements:

#### **Management Services Agreement**

The Issuer and Fisgard Asset Management Corporation have entered into a Management Services Agreement dated March 5, 2002 under which the Manager administers the Issuer's business affairs on a day to day basis, provides a business office for and ongoing advice to the Issuer, raises investment capital for the Issuer, and, as may be required from time to time, provides the Issuer with real estate, mortgage and financing services.

The Manager and the Issuer are related companies. Wayne Strandlund controls the Manager (he holds over 50% of its voting shares) and is its sole director and

president. He is also the founder, a promoter and a director of the Issuer. Hali Strandlund is Wayne Strandlund's daughter, a director of the Manager, and the President, CEO and a director of the Issuer, and the holder of 25% of its issued voting shares. Rafer Strandlund, Wayne Strandlund's son, is a director of the Manager and the Issuer, and the holder of 25% of the Issuer's issued voting shares.

In addition to reimbursing the Manager for its associated costs and expenses, the Issuer will pay the following fees to the Manager under the Management Services Agreement:

1. In respect of the Manager's general management and advisory services, a management fee of 1.8% per year, a monthly fee equal to 0.15% of the aggregate sum of: a) the loan capital borrowed by the MIC, plus b) the paid up capital of the MIC's issued and outstanding shares (together, the "Aggregate Capital"). This percentage fee will be reviewed by the parties from time to time, but in no case will there be a change in the fee unless the Manager and the Issuer agree in writing.
2. In respect of any property management, mortgage origination or brokerage, real estate marketing or capital raising services, these will be provided on an ad hoc basis upon agreement of the parties at the time, and the Issuer will pay the Manager as agreed between them at the time the particular service is initiated, but in no case will the Manager be paid a fee which is greater than fair market value for the service.

The Management Services Agreement is for an initial term of ten (10) years and is automatically renewable for further terms of ten (10) years each after the expiration of the initial term, subject to the provisions for termination. The Issuer may only terminate the Management Services Agreement for cause, upon the affirmative vote of at least 75% of the Issuer's directors. The Manager may terminate the Management Services Agreement as follows: a) immediately upon the winding up, bankruptcy or receivership of the Issuer, or b) upon sixty (60) days notice to the Issuer.

Though the Issuer and the Manager expressly agree in the Management Services Agreement that neither the Management Services Agreement nor the relationship between the Issuer and the Manager establish the Manager as a fiduciary to the Issuer, the Manager has agreed that it will exercise its powers and discharge its duties under the Management Services Agreement honestly, in good faith and in what it reasonably believes to be in the best interests of the Issuer.

The Manager will be given reasonable advance notice of (and agendas if available) and has the right to attend and be heard at all meetings of the Issuer's shareholders, the Issuer's board of directors and any committees established by the board of directors, and the Manager will be provided with copies of the minutes of any resolutions passed at all such meetings within a reasonable time after the meeting.

The Issuer acknowledges in the Management Services Agreement that the Manager and its shareholders, directors and officers have, or will have, interests and dealings in other companies, joint ventures, limited partnerships and/or MICs which are presently, or may in the future, be actively engaged in similar businesses as the Issuer. The Issuer agrees that neither the Manager nor its shareholders, directors or

officers will be liable to the Issuer for any conflict of interest as a result of such other interests or dealings, and that such interests and dealings do not and will not constitute a breach of the Management Services Agreement even if competitive with the business of the Issuer, and even if the business opportunity could have been pursued by the Issuer.

The Manager will not be liable to the Issuer in respect of any loss or damage suffered by the Issuer, including any loss or diminution in the net assets (that is, the value of the Issuer's assets less its liabilities) of the Issuer, unless such loss or damage is a direct result of gross negligence, gross wilful misconduct, or dishonesty by the Manager in relation to its duties and responsibilities under the Management Services Agreement.

The Management Services Agreement also provides that the Issuer will indemnify the Manager and its directors, officers and employees from any claims arising in relation to the Manager's duties and responsibilities under the Management Services Agreement.

### **Trademark License Agreement**

"Fisgard" is a trademark owned by Strandlund Investments Ltd. and registered in the Canadian Register of Trademarks as being associated with financial services, and in particular mortgage investment vehicles. Strandlund Investments Ltd. has granted the Issuer a non-exclusive license to use the Fisgard trademark under a Trademark License Agreement (the "Agreement") between Strandlund Investments Ltd. and the Issuer dated January 1, 2000 and modified on January 1, 2003.

Under the Agreement Strandlund Investments Ltd. may set standards and specifications as to the quality of the financial services associated with the Issuer's use of the trademark, and any advertising or other use by the Issuer of the trademark. On the first day of January, 2003 and on the first day of each month thereafter while this Trademark License Agreement is in effect the Licensee shall pay to the Owner a license fee. The fee amounts to  $1/12^{\text{th}}$  of 0.15% of the aggregate sum of borrowings and issued and paid up share capital of the Licensee calculated as of the first day of each month, commencing January 1, 2003.

The Agreement is automatically renewed every year unless one of the parties provides notice of termination to the other not less than thirty (30) days prior to an anniversary date of the Agreement. The Agreement also provides that it will be terminated upon certain adverse circumstances relating to the Issuer, and that Strandlund Investments Ltd. may terminate it upon thirty (30) days notice to the Issuer. Upon termination the Issuer must cease all use of the trademark, including the deletion of the mark from its corporate name.

## **Item 3      Directors, Management, Promoters and Principal Holders**

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

Name and municipality of principal residence	Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by issuer in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the issuer held after completion of minimum offering	Number, type and percentage of securities of the issuer held after completion of maximum offering
Hali Strandlund Sidney, BC	President, January 15, 2003 Director, April 11, 1994 CEO & Past Secretary, May 14, 1997	Paid last year: \$0  Anticipated this year: \$175,000	N/A	120 Class A Voting Shares (25%) 128,750 Class B Non-Voting Shares (.0013%)
Wayne Strandlund Victoria, BC	Promoter, April 11, 1994 Director, February 5, 1997	Paid last year: \$0  Anticipated this year: \$175,000	N/A	586,813 Class B Non-Voting Shares (.0061%)
Graeme Nye Saanich, BC	Past President, November 23, 1994 to January 15, 2003	Paid last year: \$0  Anticipated this year: \$0	N/A	120 Class A Voting Shares (25%) 74,821 Class B Non- Voting Shares (.0007%)
Rafer Strandlund Victoria, BC	Director, February 5, 1997	Paid last year: \$0  Anticipated this year: \$175,000	N/A	120 Class A Voting Shares (25%) 119,986 Class B Non-Voting Shares (.0012%)
Dawn Paniz Langford, BC	Secretary / Treasurer, January 2, 2003	Paid last year: \$0  Anticipated this year: \$0	N/A	120 Class A Voting Shares (25%) 62,176 Class B Non- Voting Shares (.0006%)

**3.2 Management Experience** – The principal occupations of the directors and senior officers over the past five (5) years and their experience relevant to the Issuer's business are as follows:

Name	Principal occupation and related experience
Wayne Strandlund	Mortgage Investment Manager & Real Estate Agent
Hali Strandlund	Mortgage Investment Manager & Real Estate Agent
Rafer Strandlund	Mortgage Investment Manager, Credit Union Account Manager & Mortgage Broker
Dawn Paniz	General Manager of Fisgard Asset Management Corporation and Real Estate & Mortgage Broker Licensee

**3.3 Penalties, Sanctions and Bankruptcy**

- (a) The following penalties or sanctions have been in effect during the last ten (10) years against (i) a director, senior officer, or control person of the Issuer, or (ii) an issuer in which a person or company referred to in (i) was a director, senior officer or control person at the time:

None

- (b) The following declarations of or voluntary assignments in bankruptcy, proposals under any bankruptcy or insolvency legislation, proceedings, arrangements or compromises with creditors or appointments of a receiver, receiver manager or trustee to hold assets, have been in effect during the last ten (10) years against (i) a director, senior officer, or control person of the Issuer, or (ii) an issuer in which a person or company referred to in (i) was a director, senior officer or control person at the time:

None

## Item 4 Capital Structure

**4.1 Share Capital** – The following table sets out information about the Issuer's outstanding securities, including options, warrants and other securities convertible into Shares.

Description of Security	Number authorized to be issued	Number outstanding as at March 31, 2007	Number outstanding after minimum offering	Number outstanding after maximum offering
Class A Voting Shares	200,000,000	480	N/A	480
Class B Non-Voting Shares	200,000,000	94,804,310	N/A	105,195,690
Class C Non-Voting Shares	200,000,000	0	N/A	0
Class D Non-Voting Shares	200,000,000	0	N/A	0
Class E Non-Voting Shares	200,000,000	0	N/A	0
Class F Non-Voting Shares	200,000,000	35,679,934	N/A	164,320,066
Options	N/A	Nil	N/A	Nil
Warrants	N/A	Nil	N/A	Nil

**4.2 Long-Term Debt** – The Issuer does not have any long term debt.

**4.3 Prior Sales** – Within the last twelve (12) months the Issuer has issued the following securities (no securities were issued for other than cash):

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
April 2006	Class B Shares	2,838,479	\$1.00 per share	\$2,838,479
April 2006	Class F Shares	383,055	\$1.00 per share	\$383,055
May 2006	Class B Shares	1,845,057	\$1.00 per share	\$1,845,057
May 2006	Class F Shares	629,045	\$1.00 per share	\$629,045
June 2006	Class B Shares	3,644,243	\$1.00 per share	\$3,644,243
June 2006	Class F Shares	674,087	\$1.00 per share	\$674,087
July 2006	Class B Shares	950,471	\$1.00 per share	\$950,471
July 2006	Class F Shares	1,061,038	\$1.00 per share	\$1,061,038
August 2006	Class B Shares	2,177,305	\$1.00 per share	\$2,177,305
August 2006	Class F Shares	821,229	\$1.00 per share	\$821,229
September 2006	Class B Shares	3,029,116	\$1.00 per share	\$3,029,116
September 2006	Class F Shares	(956,893)	\$1.00 per share	\$(956,893)
October 2006	Class B Shares	2,885,748	\$1.00 per share	\$2,885,748
October 2006	Class F Shares	915,864	\$1.00 per share	\$915,864
November 2006	Class B Shares	1,791,208	\$1.00 per share	\$1,791,208
November 2006	Class F Shares	627,958	\$1.00 per share	\$627,958
December 2006	Class B Shares	3,008,849	\$1.00 per share	\$3,008,849
December 2006	Class F Shares	2,351,904	\$1.00 per share	\$2,351,904
January 2007	Class B Shares	2,909,413	\$1.00 per share	\$2,909,413
January 2007	Class F Shares	1,299,624	\$1.00 per share	\$1,299,624
February 2007	Class B Shares	3,444,134	\$1.00 per share	\$3,444,134
February 2007	Class F Shares	1,845,290	\$1.00 per share	\$1,845,290
March 2007	Class B Shares	3,688,799	\$1.00 per share	\$3,688,799
March 2007	Class F Shares	182,710	\$1.00 per share	\$182,710
<b>March 31, 2007</b>		<b>42,047,733</b>		<b>\$42,047,733</b>

## Item 5      **Securities Offered**

### 5.1      **Terms of Securities** – A description of the material terms of the securities being offered include:

- (a)      **Voting** –The holders of Class B and Class F Shares are not entitled to notice of or to attend or vote at meetings of the Issuer.
- (b)      **Redemption** – The Issuer in its sole discretion may redeem all or any portion of a shareholder's Class B or Class F Shares at any time upon payment of the Redemption Amount (defined below). Upon completion of the redemption process the redeemed Shares are cancelled.

If not all of the outstanding Shares of any class or classes of Shares are to be redeemed the Shares to be redeemed may be selected at the discretion of the Directors and need not be selected either in proportion to the number of Shares registered in the name of each shareholder or from any or every particular shareholder.

The Redemption Amount to be paid by the Issuer in respect of each Share to be redeemed will be an amount equal to the paid up capital of the Share plus the aggregate of all dividends declared on the Share but unpaid plus the Share's pro rata share of any undistributed net income and net capital gains.

- (c)      **Compassionate Early Redemption** – The Issuer, through the Manager, may consider applications for early redemption for compassionate reasons, but only under special circumstances, to the spouse of a deceased shareholder who holds the Issuer's Class B (5-year) Shares.

The decision as to whether or not to grant an early redemption is at the sole discretion of the Manager and otherwise dependent upon the Issuer's Articles legally permitting such early redemption.

Should a shareholder pass away, the surviving spouse may apply to the Issuer for an early redemption of all or part of the deceased's Shares, provided that the date of application for early redemption is at least ninety (90) days prior to the original redemption date.

The Manager may then consider redeeming the requested number of Shares on or before the last day of the quarter immediately following the quarter in which the request for compassionate early redemption is made by the surviving spouse.

Since the deceased shareholder would have been earning dividends at the 5-year rate, but is redeeming earlier than five (5) years, the redemption amount will be the original investment plus accrued dividends calculated as if the original Shares had been Class F (1-year) Shares.

- (d)      **Retraction Rights** – The Class B and Class F Shares have retraction rights, meaning their holders have a right to present all or some of their Shares to the Issuer for cancellation and payment to the shareholders of the retracted Shares Redemption Amounts ("Redemption Amount" is defined above under "Redemption").

There are only certain dates on which Class B and Class F Shares may be retracted. The Class B Shares retraction date is **five (5) years** from the last day of the quarter in which the Shares were subscribed and the Class F Shares retraction date is **one (1) year** from the last day of the quarter in which the Shares were subscribed. Shares acquired by way of re-invested dividends have the same retraction date as the date upon which the original Shares were subscribed.

A shareholder wishing to retract Shares as they become due may do so by providing the Issuer with sixty (60) days written notice of the shareholder's wish to retract. If a Share retraction date expires without the Share being retracted, then the new retraction date for the Share is (i) in the case of a Class B Share, five (5) years from the expired retraction date; and (ii) in the case of a Class F Share, one (1) year from the expired retraction date.

The shareholders' right to retract their Shares is subject to section 27.1 of the Issuer's Articles of Incorporation which provides as follows:

27.1 The Directors will use their best efforts to ensure that the Company at all relevant times qualifies as a "Mortgage Investment Corporation" pursuant to the *Income Tax Act* (Canada). Without limiting the generality of the foregoing, in addition to any other power and authority the Directors may have, and notwithstanding any other provision of these Articles, the Directors may in their sole discretion reject any applications for Share dividends or Share subscriptions, transfers, redemptions or retractions where, in the view of the Directors, such would not be in the Company's best interests as a "Mortgage Investment Corporation" under the *Income Tax Act* (Canada). [Emphasis added.]

The most likely scenario where the directors would use their discretion to reject a retraction application is where the retraction would put the Issuer offside of the Tax Act's MIC criteria regarding shareholders, which requires that a MIC have at least twenty (20) shareholders, and no one shareholder together with related parties to that shareholder holds between them more than 25% of the issued Shares of any class of Shares of the MIC.

- (e) **Dividends** – The Issuer's Articles of Incorporation require it to pay out as dividends substantially all of its net income and net realized capital gains every year, subject to the directors' discretion to establish reserves for the Issuer. The Issuer will distribute dividends among the different classes of issued Shares such that when the dividends are expressed as a percentage rate of annualized return on capital invested the relative percentage rates between the classes of issued Shares will be as follows:

Share Class	Rate of Return
Class A Shares	Base rate
Class B Shares	Base rate
Class F Shares	Base rate less 2.0%

For example, if the base rate is 12%, the rate for Class B Shares will be 12% and the rate for Class F Shares will be 10%. Investors will receive a T5 tax return for interest income on cash investments, including re-invested dividends.

Under the Issuer's current policy investors may elect to receive dividends either in cash or in the form of additional Shares. When paying a Share Dividend, rather than paying the dividend in cash, the Issuer pays the dividend by issuing to the investor Shares of the same Class of Shares on which the dividend is being paid (the "Dividend Shares"). Dividend Shares will be issued at the price of \$1.00 per Dividend Share, or such other price per Dividend Share as the Issuer gives investors not less than ninety (90) days prior written notice of.

Investors may change their election as to cash or Share Dividends by giving the Issuer notice of their election change not less than sixty (60) days before the change in election is to take effect.

For Dividend Shares the Retraction Date will be deemed to be the same date as the Retraction Date of the Shares originally subscribed and that gave rise to the Dividend Shares.

The Issuer reserves the right to amend or cancel its policy regarding Share Dividends.

- (f) **Pre-emptive Rights** – Except as otherwise required by law the holders of Class A, Class B or Class F Shares are not entitled as such to subscribe for, purchase, or receive any part of any issue of shares, bonds, debentures or other securities of the Issuer.
- (g) **Liquidation, Dissolution, or Winding Up** – In the event of the liquidation, dissolution or winding-up of the Issuer, whether voluntary or involuntary, or in the event of any other distribution of assets of the Issuer among its shareholders for the purpose of winding-up its affairs, the Issuer will distribute the assets of the Issuer among the shareholders in the following priority:
  - (i) First, all holders of every class of Shares will receive the return of the paid-up capital on their Shares. If there are insufficient assets to fully return the paid-up capital the assets will be distributed among all the shareholders pro rata in proportion to their paid-up capital;
  - (ii) Second, any remaining assets will be distributed among the holders of the different classes of Shares in the same proportions as if it were a dividend distribution, calculated on the basis of the paid-up capital on the books of the Issuer prior to the application of paragraph (i).

5.2 **Subscription Procedure** – Persons wishing to subscribe for Shares under this Offering may do so by completing the following three steps:

- (a) **Subscription Forms** – Investors must complete the appropriate Subscription Agreement for their respective jurisdiction.
- (b) **Method for Payment** – A cheque or bank draft made payable to Fisgard Capital Corporation in an amount equal to \$1.00 multiplied by the number of Shares being subscribed.

- (c) **Submitting Subscriptions** – Investors may deliver the completed subscription form and payment to Fisgard Capital Corporation by mail or in person to:

Fisgard Capital Corporation  
3378 Douglas Street  
Victoria BC V8Z 3L3  
Phone: (250) 382-9255 or Toll Free 1-866-382-9255  
Fax: (250) 382-9295 or Toll Free 1-866-384-1498

- (d) **Two-Day Hold Period** – An investor's subscription funds will be held until midnight on the second (2<sup>nd</sup>) business day after the investor signs the Subscription Agreement.
- (e) **Acceptance of Subscriptions and Closings** – Subscriptions may be accepted by the Issuer, subject to the terms and conditions of the Subscription Agreement signed by the investor. Subscriptions will be received subject to prior sale and subject to rejection or allotment, in whole or in part, by the Issuer prior to any closing.

Subscriptions may be accepted or rejected by the Issuer in its sole discretion. The Issuer is not obligated to accept any subscription nor to accept subscriptions in the order the Issuer receives them. If the Issuer rejects a subscription, the subscription funds received will be returned to the Investor, without interest or deduction, along with notification of the rejection.

**This Offering is not subject to any minimum subscription level, and there are no conditions of closing; therefore any funds received from an Investor are available to the Issuer and need not be refunded to the Investor. Closings will take place periodically at the Issuer's discretion.**

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

A prospective Investor will become a shareholder upon execution of a Subscription Agreement, acceptance of the Subscription Agreement by the Issuer, payment of the subscription price, and entry of the Investor's name in the register of members of the Issuer as a shareholder.

- (f) **Investor Qualifications** – Investor qualifications differ between residents of British Columbia, New Brunswick, Nova Scotia, Newfoundland and Labrador and residents of Alberta, Manitoba, Northwest Territories, Nunavut, Prince Edward Island, Quebec and Saskatchewan.

In British Columbia, New Brunswick, Nova Scotia, Newfoundland and Labrador, an investor may purchase Shares if, before or at the time the

investor signs the Subscription Agreement, the investor purchases as principal, the investor receives this Offering Memorandum and signs the Risk Acknowledgment form, and delivers it to the Issuer.

In Alberta, Manitoba, Northwest Territories, Nunavut, Prince Edward Island, Quebec and Saskatchewan, an investor may purchase Shares if the investor meets the requirements set out above for British Columbia residents, plus the investor either (i) is an "eligible investor"; or (ii) is acquiring Shares with an aggregate cost of not more than \$10,000. Under these Alberta, Manitoba, Northwest Territories, Nunavut, Prince Edward Island, Quebec and Saskatchewan criteria, an eligible investor is:

- (i) a person or company whose:
  - (a) net assets, alone or with a spouse, in the case of an individual, exceed \$400,000;
  - (b) net income before taxes exceeded \$75,000 in each of the two (2) most recent calendar years, and who reasonably expects to exceed that income level in the current calendar year, or
  - (c) net income before taxes alone or with a spouse, in the case of an individual, exceeded \$125,000 in each of the two (2) most recent calendar years, and who reasonably expects to exceed that income level in the current calendar year;
- (ii) a company of which a majority of the voting securities are beneficially owned by eligible investors or a majority of the directors are eligible investors;
- (iii) a general partnership of which all of the partners are eligible investors;
- (iv) a limited partnership of which the majority of the general partners are eligible investors;
- (v) a trust or estate in which all of the beneficiaries or a majority of the trustees or executors are eligible investors;
- (vi) an accredited investor<sup>3</sup>; or
- (vii) a person who has obtained advice regarding the suitability of the investment and, if the person is resident in a jurisdiction of Canada, that advice has been obtained from an eligibility adviser.

In Ontario an investor may purchase Shares if the investor is an "accredited investor" and purchases the Shares as principal. Under this Ontario criteria, an accredited investor is:

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<sup>3</sup> Accredited investors include banks, securities dealers and advisors, governments, individuals who have (i) net assets worth more than \$1,000,000, or (ii) net income before taxes in each of the last two (2) calendar years of more than \$200,000, or more than \$300,000 when combined with their spouse's income, and expects to exceed those income levels in the current calendar year; and a company or other business entity with net assets of at least \$5,000,000.

- (i) a bank listed in Schedule I or II of the Bank Act (Canada), or an authorized foreign bank listed in Schedule III of that Act;
- (ii) the Business Development Bank incorporated under the Business Development Bank Act (Canada);
- (iii) a loan corporation or trust corporation registered under the Loan and Trust Corporations Act or under the Trust and Loan Companies Act (Canada), or under comparable legislation in any other jurisdiction;
- (iv) a co-operative credit society, credit union central, federation of caisses populaires, credit union or league, or regional caisse populaire, or an association under the Cooperative Credit Associations Act (Canada), in each case, located in Canada;
- (v) a company licensed to do business as an insurance company in any jurisdiction;
- (vi) a subsidiary of any company referred to in paragraph (i), (ii), (iii), (iv) or (v) where the company owns all of the voting shares of the subsidiary;
- (vii) a person or company registered under the Securities Act (Ontario) (the "OSA") or securities legislation in another jurisdiction as an adviser or dealer, other than a limited market dealer;
- (viii) the Government of Canada or of any jurisdiction, or any crown corporation, instrumentality or agency of a Canadian federal, provincial or territorial government;
- (ix) any Canadian municipality or any Canadian provincial or territorial capital city;
- (x) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any instrumentality or agency thereof;
- (xi) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a provincial pension commission or similar regulatory authority;
- (xii) a registered charity under the Income Tax Act (Canada);
- (xiii) an individual who beneficially owns, or who together with a spouse beneficially own, financial assets having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds \$1,000,000;
- (xiv) any individual whose net income before taxes exceeded \$200,000 in each of the two (2) most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of those years, and who, in either case, has a reasonable expectation of exceeding the same net income level in the current calendar year;

- (xv) an individual who has been granted registration under the OSA or securities legislation in another jurisdiction as a representative of a person or company referred to in paragraph (vii), whether or not the individual's registration is still in effect;
- (xvi) a promoter of the Issuer or an affiliated entity of a promoter of the Issuer;
- (xvii) a spouse, parent, grandparent or child of an officer, director or promoter of the Issuer;
- (xviii) a person or company that, in relation to the Issuer, is an affiliated entity or a person or company referred to in clause (c) of the definition of distribution in subsection 1(1) of the OSA;
- (xix) the Issuer acquiring securities of its own issue;
- (xx) a company, limited partnership, limited liability partnership, trust or estate, other than a mutual fund or non-redeemable investment fund, that had net assets of at least \$5,000,000 as reflected in its most recently prepared financial statements;
- (xxi) a person or company that is recognized by the Ontario Securities Commission as an accredited investor;
- (xxii) a mutual fund or non-redeemable investment fund that, in Ontario, distributes its securities only to persons or companies that are accredited investors;
- (xxiii) a mutual fund or non-redeemable investment fund that, in Ontario, distributes its securities under a prospectus for which a receipt has been granted by the Director under the OSA;
- (xxiv) a managed account if it is acquiring a security that is not a security of a mutual fund or non-redeemable investment fund;
- (xxv) an account that is fully managed by a trust corporation registered under the Loan and Trust Corporations Act;
- (xxvi) an entity organized outside of Canada that is analogous to any of the entities referred to in paragraphs (i) through (vii) and paragraph (xi) in form and function; or
- (xxvii) a person or company in respect of which all of the owners of interests, direct or indirect, legal or beneficial, are persons or companies that are accredited investors.

## **Item 6            Income Tax Consequences**

- 6.1    You should consult your own professional advisers to obtain advice on the tax consequences that apply to you.
- 6.2    **No application has been made for an advance income tax ruling with respect to the investment described in this Offering Memorandum, nor is it intended that any application be made.**

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

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

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

This summary is based on the Issuer's understanding of the current provisions of the Tax Act, the Regulations to the Tax Act, and the current administrative and assessing practices of Canada Customs and Revenue Agency, Taxation ("CCRA").

This summary outlines the Canadian federal income tax consequences to an Investor based on important facts and assumptions as set out by the Issuer in the Offering Memorandum and particularly on additional facts and assumptions as follows:

- (a)    Investors are, and will not cease to be, individuals resident in Canada;
- (b)    Investors acquire Shares pursuant to this Offering Memorandum and hold the Shares as capital property;
- (c)    Investors hold Shares for the purpose of earning income and have a reasonable expectation of earning a profit from holding the Shares; and
- (d)    The Issuer will qualify at all material times as a MIC for the purposes of the Tax Act.

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

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

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

### **The Issuer**

As a MIC the Issuer is subject to special rules under the Tax Act that permit the Issuer to be operated, in effect, as a tax-free "flow through" conduit of its profit to its shareholders. The income of the Issuer for purposes of the Tax Act includes interest earned and the taxable portion of any net realized capital gains. The Issuer is permitted to deduct from its net income all taxable dividends it pays to its shareholders, other than capital gains dividends, and the taxable portion of its net realized capital gains distributed to shareholders as capital gains dividends within the periods prescribed by the Tax Act. If and to the extent the Issuer has income after these and other applicable deductions, such income is subject to the prevailing tax rates applicable to a public corporation.

### **Shareholders**

#### **A. Dividends**

Taxable dividends, except capital gains dividends, received by a Shareholder are taxable in the hands of the Shareholder as interest and not as dividends. Capital gains dividends received by a Shareholder are treated as capital gains of the Shareholder, one-half of which must be included as a "taxable capital gain" in computing the Shareholder's taxable income. As a result of the repeal of the \$100,000 capital gains exemption, such capital gains are no longer eligible for the capital gains exemption.

#### **B. Dispositions**

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

A Shareholder will be considered to have disposed of his Shares when he assigns or sells his Shares, his Share is the subject of a gift, he dies, or where the Issuer is wound up or otherwise terminated. A Share which is the subject of a gift or which is held by a Shareholder when he dies is generally deemed to be disposed of for proceeds equal to fair market value at that time. However, in certain circumstances a

capital gain or capital loss will be deferred where gift or bequest transfers the Share to the Shareholder's spouse.

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

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

#### **C. Interest on Money Borrowed to Purchase Shares**

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

After the disposition of a Share by a taxpayer reasonable interest expense on money borrowed for the purpose of acquiring that Share will generally continue to be deductible until the borrowing is repaid regardless of whether a gain or loss was realized on the disposition of the Share, except to the extent any proceeds of disposition attributable to that borrowed money are used to make personal expenditures by the taxpayer or are not otherwise used for the purpose of earning income.

### **Deferred Income Plans (e.g., RRSPs, RRIFs, Deferred Profit Sharing Plans)**

#### **A. Eligibility for Investment by Deferred Income Plans**

As long as the Issuer is qualified as a MIC under the Tax Act the Shares will be qualified investments for trusts governed by a registered retirement savings plan ("RRSP"), deferred profit sharing plans and registered retirement income funds, provided the Issuer does not hold any debt of an annuitant or a related party.

#### **B. Interest Expense Regarding RRSP Contributions**

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

#### **C. Distributions Received From Issuer by RRSP**

As noted, taxable dividends are deemed to be interest income to the Shareholder, which, together with one-half of capital gains dividends, are added to the Shareholder's taxable income if the Shares are held personally by the Shareholder. Such distributions paid on Shares held by an RRSP, however, will not be subject to tax in the hands of the RRSP, provided the RRSP has not borrowed money or carried on business and the annuitant under the RRSP is alive. An RRSP will not carry on business merely by holding Shares. The distributions paid to the RRSP will be taxable to the annuitant under the RRSP on withdrawal of the funds from the RRSP, which must occur no later than the year the annuitant becomes 69 years old.

#### D. RRSP Contribution Limits

An individual may contribute cash or eligible property (such as a Share) to an RRSP in a calendar year or within sixty (60) days after the end of the year, and may claim a deduction for that calendar year to the extent that the amount contributed does not exceed the limits specified by CCRA. The amount of an individual's contribution will be equal to the fair market value of any property contributed as of the day of contribution. A seven (7) year carry forward of unused RRSP deduction room is available in the event contributions made to an RRSP for a particular year are less than the allowable contribution for that year.

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

Funds or property withdrawn from an RRSP are taxable to the annuitant under the RRSP in the year of withdrawal. The amount of any non-qualified investment acquired by an RRSP in a year is included in the income of the annuitant for the year.

**EACH PROSPECTIVE INVESTOR IS ADVISED TO SEEK INDEPENDENT ADVICE IN RESPECT OF THE INCOME TAX CONSEQUENCES OF HIS PARTICIPATION IN THE ISSUER, TAKING INTO ACCOUNT HIS OWN PARTICULAR CIRCUMSTANCES.**

#### **Item 7 Compensation Paid to Sellers and Finders**

- 7.1 Type and Estimated Amount of Compensation** – The Shares will be sold by the Manager, the Issuer, and their respective directors, officers and employees, and may be sold on a best effort basis by Agents authorized by the Issuer. In its discretion the Issuer may pay commissions to persons or companies selling Shares. This includes the officers, directors, and employees of the Issuer and the Manager, who may receive a commission in respect of any Shares sold by them. Such commission may be paid in cash immediately upon the Issuer accepting the particular subscription, or paid over time. If the Offering is fully subscribed and the Issuer pays the maximum possible commission, the Issuer will pay \$18,830,000 in commissions.

The Issuer may enter into exclusive or non-exclusive agency agreements with agents under which the Agents would offer the Shares for sale to investors on a best efforts basis, and the Issuer would be responsible for payment of the agents' commissions. As of the date of this Offering Memorandum no such agreements have been entered into.

- 7.2 Percentage of Gross Proceeds** – The Issuer may pay a maximum of 7% of the Offering's gross proceeds in commissions.

## Item 8 Risk Factors

This is a speculative Offering. The purchase of Shares involves a number of risk factors and is suitable only for Investors who are aware of the risks inherent in the real estate industry and who have the ability and willingness to accept the risk of loss of their invested capital and who have no immediate need for liquidity. There is no assurance of any return on an Investor's investment.

The Issuer advises that 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 Issuer's business and/or the return to the Investors.

### 8.1 **Investment Risk** – Risks that are specific to the Shares being offered under this Offering include the following:

1. **No Market for Shares** – There is no market through which the Shares may be sold, and the Issuer does not expect that any market will develop pursuant to this Offering or in the future. Accordingly, an investment in Shares should only be considered by Investors who do not require liquidity. The Shares are subject to onerous resale restrictions under applicable securities legislation. See item 10, Resale Restrictions, regarding resale restrictions applicable to the Shares.
2. **Retraction Liquidity** – The Shares are retractable, meaning that Investors have the right to require the Issuer to redeem them, upon appropriate advance notice from the Investor to the Issuer. The different classes of Shares have different retraction timings, as measured from the date on which the Investor is issued the Shares to the date on which the Investor is entitled to call for their redemption by the Issuer, with the Class B shares having a five (5) year retraction period and the Class F shares a one (1) year retraction period. **If the Investor does not provide the Issuer with the appropriate notice of retraction, the right of retraction is suspended until an additional time period has elapsed.** See item 5.1, Terms of Securities.

The Issuer gives no assurance that any Investor will be able to retract any or all of their Shares at any time. Retraction and redemption of the Shares is subject to the Issuer having access to sufficient cash, or other liquid assets, and being in compliance with applicable corporate and securities legislation, and is subject to the terms in this Offering Memorandum, all as determined solely by the Issuer. Retraction and redemption of the Shares is also subject to the discretion of the directors to act in the best interests of the MIC under the Tax Act. Accordingly this investment is unsuitable for those prospective Investors who may require liquidity.

3. **Absence of Management Rights** – The Class B and Class F Shares being sold under this Offering do not carry voting rights, and consequently an Investor's investment in Shares does not carry with it any right to take part in the control or management of the Issuer's business, including the election of directors.

In assessing the risks and rewards of an investment in Shares, potential Investors should appreciate that they are relying solely on the good faith, judgment and ability of the directors, officers and employees of the Issuer and the Manager to make appropriate decisions with respect to the management of the Issuer, and that they will be bound by the decisions of the Issuer's and the Manager's directors, officers and employees. It would be inappropriate for Investors unwilling to rely on these individuals to this extent to purchase Shares.

4. **Lack of Separate Legal Counsel** – The Investors, as a group, have not been represented by separate counsel. Neither counsel for the Issuer nor counsel for the Manager purport to have acted for the Investors nor to have conducted any investigation or review on their behalf.

8.2 **Issuer Risk** – Risks that are specific to the Issuer include the following:

1. **MIC Tax Designation** – Under the Issuer's articles the Issuer's directors are required to use their best efforts to ensure that the Issuer qualifies as a MIC pursuant to the Tax Act. As well, the Issuer's Articles of Incorporation grant the directors the discretion to reject any applications for share dividends or share subscriptions, transfers, redemptions or retractions where, in the view of the directors, such would not be in the Issuer's best interests as a MIC under the Tax Act.

**There can be no assurance, however, that the Issuer will be able to meet the Tax Act's MIC qualifications at all material times.**

As a company qualified as a MIC the Issuer 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 Issuer 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 Issuer fails to maintain its MIC qualification in a particular year, the dividends paid by the Issuer on the Shares would cease to be deductible from the income of the Issuer for that year and the dividends it pays on the Shares would be subject to the normal gross-up and dividend tax credit rules. In addition, the Shares might cease to be qualified investments for trusts governed by RRSPs, Deferred Profit Sharing Plans and Registered Retirement Income Funds, with the effect that a penalty tax would be payable by the Investor.

2. **Reliance on Fisgard Asset Management Corporation** – In accordance with the terms of the Management Services Agreement between the Issuer and the Manager, the Manager has significant responsibility for assisting the Issuer to conduct its affairs. Any inability of the Manager to perform competently or on a timely basis will negatively affect the Issuer.

3. **Key Personnel** – The operations of the Issuer and the Manager are highly dependent upon the continued support and participation of their key personnel. The loss of their services may materially affect the timing or the ability of the Issuer to implement its business plan.

The Issuer's and Manager's management teams consist of several key personnel. In order to manage the Issuer and the Manager successfully in the future it may be necessary to further strengthen their management teams. The competition for such key personnel is intense, and there can be no assurance of success in attracting, retaining, or motivating such individuals. Failure in this regard would likely have a material adverse effect on the Issuer's business, financial condition, and results of operations.

4. **Conflict of Interest** – Conflicts of Interest exist, and others may arise, between Investors and the directors and officers of the Manager and the Issuer and their associates and affiliates.

There is no assurance that any conflicts of interest that may arise will be resolved in a manner most favourable to Investors. Persons considering a purchase of Shares pursuant to this Offering must rely on the judgment and good faith of the directors, officers and employees of the Manager and the Issuer in resolving such conflicts of interest as may arise.

The Issuer and its shareholders are dependent in large part upon the experience and good faith of the Manager. The Manager is entitled to and does act in a similar capacity for other companies with investment criteria similar to those of the Issuer. As such, there is a risk the Manager will not be able to originate sufficient suitable investment opportunities to keep the Issuer's funds fully invested. Also, the directors of the Issuer and the Manager are employed by or act in other capacities for other companies involved in mortgage and lending activities. See item 2.6, Material Agreements.

5. **Future Operations and Possible Need for Additional Funds** – The Issuer requires significant funds to carry out its business plan. In the event the Issuer is unable to raise sufficient funds by this Offering and/or future offerings and/or other debt or equity financing the Issuer may have insufficient funds available to implement its business plan, and Investors may receive no return on their Shares. Certain uninsurable or uninsured events may also occur which can substantially reduce the ability of the Issuer to carry on business in a profitable manner, including natural or man-made disasters.

The Issuer anticipates that a substantial portion of the net proceeds of this Offering will be expended by the Issuer in investing in residential mortgages, and also anticipates that the net proceeds of the Offering and anticipated cash flow from operating revenues will be sufficient to carry out the Issuer's business plan. There can be no assurances, however, that the Issuer will generate sufficient cash flow from operations or that it will not encounter unexpected costs in connection with implementing its business plan and, as a consequence, there can be no assurances that the Issuer will not require additional financing. The Issuer has no current arrangements with respect to any other additional financing, and there can be no assurance that any such additional financing can be obtained on terms acceptable to the Issuer, or at

all. Failure to obtain additional financing would likely have a substantial material adverse effect on the Issuer. Moreover, in the event the Issuer were to obtain such additional financing, it could have a dilutive effect on Investors' participation in the revenues generated through the Issuer's operations.

8.3 **Industry Risk** – There are also risks faced by the Issuer because of the industry in which it operates. Real estate investment is subject to significant uncertainties due, among other factors, to uncertain costs of construction, development and financing, uncertainty as to the ability to obtain required licenses, permits and approvals, and fluctuating demand for developed real estate. The anticipated higher returns associated with the Issuer's mortgage loans reflect the greater risks involved in making these types of loans as compared to long-term conventional mortgage loans. Inherent in these loans are completion risks as well as financing risks. In addition, prospective Investors should take note of the following:

1. **Insurance** – The Issuer's mortgage loans will not usually be insured in whole or in part. As well, there are certain inherent risks in the real estate industry, some of which the Issuer may not be able to insure against or which the Issuer may elect not to insure due to the cost of such insurance. The effect of these factors cannot be accurately predicted.
2. **Priority** – Financial charges for construction and other financing funded by conventional third party lenders may rank in priority to the mortgages registered in favour of the Issuer. In the event of default by the mortgagor under any prior financial charge, the Issuer may not recover any or all of the monies advanced.
3. **Default** – If there is default on a mortgage it may be necessary for the Issuer, in order to protect the investment, to engage in foreclosure or sale proceedings and to make further outlays to complete an unfinished project or to maintain prior encumbrances in good standing. In such cases it is possible that the total amount recovered by the Issuer may be less than the total investment, resulting in loss to the Issuer. Equity investments in real property may involve fixed costs in respect of mortgage payments, real estate taxes, and maintenance costs, which could adversely affect the Issuer's income.
4. **Yield** – The yields on real estate investments, including mortgages, depend on many factors including economic conditions and prevailing interest rates, the level of risk assumed, conditions in the real estate industry, opportunities for other types of investments, legislation, government regulation and tax laws. The Issuer cannot predict the effect that such factors will have on its operations.
5. **Competition** – The earnings of the Issuer depend on the Issuer's ability, with the assistance of the Manager, to locate suitable opportunities for the investment and re-investment of the Issuer's funds and on the yields available from time to time on mortgages and other investments. The investment industry in which the Issuer operates is subject to a wide variety of competition from private businesses in Canada and the United States, many of whom have greater financial and technical resources than the Issuer. Such competition, as well as any future competition, may adversely affect the

Issuer's success in the marketplace. There is no assurance that the Issuer will be able to successfully maintain its business plan or operate profitably.

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

## **Item 9        Reporting Obligations**

- 9.1    The Issuer is not a reporting issuer as that term is defined in applicable securities legislation, nor will it become a reporting issuer following the completion of the Offering. As a result the Issuer will not be subject to the continuous disclosure requirements of such securities legislation. However, Investors will receive quarterly statements reflecting their investment in the Issuer and quarterly dividend cheques, if applicable, and will receive yearly T5 tax returns for cash investment income.

The Issuer's fiscal years commence January 1 in each year and end December 31 of the same year. The Issuer will prepare financial statements for each fiscal year, and provide them to Investors upon request.

- 9.2    Corporate or securities information about the Issuer is available from the following website addresses:

1.      British Columbia Securities Commission – [www.bcsc.bc.ca](http://www.bcsc.bc.ca)
2.      Alberta Securities Commission – [www.albertasecurities.com](http://www.albertasecurities.com)
3.      Manitoba Securities Commission – [www.msc.gov.mb.ca](http://www.msc.gov.mb.ca)
4.      Ontario Securities Commission – [www.osc.gov.on.ca](http://www.osc.gov.on.ca) and
5.      Saskatchewan Financial Services Commission, Securities Division – [www.sfsc.gov.sk.ca](http://www.sfsc.gov.sk.ca)

## **Item 10       Resale Restrictions**

- 10.1   These securities 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.

- 10.2   Restricted Period - The Issuer is not:
- (a)    a reporting issuer in any Canadian province or territory, nor
  - (b)    a SEDAR filer and a reporting issuer in any Canadian province or territory.

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

The Issuer will not become a reporting issuer upon completion of this Offering, and does not currently anticipate becoming a reporting issuer. The resale restriction on the Shares may therefore never expire.

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

- a) the Issuer 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 twelve (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.

**Item 11 Purchasers' Rights**

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

- 1. **Two Day Cancellation Right** – You can cancel your agreement to purchase these securities. To do so you must send a notice to the Issuer by midnight on the 2<sup>nd</sup> business day after you sign the agreement to buy the securities.
- 2. **STATUTORY Rights of Action in Event of a Misrepresentation**

**Alberta Investors – Statutory Rights of Action in the Event of a Misrepresentation** – If there is a misrepresentation in this offering memorandum, you have a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy these securities, or
- (b) for damages against the Issuer.

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

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to buy the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and one (1) year after you signed the agreement to purchase the securities.

**Manitoba Investors – Statutory Rights of Action in the Event of a Misrepresentation** – If there is a misrepresentation in this offering memorandum, you have a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy these securities, or
- (b) for damages against the Issuer.

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

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

**Ontario Investors – Statutory Rights of Action in the Event of a**

**Misrepresentation** – If this Offering Memorandum, together with any amendment hereto, contains an untrue statement of a material fact or omits to state a material fact that is required to be stated or that is necessary in order to make any statement herein not misleading in light of the circumstances in which it was made (referred to herein as a “misrepresentation”), subject to the qualifications set forth below, you have a statutory right of action against the Issuer:

- (a) to cancel your agreement to buy these securities, or
- (b) sue for damages.

This statutory right of action is available to you whether or not you relied on the misrepresentation if such statement or omission was a misrepresentation at the time of your purchase of these securities. However, in an action for damages, the amount that you may recover will not exceed the price that you paid for your securities and will not include all or any part of the damages that the Issuer proves do not represent the depreciation in value of your securities as a result of the misrepresentation. The Issuer has a defence if it proves that you purchased the securities with knowledge of the misrepresentation.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement to buy the securities within 180 days of the date upon which you entered into such agreement. You must commence your action for damages no later than the earlier of (i) 180 days after you first received knowledge of the facts giving rise to the cause of action; and (ii) three (3) years after the date upon which you entered into the agreement to purchase the securities.

**Saskatchewan Investors – Statutory Rights of Action in the Event of a**

**Misrepresentation** – If there is a misrepresentation in this offering memorandum, you have a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy these securities, or
- (b) for damages against the Issuer.

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

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

3. **CONTRACTUAL Rights of Action in Event of a Misrepresentation**

**British Columbia Investors – Contractual Rights of Action in the Event of a Misrepresentation** – If there is a misrepresentation in this Offering Memorandum, you have a contractual right to sue the Issuer:

- (a) to cancel your agreement to buy these securities, or
- (b) for damages.

This contractual right to sue is available to you whether or not you relied on the misrepresentation. However, in an action for damages, the amount you may recover will not exceed the price that you paid for your securities and will not include any part of the damages that the Issuer proves does not represent the depreciation in value of the securities resulting from the misrepresentation. The Issuer has a defence if it proves that you knew of the misrepresentation when you purchased the securities.

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

**Item 12 Financial Statements**

# **FISGARD CAPITAL CORPORATION**

**DECEMBER 31, 2006**

## **CONTENTS**

<b>AUDITOR'S REPORT</b>	<b>Page</b>
<b>FINANCIAL STATEMENTS</b>	
Balance Sheet	1
Statement of Operations and Retained Earnings	2
Statement of Cash Flows	3
Notes to the Financial Statements	4

# FISGARD CAPITAL CORPORATION

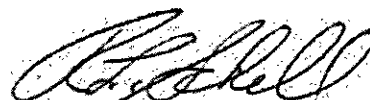
## AUDITOR'S REPORT

To the Directors of  
Fisgard Capital Corporation

I have audited the balance sheet of Fisgard Capital Corporation as at December 31, 2006 and the statements of operations and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2006 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Victoria, BC  
March 13, 2007

CERTIFIED GENERAL ACCOUNTANT

Schell & Associates  
204 -2840 Nanaimo Street  
Victoria, BC V8T 4W9

*Certified General Accountant*

1.

# FISGARD CAPITAL CORPORATION

## BALANCE SHEET

DECEMBER 31, 2006

### ASSETS

	<u>2006</u>	<u>2005</u>
<b>CURRENT</b>		
Cash and cash equivalents	\$ 6,260,880	\$ 2,790,455
Mortgage loans receivable (note 3)	119,319,612	89,335,872
Prepaid expenses	4,601	11,319
Large Corporation Tax recoverable	<u>147,000</u>	<u>-</u>
	<u>\$ 125,732,093</u>	<u>\$ 92,137,646</u>


### LIABILITIES

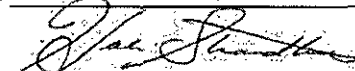
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 21,051	\$ 5,351
Interest on deposit	544,313	569,155
Large Corporation Tax payable (note 4)	4,350	141,074
Term Investment Contracts (note 5)	5,211,404	3,809,028
Loans payable (note 6)	2,836,223	4,544,342
Redeemable shares (note 7)	<u>117,114,272</u>	<u>83,068,216</u>
	<u>125,731,613</u>	<u>92,137,166</u>

### SHAREHOLDERS' EQUITY

<b>SHARE CAPITAL</b> (note 8)	<u>480</u>	<u>480</u>
	<u>\$ 125,732,093</u>	<u>\$ 92,137,646</u>

#### APPROVED ON BEHALF OF THE BOARD:

 Director

 Director

The accompanying notes are an integral part of these statements

Schell & Associates  
Certified General Accountant

2.

**FISGARD CAPITAL CORPORATION**  
**STATEMENT OF OPERATIONS AND RETAINED EARNINGS**  
**YEAR ENDED DECEMBER 31, 2006**

	<u>2006</u>	<u>2005</u>
<b>REVENUE</b>		
Interest on mortgage loans	\$ 13,736,818	\$ 9,703,323
Other revenue	<u>2,070,487</u>	<u>1,367,681</u>
	<u>15,807,305</u>	<u>11,071,004</u>
<b>EXPENDITURES</b>		
Dividends on redeemable shares	10,408,142	7,358,385
Financing costs	1,581,634	869,005
Large Corporation Tax	4,350	141,074
Management fees	2,101,234	1,483,297
Interest on loans payable	1,025,434	527,364
Office and administration	504,169	552,695
Professional fees	37,751	43,519
Provision for mortgages losses	<u>144,591</u>	<u>95,665</u>
	<u>15,807,305</u>	<u>11,071,004</u>
<b>NET EARNINGS, BEING</b>		
<b>RETAINED EARNINGS END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements

Schell & Associates  
*Certified General Accountant*

3.

# FISGARD CAPITAL CORPORATION

## STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2006

	<u>2006</u>	<u>2005</u>
<b>OPERATING ACTIVITIES</b>		
Cash provided by operations		
Net income	\$ -	\$ -
Net change in non-cash working capital		
Balances related to operations		
Prepaid expenses	6,717	(10,814)
Tax installments recoverable	(147,000)	-
Accounts payable and accrued liabilities	15,701	(28,089)
Dividends payable	-	(620,838)
Interest on deposits	(24,841)	459,780
Large Corporation Tax payable	(136,724)	141,074
Deferred administration charges	-	(103,659)
	<u>(286,147)</u>	<u>(162,546)</u>
<b>FINANCING ACTIVITIES</b>		
Increase in Term Investment Contracts	1,402,376	2,552,006
(Decrease) increase in loans	(1,708,119)	1,719,350
Redeemable shares subscribed	39,204,899	32,446,348
Redeemable shares redeemed	<u>(5,158,843)</u>	<u>(3,086,554)</u>
	<u>33,740,313</u>	<u>33,631,150</u>
<b>INVESTING ACTIVITIES</b>		
Mortgage loans	<u>(29,983,741)</u>	<u>(34,081,687)</u>
<b>INCREASE (DECREASE) IN CASH POSITION</b>	3,470,425	(613,083)
<b>CASH POSITION, beginning of year</b>	<u>2,790,455</u>	<u>3,403,538</u>
<b>CASH POSITION, end of year</b>	<u>\$ 6,260,880</u>	<u>\$ 2,790,455</u>

**CASH POSITION CONSISTS OF THE FOLLOWING:**

Cash	\$ 6,260,880	\$ 2,790,455
Cash equivalents	<u>-</u>	<u>-</u>
	<u>\$ 6,260,880</u>	<u>\$ 2,790,455</u>

The accompanying notes are an integral part of these statements

Schell & Associates  
*Certified General Accountant*

**FISGARD CAPITAL CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**1. PURPOSE OF THE ORGANIZATION:**

Fisgard Capital Corporation makes investments and operates its business at all times in such a manner as to qualify as a mortgage investment corporation ("MIC") under the provisions of the Canadian *Income Tax Act*. The company was originally incorporated under Canadian federal jurisdiction on May 17, 1994. It is now registered extra-provincially in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec. The company may also register extra provincially in the future to conduct business in other Canadian jurisdictions, as may be approved by the company's directors.

**2. SIGNIFICANT ACCOUNTING POLICIES:**

**(a) Investments:**

Investments are primarily in residential and construction mortgages in Canada, with maturity dates generally under one year. Mortgage loans receivable are carried at the unpaid principal amount less allowances for mortgage losses.

**(b) Revenue recognition:**

Interest income on loans is recorded using the accrual method. Accrued but uncollected interest is reversed whenever a loan is considered to have become impaired. A loan is classified as impaired generally when, in the opinion of management, there is reasonable doubt as to the collectability of principal or interest. Thereafter, interest income is recognized on a cash basis, only after any specific provisions or partial write-offs have been recovered and provided there is no further doubt as to the collectability of principal. Bonuses and premiums on placing mortgage funds are recognized into income when the mortgage is created and funded.

**(c) Income taxes:**

As a mortgage investment corporation under the Income Tax Act (Canada), the distribution of net investment income as dividends qualifies as a deduction for income tax purposes. Accordingly, no provision for income taxes has been recorded in these financial statements.

**(d) Distributions:**

Fisgard distributes all net investment receipts to shareholders quarterly, calculated to the last day of each quarter. All distributions are 100% participating, pro-rated to shareholders of record on the last business day of the quarter.

**(e) Market values:**

The carrying values of loans and other liabilities approximate fair value due to the relatively short-term nature of these financial instruments. Market values of mortgage investments are not practicably determinable.

**(f) Measurement uncertainty:**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates include revenue recognition and the collectability of mortgages. Actual results could differ from these estimates.

Schell & Associates  
*Certified General Accountant*

5.

**FISGARD CAPITAL CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**3. MORTGAGE LOANS RECEIVABLE:**

Mortgage loans receivable are carried at the unpaid principal amount less an allowance for mortgage losses of \$1,311,870 (2005 - \$906,035). A general allowance is based on a predetermined percentage of mortgage loans held at year-end. The rate for this allowance will be reviewed on a periodic basis and revised as deemed necessary, based on any payment arrears, known risks, historical mortgage loss and current economic conditions and trends. If any mortgage loans receivable are individually impaired, a specific allowance is made in addition to the general allowance.

At year-end approximately \$103,057,867 (2005 - \$76,238,047) of the mortgage loans receivable are residential and \$16,021,890 (2005 - \$14,003,860) are commercial. The value of mortgage loans receivable pledged as collateral for loans is \$2,836,223 (2005 - \$4,544,342).

**4. LARGE CORPORATION TAX PAYABLE:**

A large corporations Part 1.3 tax is levied on the taxable capital employed in Canada on all large corporations. This tax has been phased out this year in the Federal budget, but is still calculated in some of the provinces. The current year provision is \$4,350 (2005 - \$58,866).

**5. TERM INVESTMENT CONTRACTS:**

Term Investment Contracts bear interest rates ranging from 7% to 10%, compounded annually. The terms of the notes vary.

**6. LOANS PAYABLE:**

Loan payables bear interest at rates ranging from 7% to 10% and may be repaid in full or in part at any time. The terms of the loans vary; however, most of the loan terms expire within one year. Each loan relates to a specific property or properties on which the company holds a mortgage receivable. The company has pledged, as collateral, its interest in the respective mortgage or mortgages receivable for each loan.

**7. REDEEMABLE SHARES:**

The company has authorized share capital of 400,000,000 of Class B and F, non-voting, participating redeemable shares which have been issued as follows:

	<u>2006</u>	<u>2005</u>
84,761,963 (2005 - 55,548,180) Class B common shares	\$ 84,761,963	\$ 55,548,180
32,352,308 (2005 - 27,520,037) Class F common shares	<u>32,352,309</u>	<u>27,520,037</u>
	<u>\$ 117,114,272</u>	<u>\$ 83,068,217</u>

The Class B shares are redeemable after five years and Class F after one year, from the end of the quarter of the date of issue, at a price equal to their original issue amounts plus the amount of dividends declared and unpaid

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**FISGARD CAPITAL CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

and a pro-rata share of retained earnings at the time notice of redemption is received. During the year the following share transactions occurred at the issue/redemption price of \$1 per share:

	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2005</u>
	<u>Subscriptions</u>	<u>Redemptions</u>	<u>Subscriptions</u>	<u>Redemptions</u>
Class B common	\$ 29,901,909	\$ 688,125	\$ 20,072,046	\$ 20,000
Class F common	\$ 9,302,990	\$ 4,470,718	\$ 12,374,301	\$ 3,066,554

The company follows the Canadian Institute of Chartered Accountants recommendations for accounting for financial instruments, whereby issued share capital which has attributes of a financial liability, is presented as such.

**8. SHARE CAPITAL:**

Authorized:

Unlimited Class A common shares, voting, participating, with no par value

	<u>2006</u>	<u>2005</u>
Issued and outstanding:		
480 Class A common shares	\$ <u>480</u>	\$ <u>480</u>

**9. CREDIT AND CONCENTRATION RISK:**

Credit risk is the risk that the company will incur a loss because a borrower fails to meet an obligation. Several risk management policies have been implemented by the company management. The fundamental principle that is followed when considering mortgages is "equity", thus the company can be classified as an equity lender. Other policies include the evaluation of the borrower's credit worthiness and ability to repay the mortgage when it is originally granted or subsequently renewed; and regular monitoring of borrower information such as delinquent and overdue accounts. The company's mortgages receivable are concentrated in the British Columbia and Alberta residential construction industry. The housing industry can sometimes be subject to cyclical fluctuations affecting the borrower's ability to repay the mortgage.

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*Certified General Accountant*

7.

**FISGARD CAPITAL CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**10. RELATED PARTY TRANSACTIONS:**

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

Directors, officers and related family members who have investments in the company received \$107,201 (2005 - \$90,659) in dividend income. Employees who also have investments in the company received \$6,586 (2005 - \$6,335) in dividend income. In all cases the dividends received were based on the same criteria as all other investors holding the same class of shares in the company.

Under the terms of an agreement between the company and Fisgard Asset Management Corporation (FAMC), the company is to pay an annual fee of 1.8% (2005 - 1.8%) of the sum of outstanding shares and borrowings for management and administrative services provided. The fee is based on the sum of outstanding shares and borrowings as of the first day of each month, payable on the last day of the month and totaled \$2,096,774 (2005 - \$1,409,082) for the year. The company cost-shares certain other services with FAMC in relation to its level of business activity. A significant shareholder of the company owns and controls FAMC. Honorariums of \$NIL (2005 - \$74,215) were also paid to directors of the company.

Under the terms of a trademark license agreement between the company and Strandlund Investments Ltd., the company is to pay an annual fee amounting to 0.15% (2005 - 0.15%) of the sum of the outstanding shares and borrowings. The annual fee is expensed monthly based on the sum of the outstanding shares and borrowings as of the first day of each month, payable on the last day of the month and totaled \$168,012 (2005- \$113,853).

From time to time, at the discretion of management and in accordance with the company's offering memorandum, the company may pay referral fees to senior officers, directors and employees of the company or the manager, FAMC. During the year, FAMC received referral fees of \$1,581,634 (2005 - \$692,237).

Schell & Associates  
*Certified General Accountant*

8.

**Item 13**

**Date and Certificate of the Issuer**

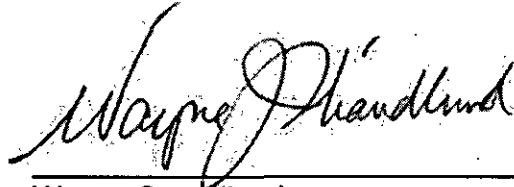
Dated the 31<sup>st</sup> day of March, 2007.

**This Offering Memorandum does not contain a misrepresentation.**

**FISGARD CAPITAL CORPORATION**



Hali Strandlund  
President and CEO



Wayne Strandlund  
Director and Promoter



Rafer Strandlund  
Director

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

## SCHEDULE A – SUBSCRIPTION AGREEMENT

**TO: FISGARD CAPITAL CORPORATION**  
 3378 Douglas Street  
 Victoria BC V8Z 3L3  
 (the "Issuer")

The undersigned (the "Purchaser", "Investor" or the "Subscriber") hereby subscribes for

No. of Shares	Class of Shares	Subscription Price of Shares (@ \$1.00 Each)	Retractable By Investor*
_____	Class B	\$_____	Five (5) years from last day of quarter in which Shares are issued, namely on _____, 201__.
_____	Class F	\$_____	One (1) year from last day of quarter in which Shares are issued, namely on _____, 200__.
Total Shares: _____	-	Total Subscription Price:  \$_____	*If the Investor does not provide the Issuer with the appropriate notice of retraction, the right of retraction is suspended until an additional time period has elapsed. Refer to the Offering Memorandum at "Retraction Rights" **The Issuer will fill in the appropriate date, once it is known when the Shares will be issued.

pursuant to the Offering Memorandum of the Issuer dated March 31, 2007 that may be amended from time to time (the "Offering Memorandum"), receipt of a copy of which is hereby acknowledged. Unless otherwise defined in this Subscription Agreement, all of its capitalized terms have the same meaning as defined in the Offering Memorandum.

The undersigned herewith tenders to the Issuer the subscription price in the amount of \$1.00 per Share (the "Subscription Price") by way of cheque or bank draft payable to Fisgard Capital Corporation.

Under the Issuer's current policy Investors can elect to receive dividends either in cash or as "Share Dividends." When paying a Share Dividend, rather than paying the dividend in cash, the Issuer "pays" the dividend by issuing Shares to the Investor of the same Class of Shares on which the dividend is being paid (the "Dividend Shares"). Dividend Shares will be issued at the price of \$1.00 per Dividend Share or such other price per Dividend Share as the Issuer gives Investors not less than ninety (90) days prior written notice of. Investors may change their election as to cash or Share Dividends by giving the Issuer notice of their election change not less than sixty (60) days before the change in election is to take effect. For Dividend Shares the Retraction Date will be deemed to be the same date as the Retraction Date of the Shares originally subscribed and which gave rise to the Dividend Shares. The Issuer reserves the right to amend or cancel its policy regarding Share Dividends.

**The Investor hereby elects to receive dividends by way of the following type of dividends (i.e. either cash or Share Dividends) in respect of the following Class(es) of Shares (place an "X" on the appropriate line[s]):**

Class of Shares	Cash Dividend Election	Share Dividend Election
B	_____	_____
F	_____	_____

The Purchaser acknowledges and agrees that:

- (1) this subscription is subject to acceptance by the Issuer and to certain other conditions set forth in the Offering Memorandum; and
- (2) this subscription is given for valuable consideration, and is irrevocable.

**The Purchaser acknowledges, represents, warrants and declares that, as at the date of this Agreement and at the Closing, that:**

- (a) no prospectus has been filed by the Issuer with any securities regulatory authority (the "Commission") in connection with the issuance of the Shares, the issuance is exempted from the prospectus requirement of the securities acts in all of the Provinces and Territories in Canada, (the "Act") or any regulations (the "Regulations") and rules (the "Rules") promulgated pursuant to the Act, and that:
  - (i) the Purchaser is restricted from using most of the civil remedies available under the Act, Regulations and Rules;
  - (ii) the Purchaser may not receive information that would otherwise be required to be provided to the Purchaser under the Act, Regulations and Rules; and
  - (iii) the Issuer is relieved from certain obligations that would otherwise apply under the Act, Regulations and Rules;
- (b) the Purchaser has received and reviewed a copy of the Offering Memorandum;
- (c) if the Purchaser is a resident of Alberta, Saskatchewan, Manitoba, Quebec, Prince Edward Island, Nunavut or the Northwest Territories, and if the Subscription Price is greater than \$10,000, the Purchaser is an "eligible investor" as defined in the Act, Regulations and Rules, a copy of which definition is attached to this Subscription Agreement;
- (d) if an individual, the Purchaser has attained the age of majority and has the legal capacity and competence to execute this Subscription Agreement and to take all actions required pursuant hereto;
- (e) if a corporation or body corporate, the Purchaser is duly incorporated and validly subsisting and has the legal capacity and competence to execute this subscription form and to take all action required pursuant hereto, and all necessary approvals by its directors, unit holders and members, or otherwise, have been given to authorize it to execute this subscription form and to take all actions required pursuant hereto;
- (f) the Purchaser is a resident of that Province or Territory set out below and therefore a "resident" of Canada as that term is defined in the *Income Tax Act* (Canada);
- (g) no advice was given by, or sought by the undersigned from, the Issuer or Manager or any of their officers, directors, employees or agents, as to the merits of an investment in Shares of the Issuer;
- (h) the Purchaser is purchasing the Shares as principal and no other person, corporation, firm or other organization will have a beneficial interest in the Shares, except if the Purchaser is a "portfolio manager" as defined in the Act, the Purchaser is deemed by the Act to be acting as principal when it purchases or sells as an agent for accounts that are fully managed by it;
- (i) other than as provided for in the Offering Memorandum, no person has made the Purchaser any written or oral representations:
  - (i) that any person will resell or repurchase the Shares;

- (ii) that any person will refund the subscription price of Shares;
  - (iii) as to the future price or value of Shares; or
  - (iv) that the Issuer or the Shares will be listed and posted for trading on a stock exchange or that application has been made to list and post the Shares for trading on a stock exchange;
- (j) the Purchaser is aware of the characteristics of the Shares and of their speculative nature;
  - (k) the Purchaser is familiar with the aims and objectives of the Issuer, and has been informed of the nature of its activities;
  - (l) the Purchaser has been informed of the proposed use of the proceeds of the distribution of this offering of the Shares;
  - (m) neither the Issuer nor any director of the Issuer has made any representation about the present or future value of the Shares, and, in completing this subscription for Shares, he or it may rely solely on the representations directly set out in this Subscription Agreement;
  - (n) the Purchaser has sought and obtained competent independent advice regarding the purchase and resale of the Shares under the Act, Regulations and Rules, and any other applicable securities laws;
  - (o) the entering into of this Subscription Agreement and the transactions contemplated hereby will not result in the violation of any of the terms and provisions of any law applicable to the Purchaser or of any agreement, written or oral, to which the Purchaser may be a party or by which the Purchaser is or may be bound; and
  - (p) this Subscription Agreement has been duly executed and delivered by the Purchaser and constitutes a valid legally binding obligation that is enforceable against the Purchaser in accordance with its terms.

The Purchaser hereby ratifies and confirms those Agreements referred to in the Offering Memorandum as Material Contracts entered into, or to be entered into, by the Issuer. The Purchaser also acknowledges, ratifies, and confirms that the Issuer may pay a commission to the Issuer's and the Manager's directors, officers, and senior employees for their facilitation of the sale of Shares under the Offering Memorandum, and that such commissions do not represent a breach of the directors', officers', or senior employees' fiduciary duties.

**The Purchaser acknowledges that:**

1. the Shares are being purchased for investment purposes only and not with a view to resale or distribution;
2. the Issuer is not presently, and does not anticipate becoming, a reporting issuer as defined in the Act;
3. unless the Purchaser is otherwise exempted under the Act, Regulations or the Rules, the Purchaser will be required to hold the Shares until the Issuer becomes a "reporting issuer" as defined in the Act, Regulations and Rules, and once the Issuer becomes a reporting issuer the Shares will be subject to statutory holding periods for four (4) months (12 months in Manitoba). There is no assurance that the Issuer will become a reporting issuer;
4. there is no market for the Shares, and that none will exist on completion of the Issuer's offering, and that transfer and resale of the Shares is subject to the transfer restrictions set forth in the Issuer's Articles;

5. participation in the Issuer is subject to the acceptance of this Subscription Agreement by the Issuer and to certain other conditions set forth in the Offering Memorandum and the Issuer's Articles;
6. this subscription and all monies tendered herewith, without interest thereon, shall be returned to the undersigned at the address below if this Subscription is not accepted by the Issuer;
7. upon acceptance of the undersigned's subscription the Issuer will enter the undersigned into the Issuer's Register of Members evidencing the undersigned's ownership of Shares;
8. in consideration of the Issuer accepting the Subscription of the undersigned and conditional thereon, the undersigned:
  - (a) acknowledges that no securities regulatory authority or similar authority has passed upon the merits of the Offering Memorandum;
  - (b) acknowledges that there are substantial risks inherent in the Issuer's business of carrying out the activities of a company qualified as a Mortgage Investment Corporation under the *Income Tax Act* (Canada);
  - (c) hereby irrevocably nominates, constitutes and appoints the President of the Issuer with full power of substitution as his true and lawful attorney and agent, with full power and authority in his name, place and stead, and for his use and benefit to do the following:
    - (i) while the Issuer is a non-reporting issuer, sign all required waivers under the Company Act of British Columbia waiving his right to subscribe for a pro-rata portion of any Shares to be allotted after the allotment and issuance of the Shares being subscribed for in this Agreement;
    - (ii) sign any pooling or escrow agreement or other similar or related documents in respect of the Shares subscribed for, as required by the Commission or any other regulatory authority having jurisdiction over the affairs of the Issuer;

This power of attorney is irrevocable, is a power coupled with an interest, shall survive the death, disability, incapacity, insolvency or other legal incapacity of the undersigned and shall survive the assignment by the undersigned of the whole or any part of the interest of the undersigned in the Issuer, and extends to the heirs, executors, administrators, successors, and assigns of the undersigned;
9. the Purchaser has had an opportunity to ask and have answered any and all questions with respect to the business and affairs of the Issuer, the Manager, the Shares and his Subscription for Shares;
10. if required by applicable securities laws the undersigned will execute and file, or assist the Issuer in filing, and hereby agrees that the Issuer may file, such reports, undertakings and other documents with respect to the transaction provided for in this Subscription Agreement as may be required by any securities regulatory authority or other regulatory authority within the applicable time periods;
11. the undersigned covenants that by accepting the Shares at the Closing he will be representing and warranting that the foregoing representations and warranties are true as at the Closing as if the undersigned had made them at that time;
12. the covenants, representations and warranties contained herein shall survive the completion of the transaction provided for herein and shall continue in full force and effect; and
13. this subscription is governed by the laws of the Province of British Columbia.

The contractual rights of action granted to the Subscriber pursuant to the Offering Memorandum of the Issuer are incorporated herein by reference and are contractually granted to the Subscriber by the Issuer.

Dated at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Witness to Signature of Subscriber

\_\_\_\_\_  
Signature of Subscriber

\_\_\_\_\_  
Name of Witness (please print)

\_\_\_\_\_  
Signature of Subscriber

\$ \_\_\_\_\_ Cash

\_\_\_\_\_  
Name of Subscriber(s) (please print)

\$ \_\_\_\_\_ Contribution

\$ \_\_\_\_\_ Purchase

\_\_\_\_\_  
Address of Subscriber

\$ \_\_\_\_\_ RESP

\$ \_\_\_\_\_ **Total**

\_\_\_\_\_  
Social Insurance Number

\_\_\_\_\_  
Registered Account Number

\_\_\_\_\_  
Social Insurance Number

\_\_\_\_\_  
Trustee

\_\_\_\_\_  
Telephone (home):

RRSP / SPRRSP / RRIF / LIF / LRIF / LIRA / IPP / RESP

\_\_\_\_\_  
Telephone (work):

\_\_\_\_\_  
Fisgard Account Number

\_\_\_\_\_  
Fax:

\_\_\_\_\_  
Email Address:

\_\_\_\_\_  
Certificate Number(s)

\_\_\_\_\_  
Name of Agent Firm

**NOTES:**

\_\_\_\_\_  
Name of Representative

**For Completion by the Issuer:**

This subscription is accepted at Victoria, British Columbia by the Issuer, and the Issuer hereby acknowledges receipt of the Subscription Price for \_\_\_\_\_ Shares this \_\_\_\_\_ day of \_\_\_\_\_ 200\_\_.

**FISGARD CAPITAL CORPORATION**

Per: \_\_\_\_\_

Authorized Signing Officer

FORM 45-106F4  
**Risk Acknowledgement**

I acknowledge that this is a risky investment:

- I am investing entirely at my own risk.
- No securities regulatory authority has evaluated or endorsed the merits of these securities or the disclosure in the offering memorandum.
- The person selling me these securities is not registered with a securities regulatory authority and has no duty to tell me whether this investment is suitable for me.
- I will not be able to sell these securities except in very limited circumstances.
- I may never be able to sell these securities.
- I could lose all the money I invest.

**W  
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G**

I am investing \$\_\_\_\_\_ [total consideration] in total; this includes any amount I am obliged to pay in future. Fisgard Capital Corporation will pay \$\_\_\_\_\_ of this to \_\_\_\_\_ as a fee or commission.

**I acknowledge that this is a risky investment and that I could lose all the money I invest.**

\_\_\_\_\_  
Signature of Purchaser

\_\_\_\_\_  
Signature of Purchaser

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print name of Purchaser

Sign 2 copies of this document. Keep 1 copy for your records.

**You have 2 business days to cancel your purchase**

To do so, send a notice to Fisgard Capital Corporation stating that you want to cancel your purchase. You must send the notice before midnight on the 2nd business day after you sign the agreement to purchase the securities. You can send the notice by fax or email or deliver it in person to Fisgard Capital Corporation at its business address. Keep a copy of the Notice for your records.

**Fisgard Capital Corporation**

3378 Douglas Street

Victoria, BC V8Z 3L3

Phone: (250) 382-9255 or 1-866-382-9255

Investor Fax: (250) 382-9295 or 1-866-384-1498

Email: [info@fisgard.com](mailto:info@fisgard.com)



*[Instruction: The purchaser must sign 2 copies of this form. The purchaser and the issuer must each receive a signed copy.]*

## **You are buying *Exempt Market Securities***

They are called *exempt market securities* because two parts of securities law do not apply to them. If an issuer wants to sell *exempt market securities* to you:

- the issuer does not have to give you a prospectus (a document that describes the investment in detail and gives you some legal protections), and
- the securities do not have to be sold by an investment dealer registered with a securities regulatory authority.

There are restrictions on your ability to resell *exempt market securities*. *Exempt market securities* are more risky than other securities.

## **You will receive an Offering Memorandum**

Read the Offering Memorandum carefully because it has important information about the Issuer and its securities. Keep the Offering Memorandum because you have rights based on it. Talk to a lawyer for details about these rights.

## **You will not receive advice**

You will not get professional advice about whether the investment is suitable for you. But you can still seek that advice from an adviser or investment dealer. In Alberta, Manitoba, Northwest Territories, Prince Edward Island, Quebec and Saskatchewan, to qualify as an eligible investor, you may be required to obtain that advice. Contact the Investment Dealers Association of Canada (website at [www.ida.ca](http://www.ida.ca)) for a list of registered investment dealers in your area.

## **The securities you are buying are not listed**

The securities you are buying are not listed on any stock exchange, and they may never be listed. You may never be able to sell these securities.

## **The Issuer of your securities is a non-reporting Issuer**

A *non-reporting issuer* does not have to publish financial information or notify the public of changes in its business. You will not receive ongoing information about this issuer.

For more information on the *exempt market*, contact your local securities Commission.

*British Columbia Securities Commission*  
701 West Georgia Street  
Vancouver, BC V7Y 1L2  
Tel: (604) 899-6500  
Fax: (604) 899-6506  
Toll free (BC & AB): 1-800-373-6393  
Website: [www.bcsc.bc.ca](http://www.bcsc.bc.ca)

*Alberta Securities Commission*  
4th Floor, 300 – 5th Avenue SW  
Calgary, AB T2P 3C4  
Tel: (403) 297-6454  
Fax: (403) 297-6156  
Website: [www.albertasecurities.com](http://www.albertasecurities.com)

*Saskatchewan Financial Services Commission*  
6th Floor 1919 Saskatchewan Drive  
Regina, SK S4P 3V7  
Tel: (306) 787-5645  
Fax: (306) 787-5899  
Website: [www.sfsc.gov.sk.ca](http://www.sfsc.gov.sk.ca)

*Manitoba Securities Commission*  
500 - 400 St. Mary Avenue  
Winnipeg, MB R3C 4K5  
Tel: (204) 945-2548  
Fax: (204) 945-0330  
Website: [www.msc.gov.mb.ca](http://www.msc.gov.mb.ca)  
Inquiries: [securities@gov.mb.ca](mailto:securities@gov.mb.ca)

*Ontario Securities Commission*  
Box 55  
Suite 1903 – 20 Queen Street West  
Toronto, ON M5H 3S8  
Tel: (416) 593-8314  
Toll Free (Ontario): 1-877-785-1555  
Fax: (416) 593-8122  
Website: [www.osc.gov.on.ca](http://www.osc.gov.on.ca)  
Inquiries: [Inquiries@osc.gov.on.ca](mailto:Inquiries@osc.gov.on.ca)

*Autorité des marchés financiers*  
800, Square Victoria, 22e étage  
CP 246, Tour de la Bourse  
Montréal, QC H4Z 1G3  
Tel Montréal: (514) 395-0337  
Tel Québec: (418) 525-0337  
Toll Free: 1-877 525-0337  
Fax: (514) 873-3090  
WebSite: [www.lautorite.qc.ca](http://www.lautorite.qc.ca)

*Nova Scotia Securities Commission*  
Joseph Howe Building  
2<sup>nd</sup> Floor, 1690 Hollis Street  
PO Box 458  
Halifax, NS B3J 2P8  
Tel: (902) 424-7768  
Fax: (902) 424-4625  
Website: [www.gov.ns.ca/nssc](http://www.gov.ns.ca/nssc)

*New Brunswick Securities Commission*  
606 – 133 Prince William Street  
Saint John, NB E2L 2B5  
Tel: (506) 658-3060  
Fax: (506) 658-3059  
Website: [www.nbsc-cvmnb.ca](http://www.nbsc-cvmnb.ca)  
Inquiries: [information@nbsc-cvmnb.ca](mailto:information@nbsc-cvmnb.ca)

*Department of Government Services*  
Consumer & Commercial Affairs Branch  
2nd Floor, West Block  
Confederation Building  
PO Box 8700  
St. John's, NL A1B 4J6  
Tel: (709) 729-4189  
Fax: (709) 729-6187  
Website: [www.gov.nl.ca/gs](http://www.gov.nl.ca/gs)

*Securities Office*  
Consumer, Corporate and Insurance Services  
Division  
Office of the Attorney General  
95 Rochford Street  
PO Box 2000  
Charlottetown, PE C1A 7N8  
Tel: (902) 368-4569  
Fax: (902) 368-5283  
Website: [www.gov.pe.ca/securities](http://www.gov.pe.ca/securities)

*Registrar of Securities*  
Legal Registries Division  
Department of Justice  
Government of the Northwest Territories  
1st Floor Stuart M. Hodgson Building  
5009 – 49<sup>th</sup> Street  
PO Box 1320  
Yellowknife, NT X1A 2L9  
Tel: (867) 920-3318  
Fax: (867) 873-0243  
Website: [www.justice.gov.nt.ca/SecuritiesRegistry/SecuritiesRegistry.htm](http://www.justice.gov.nt.ca/SecuritiesRegistry/SecuritiesRegistry.htm)

*Registrar of Securities*  
Corporate Affairs C-6  
Community Services  
PO Box 2703  
Whitehorse, YT Y1A 3C6  
Courier: 2130 Second Avenue, 3rd Floor  
Whitehorse, YT Y1A 5H6  
Tel: (867) 667-5225  
Fax: (867) 393-6251

*Registrar of Securities*  
Legal Registries Division  
Department of Justice  
Government of Nunavut  
1st Floor, Brown Building  
PO Box 1000 – Station 570  
Iqaluit, NU X0A 0H0  
Tel: (867) 975-6590  
Fax: (867) 975-6594

**For Alberta, Saskatchewan, Manitoba, Quebec, Prince Edward Island, Nunavut and Northwest Territories residents only:**

**“eligible investor”** means:

- (i) a person or company whose:
  - (a) net assets, alone or with a spouse, exceed \$400,000;
  - (b) net income before taxes exceeded \$75,000 in each of the two (2) most recent years, and who reasonably expects to exceed that income level in the current year; or
  - (c) *net income before taxes combined with that of a spouse exceeded \$125,000 in each of the two (2) most recent years, and who reasonably expects to exceed that income level in the current year.*
- (ii) a person or company of which a majority of the voting securities are beneficially owned by eligible investors or a majority of the directors are eligible investors;
- (iii) a general partnership in which all of the partners are eligible investors;
- (iv) a limited partnership in which the majority of the general partners are eligible investors;
- (v) a trust or estate in which all of the beneficiaries or a majority of the trustees are eligible investors;
- (vi) an accredited investor; or
- (vii) a person or company that has obtained advice regarding the suitability of the investment and, if the person or company is in a jurisdiction of Canada, that advice has been obtained from an investment dealer, securities dealer or their equivalent, registered under the securities legislation of the jurisdiction.

## SCHEDULE B – SUBSCRIPTION AGREEMENT (ONTARIO)

**TO: FISGARD CAPITAL CORPORATION**  
 3378 Douglas Street  
 Victoria BC V8Z 3L3  
 (the "Issuer")

The undersigned (the "Purchaser", "Investor" or the "Subscriber") hereby subscribes for the following securities of the Issuer (the "Shares")

No. of Shares	Class of Shares	Subscription Price of Shares (@ \$1.00 Each)	Retractable By Investor*
_____	Class B	\$ _____	Five (5) years from last day of quarter in which Shares are issued, namely on _____, 201____. **
_____	Class F	\$ _____	One (1) year from last day of quarter in which Shares are issued, namely on _____, 200____. **
Total Shares:  _____		Total Subscription Price:  \$ _____	*If the Investor does not provide the Issuer with the appropriate notice of retraction the right of retraction is suspended until an additional time period has elapsed. Refer to Schedule A attached for "Retraction Rights" **The Issuer will fill in the appropriate date, once it is known when the Shares will be issued.

The undersigned tenders herewith to the Issuer the subscription price in the amount of \$1.00 per Share (the "Subscription Price") by way of cheque or bank draft payable to Fisgard Capital Corporation.

Under the Issuer's current policy Investors can elect to receive dividends either in cash or as "Share Dividends". When paying a Share Dividend, rather than paying the dividend in cash, the Issuer "pays" the dividend by issuing Shares to the Investor of the same Class of Shares on which the dividend is being paid (the "Dividend Shares"). Dividend Shares will be issued at the price of \$1.00 per Dividend Share, or such other price per Dividend Share as the Issuer gives Investors not less than ninety (90) days prior written notice of. Investors may change their election as to cash or Share Dividends by giving the Issuer notice of their election change not less than sixty (60) days before the change in election is to take effect. For Dividend Shares the Retraction Date will be deemed to be the same date as the Retraction Date of the Shares originally subscribed and which gave rise to the Dividend Shares. The Issuer reserves the right to amend or cancel its policy regarding Share Dividends.

The Investor hereby elects to receive dividends by way of the following type of dividends (i.e., either cash or Share Dividends) in respect of the following Class(es) of Shares (place an "X" on the appropriate line(s)):

Class of Shares	Cash Dividend Election	Share Dividend Election
B	_____	_____
F	_____	_____

The Purchaser acknowledges and agrees that:

- (1) this subscription is subject to acceptance by the Issuer and to certain other conditions set forth in this Subscription Agreement; and
- (2) this subscription is given for valuable consideration, and is irrevocable.

**The Purchaser acknowledges, represents, warrants and declares that, as at the date of this Agreement and at the Closing, that:**

- (a) no prospectus has been filed by the Issuer with the Ontario Securities Commission (the "Commission") in connection with the issuance of the Shares, the issuance of the Shares is exempted from the prospectus requirement of the *Securities Act* (Ontario) (the "Act") and the regulations (the "Regulations") and rules (the "Rules") promulgated pursuant to the Act, and that:
  - (i) the Purchaser is restricted from using most of the civil remedies available under the Act, Regulations and Rules;
  - (ii) the Purchaser may not receive information that would otherwise be required to be provided to the Purchaser under the Act, Regulations and Rules; and
  - (iii) the Issuer is relieved from certain obligations that would otherwise apply under the Act, Regulations and Rules;
- (b) the Purchaser is an "accredited investor" as defined in Ontario Securities Commission Rule 45-501-Exempt Distributions ("Rule 45-501"), a copy of which definition is attached as Schedule B to this Subscription Agreement, and has confirmed such status by initialing the appropriate category of "accredited investor" in Schedule B that applies to the Purchaser, and signing Schedule B;
- (c) if an individual, the Purchaser has attained the age of majority and has the legal capacity and competence to execute this Subscription Agreement and to take all actions required pursuant hereto;
- (d) if a corporation or body corporate, the Purchaser is duly incorporated and validly subsisting and has the legal capacity and authority to execute this Subscription Agreement and to take all action required pursuant hereto, and all necessary approvals by its directors, unit holders and members, or otherwise, have been given to authorize it to execute this Subscription Agreement and to take all actions required pursuant hereto;
- (e) the Purchaser is a resident of Ontario and therefore a "resident" of Canada as that term is defined in the *Income Tax Act* (Canada);
- (f) no advice was given by, or sought by the undersigned from, the Issuer or any of its officers, directors, employees or agents, as to the merits of an investment in Shares of the Issuer;
- (g) the Purchaser is purchasing the Shares as principal, and no other person, corporation, firm or other organization will have a beneficial interest in the Shares, except if the Purchaser is a managed account as defined in Rule 45-501;
- (h) no person has made the Purchaser any written or oral representations:
  - (i) that any person will resell or repurchase the Shares;
  - (ii) that any person will refund the subscription price of Shares;
  - (iii) as to the future price or value of Shares; or

- (iv) that the Issuer or the Shares will be listed and posted for trading on a stock exchange or that application has been made to list and post the Shares for trading on a stock exchange;
- (i) the Purchaser is aware of the characteristics of the Shares and of their speculative nature;
- (j) the Purchaser is familiar with the aims and objectives of the Issuer, and has been informed of the nature of its activities;
- (k) the Purchaser has been informed of the proposed use of the proceeds of the distribution of this offering of the Shares;
- (l) neither the Issuer nor any director of the Issuer has made any representation about the present or future value of the Shares and, in completing this subscription for Shares, he or it may rely solely on the representations directly set out in this Subscription Agreement;
- (m) the Purchaser has sought and obtained competent independent advice regarding the purchase and resale of the Shares under the Act, Regulations and Rules, and any other applicable securities laws;
- (n) the entering into of this Subscription Agreement and the transactions contemplated hereby will not result in the violation of any of the terms and provisions of any law applicable to, or the constating documents of, the Purchaser or of any agreement, written or oral, to which the Purchaser may be a party or by which the Purchaser is or may be bound; and
- (o) this Subscription Agreement has been duly executed and delivered by the Purchaser and constitutes a valid obligation for the Purchaser legally binding upon the Purchaser and enforceable against the Purchaser in accordance with its terms.

The Purchaser hereby acknowledges, ratifies, and confirms that the Issuer may pay a commission to the Issuer's directors, officers and senior employees in respect of their facilitation of the sale of Shares and that such commissions do not represent a breach of the directors', officers', or senior employees' fiduciary duties.

**The Purchaser acknowledges that:**

1. the Shares are being purchased for investment purposes only and not with a view to resale or distribution;
2. the Issuer is not presently, and does not anticipate becoming, a reporting issuer as defined in the Act;
3. unless the Purchaser is otherwise exempted under the Act, Regulations or the Rules, the Purchaser will be required to hold the Shares until the Issuer becomes a "reporting issuer" (as defined in the Act) in Ontario, and once the Issuer becomes a reporting issuer the Shares will be subject to statutory holding periods for up to twelve (12) months. There is no assurance that the Issuer will become a reporting issuer;
4. there is no market for the Shares, and that none will exist on completion of the Issuer's offering, and that, in addition to restrictions on transfer under the Act, Regulations and the Rules, transfer and resale of the Shares is subject to the transfer restrictions set forth in the Issuer's Articles;
5. participation in the offering is subject to the acceptance of this Subscription Agreement by the Issuer and to certain other conditions set forth in the Issuer's Articles;
6. this subscription and all monies tendered herewith, without interest thereon, shall be returned to the undersigned at the address below if this Subscription is not accepted by the Issuer;

7. upon acceptance of the undersigned's subscription the Issuer will enter the undersigned into the Issuer's Register of Members, evidencing the undersigned's ownership of Shares;
8. in consideration of the Issuer accepting the Subscription of the undersigned and conditional thereon, the undersigned:
  - (a) acknowledges that no securities regulatory authority or similar authority has passed upon the merits of the Issuer's offering;
  - (b) acknowledges that there are substantial risks inherent in the Issuer's business of carrying out the activities of a company qualified as a Mortgage Investment Corporation under the *Income Tax Act* (Canada);
  - (c) hereby irrevocably nominates, constitutes and appoints the President of the Issuer with full power of substitution as his true and lawful attorney and agent, with full power and authority in his name, place and stead, and for his use and benefit to do the following:
    - (iii) while the Issuer is a non-reporting issuer, sign all required waivers under the Company Act of British Columbia, waiving his right to subscribe for a pro-rata portion of any Shares to be allotted after the allotment and issuance of the Shares being subscribed for in this Agreement;
    - (iv) sign any pooling or escrow agreement or other similar or related documents in respect of the Shares subscribed for, as required by the Commission or any other regulatory authority having jurisdiction over the affairs of the Issuer;
9. the Purchaser has had an opportunity to ask and have answered any and all questions with respect to the business and affairs of the Issuer, the Shares, and his Subscription for Shares;
10. If required by applicable securities laws the undersigned will execute and file, or assist the Issuer in filing, and hereby agrees that the Issuer may file, such reports, undertakings and other documents with respect to the transaction provided for in this Subscription Agreement as may be required by any securities commission or other regulatory authority within the applicable time periods;
11. the undersigned covenants that by accepting the Shares at the Closing he will be representing and warranting that the foregoing representations and warranties are true as at the Closing as if the undersigned had made them at that time;
12. the covenants, representations and warranties contained herein shall survive the completion of the transaction provided for herein and shall continue in full force and effect; and
13. this subscription is governed by the laws of the Province of British Columbia and Ontario.

Dated at \_\_\_\_\_, \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_.

\_\_\_\_\_  
Witness to Signature of Subscriber

\_\_\_\_\_  
Signature of Subscriber

\_\_\_\_\_  
Name of Witness (please print)

\_\_\_\_\_  
Signature of Subscriber

\$ \_\_\_\_\_ Cash

\_\_\_\_\_  
Name of Subscriber(s) (please print)

\$ \_\_\_\_\_ Contribution

\$ \_\_\_\_\_ Purchase

\_\_\_\_\_  
Address of Subscriber

\$ \_\_\_\_\_ RESP

\$ \_\_\_\_\_ Total

\_\_\_\_\_  
Social Insurance Number

\_\_\_\_\_  
Registered Account Number

\_\_\_\_\_  
Social Insurance Number

\_\_\_\_\_  
Trustee

\_\_\_\_\_  
Telephone (home):

RRSP / SPRRSP / RRIF / LIF / LRIF / LIRA / IPP / RESP

\_\_\_\_\_  
Telephone (work):

\_\_\_\_\_  
Fisgard Account Number

\_\_\_\_\_  
Fax:

\_\_\_\_\_  
Email Address:

\_\_\_\_\_  
Certificate Number(s)

\_\_\_\_\_  
Name of Agent Firm

**NOTES:**

\_\_\_\_\_  
Name of Representative

**For Completion by the Issuer:**

This subscription is accepted at Victoria, British Columbia by the Issuer, and the Issuer hereby acknowledges receipt of the Subscription Price for \_\_\_\_\_ Shares this \_\_\_\_\_ day of \_\_\_\_\_ 200\_\_.

**FISGARD CAPITAL CORPORATION**

Per: \_\_\_\_\_

Authorized Signing Officer

## SCHEDULE A

**Retraction Rights** – The Class B and Class F Shares have retraction rights, meaning their holders have a right to present all or some of their Shares to the Issuer for cancellation and payment to the shareholders of the retracted Shares Redemption Amounts. The Redemption Amount to be paid by the Issuer in respect of each Share to be redeemed will be an amount equal to the paid-up capital of the Share, plus the aggregate of all dividends declared on the Share but unpaid, plus the pro-rata share of any undistributed net income and net capital gains.

There are only certain dates on which Class B and Class F Shares may be retracted. The Class B Shares retraction date is five (5) years from the last day of the quarter the Shares were subscribed and the Class F shares retraction date is one (1) year from the last day of the quarter the Shares were subscribed (the "Retraction Date"). Any Shares acquired by way of re-invested dividends have the same retraction date as the date upon which the original Shares were subscribed.

A person wishing to retract Shares as they become due may do so by providing the Issuer with sixty (60) days written notice of the shareholder's wish to retract. If a Share Retraction Date expires without the Share being retracted, then the new Retraction Date for the Share is (i) in the case of a Class B Share, five (5) years from the expired Retraction Date, and (ii) in the case of a Class F Share, one (1) year from the expired Retraction Date.

The shareholders' right to retract their Shares is subject to section 27.1 of the Issuer's Articles of Incorporation, which provides as follows:

27.1 The Directors will use their best efforts to ensure that the Company at all relevant times qualifies as a "Mortgage Investment Corporation" pursuant to the *Income Tax Act* (Canada). Without limiting the generality of the foregoing, in addition to any other power and authority the Directors may have, and notwithstanding any other provision of these Articles, the Directors may in their sole discretion reject any applications for Share Dividends or Share subscriptions, transfers, redemptions or retractions where in the view of the Directors such would not be in the Company's best interests as a "Mortgage Investment Corporation" under the *Income Tax Act* (Canada). [Emphasis added.]

The most likely scenario where the directors would use their discretion to reject a retraction application is where the retraction would put the Issuer offside of the Tax Act's Mortgage Investment Corporation ("MIC") criteria regarding shareholders, which requires that a MIC have at least twenty (20) shareholders, and no one shareholder together with related parties to that shareholder hold between them more than 25% of the issued shares of any class of Shares of the MIC.

## SCHEDULE B

In Ontario an investor may purchase Shares if the investor is an "accredited investor" and purchases the Shares as principal. Under this Ontario criteria an accredited investor is (please initial any category that applies to you):

- \_\_\_\_(i) a bank listed in Schedule I or II of the Bank Act (Canada), or an authorized foreign bank listed in Schedule III of that Act;
- \_\_\_\_(ii) the Business Development Bank incorporated under the Business Development Bank Act (Canada);
- \_\_\_\_(iii) a loan corporation or trust corporation registered under the Loan and Trust Corporations Act or under the Trust and Loan Companies Act (Canada), or under comparable legislation in any other jurisdiction;
- \_\_\_\_(iv) a co-operative credit society, credit union central, federation of caisses populaires, credit union or league, or regional caisse populaire, or an association under the Cooperative Credit Associations Act (Canada), in each case, located in Canada;
- \_\_\_\_(v) a company licensed to do business as an insurance company in any jurisdiction;
- \_\_\_\_(vi) a subsidiary of any company referred to in paragraph (i), (ii), (iii), (iv) or (v) where the company owns all of the voting shares of the subsidiary;
- \_\_\_\_(vii) a person or company registered under the *Securities Act* (Ontario) (the "Act") or securities legislation in another jurisdiction as an adviser or dealer, other than a limited market dealer;
- \_\_\_\_(viii) the government of Canada or of any jurisdiction, or any crown corporation, instrumentality or agency of a Canadian federal, provincial or territorial government;
- \_\_\_\_(ix) any Canadian municipality or any Canadian provincial or territorial capital city;
- \_\_\_\_(x) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any instrumentality or agency thereof;
- \_\_\_\_(xi) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a provincial pension commission or similar regulatory authority;
- \_\_\_\_(xii) a registered charity under the Income Tax Act (Canada);
- \_\_\_\_(xiii) an individual who beneficially owns, or who together with a spouse beneficially own, financial assets having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds \$1,000,000;
- \_\_\_\_(xiv) any individual whose net income before taxes exceeded \$200,000 in each of the two most recent years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of those years and who, in either case, has a reasonable expectation of exceeding the same net income level in the current year;
- \_\_\_\_(xv) an individual who has been granted registration under the Act or securities legislation in another jurisdiction as a representative of a person or company referred to in paragraph (vii), whether or not the individual's registration is still in effect;
- \_\_\_\_(xvi) a promoter of the Issuer or an affiliated entity of a promoter of the Issuer;
- \_\_\_\_(xvii) a spouse, parent, grandparent or child of an officer, director or promoter of the Issuer;

- \_\_\_\_(xviii) a person or company that, in relation to the Issuer, is an affiliated entity or a person or company referred to in clause (c) of the definition of distribution in subsection 1(1) of the Act;
- \_\_\_\_(xix) the Issuer acquiring securities of its own issue;
- \_\_\_\_(xx) a company, limited partnership, limited liability partnership, trust or estate, other than a mutual fund or non-redeemable investment fund, that had net assets of at least \$5,000,000 as reflected in its most recently prepared financial statements;
- \_\_\_\_(xxi) a person or company that is recognized by the Ontario Securities Commission as an accredited investor;
- \_\_\_\_(xxii) a mutual fund or non-redeemable investment fund that, in Ontario, distributes its securities only to persons or companies that are accredited investors;
- \_\_\_\_(xxiii) a mutual fund or non-redeemable investment fund that, in Ontario, distributes its securities under a prospectus for which a receipt has been granted by the Director under the Act;
- \_\_\_\_(xxiv) a managed account if it is acquiring a security that is not a security of a mutual fund or non-redeemable investment fund;
- \_\_\_\_(xxv) an account that is fully managed by a trust corporation registered under the Loan and Trust Corporations Act;
- \_\_\_\_(xxvi) an entity organized outside of Canada that is analogous to any of the entities referred to in paragraphs (i) through (vii) and paragraph (xi) in form and function; or
- \_\_\_\_(xxvii) a person or company in respect of which all of the owners of interests, direct or indirect, legal or beneficial, are persons or companies that are accredited investors.

The undersigned certifies that the initialled category of accredited investor above in this Schedule B applies to the undersigned.

\_\_\_\_\_  
Signature of Purchaser

\_\_\_\_\_  
Signature of Purchaser

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print name of Purchaser(s)



FISGARD CAPITAL CORPORATION

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