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## FORM 45-106F2 - OFFERING MEMORANDUM

### CMI MORTGAGE INVESTMENT CORPORATION

<b>Date:</b>	March 10 <sup>th</sup> , 2019
<b>The Issuer:</b>	CMI Mortgage Investment Corporation (the “ <b>Issuer</b> ” or the “ <b>Corporation</b> ”)
<b>Head Office:</b>	Address: 149 Concord Road, Thornhill, ON L4J 7S2 Tel: 1-888-465-1432 ext. 707 E-mail: <a href="mailto:investors@cmiloans.ca">investors@cmiloans.ca</a>
<b>Currently Listed or Quoted:</b>	<b>The securities do not trade on any exchange or market.</b>
<b>Reporting Issuer:</b>	No.
<b>SEDAR Filer:</b>	No.
<b>Securities Offered:</b>	Class A Preferred Shares (“ <b>Preferred Share(s)</b> ”) are being offered for sale (“ <b>Offering</b> ”) in the provinces of all the 13 jurisdictions in Canada (“ <b>Selling Jurisdictions</b> ”). Each Preferred Share has the attributes and characteristics set out under ITEM 5: SECURITIES OFFERED, 5.1 Terms of Securities.
<b>Price per Security:</b>	\$1.00 per Preferred Share
<b>Maximum Offering:</b>	The maximum Offering is \$50,000,000. <b>There is no minimum. You may be the only investor. Funds available under the Offering may not be sufficient to accomplish our proposed objectives.</b>
<b>Minimum Subscription Amount:</b>	Subscribers must subscribe for a minimum of 5,000 Preferred Shares (\$5,000).
<b>Payment Terms:</b>	Bank draft, wire, electronic funds, transfer or certified cheque payable to “ <b>CMI Mortgage Investment Corporation</b> ” for the full subscription amount.
<b>Proposed Closing Date(s):</b>	The Preferred Shares will be offered for sale on a continuous basis. Closings will occur on the dates established by the Managers in its discretion. All subscriptions received are subject to rejection, or allotment and the Issuer reserves the right to terminate this Offering without notice.
<b>Income Tax Consequences:</b>	There are important tax consequences to these securities. See ITEM 6: INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY. Subscribers should consult their independent professional advisors before making an investment in this Offering.

- Selling Agent:** The Corporation may pay selling commissions or fees of up to 3% of the funds raised and trailing commissions of 1% of funds raised paid quarterly and 0.5% of funds raised paid annually on each anniversary of the subscription. See ITEM 7: COMPENSATION PAID TO SELLERS AND FINDERS.
- Resale Restrictions:** You will be restricted from selling your securities for an indefinite period. See ITEM 10: RESALE RESTRICTION.
- 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 either for damages or to cancel the agreement. See ITEM 11: PURCHASER' RIGHTS.

**NO SECURITIES REGULATORY AUTHORITY OR REGULATOR 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.**

## FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains certain statements or disclosures that may constitute forward-looking information under the applicable securities legislation and the respective regulations, rules and policies and orders thereunder and all applicable published orders and rulings (“**securities legislation**”) of the applicable securities commissions or similar regulatory authority (“**securities regulatory authority**”).

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

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

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

## DOCUMENTS INCORPORATED BY REFERENCE

In addition to and apart from this Offering Memorandum, the Corporation may utilize certain marketing materials in connection with the Offering, including an executive summary of certain of the material set forth in this Offering Memorandum. This material may include fact sheets and Investor sales promotion brochures, question and answer booklets, and presentations. All such marketing materials are specifically incorporated by reference into and form an integral part of this Offering Memorandum. All such marketing materials will be delivered or made reasonably available to a prospective purchaser prior to the purchase by such prospective purchaser of Preferred Shares. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Offering Memorandum to the extent that a statement contained herein or in any other subsequently delivered Offering Memorandum which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum.

## CURRENCY

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

## INTERPRETATION

In this Offering Memorandum, unless the context otherwise requires, when we use terms such as the “Corporation”, the “Issuer”, “we”, “us” and “our”, we are referring to CMI Mortgage Investment Corporation and when we use the terms such as “Investor”, or “you” or “Subscriber” we are referring to a person who purchases Preferred Shares under the Offering, thereupon becoming an investor in the Corporation. Words importing the singular number only, include the plural and vice versa, and words importing the masculine, feminine or neuter gender include the other genders.

### ITEM 1: USE OF AVAILABLE FUNDS

#### 1.1 Available Funds

The following table provides a breakdown of the expected available funds following the completion of the Offering:

		<b>Assuming Minimum Offering (1)</b>	<b>Assuming Maximum Offering</b>
A.	Amount to be raised by this Offering	\$0	\$50,000,000
B.	Selling commissions and fees (estimated) (2)	\$0	\$2,750,000
C.	Estimated Offering costs (e.g., legal, accounting, audit.) (3)	\$0	\$50,000
D.	Available funds: $D = A - (B+C)$	\$0	\$47,200,000
E.	Additional sources of funding required	\$0	\$0
F.	Working capital deficiency (4)	\$0	\$0
G.	<b>Total: <math>G = D + E + F</math></b>	<b>\$0</b>	<b>\$47,200,000</b>

#### Notes:

1. There is no minimum offering. The Corporation will offer an unlimited number of Preferred Shares on a continuous basis at the Managers’ discretion until the Offering is completed or terminated.
2. The Corporation sells Preferred Shares through dealers authorized to do so. It is expected that the Corporation will pay compensation to such dealers up to a maximum of 3% of gross subscription proceeds plus trailer fees of 1% of funds raised paid quarterly and 0.5% of funds raised payable annually on each anniversary of the subscription. The Corporation will enter into agreements with one or more dealers for the sale of shares. The Corporation will compensate such dealers up to 3% and up to a 1.5% trailer. The trailer shall be paid as long as the Preferred Shares remained issued and outstanding. The Corporation is responsible for the payment of compensation to dealers, and the funds available to the Corporation for investment purposes and distributions will be reduced. See ITEM 7: COMPENSATION PAID TO SELLERS AND FINDERS.
3. From the date that it commenced operations on July 3<sup>rd</sup>, 2015 the Corporation has generated net proceeds of \$7,861,393 through the sale of Preferred Shares and re-investment of dividends, net of share retractions. See ITEM 4: CAPITAL STRUCTURE, 4.3 Prior Sales.
4. As at the date of this Offering Memorandum, the Corporation does not have a working capital deficiency.

## 1.2 Use of Available Funds

The following table provides a detailed breakdown of how the issuer will use the available funds:

Description of intended use of net proceeds listed in order of priority	Assuming Minimum Offering	Assuming Maximum Offering
To the payment of monthly management, advisory fees and mortgage services fees (1)	\$0	\$500,000
Working Capital (2)	\$0	\$0
To lend out funds and make investments permitted by a MIC under the Tax Act (as defined below). (3)	\$0	\$46,700,000
<b>Total: Equal to G in the Funds table above</b>	<b>\$0</b>	<b>\$47,200,000</b>

### Notes:

1. This amount reflects a yearly estimate of the following fees payable to the Managers (as defined below) under the Management Agreement (as defined below) in fiscal year 2018 were \$97,675. See ITEM 2: BUSINESS OF THE CORPORATION, 2.1 Structure. The Managers are paid 1% of AUM calculated monthly as per the Management Agreement. AUM is defined as the total of the principal amount of the outstanding mortgage balances (less any credit losses).
2. Not more than 10% of the available funds will be used by the Corporation to pay debt incurred within the two preceding financial years.
3. It is anticipated that the funds raised from this Offering after expenses will be used for permitted lending and funding new mortgage investments. The amount that we have available for these purposes will depend upon whether we achieve the Maximum Offering.

## 1.3 Reallocation

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

## ITEM 2: BUSINESS OF THE CORPORATION

### 2.1 Structure

CMI Mortgage Investment Corporation was incorporated under the *Business Corporations Act* (Ontario) on July 3<sup>rd</sup>, 2015. The Corporation's head and registered office is located at 149 Concord Road, Thornhill, Ontario, L4J 7S2. The original articles of incorporation dated July 3, 2015 were amended on June 1, 2018, October 18, 2018 and January 31<sup>st</sup>, 2019 for a number of purposes relating to the cleanup of the articles and reinstating the original articles. The voting common shares of the Corporation are owned by in equal proportions by Bryan Jaskolka, Michael Jaskolka, Alan Jaskolka and Jeffrey Jaskolka. Alan is the father and Michael, Bryan and Jeffrey are brothers.

The Corporation is required under its articles of incorporation to qualify and remain qualified as a "mortgage investment corporation" or a "MIC" as mortgage investment corporations are commonly referred to, under the Income Tax Act (Canada) ("**Tax Act**"). This effectively enables the MIC to operate as a tax-free "flow through" conduit of net income to its shareholders.

The Corporation's business objective is to generate income by optimizing its investment portfolio within the MIC criteria mandate by the Tax Act. The Tax Act's MIC criteria are discussed in further detail below. See ITEM 6: INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY.



Canadian Mortgages Inc. is a Canadian controlled private corporation and is licensed through FSCO (as defined below) as a mortgage brokerage.

Canadian Lending Inc. is a Canadian controlled private corporation. CLI provides mortgage lending and underwriting services to CMI's group of companies.

Canadian Servicing Inc. is a Canadian controlled private corporation. CSI is licensed through FSCO and provides mortgage administration services for the CMI group of companies.

Canadian Real Estate Inc. is a Canadian controlled private corporation. CRI is licensed through RECO (as defined below) and provides real estate sales services.

### ***Management of the Corporation***

The Board of Directors oversees the overall business and undertaking of the Corporation. The day to day operations of the Corporation are managed by Canadian Servicing Inc. and Canadian Mortgages Inc. (together the “**Managers**”) under a Mortgage Services Agreement dated December 18, 2015 with the Corporation which provides for management, advisory, underwriting and administration services for the investments by the Managers (“**Management Agreement**”).

Canadian Servicing Inc. is licensed as a mortgage administrator with Financial Services Commission of Ontario (“**FSCO**”) and Canadian Mortgages Inc. operating as Verico Canadian Mortgages (“**Canadian Mortgages Inc.**”) is licensed as a mortgage broker with FSCO.

The Managers have been engaged by the Corporation to provide it with management, mortgage origination and mortgage administration services. Mortgage investments are sourced primarily through Managers. The Managers may employ from time to time the services of related persons, including real estate brokers and lending companies. Any fees paid by the Corporation to such related persons will be at rates consistent with those charged by arms-length third parties.

The Board of the Corporation is composed of two directors – Alan Jaskolka and Bryan Jaskolka who are father and son. Bryan Jaskolka is the Chief Operating Officer and the Chief Executive Officer. Alan Jaskolka is the Chief Financial Officer of the Corporation.

### ***Relationship between the Corporation and the Managers***

The Corporation, the Managers are related companies insofar as the holders of the common shares of the Corporation and the shareholders of the Managers are the same persons. The directors of the Corporation and the directors of the Managers are also the same individuals. The Corporation and the Managers also share key employees and decision-makers. As a result, the Corporation and the Managers are under common direction and control.

Two of the directors and officers of the Corporation and Managers are licensed with FSCO as mortgage agents with the Canadian Mortgage Inc. Alan Jaskolka is licensed as the “principal broker” with Canadian Mortgages Inc. and Bryan Jaskolka is licensed as a “broker” with Canadian Mortgages Inc. to These two individuals, Alan Jaskolka and

Bryan Jaskolka will be entitled to receive a portion of the compensation paid to the Managers by borrowers who obtain mortgaging financing from the Corporation.

Alan Jaskolka and Bryan Jaskolka are also the principal shareholders and the sole directors and officers of Canadian Real Estate Inc. which is registered with Real Estate Council of Ontario ("RECO") as a real estate brokerage firm. Alan Jaskolka and Bryan Jaskolka are registered with RECO as licensed real estate brokers with Canadian Real Estate Inc. Canadian Real Estate Inc. is a member of the Toronto Real Estate Board. The Corporation may invest in mortgages in respect of which Messieurs Jaskolka or Canadian Real Estate Inc. has provided real estate asset acquisition services to the Corporation.

Alan Jaskolka is the sole shareholder of Canadian Lending Inc. Bryan Jaskolka is the CEO and COO of Canadian Lending Inc. ("CLI") which is private lending company that matches high-quality mortgages with investors based on their personal preferences and target ROI goals. While CLI is not paid directly by the Corporation for underwriting certain mortgages that the Corporation invests in, CLI generates its revenues from the rate spread. The Managers do not exclusively provide services to the Corporation. It also structures mortgages outside of the Corporation. The principals of the Managers may receive fees from the mortgages created by the Managers.

The Managers, or any of its officers, shareholders, employees or affiliates, may purchase for their own account and own as a co-lender, a percentage interest in any investment held by the Corporation. The Managers or any related company or individual may hold a subordinate portion in any mortgage which is presented to the Corporation for investment, and the rate of return on such a subordinate portion may vary from the Corporation's rate of return due to the differing loan-to-value risk assumed by the Corporation.

### ***Management Fees and Expenses***

The Corporation will pay the following amounts to the Managers under the terms of the Management Agreement:

- (a) A management fee up to and equal to 1.00% per annum of the outstanding aggregate principal balance of all mortgages, or the outstanding aggregate principal balance of the Corporation's percentage interest therein, and the book value of the Corporation's investments other than mortgages, calculated monthly on the first day of the month at the rate of 0.08333%, aggregated and payable in monthly installments on the last day of each month and prorated for any partial month.
- (b) An annual performance fee equal to an amount not to exceed 20.00% of the net yield over and above 7.50% per annum generated from all investments to be calculated at the end of the fiscal year. For example, if the net yield throughout the year calculated on the fiscal year end is 12.50%, then the performance fee shall be 20.00% of 5.00% (12.50% - 7.50%) which equals 1.00%. If for example the net yield throughout the year calculated on the fiscal year end is 7.00% then there shall be no performance fee.
- (c) The Managers are entitled to deduct any amounts deductible under the Management Agreement, including its interest allocations, before distributing amounts to the Corporation under the Management Agreement. In addition, the Managers are entitled to retain any overnight float interest on all accounts maintained by it and all lender, broker, origination, commitment, renewal, extension, advance, discharge, late payment, participation, NSF, administration and similar or other fees generated on the investments acquired by the Corporation, which fees are and remain the sole property of the Managers, and to the extent that they are recovered from the borrowers or investment.
- (d) All rights granted to the Managers and other amounts payable to the Managers pursuant to the terms hereof shall include the applicable amount of harmonized sales tax ("HST") exigible in respect thereof. Accordingly, the Managers shall be responsible for remitting all HST exigible on the fees stated above at such times and in such amounts as required by law.
- (e) The Managers are responsible for all its internal costs including, without limitation, all its internal costs incurred in originating, sourcing, arranging and offering investments for sale to the Corporation.
- (f) All the other costs with respect to the Corporations' business shall be paid for by the Corporation including, without limitation, taxes, legal, accounting, audit, operating, offering, management and administration fees

and expenses, and fees and expenses associated with the acquisition, registration, disposition, holding, collection and enforcement of the Corporation's investments.

### ***Management Agreement***

The Corporation has entered a Management Agreement with the Managers pursuant to which the Managers will provide exclusive ongoing management, mortgage administration and advice and consulting services to the Corporation. The Management Agreement is for an indefinite term, subject to certain provisions for termination.

1. The Corporation may terminate the Management Agreement for any reason on 30 days written notice.
2. The Management Agreement may be terminated at any time, by mutual consent in writing.
3. The Managers may resign and the Agreement terminated on 60 days' notice to the Corporation.
4. Either party may terminate the Management Agreement in the event of: (i) the commission by either party of any fraudulent act; (ii) either party becomes bankrupt, insolvent or makes a general assignment for the benefit of its creditors; (iii) conviction of either party for a criminal offence; (iv) conduct by either party that is materially damaging to the other party and contrary to the terms of the Management Agreement; (v) material breach of the Management Agreement by a party; (vi) material misrepresentation by a party; or (vii) material failure by a party to perform its duties as described in the Management Agreement within ten days of written notice by the other party.

Pursuant to the terms of the Management Agreement, the Corporation has agreed to indemnify and reimburse the Managers, as well as its directors, officers, shareholders, employees and agents, from and against any losses, claims, costs, damages and liabilities suffered or sustained by it in the course of carrying out its duties under the Agreement, or suffered as a result of any third party claims other than those suits claims or demands occasioned by the Managers gross negligence or willful misconduct.

### ***Third Party Marketing Agreements, Finder's Fees and Commissions***

The Managers on behalf of the Corporation may enter into marketing agreements with third parties such as financial advisors, stockbrokers and dealers, and financial intermediaries to market the Preferred Shares on behalf of the Corporation. None of the Managers nor any their respective directors, officers or shareholders, will receive compensation for placing Preferred Shares. In addition to up front commissions paid at the time of the investment, the Managers may also pay ongoing servicing fees or trailing commission to third parties who distribute Preferred Shares of the Corporation. Fees payable to third party dealers and intermediaries (registered dealers only) will be negotiated but in any event, will not exceed 3% of the gross subscription proceeds and trailing commissions of 1% of funds raised paid quarterly and a 0.5% of funds raised paid annually on each anniversary of the subscription.

### ***Credit Committee***

The Managers will establish a Credit Committee comprised of professionals knowledgeable and experienced in mortgages and real estate finance. At all times, at least one member of the Credit Committee will be a senior executive of the Managers. The Credit Committee will review all mortgages and loans to be made by the Corporation. The members of the Credit Committee are Elizabeth Wood, Bryan Jaskolka and Alan Jaskolka.

## **2.2 Our Business**

### ***The Mortgage Portfolio***

The Corporation's primary business is earning income through investing in a portfolio of residential and commercial mortgages. Commercial mortgages are mortgages that are principally secured by land developments or income-producing properties that have retail, commercial, service, office and/or industrial uses. Residential mortgages those mortgages principally secured by single family houses. The corporation does not actively employ resources to originate



mortgages, the corporation relies exclusively on Canadian Servings Inc, a related corporation, to underwrite and provide mortgages for investment.

The Credit Committee is responsible for managing the corporations mortgage investments. The agreement between the Corporation and the Mortgage Services Agreement between CSI (a related company) provides all mortgages underwritten by CSI. CSI will perform certain administrative duties in the management and administration of all mortgages held within the corporation.

The Corporation is building a portfolio of residential and commercial mortgages as follows:

1. Residential Mortgages - at least 50% of the Corporation's assets, at cost, consists of mortgages on new, existing, proposed or in construction residential properties in Canada, including but not limited to, single family dwellings, duplexes, townhouses, condominium units and apartment buildings, land, income producing property, or cash on hand or deposit pending investment in mortgages.
2. Commercial Mortgages – up to 35% of the Corporation's assets may consist of conventional mortgages on existing, proposed or in construction retail, commercial or industrial properties in Canada.
3. Other Investments – investments may also be made from time to time in money market instruments, pending investment in mortgages
4. Real Property – up to 25% of the Corporation's assets may be invested directly in real estate properties held for income purposes.
5. The Corporation may acquire real estate properties by foreclosure or otherwise as default occurs on a mortgage.
6. The Corporation is allowed to borrow funds under the provisions of the Tax Act, however, the Corporation has capped leverage at 75% of the value of property owned by the Corporation.

The Corporation has initially established and conducted its business in the Province of Ontario. As the opportunities rise, the Corporation expects to expand its business to other Provinces.

As at January 31st , 2019, the Corporation's investment in mortgages was \$6,559,727 net of an allowance for loan loss in the amount of \$83,286.66. As at [January 31st ,2019, 54 individual mortgages were held by the Corporation with an average loan size of \$121,476 and a weighted average loan to value ratio of 68.86%. See ITEM 2: BUSINESS OF THE CORPORATION, 2.3 Development of Business for more detailed information with respect to the composition of the Corporation's mortgage portfolio as at January 31st , 2019.

The annualized dividend yield (net of all fees and expenses) to holders of Preferred Shares for the last three fiscal years ended June 30th are summarized in the table below.

Fiscal Year Ending June 30th	Class "A" Preferred Shares
2018	9.15%
2017	8.82%
2016	8.86%

See ITEM 5: SECURITIES OFFERED, 5.1 Terms of Securities - Dividends.

If deemed prudent by the Corporation, the Corporation may, from time to time, secure additional or replacement long term debt from financial institutions, other third parties or holders of Preferred Shares. Such loans may be secured by granting encumbrances, security interests or other charges on the assets of the Corporation.

### ***Investment Policies, Practices and Restrictions***

All investments will comply with the investment policies of the Corporation. The Corporation's investment policies, practices and restrictions include but are not limited to the following:

1. The Corporation invests primarily in residential mortgages, with some industrial and commercial mortgage exposure.
2. The Corporation also invests in demand loans and term loans secured by commercial, industrial and residential real estate.
3. The Corporation may also buy or sell portions of mortgages administered or to be administered either by the Managers or by third parties, such as mortgage brokers, trust and insurance companies and investment dealers.
4. The Corporation maintains at least 50% of its portfolio in mortgages secured on Canadian residential real estate and in short term deposits.
5. The Corporation only invests in mortgages secured on real properties.
6. Investments are made only when recommended by the Managers and approved by the Credit Committee.
7. All mortgages are registered on title to the subject property in the Corporation's name, the Managers' name or a nominee bare trustee for the Corporation.
8. The Corporation may invest in mortgage backed securities provided that the underlying mortgages which secure the bond, unit or other instrument that comprise the mortgage backed securities meet the requirement of a MIC under the Tax Act.
9. Cash balances not invested in mortgages or mortgage backed securities are deposited with a Canadian chartered bank in short term deposits, savings accounts or government guaranteed income certificates or treasury bills.
10. The Corporation does not invest in any mortgage or make any investment that would result in its failure to qualify as a MIC as defined in the Tax Act.
11. The Corporation does not invest for the purposes of exercising control over management of any issuer. The Corporation does not guarantee the securities or obligations of any person.
12. The Corporation does not loan money to or invest in securities of the Managers, or the Managers' affiliates or other non-arm's length parties, other than investments in mortgages provided by the Managers under the Management Agreement. In the current portfolio of mortgages issued by the Corporation, all mortgages have a term of 12 months or less.
13. The Corporation may borrow up to 25% of the principal amount of its mortgage portfolio on the security of its mortgage portfolio, and on standard commercial terms.

### ***Changes to Investment Policies***

If, due to a change in the provisions of the Tax Act or other legislation applicable to the Corporation, any of the foregoing investment policies require amendment to comply with such change in legislation, the Corporation's directors may, subject to the Articles, make such change and such change will be binding on the Corporation.

It is anticipated that the Managers will provide the Corporation with assistance from time to time on revising the foregoing investment policies to comply with applicable legislation. In the event of any amendment to the foregoing

investment policies, subject to the Articles of the Corporation, the Managers will be required to comply with and observe such change immediately upon such change becoming effective.

### ***Redemption and Retraction Rights***

The Corporation has established certain policies and guidelines in respect of the rights of retraction granted to holders of Preferred Shares and the rights of redemption granted to the Corporation. See ITEM 5: SECURITIES OFFERED, 5.1 Terms of Securities.

## **2.3 Development of Business**

The Corporation commenced active operations On July 3, 2016. To date the Corporation has raised approximately \$7,861,393 in funds which has been invested in \$6,559,727 in mortgages. The principals of the Managers have more than 35 years of experience in the real estate and mortgage industry as mortgage brokers, investors and lenders. These qualifications enable the Managers to provide mortgage management, administrative and advisory services to the Corporation.

The association of the Corporation to a private lending company and mortgage administrator (by way of shared ownership) has contributed the Corporation's management team's ability to source high-quality loans, as well as reduce the cost of loan management. The Corporation is owned Alan Jaskolka, who is also sole owner of CLI, CSI, and CMI. CLI, CSI, & CMI is managed by both Alan Jaskolka and Bryan Jaskolka. Bryan is the CEO and COO of CLI, CSI, and CMI. CSI as of January 31st, 2019 has \$87,835,150 of loans under administration. CLI has completed \$237,739,340 as of (January 31st, 2019) with a default rate of \$401,728 (0.16%).

The following tables illustrate the characteristics of the Corporation's mortgage portfolio as at January 31<sup>st</sup>, 2019 in terms of mortgage rank, property type, location of the underlying real estate security, loan-to-value ratio and proportion of the portfolio that is non-performing. Note that the information contained in the tables below is unaudited.

<b>Mortgage (1) Portfolio Property Type</b>	<b>\$ 6,559,727</b>	<b>100%</b>
<b>1<sup>st</sup> Mortgages (2)</b>	<b>\$1,741,750</b>	<b>26.50%</b>
Residential	\$1,741,750	26.50%
<b>2<sup>nd</sup> Mortgages (3)</b>	<b>\$3,623,250</b>	<b>55.20%</b>
Residential	\$3,623,250	55.20%
<b>3<sup>rd</sup> Mortgages/Blanket Mortgages</b>	<b>\$1,194,726.67</b>	<b>18.20%</b>
Residential	\$1,095,726.67	16.70%
Commercial	\$99,000	1.50%
<b>TOTAL</b>	<b>\$1,194,726.67</b>	<b>18.20%</b>
<b>Portfolio Allocation – Location - Rank</b>		
First Mortgages	\$1,741,750	26.50%
Second Mortgages	\$3,623,250	55.20%
Third Mortgages/Blanket Mortgages	\$1,194,726.67	18.20%
<b>TOTAL</b>	<b>\$6,559,727</b>	<b>100%</b>
<b>Portfolio Allocation – Location</b>		
Greater Toronto Area	\$3,773,250	57.52%

Urban Other	\$214,500	3.27%
Rural	\$2,511,976.67	38.30%
<b>TOTAL</b>	<b>[6,559,727]</b>	<b>[100%]</b>

**Notes:**

1. Mortgage means an interest in a mortgage, a mortgage of a leasehold interest (or other like instrument, including an assignment or an acknowledgement of an interest in a mortgage) a hypothecation, a deed of trust or an acknowledgement of an interest in real property used to secure obligations to repay money by a charge on the real property.
2. First Mortgage means a mortgage where there is no other person that holds a prior registered mortgage on the same real property.
3. Second Mortgage means a second mortgage for which the principal amount, at the time of commitment, together with the principal balance outstanding on any mortgage having priority on the same property secured by any such second mortgage, does not exceed 85% of the appraised value of the underlying real property securing the mortgage as determined by a qualified appraiser.

<b>LOAN TO VALUE (1)</b>				
<b>SUMMARY</b>				
<i>First Mortgages</i>	<b>Principal</b>	<b>Net LTV</b>	<b>Number</b>	<b>Portfolio %</b>
Residential	\$3,623,250	70.20%	35	55.20%
<b>TOTAL SECONDS</b>	<b>\$3,623,250</b>	<b>70.20%</b>	<b>35</b>	<b>55.20%</b>
<b>Third Mortgages/Blanket</b>				
Residential	\$1,095,726.67	63.02%	7	
Commercial	\$90,000	60.68%	1	1.37%
<b>TOTAL THIRDS/Blanket</b>	<b>\$1,185,725.67</b>	<b>62.72</b>	<b>8</b>	<b>18.07%</b>
<b>TOTAL MORTGAGES</b>	<b>\$6,557,727</b>	<b>68.86</b>	<b>54</b>	<b>100%</b>

**Notes:**

1. In the above Table, LTV (Loan-to-Value) means the ratio, expressed as a percentage determined by  $A/B * 100$  where: A is the principal amount of the Corporation's interest in the mortgage together with all other equal and prior ranking mortgages on the real property; B is the appraised market value of the real property securing the Mortgage at the time of funding the mortgage or its most recent renewal whichever occurs later.

<b>NUMBER OF NON-PERFORMING MORTGAGES</b>	
Number of Non- Performing Mortgages	<b>0</b>
Percentage of Total	<b>0%</b>
% of Portfolio Value	<b>0%</b>
Number of Impaired Mortgages (loss expected)	<b>0%</b>

## 2.4 Long Term Objectives

The long-term objective of the Corporation is to provide its Preferred Shareholders' sustainable monthly income distributions while preserving the capital invested by building a pool of quality mortgages. Our default rate has been low, and we are going after the highest quality mortgages within the alternative lending space. The Corporation seeks to achieve these objectives by investing in accordance to its investment policies. The Corporation seeks to raise investment funds of \$20,000,000 per annum to a maximum of \$50,000,000 growth its portfolio of mortgages. The Managers has implemented an investment strategy to prudently manage the risk of investing in mortgages.

**There is no assurance of any return on an Investor's investment.**

## 2.5 Short Term Objectives and How We Intend to Achieve Them

Our objectives over the next 12 months are to raise \$20 million. As we are changing accounting firms for audits (and do not yet have bids) and have recently changed lawyers, estimates as to cost are difficult to determine.

The following table sets out how the Corporation intends to meet its objectives for the next 12 months.

What we must do and how we will do it	Target completion date or alternatively, the number of months required to complete	Cost to Complete
Raise funds of up to \$20,000,000 in the next 12 months. <sup>(1)</sup>	12 months	\$650,000
Invest available funds into mortgages. <sup>(2)</sup>	12 months	\$19,350,000
<b>Total:</b>		\$20,000,000

**Note:**

- (1) This figure includes, legal, audit, accounting (estimated at \$50,000) as well as \$600,000 in commissions payable on subscriptions assuming \$50,000,000 is raised under this Offering.
- (2) This figure includes a consideration of the costs of sourcing and administering the mortgages.

## 2.6 Insufficient Funds

The proceeds of the Offering may not be sufficient to accomplish all the Corporation's proposed objectives and there is no assurance that alternative financing will be available.

### a. Material Agreements

The following are the material agreements to which the Corporation is currently a party. Electronic copies of these agreements are available upon request.

- (a) The Articles of the Corporation set out the rights and restrictions attached to the Preferred Shares and the Common Shares. See ITEM 5: SECURITIES OFFERED, 5.1 Terms of Securities.
- (b) Subscription Agreements - each Investor will execute and deliver to the Corporation a Subscription Agreement whereby it agrees to subscribe for Preferred Shares, on the terms and conditions set out therein and described in this Offering Memorandum; and

- (c) Mortgages Services Agreement – dated September 15, 2015 with Canadian Servicing Inc. and Canadian Mortgages Inc. See ITEM 2: BUSINESS OF THE CORPORATION, 2.1 Structure.

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

#### 3.1 Compensation and Securities Held

The following table provides information about each director, officer and promoter of the Corporation and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the issuer (a “**principal holder**”). If the principal holder is not an individual, state in a note to the table the name of any person that, directly or indirectly, beneficially owns or controls more than 50% of the voting rights of the principal holder.

Name and municipality of principal residence	Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by issuer or related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the issuer held after completion of Min. Offering	Number, type and percentage of securities of the issuer held after completion of Max. Offering
Alan Jaskolka Thornhill, Ontario	Promoter, Director and Chief Financial Officer, Principal Holder since 8/1/2015	2017: \$0 2018: \$500	25 Common Shares (25%) 1,345,139 Preferred Shares (17.10%)	25 Common Shares (25%) 1,345,139 Preferred Shares (17.10%)
Bryan Jaskolka Thornhill, Ontario	Promoter, Director and Chief Operating Officer, Principal Holder since 8/1/2015 Promoter	2017: \$0 2018: \$12,000	25 Common Shares (25%) 98,973 Preferred Shares (1.25%)	25 Common Shares (25%) 98,973 Preferred Shares (1.25%)
Jeffrey Jaskolka Toronto, Ontario	Principal Holder since 8/1/2015	2017: \$0 2018: \$0	25 Common Shares (25%) 65,982 Preferred Shares (0.84%)	25 Common Shares (25%) 65,982 Preferred Shares (0.84%)
Michel Jaskolka Wilmington, USA	Principal Holder since 8/1/2015	2017: \$0 2018: \$0	25 Common Shares (25%) 5,919 Preferred Shares (0.07%)	25 Common Shares (25%) 5,919 Preferred Shares (0.07%)

The following table discloses background and the principal occupations of the directors and executive officers of the Issuer over the past five years:

Name	Principal occupation and related experience
Alan Jaskolka Director and Chief Financial Officer	Alan Jaskolka acts as the Principal Broker for Canadian Mortgages Inc., a mortgage brokerage specializing in residential as well as commercial mortgage financing. He has been involved in real estate in many capacities for over 35 years, with expertise ranging from real estate brokerage, property management, real estate software consulting, and development financing. He is also the founder and CEO of the Canadian Mortgages Inc., Canadian Lending Inc., and Canadian Servicing Inc. as well as other corporation in the CMI group of Companies. Alan Jaskolka's areas of expertise include mortgage brokerage compliance, corporate oversight and management, development financing, commercial mortgage financing, and TARION Custom Home Construction.
Bryan Jaskolka Director, Chief Executive Officer and Chief Operating Officer	Bryan Jaskolka has been the managing executive of the CMI Group of companies since inception in 2005. Starting out as a mortgage brokerage, Canadian Mortgages Inc. has expanded to include multiple additional divisions which include Canadian Lending Inc. (a direct private lender to the mortgage brokerage industry), and Canadian Servicing Inc. (a licensed mortgage administrator). Bryan Jaskolka has also been involved with thousands of mortgage transactions, and has expertise in residential, construction and commercial financing. He has been involved in the mortgage financing industry for over 12 years, with expertise ranging from residential transactions to complex hospitality and energy project financings. Bryan Jaskolka is also a licensed real estate agent through Canadian Real Estate Inc., another affiliated company of the Corporation. Bryan Jaskolka's areas of expertise include acting as team leader – marketing & coaching, acting as senior residential mortgage broker, private mortgage financing, commercial mortgages and construction loans.

### 3.3 Penalties, Sanctions and Bankruptcy

No director, executive officer or control person of the Issuer and no issuer of which a director, executive officer or control person of the Issuer was a director, executive officer or control person at the relevant time:

- (a) has incurred or is subject to any penalty or sanction that has been in effect during the last 10 years, or any cease trade order that has been in effect for a period of more than 30 consecutive days during the past 10 years; or
- (b) has declared bankruptcy, has voluntarily made an assignment in bankruptcy, has made a proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver Managers or trustee to hold assets, that has been in effect during the last 10 years.

### 3.4 Loans

The Managers, or affiliate of the Managers, may from time to time, advance funds to the Corporation for acquisition of mortgage loans. Such loans will be evidenced by way of promissory note and will bear interest at a rate equivalent to the rate of interest on the mortgage loans acquired by the Corporation with the funds advanced. The Managers' loan will be repaid with subsequent proceeds received by the Corporation from the issuance of the Preferred Shares. There are no loans due to or from directors, management, promoter, or principal holders of the Corporation or the Managers as at the date of this Offering Memorandum. Except as noted, no debentures or loans were due to or from any directors, management, promoters, or principal holders of the Corporation.

## ITEM 4. CAPITAL STRUCTURE

### 4.1 Share Capital

The following table provides information about outstanding securities of the Corporation (including options, warrants and other securities convertible into shares). The Corporation is authorized to issue an unlimited number of Preferred Shares and Common Shares as of January 31<sup>st</sup>, 2019.

Description of security	Number authorized to be issued	Price per Security	Number outstanding as at the Date of this Offering Memorandum	Number outstanding after Min. Offering	Number outstanding after Max. Offering
Preferred Shares	Unlimited	\$1.00	7,861,393 (1)	N/A	50,000,000
Common Shares	Unlimited	\$1.00	100	100	100

**Notes:**

1. A total of 176,950.71 Preferred Shares were issued under the Dividend Investment Plan (“**DRIP**”) in fiscal year 2018; 164,455.56 in fiscal year 2017.

### 4.2 Long Term Debt Securities

If deemed prudent by the Managers, the Corporation may, from time to time, secure additional or replacement long term debt from financial institutions, other third parties or holders of Preferred Shares. Such loans may be secured by granting encumbrances, security interests or other charges on the assets of the Corporation. There are no long-term debt securities at the date of this Offering Memorandum.

### 4.3 Prior Sales

Within the last 12 months the Corporation has issued securities as follows:

Date of issuance	Type of security issued	Number of securities issued	Dividend Reinvestment (1)	Price per security (\$)	Total Funds Received (\$) (2)
January 2018	0				
February 2018	0				
March, 2018	0				
April 2018	0				
May 2018	0				
June 2018	Preferred Shares	290,000		\$1.00	\$290,000
July 2018	0				



Date of issuance	Type of security issued	Number of securities issued	Dividend Reinvestment (1)	Price per security (\$)	Total Funds Received (\$) (2)
August 2018	Preferred Shares	120,000		\$1.00	\$120,000
September 2018	Preferred Shares	100,000		\$1.00	\$100,000
October 2018	0				
November 2018	0				
December 2018	0				
<b>Total</b>		510,000			\$510,000

**Notes:**

1. All declared dividends are credited to the account of each holder of Preferred Shares by crediting such holder's account with additional Preferred Shares or fractions thereof in proportion to the holder's respective shareholdings. At the option of the holder, some or all the holder's dividends shall be payable in the form of a cash dividend rather than a share dividend or as a blended payment of both a cash dividend and a share dividend. See ITEM 5: SECURITIES OFFERED – 5.1, Terms of Securities.
2. Holders of Preferred Shares have the right subject to certain terms and conditions to retract some or all their Preferred Shares and thereby require the Corporation to purchase such retracted Preferred Shares. The Corporation also has the right subject to certain terms and conditions to redeem all or some of the Preferred Shares. See ITEM 5: SECURITIES OFFERED 5.1, Terms of Securities. As of January 31st, 2019, no Preferred Shares have been retracted or redeemed.

## **ITEM 5: SECURITIES OFFERED**

### **5.1 Terms of Securities**

#### ***Class A Preferred Shares***

A description of the material terms of the securities being offered include:

#### **1. Definitions**

Where used in these share provisions, the following capitalized words and phrases shall, unless there is something in the context otherwise inconsistent therewith, have the following meanings, respectively:

"**Act**" or the "**OBCA**" means the *Business Corporation Act*, Ontario, as now enacted or as the same may from time to time be amended, re-enacted or replaced (and, herein the case of such amendment, re-enactment or replacement, any references herein shall be read as referring to such amended, re-enacted or replaced provisions).

"**Business Day**" means a day other than a Saturday, Sunday or any other day treated as a holiday in the municipality in Canada in which the Corporation's registered office is then situated.

"**Common Shareholder**" means a person recorded in the securities register of the Corporation for the Common Shares as being the registered holder of one or more Common Shares.

"**Directors**" or "**Board of Directors**" means the board of directors of the Corporation.

"**Dividend Payment Date**" means, where with respect to a month, dividends have been declared by the Board of Directors in accordance with the provisions hereof, the 15th day of the following month.

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

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

**"Redemption Date"** means, with respect to the Preferred Shares, the last day of a calendar quarter.

**"Redemption Price"** means, with respect to a Preferred Share, the sum of \$1.00 together with all declared and unpaid dividends on the Preferred Share.

**"Redemption Request"** means, with respect to the Preferred Share, a written notice in prescribed form, duly completed by the Preferred Shareholder, requesting the corporation to redeem Preferred Shares specified therein.

## 2. Voting

Voting Restrictions: The Preferred Shareholders shall **not** be entitled as such (except as hereinafter specifically provided and except as otherwise provided by the Act) to receive notice of or to attend any meeting of the shareholders of the Corporation and shall not be entitled to vote at any such meeting.

Limited Voting Rights: The Preferred Shareholders shall, however, be entitled to notice of and to attend all meetings of shareholders called for the purpose of authorizing the dissolution of the Corporation pursuant to the Act or a sale, lease or exchange of all or substantially all of the property of the Corporation other than in the ordinary course of business pursuant to subsection 189(3) of the Act and shall have one vote for each Preferred Share held at each such meeting.

No Voting Rights and No Dissent Rights: The Preferred Shareholders shall not be entitled to vote or to dissent rights as prescribed by the Act in respect of, any proposal to amend the articles of the Corporation to: (a) increase or decrease any maximum number of authorized Preferred Shares, or increase any maximum number of authorized shares of such class or series having rights or privileges equal or superior to the Preferred Shares; (b) effect an exchange, reclassification or cancellation of the Preferred Shares; or (c) create a new class or series of shares inferior, equal or superior to the Preferred Shares and no separate class vote shall be required under the Act in respect of the amendment, and the Preferred Shareholders shall have **no** dissenting rights in respect thereof.

## 3. Dividends

Corporation to pay Dividends: Holders of the Preferred Shares shall be entitled to receive and the Corporation shall pay thereon, as and when declared by the Board of Directors out of monies of the Corporation properly applicable to the payment of dividends, preferential cash dividends in such amount and in such form as the Board of Directors may from time to time determine, payable on each Dividend Payment Date. All dividends which the Board of Directors may declare on the Preferred Shares shall be declared and paid in equal amounts per share on all Preferred Shares at the time outstanding.

Dividend Payment: Dividends on the Preferred Shares shall be paid to the holder of record thereof determined at the close of business on the Business Day immediately preceding the relevant Dividend Payment Date. The Corporation pays out as cash dividends substantially all its net income and net realized capital gains every year. The dividends are calculated and paid, on a monthly basis, within 15 days after the end of each calendar month and in any event within 90 days of its year end. The payment of dividends is subject to the discretion of the Board of Directors to establish working capital and other reserves for the Corporation.

#### **4. Liquidation**

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

**No Participation in Surplus Assets:** After payment to the Preferred Shareholders of the amount so payable to them as above provided, they shall not be entitled to share in any further distribution of the property or assets of the Corporation.

#### **5. Redemptions**

**Redemptions at the Option of the Shareholder:** Provided that (i) a Preferred Share that is the subject of a redemption request has been issued and outstanding for at least 12 months, (ii) the redemption requested will not result in a contravention of the Act or any other provision of the Articles of Incorporation, and (iii) the redemption requested will not cause the total of all redemption requests from all Shareholders who made a request in that same calendar quarter to exceed more than nine percent (5%) of the total Preferred Shares outstanding (such that all redemption requests will be on a first come first serve basis apportioning the last redemption request until the maximum limit of 5% of the total Preferred Shares outstanding is redeemed in that same calendar quarter), the holders of the Preferred Shares shall be entitled to make a redemption request to the Corporation, requiring the Corporation to redeem at the Redemption Price all or any part of the Preferred Shares then held in accordance with the terms set out herein. A Preferred Shareholder must provide a Redemption Request to the Corporation. The Corporation will redeem the Preferred Shares specified in the Redemption Request on the Redemption Date next following the date which is 90 days after receipt by the Corporation of the Redemption Request.

**Early Redemption:** The Directors may, in the case of any Preferred Shareholder, waive or reduce the minimum 12 month holding period or the minimum notice period provided herein in circumstances where the Directors have determined that such requirements will result in undue hardship to the Preferred Shareholder, such as during times of critical illness or death of the Shareholder.

**Substantial Shareholder:** Notwithstanding the redemption rights outlined herein, in the interests of all Shareholders of the Corporation certain restrictions may, in the sole discretion of the Directors, be placed on Substantial Shareholders. A Substantial Shareholder is defined as a Shareholder together with parties related to that Shareholder (as defined in the Tax Act) who holds a total number of shares which is equal to or greater than 15% of the total number of Shares outstanding. As long as a Shareholder is defined as a Substantial Shareholder they will be restricted to redeeming no more than 20% of their Shareholdings in any six-month period.

**Redemption by the Corporation:** Upon 21 days, prior written notice to the Preferred Shareholder, the Corporation may at any time redeem any Preferred Share registered in the name of a Preferred Shareholder at the Redemption Price. The Corporation may, without notice to the Preferred Shareholder, redeem sufficient Preferred Shares registered in the name of a Preferred Shareholder at the Redemption Price to the extent necessary to pay any outstanding fees, charges, expenses or other amounts owed by the Preferred Shareholder to the Corporation. The Corporation may, without notice to the Preferred Shareholder, redeem Preferred Shares registered in the name of a Preferred Shareholder at the Redemption Price where (i) required by applicable law or policies of security regulatory authorities; or (ii) as may be required to ensure that the Corporation qualifies and continues to qualify as a "mortgage investment corporation" under section 130.1 of the Tax Act, or (iii) where the Board of Directors has by resolution determined that such redemption is

necessary in order to ensure that the securities of the Corporation do not constitute a "prohibited investment" to any annuitant of a registration plan for purposes of the Tax Act.

**Payment Upon Redemption:** The Corporation shall pay or cause to be paid to each Preferred Shareholder whose Preferred Shares are to be redeemed pursuant to this Section, an amount equal to the aggregate Redemption Price, less any redemption fees, charges or other amounts then payable by the Preferred Shareholder. Redemption fees of 4.00% of the aggregate Redemption Price shall apply on Preferred Shares that are the subject of a redemption request by the Shareholder and not the Corporation, that have been issued and outstanding for less than 12 months, and a redemption fee of 2.50% of the aggregate Redemption Price shall apply on Preferred Shares that are the subject of a redemption request by the Shareholder and not the Corporation, that have been issued and outstanding for longer than 12 months but less than 24 months. The Directors in their sole and absolute discretion, may, in the case of any Preferred Shareholder, waive or reduce the redemption fees. Payment shall be made on the 15th day following the applicable Redemption Date. Payment may be made by cheque, electronic funds transfer or other means acceptable to the Corporation and the Preferred Shareholder. Upon payment of the aggregate Redemption Price, the Preferred Shares redeemed shall be immediately cancelled. The Preferred Shareholder shall thereafter cease to have any further rights with respect to such Preferred Shares and provided that, payment of the aggregate Redemption Price is duly made, the Corporation shall be discharged from all liability to the Preferred Shareholder with respect to the Preferred Shares redeemed and the amount paid.

**Suspension of Redemptions:** Notwithstanding anything else contained herein, the Board of Directors of the Corporation may suspend or postpone, or continue a suspension or postponement of, the right to require redemption of the Preferred Shares (i) where the Board of Directors has determined that market conditions exist which render impracticable an orderly sale or liquidation of the assets of the corporation, or (ii) in circumstances whereby the Directors have determined that the accounting working capital of the Corporation would be insufficient, or (iii) where the Board of Directors has determined that the suspension or postponement is required to ensure fair and equitable treatment of all of the Preferred Shareholders, such as in circumstances whereby the Corporation would not be able to provide dividends to its Shareholders at the same amounts and frequency as historically paid, or (iv) as may be permitted or required by law.

**Where Redemption Suspended:** Upon the commencement of any suspension of the right to require redemptions, the Corporation shall promptly notify any Preferred Shareholder who has submitted a Redemption Request and has not been paid, of the suspension. The affected Preferred Shareholder may thereupon withdraw the Redemption Request or part thereof. If not so withdrawn, the Preferred Shareholder will be entitled to be paid the aggregate Redemption Price on the Redemption Date next following the date that the redemption privilege is reinstated, provided that the minimum holding period and the minimum notice period in paragraph 1 above have been complied with.

**Partial Redemptions Permitted:** On any Redemption Date, the Corporation may redeem some but not all the Preferred Shares for which Redemption Requests have been received and postpone or suspend the redemption of the remaining Preferred Shares pursuant to the provisions hereof. Any such partial redemption shall be made pro rata among all Preferred Shareholders who submitted such Redemption Requests on a first come first serve basis.

## **6. Priority**

The Common Shares shall rank junior to the Preferred Shares and shall be subject in all respects to the rights, privileges, restrictions and conditions attaching to the Preferred Shares. However, on a liquidation, subject to the prior rights of the Preferred Shareholders, the holders of the Common Shares shall be entitled to the remaining assets of the Corporation.

## **7. Dividend Reinvestment Plan**

The Corporation, subject to maintaining the status of the Corporation as a "MIC" under the Tax Act, maintains a dividend reinvestment and Share purchase plan ("**DRIP**"). Under the DRIP, Shareholders can reinvest dividends in additional Shares of the Corporation. The Corporation or the Managers administers all aspects of the DRIP. If the

Purchaser wishes to participate in the Dividend Reinvestment Plan operated by the Issuer, the Purchaser must complete and return the Enrolment Form for Dividend Reinvestment Plan which is attached to the Subscription Agreement.

**Eligibility:** All holders of Shares are eligible to participate in the DRIP by completing an enrolment form in the form attached to the Subscription Agreement and returning it to the Corporation "**Registered Participants**"). If a Shareholder wishes to participate in the DRIP, they may enroll any of their Shares in the DRIP.

**Investment Date:** Dividends are calculated, paid and reinvested in Shares on a monthly basis ("**Investment Date**"). In the future, the Corporation may calculate and pay dividends on the Shares on a quarterly basis within 15 days after each calendar month. The payment of a dividend, and the declaration, record and payment dates applicable to it are determined by the Board of Directors in its sole discretion.

**Cost and Attributes of Shares Purchased under the DRIP:** Shares are purchased at \$1.00 per Share and are issued from the Treasury of the Corporation. The Corporation uses the cash dividends attributable to a Shareholder to purchase additional Preferred Shares on behalf of the Shareholder. All Preferred Shares acquired through the DRIP are credited to the Shareholder's account. At the end of each fiscal quarter, physical certificates will be issued to the Shareholder for all shares acquired under the DRIP for that fiscal year period. No fractional Preferred Shares will be issued by the Corporation under the DRIP. Residual cash dividends which are not used to purchase additional Preferred Shares will be credited to the account of the Preferred Shareholder. There is no minimum aggregate subscription amount under the DRIP. Preferred Shares issued under the DRIP may not be transferred or pledged.

**Transaction Statements:** Transaction statements are sent to the Preferred Shareholder following each Investment Date. The transaction statements will show the Preferred Shares purchased under the DRIP and should be retained for income tax purposes. The Corporation also reports to the Shareholder on an annual basis any required information for income tax purposes with regard to all dividends paid to each holder of Preferred Shares.

**Termination of Participation in the DRIP:** Participation in the DRIP may be terminated by a Preferred Shareholder at any time by giving written notice to the Corporation. In the event that written notice terminating participation in the DRIP is not received by the Corporation at least five business days before an Investment Date, the requested action will not be taken until after such Investment Date.

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

**Amendments to Plan and Termination by Corporation:** The Corporation reserves the right to amend, suspend or terminate the DRIP at any time. In the event of any such occurrence, the Corporation will give reasonable notice in writing to all Shareholders. The Corporation and the Managers may make rules and regulations inconsistent with the terms of the DRIP in order to improve the administration of the DRIP.

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

## 5.2 Subscription Procedure

The Preferred Shares are offered pursuant to any one of the exemptions under National Instrument 45-106 Prospectus Exemption ("**NI 45-106**") from the prospectus requirements of securities legislation and the exemptions under National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations ("**NI 31-103**") from the registration requirements of securities legislation.

Such exemptions relieve the Corporation from provisions under securities legislation requiring the Corporation to file a prospectus and therefore Subscribers do not receive the benefits associated with a subscription for securities issued pursuant to a filed prospectus, including the review of material by a securities commission or similar authority.

The Preferred Shares are being offered only in the Selling Jurisdictions and only through registered dealers.

The Corporation will be relying primarily on the offering memorandum exemption under section 2.9 of NI 45-106 (the “**Offering Memorandum Exemption**”), the accredited investor exemption under section 2.3 of NI 45-106 (the “**Accredited Investor Exemption**”) and the minimum amount investment exemption under section 2.10 of NI 45-16 (the “**Minimum Amount Investment Exemption**”).

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

### **The Subscription Agreement**

Each prospective and qualified investor who wishes to subscribe for Preferred Shares must complete and sign the form of Subscription Agreement (including the applicable certificates and risk acknowledgement forms) specifying the number of Preferred Shares being subscribed for and follow the instructions set forth therein.

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

### **Execution and Delivery of Subscription Agreement**

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

- (a) a completed and executed Subscription Agreement in the form provided with this Offering Memorandum;
- (b) Bank draft, wire, order/ electronic funds transfer or certified cheque payable to the Corporation in the amount of the subscription price for the Preferred Shares;
- (c) any Subscriber purchasing Preferred Shares pursuant to the Offering Memorandum Exemption must complete and sign two copies of the Form 45-106F4 – Risk Acknowledgement (“Form 45- 106F4”) attached to the Subscription Agreement (one copy to be retained by the Subscriber and one copy to be delivered to the Corporation);
- (d) if the Subscriber is an individual and resident in Alberta, Ontario, Québec or Saskatchewan and is purchasing Preferred Shares pursuant to the Offering Memorandum Exemption, the Subscriber must complete and sign two copies of Schedules A-1 and A-2 attached to the Form 45-106F4 in the Subscription Agreement;
- (e) if the Subscriber is purchasing Preferred Shares having an aggregate acquisition cost of greater than \$10,000 pursuant to the Offering Memorandum Exemption, the Subscriber may be required to complete and sign additional documentation including an Eligible Investor Questionnaire;
- (f) if the Subscriber is an “accredited investor” as defined in NI 45-106 and is purchasing Preferred Shares pursuant to the Accredited Investor Exemption, the Subscriber must complete and sign the Accredited Investor Status Certificate attached to the Subscription Agreement (including the Form 45-106F9 risk acknowledgement form contained therein, if applicable); and

- (g) if the Subscriber is relying on the Minimum Amount Investment Exemption, the Subscriber must complete the Certificate for Minimum Amount Investors and Risk Disclosure Form for Minimum Amount Investors attached to the Subscription Agreement.

Acceptance of Subscriptions and Closings – Subscriptions may be accepted at the sole discretion of the Managers, and are subject to the terms and conditions of the Subscription Agreement signed by the Investor. The Corporation reserves the right to close the subscription books at any time without notice. Any funds for subscription that the Corporation does not accept will be promptly returned after the Corporation has determined not to accept the funds without interest or deduction.

The authority to accept or reject subscriptions has been delegated to the Managers to ensure that the Corporation maximizes its return for existing Investors, that the fund remains qualified as a “MIC” as this term is defined by the Tax Act, and to ensure that the Corporation complies with all other relevant securities legislation.

This Offering is not subject to any minimum subscription level except as specified in the Offering Memorandum or as required for the Corporation to maintain its status as a “MIC” under the Tax Act. Therefore, any funds received from an Investor are available to the Corporation and need not be refunded to the Investor save and except as required by the constating documents of the Corporation, the terms of this Offering Memorandum, or as otherwise required by law.

If this Offering is nullified for any reason, the Subscription Agreement and cash funds received by the Managers prior to the nullification will be returned to Subscribers without interest or deduction as if the Subscribers’ subscription had been rejected (whether the subscription(s) had previously been accepted by the Corporation).

A prospective Investor will become a shareholder upon execution of a Subscription Agreement, acceptance of the Subscription Agreement by the Managers acting on behalf of the Corporation, payment of the subscription price, and entry of the Investor’s name in the shareholder register of the Corporation.

Where required under securities legislation, the subscription amount will be held in trust by the Managers until midnight on the second business day after the Investor delivers the executed Subscription Agreement. Such subscription proceeds will be held in trust until midnight on the second Business Day after the day the Subscriber signs the applicable Subscription Agreement. If Subscribers provide the Corporation with a cancellation notice prior to midnight of the second Business Day after the signing date, or the Corporation does not accept a Subscriber's subscription, all subscription proceeds will be promptly returned to the Subscriber without interest or deduction. Proceeds received from Subscribers who purchase Preferred Shares under this Offering will be held in trust and only released against delivery of the certificates representing the Preferred Shares subscribed therefor. If this Offering is terminated prior to Closing, the proceeds under the Offering received from each Subscriber shall be returned to such Subscriber without interest or deduction. See ITEM 11: PURCHASERS RIGHTS.

### **Personal Information**

Each resident of Ontario who purchases the Preferred Shares will be deemed to have represented to the Corporation and each dealer from whom a purchase confirmation is received, that such purchaser:

1. has been notified by the Corporation:
  - (a) that the Corporation may be required to provide personal information pertaining to the purchaser as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the aggregate purchase price of any Preferred Shares purchased) (“personal information”), which Form 45-106F1 may be required to be filed by the Corporation under NI 45-106;
  - (b) that such personal information may be delivered to the Ontario Securities Commission (the “OSC”) in accordance with NI 45-106;

- (c) that such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario;
  - (d) that such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario; and
  - (e) that the public official in Ontario who can answer questions about the OSC's indirect collection of such personal information is the Administrative Assistant to the Director of Corporate Finance at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-8086; and
2. has authorized the indirect collection of the personal information by the OSC.

Furthermore, each Investor acknowledges that its name, address, telephone number and other specified information, including the aggregate purchase price paid by the Subscriber, may be disclosed to other Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable Canadian laws. By purchasing the Preferred Shares, each Subscriber consents to the disclosure of such information.

#### **ITEM 6: INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY**

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

The Corporation has prepared the following commentary, which it believes is a fair and adequate summary of the principal federal income tax consequences arising under the Tax Act to an Investor who is an individual resident in Canada who acquires Preferred Shares under this Offering Memorandum. The income tax consequences will not be the same for all Subscribers, but may vary depending on a number of factors including the province or provinces in which the Investor resides or carries on business, whether Preferred Shares acquired by him or her 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, therefore, of a general and limited nature only and 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 his own independent tax advisor as to the Canadian federal and provincial income tax consequences of his acquisition of Preferred Shares, as such consequences can vary depending upon the circumstances of each Investor.**

The following is a summary, provided by the Corporation, of the principal Canadian federal income tax consequences of acquiring, holding and disposing of the Preferred Shares by a Subscriber who, at all relevant times, is a resident of Canada, deals at arm's length, and is not affiliated, with the Corporation, and who acquires and holds the Preferred Shares as capital property (each, a "**holder**"), all within the meaning of the Tax Act. Generally, the Preferred Shares will be considered capital property to a holder provided such holder does not hold the Preferred Shares in the course of carrying on business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Holders who may not hold the Preferred Shares as capital property can elect, in certain circumstances, to have such property treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary is not applicable to any holder of Preferred Shares which is a "financial institution", as defined in section 142.2 of the Tax Act or to any holder of Preferred Shares an interest in which is a "tax shelter investment" for the purposes of the Tax Act.

This summary is based upon the facts set out in this Offering Memorandum, the current provisions of the Tax Act and the regulations thereunder, all specific proposals (the "**Tax Proposals**") to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and the current published administrative practices of the Canada Revenue Agency ("**CRA**"). This summary assumes that the Tax Proposals will be enacted as currently proposed but does not take into account or anticipate any other changes in



law whether by legislative, governmental or judicial action and does not take into account tax legislation or considerations of any province, territory or foreign jurisdiction.

The summary contained in this section is of a general nature only and is not exhaustive of all possible Canadian federal income tax consequences. This summary is not intended to be and should not be interpreted as legal or tax advice to any particular Investor. Holders should consult with their own tax advisor regarding the income tax consequences of acquiring, holding and disposing of the Preferred Shares including the application and effect of the income and other tax laws of any country, province, state or local tax authority.

This summary is based on the assumption that the Corporation meets certain conditions which are imposed by the Tax Act to qualify as a “mortgage investment corporation”. These conditions will generally be satisfied if, throughout a taxation year of the Corporation; or, in the Corporation’s first taxation year, at the end of such first taxation year:

- (a) the Corporation is a Canadian corporation as defined in the Tax Act;
- (b) the Corporation’s only undertaking was the investing of funds, and it did not manage or develop any real property;
- (c) no debts were owing to the Corporation by non-residents of Canada, except any such debts that were secured on real property situated in Canada;
- (d) the Corporation did not own shares of corporations not resident in Canada;
- (e) the Corporation did not hold real property situated outside of Canada;
- (f) no debts were owing to the Corporation that were secured on real property situated outside of Canada;
- (g) the cost amount of the Corporation’s property consisting of mortgages on “houses” or on property included within a “housing project” (as those terms are defined in section 2 of the *National Housing Act* (Canada)), deposits with a bank or other corporations whose deposits are insured by the Canada Deposit Insurance Corporation or a credit union, together with cash on hand (collectively, the “**Qualifying Property**”), was at least 50% of the cost amount to it of all its property;
- (h) the cost amount of real property (including leasehold interests therein but excluding real property acquired as a consequence of foreclosure or defaults on a mortgage held by the Corporation) owned by the Corporation did not exceed 25% of the cost amount to it of all of its property;
- (i) the Corporation had 20 or more shareholders and no person would have held more than 25% of the issued shares of the capital stock of the Corporation or been a specified shareholder (as such term is defined in subsection 130.1(6) of the Tax Act) of the Corporation;
- (j) holders of any preferred shares had a right, after payment of their dividends, and payment of dividends in a like amount per share to the holders of common shares, to participate *pari passu* with the holders of common shares in any further payment of dividends; and
- (a) where at any time in the year (or at the end of the year, as the case may be) the cost amount to it of its Qualifying Property was less than 2/3 of the cost amount to it of all of its property, the Corporation’s liabilities did not exceed three times the amount by which the cost amount to it of all of its property exceeded its liabilities, or, where throughout the taxation year (or at the end of the year, as the case may be) the cost amount to it of its Qualifying Property equaled or exceeded 2/3 of the cost amount of all of its property, the Corporation’s liabilities did not exceed five times the amount by which the cost amount to it of all of its property exceeded its liabilities.

It has been assumed, for the purpose of this summary that the Corporation will qualify as a MIC in accordance with conditions prescribed in the Tax Act at all times which are relevant to the opinions expressed herein. Based upon certain representations by management of the Corporation as to the nature, location and cost amounts of the Corporation’s assets and liabilities, including the composition and cost of its mortgage portfolio, as to the shareholders of the Corporation and as to the range of activities which the Corporation will undertake in the course of

carrying on its mortgage investment business (the “**Representations**”), counsel anticipates that the Corporation will meet the requirements for qualification as a “mortgage investment corporation” under the Tax Act at the closing of this Offering and will continue to so qualify thereafter provided the Representations continue to be true throughout each of the Corporation’s subsequent taxation years. Purchasers are cautioned that the Corporation must meet the requirements under the Tax Act to be a “mortgage investment corporation” on a continuous basis throughout each taxation year in order to avail itself of the provisions of the Tax Act as to the taxation of dividends outlined herein. Management of the Corporation expects that the Representations will continue to be true throughout each of the Corporation’s subsequent taxation years such that the Corporation will continue to so qualify.

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

### **Taxation of the Corporation**

The Corporation will, in computing its income, generally be entitled to deduct the full amount of all taxable dividends (other than capital gains dividends) which it pays during the year or within 90 days after the end of the year to the extent that such dividends were not deductible by the Corporation in computing its income for the preceding year. In addition, the Corporation may generally declare a capital gains dividend in an amount equal to the gross amount of its capital gains and is entitled to deduct, in computing its income for the year, one-half (1/2) of its capital gains dividend paid during the period commencing 91 days after the commencement of the year and ending 90 days after the end of the year. The Corporation intends to pay taxable dividends and capital gains dividends each year in sufficient amounts to reduce its Part I income tax liability to Nil.

### **Taxation of holders**

Taxable dividends (other than capital gains dividends) which are paid by the Corporation on the Preferred Shares will be included in the holder’s income as interest income. **The normal gross-up and dividend tax credit rules will not apply to dividends paid by the Corporation to an individual and holders that are corporations will not be entitled to deduct the amount of the dividends paid by the Corporation from their taxable income.** Capital gains dividends will be treated as a capital gain realized by the holder and will be subject to the general rules relating to the taxation of capital gains described in more detail below.

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

A disposition or a deemed disposition of the Preferred Shares (other than to the Corporation) will result in a holder realizing a capital gain (or capital loss) to the extent that the proceeds of disposition of the Preferred Shares exceed (or are exceeded by) the adjusted cost base of the Preferred Shares and reasonable disposition costs, according to the usual rules contained in the Tax Act. Amounts paid by the Corporation on the redemption or acquisition by it of the Preferred Shares, up to the paid-up capital thereof, will be treated as proceeds of disposition. Any amount paid by the Corporation on the redemption or acquisition of the Preferred Shares which is in excess of the paid-up capital of the Preferred Shares will be deemed to be a dividend and will generally be included in the income of a holder of the Preferred Shares as interest (and deductible by the Corporation) in accordance with the rules described above.

One-half (1/2) of any capital gain realized by a holder (including capital gains deemed to be realized as a result of a receipt of a capital gains dividend) will be included in the holder’s income under the Tax Act as a taxable capital gain. Subject to certain specific rules contained in the Tax Act, one-half (1/2) of any capital loss realized in a taxation year may be deducted against any taxable capital gains realized by the holder in the year of disposition. The excess of capital losses over capital gains in the year of disposition may generally be deducted against capital gains in the three preceding taxation years or in any subsequent taxation year, subject to the more specific rules contained in the Tax Act.

Taxable capital gains realized by a holder that is an individual, including certain trusts, may give rise to alternative minimum tax depending upon the holder's circumstances.

Any payment in excess of the earnings of the Corporation would reduce the adjusted cost base of the Preferred Shares.

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

The Corporation confirms that the Preferred Shares may be qualified investments for trusts governed by registered retirement savings plans, registered education savings plans, deferred profit sharing plans, registered retirement income funds or tax-free savings accounts (collectively, "**Deferred Income Plans**") at a particular time if the Corporation qualifies as a MIC under the Tax Act and if throughout the calendar year in which the particular time occurs, the Corporation does not hold as part of its property any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer or a subscriber, under the relevant Deferred Income Plan or any other person who does not deal at arm's length with that person. Deferred Income Plans will generally not be liable for tax in respect of any dividends received from the Corporation or on any capital gain realized on the disposition of the Preferred Shares or with respect to capital gains dividends.

If the Corporation fails to qualify as a MIC at any time in a taxation year, the Preferred Shares may cease to be a qualified investment for a Deferred Income Plan. When a Deferred Income Plan holds a non-qualified investment at the end of a month, the trust governed by the plan will be subject to a tax of 1% of the fair market value of the investment at the time it was acquired. If the Deferred Income Plan in question is a tax-free savings account, a tax of 50% of the fair market value of the Preferred Shares of the Corporation will apply against the holder if the Corporation fails to qualify as a MIC, or at any time if the Preferred Shares become a prohibited or non-qualified investment for a Deferred Income Plan that is a tax-free savings account. Additionally, while a Deferred Income Plan that is a tax-free savings account holds a prohibited investment, the holder will also be subject to an additional tax that is based on income earned from the prohibited investment.

## **ITEM 7: COMPENSATION PAID TO SELLERS AND FINDERS**

CMI Mortgages Inc. and CMI Servicing Inc. in its capacity as Managers of the Corporation have agreed to retain or engage agents, securities dealers and brokers to arrange, and facilitate the completion of, the sale of the Preferred Shares to Investors. No fees or commissions shall be payable by either the Corporation or the Managers to such agents, securities dealers or brokers other than the following fees: one time commissions or fees of up to 3% of the funds raised and trailing commissions of 1% of funds raised paid quarterly and 0.5% of funds raised paid annually on each anniversary of the subscription for as long as the subscriber holds the Preferred Shares.

In addition, agents, securities dealers and brokers may charge their clients additional fees and commissions to purchase or sell Preferred Shares. The Corporation will not pay finder's fees directly to any person.

## **ITEM 8: RISK FACTORS**

### **1. General**

An investment in the Preferred Shares offered hereunder involves significant risks due to the nature of the Corporation's business. Subscribers should carefully review the following factors, together with the other information contained in this Offering Memorandum, before making an investment decision.

This is a speculative offering. The purchase of Preferred Shares involves a number of risks and is suitable only for Subscribers 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.**

Subscribers should consult with their own independent professional legal, tax, investment and financial advisors before purchasing Preferred Shares, 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.

The proceeds of the Offering may not be sufficient to accomplish all the Corporation's proposed objectives.

In addition to the factors set forth elsewhere in this Offering Memorandum, Subscribers should consider the following risks before purchasing Preferred Shares. Any or all these risks, or other unidentified risks, may have a material adverse effect on the Corporation's business and/or the return to the Subscribers.

## 2. Investment Risk

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

**No Market for Preferred Shares and Restrictions on Transfer** - The Preferred Shares are not traded on any stock exchange. As there is no market for the Preferred Shares and the Preferred Shares are subject to resale restrictions under securities legislation, an Investor will not be able to transfer his or her investment or withdraw his or her capital at will. The Preferred Shares are also subject to restrictions on transfer under the Corporation's constituting documents. An Investor may never be able to sell his Preferred Shares and recover any part of his or her investment. **Accordingly, an investment in Preferred Shares should only be considered by Subscribers who do not require liquidity.** See ITEM 10: RESALE RESTRICTIONS.

**Lack of Separate Legal Counsel** - The Subscribers, as a group, have not been represented by separate counsel. Neither counsel for the Corporation nor counsel for the Managers purport to have acted for the Subscribers nor to have conducted any investigation or review on their behalf.

**Retraction Liquidity** - The Preferred Shares are retractable, meaning that Investors have the right to require the Corporation to redeem them, upon appropriate advance notice from the Investor to the Corporation. The retraction timings are measured from the date on which the Investor is issued the Preferred Shares to the date on which the Investor is entitled to request redemption by the Corporation. If the Investor does not provide the Corporation with the appropriate notice of retraction, the right of retraction is suspended until an additional time period has elapsed. See ITEM 5: SECURITIES OFFERED, 5.1 Terms of Securities. Retraction and redemption of the Preferred Shares are subject to the Corporation maintaining its status as a MIC as defined by the Tax Act, all as determined solely by the Managers. **Accordingly, this investment may be unsuitable for those prospective Investors who require greater liquidity.**

**No Guarantees** - There is no assurance that the Corporation will be able to pay dividends at the level targeted by the Corporation. The funds available for distribution to Preferred Shareholders will vary according to many factors, notably the interest and principal payments received in respect of mortgage loans held by the Corporation. The dividends which Investors may be entitled to receive are not cumulative and the Directors have the sole discretion as to whether or not any such dividends are paid. **Therefore, there is no guarantee that any dividends will be paid to the Preferred Shareholders.**

Although mortgage loans made by the Corporation are carefully selected, there can be no assurance that such loans will have a guaranteed rate of return to the Corporation or that losses will not be suffered on one or more loans. Moreover, at any point in time, the interest rates being charged for mortgages are reflective of the general level of interest rates and, as interest rates fluctuate, it is expected that the aggregate yield on mortgage investments will also change. In the event that additional security is given by the borrower or that a third party guarantees the mortgagor's obligations, there is no assurance that such additional security or guarantee will be sufficient to make the Corporation whole if and when resort is to be had thereto. Although the Corporation will endeavor to maintain a diversified portfolio, the composition of the Corporation's investment portfolio may vary widely from time to time and may be concentrated by type of security, industry or geography, resulting in the Corporation's portfolio being less diversified than anticipated. **There is no assurance that the Corporation's mortgage portfolio will be profitable.**

**No Review by Securities Regulatory Authorities** - The Offering constitutes a private offering of the Preferred Shares by the Corporation only in those jurisdictions where and to those persons to whom, they may be lawfully offered for sale under exemptions in securities legislation. No securities commission or similar regulatory authority in Canada or in any other jurisdiction has passed on the merits of the securities offered hereunder.

**As a result, an investment in the Corporation is appropriate only for Investors who have a capacity to absorb a loss of all their investment and who can withstand the effect of dividends not being paid in any period or at all.**

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

**Leverage** – The Corporation may from time to time borrow under loans with Canadian chartered banks and others. See ITEM 4: CAPITAL STRUCTURE, 4.2 Long Term Debt Securities. Any such borrowings add leverage to the investments made by the Corporation. The obligations under such loans may be secured, and while the addition of leverage has the potential to enhance returns, it also involves additional risks. There can be no assurance that the leveraging employed by the Corporation will enhance returns, and to the extent that secured lenders realize on their respective collateral, they will have right to receive distributions in priority to the Corporation in addition to the right to seize mortgage assets pursuant to security agreements with the Corporation.

### 3. Issuer Risk

Risk that are specific to the Corporation and the Managers include the following:

**MIC Tax Designation** - The Directors of the Corporation will use their best efforts to ensure the Corporation qualifies at all times as a MIC pursuant to the Tax Act. To that end, the Directors have the discretion to reject any applications for participation in the DRIP (a dividend reinvestment plan) or share subscriptions, transfers, redemptions or retractions where, in the view of the directors, such acts would result in the Corporation failing to meet the requirements of a MIC under the Tax Act.

As a Corporation qualified as a MIC, the Corporation may deduct taxable dividends it pays from its income and the normal gross up and dividend tax credit rules will not apply to dividends paid by the Corporation on the Preferred Shares. Rather, the dividends will be taxable in the hands of Preferred Shareholders as if they had received an interest payment on a bond issued by the Corporation. If for any reason the Corporation fails to maintain its MIC qualification in a particular year, the dividends paid by the Corporation on the Preferred Shares would cease to be deductible from the income of the Corporation for that year and the dividends it pays on the Preferred Shares would be subject to the normal gross up and dividend tax credit rules to the extent applicable. In addition, the Preferred Shares might cease to be qualified investments for trusts governed by RRSPs, RRIFs, deferred profit sharing plans, RESPs, RDSPs and TFSA's, with the effect that a penalty tax would be payable by the Investor. **There can be no assurance, the Corporation will be able to meet the Tax Act's MIC qualifications at all relevant times.**

**Absence of Voting Rights** - The Preferred Shares being sold under this Offering do not carry voting rights, and consequently a Subscriber's investment in Preferred Shares does not carry with it any right to take part in the control or management of the Corporation's business, including the election of directors. In assessing the risks and rewards of an investment in Preferred Shares, potential Subscribers should appreciate that they are relying solely on the good faith, judgment and ability of the directors, officers and employees of the Corporation, and the Managers to make appropriate decisions with respect to the management of the Corporation, and that they will be bound by the decisions of the Corporation's, and the Managers' directors, officers and employees.

**Dilution** - The number of Preferred Shares the Corporation is authorized to issue is unlimited and the directors have the sole discretion to issue additional Preferred Shares. In addition to alternate financing sources, the Corporation may conduct future offerings of Preferred Shares in order to raise the funds required which could result in a dilution of the interests of the Investors in the Corporation. Any issuance of Preferred Shares may have a dilutive effect on existing Shareholders. In addition, under the terms of the Articles of the Corporation, the Preferred Shareholders shall not be entitled to vote or to dissent rights as prescribed by the OBCA in respect of, any proposal to amend the articles of the

Corporation to: (a) increase or decrease any maximum number of authorized Preferred Shares, or increase any maximum number of authorized shares of such class or series having rights or privileges equal or superior to the Preferred Shares; (b) effect an exchange, reclassification or cancellation of the Preferred Shares; or (c) create a new class or series of shares inferior, equal or superior to the Preferred Shares and no separate class vote shall be required under the Act in respect of the amendment, and the Preferred Shareholders shall have no dissenting rights in respect thereof.

**Conflicts of Interest** - Conflicts of interest may exist, and others may arise, between and among Subscribers and the directors and officers of the Managers and the Corporation and their associates and affiliates. There is no assurance that any conflicts of interest that may arise will be resolved in a manner most favorable to Subscribers. Persons considering a purchase of the Preferred Shares pursuant to this Offering must rely on the judgment and good faith of the directors, officers and employees of the Managers and the Corporation in resolving such conflicts of interest as may arise. These individuals are the same people. The Corporation and its shareholders are dependent in large part upon the experience and good faith of the Managers. The Managers are entitled to and do act in a similar capacity for other companies whose investment criteria may be similar to those of the Corporation. As such, there is a risk the Managers will not be able to originate sufficient suitable investment opportunities to keep the Corporation's funds fully invested. Also, the directors and officers of the Managers are employed by or act in other capacities for other companies involved in mortgage and lending activities.

**Reliance on the Managers and Third Parties** - In accordance with the terms of the Management Agreement, the Managers have significant responsibility for assisting the Corporation in conducting its affairs. Any inability of the Managers to perform competently or on a timely basis could negatively affect the Corporation. The Corporation is exposed to adverse developments in the business and affairs of the Managers and to its management and financial strength. The operations of the Corporation and the Managers 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 Corporation to implement its business plan. In order to grow the mortgage portfolio, the Managers and the Corporation may need to retain additional staff and may be required to improve existing systems and controls. There is no assurance that the Corporation will manage its growth effectively or that the Managers will adjust its staffing or systems and controls appropriately. To the extent that the Corporation or the Managers does not do so, the mortgage portfolio and the returns of the Corporation may be negatively affected.

**Future Operations and Possible Need for Additional Funds** - The Corporation requires significant funds to carry out its business plan. In the event the Corporation is unable to raise sufficient funds by this Offering and/or future and/or other debt or equity financing, the Corporation may have insufficient funds available to it to implement its business plan, and Subscribers may receive no return on their Preferred Shares. Certain uninsurable or uninsured events may also occur which can substantially reduce the ability of the Corporation to carry on business in a profitable manner, including natural or man-made disasters. The Corporation anticipates that a substantial portion of the net proceeds of this Offering will be expended by the Corporation 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 Corporation's business plan. There can be no assurances, however, that the Corporation 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 Corporation will not require additional financing. The Corporation 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 Corporation, or at all. Failure to obtain additional financing would likely have a substantial material adverse effect on the Corporation. Moreover, in the event the Corporation were to obtain such additional financing, it could have a dilutive effect on Subscribers' participation in the revenues generated through the Corporation's operations.

**Litigation Risk** - The Corporation may, from time to time, become involved in legal proceedings in the course of its business. The costs of litigation and settlement can be substantial and there is no assurance that such costs will be recovered in whole or at all. During litigation, the Corporation is not receiving payments of interest on a mortgage loan that is the subject of litigation, thereby impacting cash flows. The unfavorable resolution of any legal proceedings could have an adverse effect on the Corporation and its financial position and results of operations that could be material.

#### 4. Industry Risk

There are also risks faced by the Corporation 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 Corporation's mortgage loans reflect the greater risks involved in making these types of loans as compared to long-term conventional mortgage loans.

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, governmental regulation and tax laws. The Corporation cannot predict the effect such factors will have on its operations.

The Corporation's investments in mortgage loans will be secured by real estate. All real property investments are subject to elements of risk. In addition, prospective Investors should take note of the following:

**Competition and Availability of Investments** - The earnings of the Corporation depend on the Corporation's ability, with the assistance of the Managers, to locate suitable opportunities for the investment and reinvestment of the Corporation's funds and on the yields available from time to time on mortgages and other investments. The industry in which the Corporation operates is subject to a wide variety of competition from public and private businesses, many of whom have greater financial and technical resources than the Corporation. An inability to find suitable investments may have an adverse effect on the Corporation's ability to sustain the level of distributions. Competitors may reduce the interest rates they charge, resulting in a reduction of the Corporation's share of the market, reduced interest rates on loans, and reduced profit margins.

**Environmental Liability of a Mortgage** - Under various laws, the Corporation could become liable for the costs of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and wastes, where the Corporation has exercised its right of re-entry or foreclosure or has otherwise assumed the control, occupation or management of the property. Although the Corporation obtains an evaluation of the property to be subject to a mortgage in the form of a phase I environmental audit where required, environmental legislation and policies have become an increasingly important feature of property ownership and management in recent years. Under various laws, the Corporation could become liable for the costs of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and wastes at or from a property, or disposed of at another location.

**Investments not insured** – Neither the Corporation nor the Managers is a member of the Canada Deposit Insurance Corporation and the Preferred Shares offered hereunder are therefore not insured against loss through the Canada Deposit Insurance Corporation. Moreover, mortgages held by the Corporation in its capacity are not insured through the Canada Mortgage and Housing Corporation or otherwise.

**Changes in Regulatory Regime** - There can be no assurances that certain laws applicable to the Corporation, including, without limitation, mortgage brokerage laws and securities legislation, will not change in a manner that will adversely affect the Corporation.

**Renewal of Mortgages** - There can be no assurances that any of the mortgages comprising the mortgage portfolio from time to time can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to each mortgage comprising the mortgage portfolio, it is possible that the mortgagor, the mortgagee or both, will not elect to renew such mortgage. In addition, if the mortgages in the mortgage portfolio are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such mortgages will be subject to negotiations between the mortgagors and the Managers at the time of renewal.

**Liquidity Risk** - Investments in mortgages are relatively illiquid. This will tend to limit the Corporation's ability to vary its mortgage portfolio promptly in response to changing economic or investment conditions. There is a risk that the Corporation will be unable to meet commitments associated with financial instruments. The Corporation controls liquidity risks through cash flow projections used to forecast funding requirements on mortgage proposals, which

include anticipated redemption of Preferred Shares. The Corporation commits to mortgage investments only on an assured cash availability basis.

**Priority over Security** - Financial charges for construction and other financing funded by conventional third party lenders may rank in priority to the mortgages registered in favor of the Corporation. In the event of default by the mortgagor under any prior financial charge, the Corporation may not recover any or all of the monies advanced under foreclosure proceedings.

**Investment Concentration** - As the Corporation may have only one or a limited number of mortgage investments, it is susceptible to adverse market conditions such as business layoffs or downsizing, industry slowdowns, relocations of businesses, changing demographics and other factors. Demand for residential and commercial mortgages could be adversely affected by weakness in the national, regional and local economies, changes in supply of, or demand for, similar or competing sources of mortgage money. To the extent that any of these conditions occur, they are likely to affect the demand for and the interest rate, which could cause a decrease in the interest revenue to the Corporation. Any mortgage default could impair the Corporation's ability to pay dividends to its Preferred Shareholders or could restrict its ability to redeploy capital.

**Sensitivity to interest rates** - It is anticipated that the value of the Corporation's investment portfolio at any given time may be affected by the level of interest rates prevailing at such time. The Corporation's income will consist primarily of interest payments on the mortgages comprising the Corporation's investment portfolio. If there is a decline in interest rates (as measured by the indices upon which the interest rates of the Corporation's mortgage assets are based), the Corporation may find it difficult to make a mortgage loan bearing rates sufficient to ultimately achieve the targeted payment of dividends on the Preferred Shares. There can be no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect the Limited Partnership's business, financial condition and results of its operations which in turn would result in an adverse effect on the dividends targeted, payable and/or paid on the Preferred Shares. Due to the term of the mortgages made by the Corporation and the inability to accurately predict the extent to which the Corporation's mortgages may be prepaid, it is possible that the Corporation may not be able to sufficiently reduce interest rate risk associated with the replacement of such mortgages through new investments in mortgages, thereby potentially affecting adversely the ultimate return to holders of Preferred Shares.

**Mortgage Prepayment** - Mortgages comprising the mortgage portfolio from time to time permit the borrower to prepay the principal amount. Any prepayment bonus or penalty may not fully compensate the Corporation for the total amount of the return foregone had the mortgage been held to term, and the Corporation may not be able to redeploy the capital at the same interest rate.

**Prepayment of Mortgages** - The Corporation may commit to making future mortgage investments in anticipation of repayment of principal outstanding under existing mortgage investments. In the event that such repayments of principal are not made in contravention of the borrowers' obligations, the Corporation may be unable to advance some or all of the funds required to be advanced pursuant to the terms of its commitments and may face liability in connection with its failure to make such advances.

**Higher Risk Mortgages** - The Corporation provides financing to borrowers who 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 what institutional lenders may receive. Non-conventional mortgage investments also attract higher loan loss risk. Credit risk is the risk that the mortgagor will fail to discharge the obligation causing the Corporation to incur a financial loss. The Corporation will try to minimize its credit risk primarily by ensuring that the collateral value of the security fully protects both first, second, and third mortgage advances, that there is a viable exit strategy for each loan, and that loans are made to experienced developers and owners. In addition, the Corporation intends to limit the concentration of risk by diversifying its mortgage portfolio by way of location, property type, maximum loan amount on any one property and maximum loan amount to any one borrower.

This higher risk is compensated for by a higher rate of return. The failure of one or more borrowers to make payments according to the terms of their loan could result in the Corporation exercising its rights as mortgagee and may adversely affect the Corporation's rate of return, which is directly correlated to the receipt of mortgage payments.



**Defaults** - The Corporation's income and funds available for distribution to Investors would be adversely affected if a significant number of borrowers were unable to pay their obligations to the Corporation or if the Corporation was unable to invest its funds in mortgages on economically favorable terms. On default by a borrower, the Corporation may experience delays in enforcing its rights as lender and may incur substantial costs in protecting its investment.

If there is default on a mortgage, it may be necessary for the Corporation, in order to protect the investment, to engage in foreclosure or sale proceedings (by power of sale or otherwise) and to make further outlays to complete an unfinished project or to maintain prior encumbrances in good standing. In those cases, it is possible the total amount recovered by the Corporation may be less than the total investment, resulting in loss to the Corporation.

Also, the recovery of a portion of the Corporation's assets, i.e. the property put up as collateral by the defaulting mortgagor, would be tied up for a period of time, diverting resources away from the funding of new investments. Legal fees and other costs incurred by the Corporation in enforcing its rights as mortgagee against a defaulting borrower are borne by the Corporation. Although these fees and costs are often recoverable from the borrower directly or through the sale of the mortgaged property by power of sale or otherwise, there is no assurance that they will be recovered and therefore will result in lower distributions payable to the Corporation and in turn reduced returns to holders of Preferred Shares. Due to fluctuations in the housing market and the economy generally, there is a possibility that historical loan default rates may increase and that in any power of sale, the Corporation could lose a substantial portion of the principal amount loaned to the borrower. Loan loss reduces the Corporation's available cash and in turn result in reduced returns to holders of Preferred Shares. Excessive loan loss could ultimately result in the Corporation being unable to pay dividends. Excessive loan loss could also ultimately result in the Corporation sustaining an annual net loss, with the result being that the value of the Preferred Shares would be less than the \$1.00 subscription price. In such circumstances, the Retraction Payment, net of any accrued dividend distributions, would be less than \$1.00. Such an eventuality could also impact the Corporation's ability to honor retraction requests, depending upon the timing of such requests.

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

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

**Use of Leverage** - The Corporation has the option to incur indebtedness secured by the Corporation's assets to purchase or make mortgage investments but the Canadian financial marketplace has a limited number of financial institutions that provide credit to entities such as the Corporation. There can be no assurance such a strategy will enhance returns, and in fact, use of this strategy could adversely affect returns. Use of leverage through borrowing (and the assignment of mortgages as collateral) can also expose the Corporation to additional losses of capital. The Corporation intends to limit its exposure to the potential scarcity of such funds by continuously seeking out new sources of credit. In the event of a wind-up of the Corporation, the indebtedness incurred by the Corporation will rank in priority to the outstanding Preferred Shares.

**Changes in the Economy and Credit Markets** - Historically, global financial markets have been subject to periods of volatility and uncertainty, driven by a wide range of factors at any given point in time. These factors may impact the ability of the Corporation to maintain a funding facility with arm's length third party institutions on terms favorable to the Corporation. Volatility in financial markets may also be reflected in volatility in the market value of the real property underlying the mortgage portfolio.

**FOR THE AFORESAID REASONS AND OTHERS NOT SET FORTH HEREIN, THE PREFERRED SHARES INVOLVE A HIGH DEGREE OF RISK. ANY PERSON CONSIDERING THE PURCHASE OF THE PREFERRED SHARES SHOULD BE AWARE OF THESE AND OTHER FACTORS SET FORTH IN THIS OFFERING MEMORANDUM AND SHOULD CONSULT WITH HIS/HER LEGAL, TAX AND FINANCIAL ADVISORS PRIOR TO MAKING AN INVESTMENT IN THE PREFERRED SHARES. THE PREFERRED SHARES SHOULD ONLY BE PURCHASED BY PERSONS WHO CAN AFFORD TO LOSE THEIR TOTAL INVESTMENT.**

## **ITEM 9: REPORTING OBLIGATIONS**

The Corporation is not subject to continuous reporting and disclosure obligations which the securities legislation in any province would require of a "reporting issuer" as defined under securities legislation and there is therefore no requirement that the Corporation make disclosure of its affairs, including, without limitation, the prompt notification of material changes by way of press releases and formal filings or the preparation of quarterly unaudited financial statements and annual audited financial statements in accordance with Canadian generally accepted accounting principles.

The Corporation is required under securities legislation to forward to holders of Preferred Shares resident in Alberta, Ontario and Saskatchewan that purchased Preferred Shares under the Offering Memorandum Exemption, audited annual financial statements and disclosure regarding the use of the aggregate gross proceeds raised by the Corporation under the Offering Memorandum Exemption within 120 days following the end of each fiscal year of the Corporation. The Corporation is also required to forward to holders of Preferred Shares resident in Alberta, Ontario and Saskatchewan that purchased Preferred Shares under the Offering Memorandum Exemption notice of any change in financial year including further information respecting that change as prescribed under securities legislation within the time limits prescribed under securities legislation.

The Corporation is also required to provide notice to holders of Preferred Shares resident in Ontario, that purchased Preferred Shares under the Offering Memorandum Exemption within ten (10) days of the occurrence of: (a) a discontinuation of the Corporation's business; (b) a change in the Corporation's industry; or (c) a change of control of the Corporation.

The Corporation will provide electronic tax slips by February 28 following the end of the calendar year to which they refer to for all income tax reporting information necessary to enable each Preferred Shareholder to file a Canadian federal income tax return with respect to its participation in the Corporation in such fiscal year, including T5's for investment, as applicable.

The Corporation is subject to certain reporting requirement under corporate law, for example, the Corporation is required under the OBCA to send a copy of its annual financial statements to its shareholders.

Under the terms of the Management Agreement, the Managers will provide for the preparation of accounting, management and other financial reports as well as the keeping and maintaining of the books and records of the Corporation. The Board has appointed Harris & Partners (8920 Woodbine Ave. Suite 300 Markham ON L3R 9W9) to act as the auditors of the Corporation and to report to shareholders with respect to the financial statements of the Corporation as at the end of, and for, each fiscal year.

Since we are not a reporting issuer as defined in securities legislation and our Preferred Shares are not publicly traded, no corporate or securities information about us is available from a government, regulatory authority, stock exchange or quotation and trade reporting system. Some securities information about this Offering and previous offerings of the Corporation is available from the Ontario Securities Commission at [www.osc.gov.on.ca](http://www.osc.gov.on.ca); British Columbia Securities Commission <https://www.bsc.bc.ca/> and SEDAR at <https://www.sedar.com>.

Further information about us is posted and available for review by investors at <https://cmimic.ca/> or from the Corporation at the contact information set out on the face page of this Offering Memorandum.

## **ITEM 10: RESALE RESTRICTIONS**

### **10.1 General Statement**

Pursuant to securities legislation, the Preferred Shares are 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 Preferred Shares unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

### **10.2 Restricted Period**

Unless permitted under securities legislation, in all jurisdictions in Canada other than Manitoba, you cannot trade the Preferred Shares before the date that is four months and a day after the date the Corporation becomes a “reporting issuer” as defined under securities legislation in any province or territory of Canada. The Corporation will not become a reporting issuer upon completion of this Offering and does not currently anticipate ever becoming a reporting issuer.

**The resale restriction on the securities may therefore never expire. Investors are advised to seek legal advice prior to any resale of the Preferred Shares.**

### **10.3 Manitoba Resale Restrictions**

Unless permitted under securities legislation, you must not trade the Shares without the prior written consent of the regulator in Manitoba unless:

- (a) the Corporation has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus; or
- (b) you have held the securities for at least 12 months. The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

## **ITEM 11: PURCHASERS’ RIGHTS**

**If you purchase these securities, you will have certain rights, some of which are described below.**

The following summaries are subject to any express provisions of the securities legislation of each Selling Jurisdiction. Please refer to that securities legislation for the complete text of such provisions. The rights of action described herein are in addition to and without derogation from any other right or remedy that a Subscriber may have at law.

**For complete information about your rights, you should consult a lawyer.**

### **Two-Day Cancellation Right**

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

### **Statutory Rights of Action in the Event of a Misrepresentation**

Any Offering Memorandum marketing materials related to this Offering which are delivered or made reasonably available to a purchaser before the closing of that purchaser's subscription for Preferred Shares are deemed to be incorporated by reference in this Offering Memorandum. As used herein, "Offering Memorandum marketing materials" has the same meaning as "OM marketing materials" has in NI 45-106.

The marketing materials delivered or made reasonably available to a prospective purchaser before the termination of the distribution, related to each distribution under this Offering Memorandum, are incorporated by reference in this Offering Memorandum. The Corporation reserves the right to modify these marketing materials in a nonmaterial way without re-delivering or without making reasonably available such modified marketing materials to a prospective purchaser.

Securities legislation in certain of the provinces and territories of Canada provides purchasers or requires purchasers to be provided with a remedy for rescission or damages where an offering memorandum and any amendment to it (for the purposes of this Item 11, an "**Offering Memorandum**") contain a Misrepresentation. As used herein, "Misrepresentation" means: (a) in the case of all jurisdictions except Québec, an untrue statement of a material fact, or an omission to state a material fact that is required to be stated, or that is necessary to make a statement not misleading in the light of the circumstances in which it was made; and (b) in the case of Québec, any misleading information on a material fact as well as any omission of a material fact. These remedies, or notice with respect thereto, must be exercised, or delivered, as the case may be, by the purchaser within the time limit prescribed by the applicable securities legislation. Each purchaser should refer to provisions of the applicable securities legislation for the particulars of these rights or consult with a legal advisor.

### **Rights for Investors in Ontario**

Securities legislation in Ontario provides purchasers of Preferred Shares pursuant to this Offering Memorandum with a remedy for damages or rescission, or in both, in addition to any other rights they may have at law, where the Offering Memorandum and any amendment to it contains a "Misrepresentation". Section 130.1 of the Securities Act (Ontario) and Ontario Securities Commission Rule 45-501 provides that every purchaser of securities pursuant to an offering memorandum shall have a statutory right of action for damages or rescission against the issuer and any selling security holder in the event that the offering memorandum contains a Misrepresentation.

A purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the Misrepresentation, a right of action for damages or, alternatively, while still the owner of the securities, for rescission against the issuer and any selling security holder provided that: (a) if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages as against the issuer and the selling security holders, if any; (b) the issuer and the selling security holders, if any, will not be liable if they prove that the purchaser purchased the securities with knowledge of the Misrepresentation; (c) the issuer and the selling security holders, if any, will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and (d) in no case shall the amount recoverable exceed the price at which the securities were offered.

Section 138 of the Securities Act (Ontario) provides that no action shall be commenced to enforce these rights: (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or (b) in the case of an action for damages, the earlier of: (i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or (ii) three years after the date of the transaction that gave rise to the cause of action.

Where this Offering Memorandum is delivered, but the distribution is made in reliance on the exemption from the prospectus requirements contained under section 2.3 of NI 45-106 (the "accredited investor exemption"): The rights referred to in section 130.1 of the Securities Act (Ontario) do not apply in respect of an offering memorandum (such as this Offering Memorandum) delivered to a prospective purchaser in connection with a distribution made in reliance on the accredited investor exemption if the prospective purchaser is: (a) a Canadian financial institution or a Schedule III bank (each as defined in NI 45-106); (b) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada); or (c) a subsidiary of any person referred to in paragraphs (a) and (b), if

the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

### **Rights of Investors in British Columbia and Alberta**

A purchaser of Preferred Shares pursuant to this Offering Memorandum who is a resident in Alberta or British Columbia has, in addition to any other rights the subscriber may have at law, a right of action for damages or rescission against the Corporation if this Offering Memorandum, together with any amendments hereto, contains a Misrepresentation. A purchaser has additional statutory rights of action for damages against every director of the Corporation at the date of this Offering or amendment hereto and every person or company who signed this Offering Memorandum or amendment hereto.

If this Offering Memorandum or any amendment hereto contains a Misrepresentation, which was a Misrepresentation at the time the Preferred Shares were purchased, the purchaser will be deemed to have relied upon the Misrepresentation and will, as provided below, have a right of action against the Corporation for damages or alternatively, if still the owner of any of the Preferred Shares purchased by that subscriber, for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against the Corporation, provided that: (a) no person or company will be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation; (b) in the case of an action for damages, the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation; (c) in no case will the amount recoverable in any action exceed the price at which the securities were purchased by the purchaser under this Offering Memorandum; and (d) in the case of a purchaser resident in Alberta, no person or company, other than the Corporation, will be liable if such person or company is entitled to rely upon certain statutory provisions set out in subsections 204(3)(a)-(e) of the Securities Act (Alberta).

No action may be commenced more than: (a) in the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or (b) in the case of any other action, other than an action for rescission, more than the earlier of (i) 180 days after the subscriber first had knowledge of the facts giving rise to the cause of action; or (ii) three years after the date of the transaction that gave rise to the cause of action.

### **Rights for Investors in Saskatchewan**

The Securities Act, 1988 (Saskatchewan) will provide statutory rights to purchasers of Preferred Shares in Saskatchewan as described in the Securities Act, 1988 (Saskatchewan) upon their coming into force. Such Act provides that, subject to certain limitations, in the event that this Offering Memorandum and any amendment to this Offering Memorandum contain a Misrepresentation, a purchaser who purchases Preferred Shares under this Offering Memorandum or an amendment to this Offering Memorandum, has a right of action for damages against the Corporation, every promoter of The Corporation, every person who signed this Offering Memorandum or the amendment to this Offering Memorandum and every person who or company that sells securities on behalf of the Corporation under this Offering Memorandum or amendment to this Offering Memorandum. Alternatively, where the purchaser purchased Preferred Shares, the purchaser may elect to exercise a right of rescission against the Corporation.

The Securities Act, 1988 (Saskatchewan) also provides that, subject to certain limitations, where any advertising or sales literature (as such terms are defined in The Securities Act, 1988 Saskatchewan) disseminated in connection with the Offering contains a Misrepresentation, a purchaser who purchases Preferred Shares referred to in that advertising or sales literature has a right of action against the Corporation, every promoter of the Corporation and every person who or company that sells Preferred Shares under the Offering with respect to which the advertising or sales literature was disseminated.

In addition, subject to certain limitations, where an individual makes a verbal statement to a prospective purchaser that contains a Misrepresentation relating to the Preferred Shares of the Corporation and the verbal statement is made either before or contemporaneously with the purchase of Preferred Shares of the Corporation, the purchaser has a right of action for damages against the individual who made the verbal statement. No action shall be commenced to enforce the foregoing rights: (a) in the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or (b) in the case of any action, other than an action for rescission, more than the earlier of (i)

one year after the purchaser first had knowledge of the facts giving rise to the cause of action, or (ii) six years after the date of the transaction that gave rise to the cause of action.

### **Rights for Investors in Manitoba**

The Securities Act (Manitoba) provides purchasers of securities under a private placement who receive this Offering Memorandum with certain statutory rights in the event there is a Misrepresentation in this Offering Memorandum. In such event, Investors would have a statutory right to sue: (a) to cancel the agreement to buy Preferred Shares; or (b) for damages against the Corporation, every person who is a director at the date of the Offering Memorandum, and every person or company who signed the Offering Memorandum. The statutory right to sue is available to a purchaser whether the purchaser relied on the Misrepresentation. If a purchaser chooses to rescind a purchase, the purchaser cannot then sue for damages. In addition, in an action for damages, a person will not be liable for all or any portion of damages that the person proves do not represent the depreciation in value of the securities as a result of the Misrepresentation. Furthermore, the amount recoverable in an action for damages will not exceed the price at which the securities were offered. There are various defenses available to the persons that a purchaser has a right to sue. For example, a person has a defense if the purchaser knew of the Misrepresentation when the purchaser purchased the securities. If a purchaser intends to rely on the rights described above in paragraph (a) or (b), the purchaser must do so within strict time limitations. A purchaser must commence an action to cancel the agreement within 180 days after the transaction or commence action for damages within the earlier of (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action; or (ii) two years after the day of the transaction.

### **Rights for Investors in New Brunswick**

In the event that this Offering Memorandum, together with any amendments hereto used in connection herewith, delivered to a purchaser of Preferred Shares resident in New Brunswick, or in any other information provided pursuant to the Offering, contains a Misrepresentation and it was a Misrepresentation at the time of purchase of Preferred Shares by such purchaser, the purchaser will be deemed to have relied upon the Misrepresentation and will, as provided below, have a right of action against the Corporation for damages; or, while still the owner of the Preferred Shares purchased by that purchaser, for rescission against the Corporation, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against the Corporation, provided that: (a) the right of action for rescission or damages must be exercisable by the purchaser not later than, i. in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or ii. to cancel your agreement to buy these securities, or in the case of any action, other than an action for rescission, the earlier of (A) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (B) six years after the date of the transaction that gave rise to the cause of action; (b) the defendant will not be liable if it proves that the purchaser purchased the Preferred Shares with knowledge of the Misrepresentation; (c) in the case of an action for damages, the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Preferred Shares as a result of the Misrepresentation relied upon; and (d) in no case will the amount recoverable in any action exceed the price at which the Preferred Shares were sold to the purchaser.

### **Rights for Investors in Nova Scotia**

In the event that this Offering Memorandum, together with any amendments hereto used in connection herewith, delivered to a purchaser of Preferred Shares resident in Nova Scotia, or in any advertising and sales literature provided with respect to the Offering, contains a Misrepresentation and it was a Misrepresentation at the time of purchase of Preferred Shares by such purchaser, the purchaser will be deemed to have relied upon the Misrepresentation and will, as provided below, have a right of action against the Corporation, the Trustees and any person executing the certificate to this Offering Memorandum or any amendment hereto for damages; or, while still the owner of the Preferred Shares purchased by that purchaser, for rescission against the Corporation, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against the Corporation, the Trustees or any person executing the certificate to this Offering, provided that: (a) the right of action for rescission or damages must be exercisable by the purchaser not later than, i. in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or ii. in the case of any action, other than an action for rescission, the earlier of, (A) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (B) three years after the date of the transaction that gave rise to the cause of action; (b) the defendant will not be liable if it proves that the purchaser purchased the Preferred Shares with knowledge of the Misrepresentation; (c) in the case of an action

for damages, the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Preferred Shares as a result of the Misrepresentation relied upon; and (d) in no case will the amount recoverable in any action exceed the price at which the Preferred Shares were sold to the purchaser.

#### **Rights for Investors in Newfoundland and Labrador**

In the event that this Offering Memorandum, together with any amendments hereto used in connection herewith, delivered to a purchaser of Preferred Shares resident in Newfoundland contains a Misrepresentation and it was a Misrepresentation at the time of purchase of Preferred Shares by such purchaser, the purchaser will be deemed to have relied upon the Misrepresentation and will, as provided below, have a contractual right of action against the Corporation, every Trustee at the date of the Offering Memorandum, and every person who signed the Offering Memorandum, for damages; or, while still the owner of the Preferred Shares purchased by that purchaser, for rescission against the Corporation, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against the Corporation, provided that: (a) the right of action for rescission or damages must be exercisable by the purchaser not later than, i. in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or ii. in the case of any action, other than an action for rescission, the earlier of, (A) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (B) three years after the date of the transaction that gave rise to the cause of action; (b) the defendant will not be liable if it proves that the purchaser purchased the Preferred Shares with knowledge of the Misrepresentation; (c) in the case of an action for damages, the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Preferred Shares as a result of the Misrepresentation relied upon; and (d) in no case will the amount recoverable in any action exceed the price at which the Preferred Shares were sold to the purchaser.

#### **Rights of Investors in Prince Edward Island, Northwest Territories, Nunavut or Yukon**

Securities legislation in Prince Edward Island, Northwest Territories, Nunavut or Yukon provides that, where an offering memorandum (such as this Offering Memorandum) contains a Misrepresentation, a purchaser resident in that province who purchases securities offered by the offering memorandum has a right of action for damages against the issuer, the selling security holder on whose behalf the distribution is made, every director of the issuer at the date of the offering memorandum, and every person who signed the offering memorandum, or the purchaser may exercise a right of action for rescission against the issuer or selling security holder, in which case the purchaser will have no right of action for damages against any of the persons listed above.

The foregoing statutory rights are subject to various defences available to a defendant. In particular, the purchaser shall have no right of action for damages or rescission if the defendant proves that the purchaser purchased the securities with knowledge of the misrepresentation, and in an action for damages, the defendant will not be liable for any damages that the defendant proves do not represent the depreciation in value of the securities resulting from the misrepresentation. Moreover, in no event will the amount recoverable by a purchaser exceed the price at which the securities were offered. If a purchaser intends to rely on the rights described above, they must do so within strict time limitations contained in the securities legislation of Prince Edward Island, Northwest Territories, Nunavut or Yukon, as the case may be.

#### **Rights of Investors in Québec**

Notwithstanding that the securities legislation of Québec does not provide or require the Corporation to provide purchasers resident in Québec any rights of action in circumstances where the Offering Memorandum contains a Misrepresentation, The Corporation hereby grants to purchasers of Preferred Shares in Québec under this Offering Memorandum contractual rights of action in circumstances where the Offering Memorandum contains a Misrepresentation to the same extent as purchasers of Preferred Shares who are resident in Ontario. See “Rights of Investors in Ontario” above.

#### **General**

The foregoing summaries are subject to any express provisions of the securities legislation of each Offering Jurisdiction and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such

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

**Language of Documents**

Upon receipt of this document, each investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of securities described herein (including for greater certainty any purchase confirmation or notice) be drawn up in the English language only. Par la reception de ce document, chaque investisseur confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

**ITEM 12: FINANCIAL STATEMENTS**

Included in the Offering Memorandum immediately before the certificate page of the Offering Memorandum are all required financial statements.



**ITEM 13: DATE AND CERTIFICATE**

**Dated March 10<sup>th</sup>, 2019**

**THIS OFFERING MEMORANDUM DOES NOT CONTAIN A MISREPRESENTATION.**

**ON BEHALF OF THE BOARD**

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Bryan Jaskolka  
Chief Executive Officer & Director

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Alan Jaskolka  
Chief Financial Officer & Director