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

## OFFERING MEMORANDUM BENTLEY MORTGAGE INVESTMENT CORPORATION

(FORM 45-106F2 FOR NON-QUALIFYING ISSUERS)



DATE: April 4, 2017

THE ISSUER BENTLEY MORTGAGE INVESTMENT CORPORATION (the “**Issuer**” or the “**Corporation**”)

The Corporation is a “mortgage investment corporation” or “MIC” that invests in relatively low risk, high yield mortgage opportunities. A MIC is a flow-through vehicle for tax purposes. The *Income Tax Act* (Canada) (the “**Tax Act**”) effectively treats a corporation that qualifies as a MIC as a flow-through entity so that a shareholder of a MIC is put in a similar position from an income tax perspective as if the investments made by the MIC had been made directly by the shareholder.

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CURRENTLY LISTED OR QUOTED **No. These securities do not trade on any exchange or market.**

REPORTING ISSUER No.

SEDAR FILER No.

### THE OFFERING

SECURITIES OFFERED/TARGET YIELDS: First Preferred Shares (“**Preferred Shares**”) of the Corporation issuable in series as follows:

<u>Series</u>	<u>Target Yield</u>
Series A	8.00%
Series B	7.50%
Series C	7.00%
Series D	6.50%
Series E	6.00%
Series F	5.50%
Series G	5.00%
Series H	4.50%
Series I	4.00%

See “Item 5.1 - Terms of Securities - Dividend Policy.”

PRICE PER SECURITY: \$1.00 per Preferred Share.

CONTINUOUS OFFERING: The maximum offering is \$100,000,000 (100,000,000 Preferred Shares).  
**There is no minimum. Funds available under the Offering may not be sufficient to accomplish our proposed objectives.**

MINIMUM SUBSCRIPTION AMOUNT: \$5,000 (5,000 Preferred Shares)

PAYMENT TERMS: Bank draft, money order or certified cheque payable to the Corporation or any other manner of payment acceptable to the Issuer. Each transaction to complete the sale of Preferred Shares is a “Closing”.

CONTINUOUS OFFERING: Preferred Shares are being offered on a continuous basis subject to a maximum offering size of \$100,000,000 (100,000,000 Preferred Shares). The first Closing under this Offering Memorandum is expected to occur on or about April 28, 2017. Thereafter, the Corporation completes Closings from time to time as subscriptions are received. It is expected that all accepted subscriptions will be effective on the last business day of the each month and settled within three business days.

OFFERING JURISDICTIONS: Preferred Shares are being offered to investors resident in, or otherwise subject to the laws of each of the Provinces and Territories of Canada.

INCOME TAX CONSEQUENCES: **There are important tax consequences to these securities.** The Preferred Shares will be qualified investments for inclusion in a Canadian RRSP, RRIF, RESP, TFSA, DPSP, LIRA, LRIF or RDSP subject to the Corporation maintaining its status as a “mortgage investment corporation” (“MIC”). For further information, see Item 6.

THE MANAGER AND SUB-MANAGER: The Corporation has retained Bellaforte Financial Inc. (the “**Manager**”) as the manager of the Corporation pursuant to the terms of a management agreement dated April 4, 2017 (the “**Management Agreement**”) between the Corporation and the Manager. Pursuant to the terms of the Management Agreement, the Manager is responsible for directing the affairs and managing the business of the Corporation and retains responsibility for the management of the Corporation’s portfolio, providing investment analysis and recommendations and for making brokerage arrangements in conformance with the Corporation’s investment strategies, operating restrictions and operating policies as set forth in this Offering Memorandum. The Manager makes available to the Corporation for purchase mortgages or interests in mortgages as and when they become available, and has the exclusive right to provide the Corporation with these mortgage investments. See Section 2.2, “Our Business - The Manager - Bellaforte Financial Inc.”

Pursuant to the terms of a sub-management agreement dated April 4, 2017 (the “**Sub-Management Agreement**”) between the Corporation, the Manager and GBK Financial Inc. (the “**Sub-Manager**”), the Sub-Manager has agreed to support the Manager’s performance of services to the Corporation under the Management Agreement. The Sub-Manager is a registrant broker and licensee in good-standing under the *Mortgage Brokerages, Lenders, and Administrators Act, 2006* (Ontario), operating under Mortgage Brokerage License No. 11921. See Section 2.2, “Our Business - The Sub-Manager - GBK Financial Inc.”

SELLING AGENT: Pursuant to an EMD Advisory Services Agreement dated September 1, 2016, the Corporation has engaged Liahona Capital Inc. (“**Liahona**”), an exempt market dealer registered in the Provinces of Ontario and British Columbia, to assist the Corporation in marketing, arranging and facilitating the completion of sales of Preferred Shares in the Provinces of Ontario and British Columbia. In consideration for its services, Liahona is entitled to a cash commission equal to 2.00% of the gross proceeds received in connection with the sale of Preferred Shares (which for greater certainty shall exclude deemed proceeds reinvested pursuant to the Corporation’s DRIP.) In respect of sales of Preferred Shares sourced solely by Liahona, Liahona is entitled to an additional cash commission equal to 4.00% of the gross proceeds received in connection with the sale of such Preferred

Shares. In addition, pursuant to the terms of its engagement, Liahona is entitled to be reimbursed for certain travel and other expenses. Notwithstanding the foregoing, for each transaction for which Liahona is engaged to provide services, there is a minimum fee of \$300 for each transaction relating to a new subscriber of Preferred Shares, a minimum fee of \$200 for each transaction relating to an existing holder of Preferred Shares and a maximum fee of \$5,000.

**Rob Chaggares, a dealing representative of Liahona and holder of 33.33% of the voting shares in the capital of Liahona, is also a partner of Chaggares & Bonhomme, Chartered Professional Accountants, the firm who has compiled the notice to reader interim financial statements of the Corporation included in Item 12. Chaggares & Bonhomme, Chartered Professional Accountants, have also reviewed the summary pertaining to income tax disclosure set forth in Item 6 as well as confirmed the eligibility for investment disclosure contained in Item 6.**

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 Restrictions. In addition, no Preferred Shares shall be transferred without the consent of the majority of the board of directors of the Corporation. Requests to transfer shares of the Corporation will be acceded to by the directors of the Corporation provided that the requested transfer of shares does not impair the Corporation's status as a MIC or contravene any law, rule, policy or regulation prescribed by any applicable securities commission or the provisions of the *Business Corporations Act* (Ontario) or any other applicable laws.

## **PURCHASERS' RIGHTS**

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

## **GENERAL DISCLAIMERS**

This Offering is a private placement and is not, and under no circumstances is to be construed as, a public offering of the securities described herein. The securities are being offered in reliance upon exemptions from the registration and prospectus requirements set forth in applicable securities legislation.

The securities offered hereby have not been and will not be registered under the *U.S. Securities Act of 1933*, as amended (the “*U.S. Securities Act*”) or any state securities laws. The securities may not be offered or sold in the United States or to U.S. persons, as defined in Regulation S under the *U.S. Securities Act*, unless registered under the *U.S. Securities Act* and applicable state securities laws or an exemption from such registration is available. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States.

## **FORWARD LOOKING STATEMENTS**

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

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

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

## **DOCUMENTS INCORPORATED BY REFERENCE**

In addition to and apart from this Offering Memorandum, the Corporation may utilize certain marketing materials in connection with the Offering, including an executive summary of certain of the material set forth in this Offering Memorandum. This material may include fact sheets and investor sales promotion brochures, question and answer booklets, and presentations. All such marketing materials are specifically incorporated by reference into and form an integral part of this Offering Memorandum. All such marketing materials will be delivered or made reasonably available to a prospective purchaser prior to the purchase by such prospective purchaser of Preferred Shares.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Offering Memorandum to the extent that a statement contained herein or in any other subsequently delivered Offering Memorandum which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an

omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum.

## **CURRENCY**

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

## **SCHEDULE**

The following Schedule is attached to and forms a part of this Offering Memorandum:

Schedule “A” – Subscription Agreement

## **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 Bentley Mortgage Investment Corporation and when we use the terms such as “**Investor**”, “**Subscriber**” or “**you**” 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.

## **GLOSSARY OF TERMS**

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

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

“**Preferred Shares**” or “**Shares**” means the Class “A” Preferred Shares, Series I of the Corporation.

“**Corporation**” means Bentley Mortgage Investment Corporation.

“**DPSP**” means a "deferred profit sharing" plan as defined under the Tax Act.

"**DRIP**" means the dividend reinvestment plan of the Corporation.

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

"**LIRA**" means a "locked-in retirement account" as defined under the Tax Act.

“**LRIF**” means a “locked-in retirement income fund” as defined under the Tax Act.

“**Manager**” means Bellaforte Financial Inc.

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

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

**“Preferred Shares”** means the First Preferred Shares of the Corporation and includes the Series A Shares, Series B Shares, Series C Shares, Series D Shares, Series E Shares, Series F Shares, Series G Shares, Series H Shares and Series I Shares offered hereunder.

**“Principal Holder”** means a person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Corporation.

**“Registered Plans”** means any one of LIRA, LRIF, RDSP, RESP, RRIF, TFSA, DPSP and RRSP.

**“RDSP”** means a “registered disability savings plan” as defined under the Tax Act.

**“RESP”** means a “registered education savings plan” as defined under the Tax Act.

**“RRIF”** means a “registered retirement income fund” as defined under the Tax Act.

**“RRSP”** means a “registered retirement savings plan” as defined under the Tax Act.

**“Series A Shares”** means the First Preferred Shares, Series A of the Corporation.

**“Series B Shares”** means the First Preferred Shares, Series B of the Corporation.

**“Series C Shares”** means the First Preferred Shares, Series C of the Corporation.

**“Series D Shares”** means the First Preferred Shares, Series D of the Corporation.

**“Series E Shares”** means the First Preferred Shares, Series E of the Corporation.

**“Series F Shares”** means the First Preferred Shares, Series F of the Corporation.

**“Series G Shares”** means the First Preferred Shares, Series G of the Corporation.

**“Series H Shares”** means the First Preferred Shares, Series H of the Corporation.

**“Series I Shares”** means the First Preferred Shares, Series I of the Corporation.

**“Series Shares”** means collectively, the Series A Shares, the Series B Shares, the Series C Shares, the Series D Shares, the Series E Shares, the Series F Shares, the Series G Shares, the Series H Shares and the Series I Shares, or as the context requires, any one of them individually.

**“Shareholders”** means holders of Preferred Shares subscribed for pursuant to this Offering Memorandum.

**“Sub-Manager”** means GBK Financial Inc.

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

**“TFSA”** means a “tax free savings account” as defined under the Tax Act.

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## PURPOSE OF THE OFFERING

The purpose of this Offering is to provide investors with the opportunity to subscribe for Preferred Shares. The Corporation qualifies as a “mortgage investment corporation” for purposes of the Tax Act. The Corporation will, in computing its taxable income, generally be entitled to deduct the full amount of all taxable dividends (other than capital gains dividends) which it pays during the year or within 90 days after the end of the year to the extent that such dividends were not deductible by the Corporation in computing its income for the preceding year. Dividends other than capital gains dividends, which are paid by the Corporation on the Preferred Shares to Shareholders, will be included in Shareholders’ incomes as interest income.

The Preferred Shares will be qualified investments for inclusion in a Canadian RRSP, RRIF, RESP, TFSA, DPSP, LIRA, LRIF or RDSP subject to the Corporation maintaining its status as a “mortgage investment corporation”. For further information, see Item 6.

### ITEM 1: USE OF AVAILABLE FUNDS

#### 1.1 Funds

The funds that will be available to the Corporation from this Offering, together with funds available from other sources, as at the date of this Offering Memorandum are set out in the following table:

		<b>Assuming Maximum Offering<sup>(1)</sup></b>
A	Amount to be raised by this Offering <sup>(2)</sup>	\$100,000,000
B	Selling commissions and fees <sup>(3)</sup>	(\$1,500,000)
C	Estimated Offering costs (e.g. legal, accounting, audit, etc.) <sup>(4)</sup>	(\$500,000)
D	<b>Available funds: D = A – (B + C)</b>	<b>\$98,000,000</b>
E	Additional sources of funding required (available)	Nil
F	Working capital deficiency <sup>(5)</sup>	Nil
G	<b>Total: G = (D+E) - F</b>	<b>\$98,000,000</b>

#### Notes:

1. The maximum offering size is \$100,000,000 (100,000,000 Preferred Shares.)
2. After the first Closing under this Offering Memorandum, the Corporation will complete Closings from time to time as subscriptions are received and accepted. It is expected that all accepted subscriptions will be effective on the last business day of the each month and settled within three business days.
3. This assumes the full amount of authorized commissions are paid to Liahona Capital Inc. and that no other registered agents, securities dealers, brokers or other eligible persons have been retained to act as such in connection with the Offering. This amount also excludes the Manager Fee. See Item 7, "Compensation paid to Sellers and Finders" and Section 2.2, "Our Business - Management Fees and Expenses."
4. Offering costs as shown are estimated expenses (currently estimated to be \$1,500,000) of or incidental to the issue, sale and delivery of the Preferred Shares pursuant to this Offering, including fees and disbursements of legal counsel and accountants, printing and other administrative costs associated with marketing the Preferred Shares pursuant to this Offering Memorandum and the reasonable out-of-pocket expenses (including applicable taxes) of the Corporation in connection with such issue, sale and delivery.
5. As at the date of this Offering Memorandum.

From the date of its inception on June 21, 2013 to December 31, 2016, the Corporation raised gross proceeds of \$5,704,193 including \$235,341 re-invested through the Corporation’s dividend reinvestment plan. Over this same period, there were redemptions totalling \$411,803.65 which together with offering costs and fees of \$1,329.70, resulted in net proceeds to the Corporation of \$5,291,059.65 from inception to December 31, 2016. See Item 4.3 “Prior Sales”. As at



December 31, 2016, 86 individual mortgages are held by the Corporation and the total assets under administration is \$5,571,947.47. As at December 31, 2016, the Corporation's portfolio of mortgages has an average loan size of \$64,790 and an average loan to value of 78.02%. As at December 31, 2016, 84 of the 86 individual mortgages were second priority mortgages. See Section 2.3 "Development of the Business – Mortgage Portfolio".

## 1.2 Use of Available Funds

We intend to use the funds available to us from this Offering and from other sources, as estimated in Item 1.1 "Funds", as set out in the following table:

Description of intended use of available funds proceeds listed in order of priority	Assuming maximum offering
Investment in mortgages, other permitted investments and related administrative expenses as further described under Item 2	\$98,000,000

## 1.3 Reallocation

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

# ITEM 2: BUSINESS OF THE CORPORATION

## 2.1 Structure

The Corporation was incorporated under the *Business Corporations Act* (Ontario) on June 21, 2013, was formed to carry on the business of a 'mortgage investment corporation' ("MIC") as defined under the Tax Act and commenced operations on August 13, 2013. The Corporation invests in relatively low risk, high yield mortgage opportunities. A MIC is a flow-through vehicle for tax purposes. The Tax Act effectively treats a corporation that qualifies as a MIC as a flow-through entity so that a shareholder of a MIC is put in a similar position from an income tax perspective as if the investments made by the MIC had been made directly by the shareholder.

Effective April 4, 2017, the holders of common shares and preference shares in the capital of the Corporation unanimously resolved to authorize the filing of articles of amendment pursuant to which the following amendments, among others, were made to the Corporation's articles of incorporation:

- removing the restriction on the number of shareholders of the Corporation being limited to fifty (50);
- redesignating the authorized and unissued special shares (also referred to as preference shares) of the Corporation as "First Preferred Shares";
- providing for the First Preferred Shares to be issuable in series;
- deleting the rights, privileges, restrictions and conditions attached to the special shares (also referred to as preference shares) of the Corporation and replacing them with the rights, privileges, restrictions and conditions attaching to the First Preferred Shares, as a class, as more fully described herein at Item 5.1 - Terms of Securities;
- creating the initial nine series of First Preferred Shares in an unlimited number designated as First Preferred Shares, Series A, Series B, Series C, Series D, Series E, Series F, Series G, Series H and Series I, which in addition to the rights, privileges, restrictions and conditions attaching to the First Preferred Shares, as a class, have attached thereto the rights, privileges, restrictions and conditions as more fully described herein at Item 5.1 - Terms of Securities; and
- exchange each issued and outstanding special share (also referred to as a preference share) on the basis of one (1) Series A Share for each special share (also referred to as a preference share.)

The Corporation's fiscal year ends on April 30 in each year.

The head office and the registered office of the Corporation are located at 123 Main Street South, Suite 200, Georgetown, Ontario L7G 3E5.

The Corporation is not a reporting issuer or equivalent in any jurisdiction and its securities are not listed or posted for trading on any stock exchange or market.

## **2.2 Our Business**

### ***General***

The Corporation was formed to carry on the business of a 'mortgage investment corporation' for purposes of the Tax Act (See Item 6, Income Tax Consequences for the requirement of a MIC under the Tax Act). As such, its business consists in the lending of money, principally to individuals, for the purpose of acquiring, developing, maintaining or upgrading primarily residential real estate, against the security of a mortgage granted on such property. The Corporation conducts its mortgage lending activities primarily on properties located in Southern and Central Ontario.

The Corporation's objective is to generate income while preserving, for its shareholders, capital for reinvestment. The Corporation makes loans which do not generally meet the underwriting criteria of conventional lenders.

As a result, the mortgages held by the Corporation are expected to earn a higher rate of interest than what is generally obtainable through conventional mortgage lending activities. Unlike mortgage mutual funds, the Corporation engages in direct mortgage lending activities and generally does not acquire mortgages, or fractional interests in mortgages, in the secondary market. Also unlike many mortgage mutual funds, the Corporation does not use derivatives.

The Corporation intends to pay out as dividends substantially all of its net income and net realized capital gains every year and in that regard it targets certain annualized yields. Amounts for dividend distributions will not be paid from the proceeds of the Offering. The Corporation intends to declare quarterly dividends to holders of Preferred Shares of record on the last business day of each quarter and to pay such dividends on or before the last business day of the following month. See Section 5.1, "Terms of Securities – Dividend Policy."

### ***The Manager – Bellaforte Financial Inc.***

The Corporation has entered into a management agreement (the "**Management Agreement**") with Bellaforte Financial Inc. (the "**Manager**") on April 4, 2017 pursuant to which the Manager has agreed to service the Corporation's mortgage portfolio, including sourcing, negotiating, and underwriting mortgages. Mortgage transactions for the Corporation are sourced by the Manager from licensed mortgage brokers. See Section 2.7, "Material Agreements – Management Agreement."

The Manager is considered to be a promoter of the Corporation by reason of its initiative in forming and establishing the Corporation and taking steps necessary for the distribution of the Preferred Shares. The directors and senior officers of the Manager are Art Biffis and Chris Benetello, who are also common shareholders, directors and senior officers of the Corporation. Art Biffis is the sole shareholder of the Manager. The Manager will not receive any benefits, directly or indirectly from the issuance to investors of the Preferred Shares pursuant to this Offering, other than as described in this Offering Memorandum including as described below under "Management Fees and Expenses."

The Manager is not a reporting issuer in any jurisdiction and none of its securities are listed for trading on any stock exchange or trading system.

### ***The Sub-Manager – "GBK Financial Inc."***

Pursuant to the terms of a sub-management agreement dated April 4, 2017 (the "**Sub-Management Agreement**") between the Corporation, the Manager and GBK Financial Inc. (the "**Sub-Manager**"), the Sub-Manager has agreed to support the Manager's performance of services to the Corporation under the Management Agreement. See Section 2.7,

"Material Agreements - Sub-Management Agreement." The Sub-Manager is a registrant broker and licensee in good-standing under the *Mortgage Brokerages, Lenders, and Administrators Act, 2006* (Ontario), operating under Mortgage Brokerage License No. 11921.

The Sub-Manager is considered to be a promoter of the Corporation by reason of its initiative in forming and establishing the Corporation and taking steps necessary for the distribution of the Preferred Shares. The directors and senior officers of the Sub-Manager are Wayne MacLeod and Tim Brown, who are also common shareholders and directors of the Corporation. Wayne MacLeod and Tim Brown are the sole shareholders of the Sub-Manager. The Sub-Manager will not receive any benefits, directly or indirectly from the issuance to investors of the Preferred Shares pursuant to this Offering, other than as described in this Offering Memorandum including as described below under "Management Fees and Expenses."

The Sub-Manager is not a reporting issuer in any jurisdiction and none of its securities are listed for trading on any stock exchange or trading system.

### ***Responsibilities of the Manager***

The Corporation does not actively employ resources to actively seek or originate mortgages for investment, but instead relies on the expertise of the Manager for a regular flow of investment opportunities. To the extent that the Corporation's funds are not invested in mortgages from time to time, they are held in cash deposited with a Canadian chartered bank or are invested by the Manager on the Corporation's behalf in short term deposits, savings accounts or government guaranteed income certificates so that the Corporation maintains a level of working capital for its ongoing operations.

The Manager is responsible for directing the affairs and managing the business of the Corporation and retains responsibility for the management of the Corporation's portfolio, providing investment analysis and recommendations and for making brokerage arrangements in conformance with the Corporation's investment strategies, operating restrictions and operating policies as set forth in this Offering Memorandum. If, due to a change in the provisions of the Tax Act or other legislation applicable to the Corporation or for any other sound business reason, any of the strategies, policies or restrictions set forth in this Offering Memorandum require amendment, the Corporation shall notify and consult with the Manager and the Manager shall provide assistance from time to time to the Corporation on revising the foregoing strategies, policies or restrictions in order to comply with applicable legislation or otherwise to achieve changing business objectives. In the event of any amendment to the strategies, policies or restrictions set forth in this Offering Memorandum, the Manager shall be required to comply with and observe such change immediately upon such change becoming effective.

The Manager is responsible for the day-to-day mortgage investment and administrative services for the business of the Corporation, including the following:

- a. to enter into agreements for the underwriting, pricing, negotiation, acquisition, administration, enforcement, collection, financial reporting and general administration relating to the mortgages and/or interests in mortgages and related rights and all ancillary agreements in connection therewith, and to sell, transfer, exchange, convey, or otherwise deal with or dispose of all or any part of the Corporation's mortgages and/or interests in mortgages and related rights at such times, in such manner and on such terms as the Manager deems appropriate subject to adhering to the Corporation's strategies, restrictions and policies as set forth in this Offering Memorandum. Specifically, the Manager will be required, among other things, to:
  1. use its reasonable commercial efforts to acquire investment opportunities consistent with the Corporation's investment guidelines and objectives;
  2. underwrite mortgage applications and retain sufficient relevant information, including the terms and conditions of the acquired mortgage investments;

3. service and administer those investments acquired by the Corporation, including monitoring the status and progress of such investments, maintaining records and accounts in respect of each investment, accounting for all amounts received on account of the Corporation's interest in an investment, and on a monthly basis preparing a monthly statement of account in respect of all investments in which the Corporation has an interest;
  4. investigate, select and conduct relations with consultants, borrowers, lenders, mortgagors and other mortgage and investment participants, accountants, originators or brokers, correspondents and mortgage managers, technical advisers, lawyers, underwriters, brokers and dealers, corporate fiduciaries, escrow agents, depositories, custodians, agents for collection, insurers, insurance agents, banks, investors, builders and developers;
  5. to employ, retain and supervise such persons and the services performed or to be performed by such persons in connection with the Corporation's investments and to substitute any such party or itself for any other such party or for itself;
  6. manage the collection, handling, prosecuting and settling of any claims the Corporation may have with respect to its investments, including foreclosing and otherwise enforcing mortgages and other liens and security interests securing the Corporation's investments;
  7. act on the Corporation's behalf in connection with acquisitions or dispositions of investments, the execution of deeds, mortgages or other instruments in writing for or on the Corporation's behalf and the handling, prosecuting and settling of any claims relating to the Corporation's investments including the foreclosure or other enforcement of any mortgage, lien or other security interest securing the Corporation's investments;
  8. deliver portfolio reports with respect to the Corporation's investments and provide any other information or documentation relating to such investments as may be reasonably requested or as may be required in accordance with the Offering Memorandum or the Management Agreement; and
  9. generally perform such other acts as are required for purposes of the administration of the Corporation's investments;
- b. to enter into agreements for the management and administration of the Corporation's mortgages and/or interests in mortgages and related rights and to otherwise oversee the day to day mortgage investment and the mortgage administrative activities of the business of the Corporation;
  - c. to incur all reasonable expenditures;
  - d. to employ and dismiss from employment any and all agents, independent contractors, managers, brokers, solicitors and accountants;
  - e. to open bank accounts for the Corporation, to designate and from time to time change the signatories to such accounts;
  - f. to attend to all matters relating to the sale of Preferred Shares in accordance with the *Securities Act* (Ontario) and any other applicable securities legislation, law or policy including without limitation: (A) arranging, and facilitating the completion of, the sale of Preferred Shares through exempt market dealers or other registrants; (B) overseeing investor relations and liaising with and instructing exempt market dealers or other registrants engaged to sell Preferred Shares; (C) acting as transfer agent and registrar for the Preferred Shares; and (D) reviewing and reporting to the holders of Preferred Shares with respect to the financial statements and other information of the Corporation in accordance with the reporting obligations imposed upon the Corporation pursuant to this Offering Memorandum or otherwise under applicable legislation, law or policy;

- g. to invest funds not immediately required for the operations of the Corporation in cash deposited with a Canadian chartered bank or in short term deposits, savings accounts or government guaranteed income certificates or treasury bills and to make recommendations to the Corporation to consider distributions of excess cash to holders of Preferred Shares in the capital of the Corporation to the extent the Corporation is retaining too much cash on hand;
- h. to submit the Corporation to binding arbitration with respect to any matters pertaining to the assets and undertakings of the Corporation;
- i. to defend on behalf of the Corporation any and all actions and other proceedings brought against the Corporation or its assets and undertakings and to, in its sole discretion, settle on such terms as it deems advisable all such actions, and to consent to a judgment against the Corporation, provided that the effect of the consent would not be to materially or financially affect the business, assets or operations of the Corporation; and
- j. to execute, acknowledge and deliver any and all instruments to effectuate any and all of the foregoing.

The Manager makes available to the Corporation for purchase mortgages or interests in mortgages as and when they become available. The Manager has the exclusive right to provide the Corporation with these mortgage investments. The Manager directs all loan opportunities that fit within the Corporation's investment guidelines and that do not contravene any restrictions as contemplated herein to the Corporation, so long as the Corporation has sufficient resources to participate. A particular loan may also be excluded if the Manager has determined, in its sole discretion, that it would be unsuitable for the Corporation. Any loans included in the Corporation's portfolio and held by the Manager will only be held by the Manager as bare trustee or nominee for the Corporation.

The Manager enacts measures on behalf of the Corporation to pursue any defaults by any borrowers in a fashion and manner deemed appropriate by the Manager in the circumstances.

The Manager has agreed to arrange, and facilitate the completion of, the sale of the Preferred Shares or any other equity shares of the Corporation. In relation to the foregoing, the Manager shall comply with and observe all laws that apply to the Corporation, its investments and its securities, and may obtain opinion from counsel as it deems necessary in connection with such compliance. The Manager may retain and engage registered agents, securities dealers and brokers in the performance of its obligations.

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

The Manager provides for the preparation of accounting, management and other financial reports as well as the keeping and maintaining of the books and records of the Corporation. The Manager reviews and reports to the holders of any debt or equity interests in the Corporation in accordance with the reporting obligations imposed upon the Corporation as set forth in Item 9, Reporting Obligations.

### ***Investment Strategies***

The Corporation's business consists in the lending of money, principally to individuals, for the purpose of acquiring, developing, maintaining or upgrading primarily residential real estate, against the security of a mortgage granted on such property. The purchase of a single security, namely, the Preferred Shares, allows an investor to diversify risk and participate with other investors in an entity holding a variety of mortgages.

The Manager works closely with retail mortgage brokers throughout Ontario in order to market the Corporation as a lender of choice in the non-conventional mortgage market segment. In this manner, it is positioned to receive referrals on mortgage lending opportunities that do not meet the criteria of the major lending institutions. As a result, the Corporation's investments in non-conventional mortgages are expected to earn a higher rate of interest than what is generally obtainable through usual mortgage lending activities.

The Corporation may invest in either residential mortgages (i.e. mortgages that are principally secured by mortgage registrations on residential property titles) or commercial mortgages (i.e. mortgages that are principally secured by multi-family housing projects, residential land developments, mixed-use properties and income-producing properties that have retail, commercial, service, office and/or industrial uses) though the majority of its investments will be in residential mortgages.

The Corporation, through the Manager, invests primarily in second mortgages (but also in first and third mortgages) and such mortgages will typically fall into the following major loan categories:

(a) *Standard First, Second or Third Mortgage Loans* – These are either conventional (80% loan to value ratio) or high ratio first, second or third mortgage loans. High ratio mortgage loans will not exceed 92.5% of the appraised value at the time of the loan; provided however in limited cases, at the discretion of the Board of Directors, the loan to value may exceed 92.5%. These loans would typically be advanced to borrowers with string credit and provable income to assist with the purchase or refinancing of a property.

(b) *Equity Loans* – These loans are advanced to bridge the gap between the equity which is provided by a developer or purchaser and the amount available through conventional financing in the development or purchase of residential, commercial or industrial properties. These can also be 'equity take-out' mortgages where an existing owner has built up equity in a property and wishes to extract cash funds by way of mortgaging that equity. Because of the typically higher risk, potential returns are significantly higher than conventional mortgage returns. Additional revenue is often realized through bonus payments, set up fees, etc. By their very nature, these are generally second or third position mortgage loans (i.e. loans secured by mortgages against title to land that rank second or third in priority behind other, usually conventional, loan facilities).

(c) *Improvement Loans* – These loans are advanced to finance completed or substantially completed buildings that will benefit by the property's redevelopment, renovation, additions, etc. Typically, the funds are used to improve a property so that the overall value is substantively increased, its usability is enhanced, and/or its potential for increased revenue can be realized. While construction risk is substantially eliminated, the success of these projects is subject to market conditions.

Loans will generally be for terms of twelve months or less. Interest is often set at a fixed rate or at a floating rate based on a margin over the prime lending rate of the Corporation's bank, sometimes with a minimum specified rate. Loan to value, borrower credit history, repayment ability of the borrowers, job stability and marketability of the property and other factors are also part of the underwriting guidelines in setting the appropriate interest rate. The Corporation may share part of a mortgage investment with other lenders acceptable to the Corporation. By limiting its participation in large individual investments, the Corporation will have the benefits of increased portfolio diversification. It will also enable the Corporation to participate in the financing of larger real estate projects than would otherwise be possible.

The Corporation's mortgage portfolio composition will vary over time depending on the Manager's assessment of the appropriate strategy given overall market conditions and outlook. The Corporation will endeavor to build a mortgage portfolio that encompasses the following general characteristics:

- a. property type and geographical diversification;
- b. short term and intermediate term loans;
- c. amortized products with principal and interest repaid over a 10 – 25 year amortization period; and
- d. loans in Canadian dollars on Canadian based real estate.

The Corporation may pursue a leveraged investment strategy by issuing debt obligations, it will borrow money (including drawing on its line of credit) in an attempt to increase the Corporation's returns by taking advantage of the difference between the interest earned on the loans made by the Corporation and the cost of borrowing the money to make such loans. As at the date hereof, the Corporation has not pursued this strategy. Please refer to Risk Factors Item 8.1(e) for risks associated with the use of leverage by the Corporation.

### ***Operating Restrictions***

Subject to the right of the Corporation, in consultation and upon notice to the Manager, to revise the following restrictions from time to time, the Corporation has established certain restrictions on investments as follows:

- (a) subject to clause (n) of 'Investment Policies' below, the Corporation will not invest in securities, guaranteed investment certificates or treasury bills unless such securities, guaranteed investment certificates or treasury bills are issued by an arm's-length party and are pledged as collateral in connection with mortgage investments or obtained by realizing on such collateral;
- (b) the Corporation will not invest for the purposes of exercising control over management of any company or other entity;
- (c) the Corporation will not guarantee the securities or obligations of any person;
- (d) except for any obligations owing under the Management Agreement, the Corporation will not hold any indebtedness, whether by way of mortgage or otherwise, of a person who is a director, officer or employee of the Corporation or of any other person who does not deal at arm's length with the Corporation or any of its directors, officers or employees;
- (e) the Corporation will not make any loan or investment which does not meet the "Canadian content" requirements of paragraph 130.1(6)(c) of the Tax Act;
- (f) the Corporation will not engage in derivative transactions for any purpose;
- (g) the Corporation will not lend money on the security of a mortgage unless an independent appraisal by a qualified appraiser of the real estate which is the primary collateral for the loan has been obtained;
- (h) the Corporation will not develop or manage any real property;
- (i) the cost amount to the Corporation of any real property of the Corporation, including any leasehold interests in such property (except real property acquired by foreclosure or other enforcement of its rights as mortgagee) shall not exceed 25% of the cost amount to it of all of its property; and
- (j) the Corporation will not otherwise conduct its business in a manner that would cause the Corporation to fail to qualify as a MIC under the Tax Act or that would result in the Preferred Shares not being a "qualified investment" for RRSPs, RRIFs, RESPs, TFSA's, DPSPs, LIRAs, LRIFs or RDSPs under the Tax Act (see Item 6, "Income Tax Consequences".)

### ***Investment Policies***

The Corporation has adopted certain policies which establish the investment criteria for the Corporation's investments. By entering into the Management Agreement, the Manager has agreed to abide by and apply these policies, which are as follows:

- (a) the Corporation's only undertaking will be to invest the Corporation's funds in accordance with its investment strategies and policies and operating restrictions contained in this Offering Memorandum, as may be amended from time to time as set forth below under "Changes to Investment Strategies, Operating Restrictions and Investment Policies";
- (b) the Corporation will make loans in amounts up to 92.5% of the fair market value of the mortgaged property, unless special circumstances warrant exceeding that threshold; fair market value will be primarily based on the most recent sales comparison as determined by an independent professional appraiser who possesses either a Canadian Residential Appraiser (CRA) or Accredited Appraiser Canadian Institute (AACI) designation;
- (c) the Corporation may from time to time engage in bridge financing activities including the financing of new home construction;

- (d) up to 10% of the Corporation's mortgage investments may be held in commercial mortgages (i.e. means mortgages that are principally secured by multi-family housing projects, residential land developments, mixed-use properties and income-producing properties that have retail, commercial, service, office and/or industrial uses). As at the date hereof, none of the Corporation's mortgage investments are held in commercial mortgages;
- (e) the Corporation may buy or sell mortgages in the secondary market, or hold a fractional interest in a mortgage, or participate in mortgage syndications but only in limited circumstances and subject to approval by the Board of Directors;
- (f) the Corporation will obtain a Phase I environmental audit where there is a reasonable possibility of environmental contamination that might impact the value and marketability of the property;
- (g) the Corporation will obtain title insurance in respect of real property provided as security for a mortgage loan in such amounts and on such terms as the Manager considers appropriate or, in the alternative, will obtain a favourable title opinion from a solicitor;
- (h) the Corporation shall at all times have policies and procedures in place to verify the identity of prospective borrowers in order to reduce the Corporation's exposure to the risks of mortgage fraud and money laundering activities;
- (i) the Manager enacts measures to pursue any defaults by borrowers in a fashion and manner deemed appropriate by the Manager based on the circumstances of such loans;
- (j) mortgages in which the Corporation invests may contain clauses permitting the mortgagor, when not in default, to renew the mortgage for additional terms at the sole discretion of the Manager and not the borrower;
- (k) all mortgages will, following funding, be registered, subject to regulatory compliance, on title to the subject property in the name of any of the Corporation, the Manager, their respective affiliates or a nominee for the Corporation or the Manager;
- (l) the Manager shall apply known and established procedures in the evaluation of mortgage opportunities being made available to the Corporation;
- (m) the Corporation targets holding a cash or near cash position equal to approximately 3.00% of its total assets; and
- (n) to the extent that the Corporation's funds are not invested in mortgages from time to time, they will be held in cash deposited with a Canadian chartered bank or will be invested by the Manager on the Corporation's behalf in short term deposits, savings accounts or government guaranteed income certificates or treasury bills so as to maintain a level of working capital for the Corporation's ongoing operations considered acceptable by the Board of Directors.

### ***Changes to Investment Strategies, Operating Restrictions and Investment Policies***

**The Board of Directors may in its discretion but acting in the best interests of the Corporation make any amendments, modifications or other changes to the foregoing investment strategies, operating restrictions and investment policies of the Corporation including if, due to a change in the provisions of the Tax Act or other legislation applicable to the Corporation, any of the foregoing restrictions require amendment in order to comply with such change in legislation in order for the Corporation to continue to qualify as a "mortgage investment corporation", and such amendments, modifications or other amendments will be binding on the Corporation. It is anticipated that the Manager will provide the Corporation with assistance from time to time on revision of the foregoing strategies, restrictions or policies for any reason including in order to comply with applicable legislation. In the event of any amendment to the foregoing strategies, restrictions and policies, the Manager will be required to comply with and observe such change immediately upon such change becoming effective. Please also refer to Risk Factors Item 8.2(d) for risks associated with potential conflicts of interest.**



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

For providing its services, the Manager is entitled to receive a management fee from the Corporation (the “**Manager Fee**”) of up to 2.00% per annum of the gross assets of the Corporation, calculated daily, aggregated and paid monthly in arrears, plus applicable taxes. The Manager may in its discretion waive and/or defer in whole or in part the Manager Fee. All or a portion of the Manager Fee is subject to reimbursement as described below. Each of the Manager and the Sub-Manager is also entitled to a bonus to the extent dividends payable exceed target yields as described below.

The Manager Fee is charged to the Corporation monthly in arrears and the Manager will provide the Corporation with an invoice at the end of each month. Prior to each monthly payment of the Manager Fee, the Manager estimates in good faith the total annual Manager Fee and the Corporation pays an amount up to 75% of 1/12<sup>th</sup> of such estimated amount. Accordingly, the Manager shall be paid at each month end a Manager Fee of up to 75% of 1/12<sup>th</sup> of the Manager Fee, as recorded in the unaudited, management prepared financial statements. Following verification after receipt of the annual audited financial statements, any balance owing to the Manager on account of the Manager Fee is paid.

If the net income of the Corporation available for distribution (subject to such working capital or reserve requirements as the Board of Directors determine is necessary or desirable from time to time) is not sufficient to fund dividends to holders of Series Shares based on the stipulated target yields (calculated annually and as confirmed by the Corporation’s annual audited financial statements), then the Manager shall be required to reimburse all or a portion of the Manager Fee to the extent necessary to permit the Corporation to fund dividends at the stipulated target yields; provided, however, that the Manager’s reimbursement obligation shall be limited to amounts actually received as the Manager Fee during the relevant fiscal year; and further provided that the reimbursement obligation shall not carry-over into subsequent fiscal years.

If, however, net income of the Corporation available for distribution (subject to such working capital or reserve requirements as the Board of Directors determine is necessary or desirable from time to time) exceeds that amount required to fund dividends to holders of Series Shares based on the stipulated target yields, the distributable net income remaining after payment of such dividends based on stipulated target yields shall be paid as a bonus to the Manager (as to 50%) and to the Sub-Manager (as to 50%). On a monthly basis, the Manager and the Sub-Manager estimate in good faith the total annual bonuses payable to each of the Manager and Sub-Manager and the Corporation pays an amount up to 75% of 1/12<sup>th</sup> of such estimated amount. Accordingly, the Manager and the Sub-Manager shall collectively be paid at each month up to 75% of 1/12<sup>th</sup> of the estimated total annual bonuses, as recorded in the unaudited, management prepared financial statements. Following verification after receipt of the annual audited financial statements, any balance owing to the Manager and the Sub-Manager on account of such bonuses is paid.

If the net income of the Corporation available for distribution (subject to such working capital or reserve requirements as the Board of Directors determine is necessary or desirable from time to time) is not sufficient to fund dividends to holders of Series Shares based on the stipulated target yields (calculated annually and as confirmed by the Corporation’s annual audited financial statements), then the Manager and the Sub-Manager shall be required to reimburse all or a portion of the amounts paid on account of estimated bonuses to the extent necessary to permit the Corporation to fund dividends at the stipulated target yields; provided, however, that the reimbursement obligations of the Manager and the Sub-Manager shall be limited to amounts actually received during the relevant fiscal year; and further provided that such reimbursement obligations shall not carry-over into subsequent fiscal years.

Any bonuses payable to either the Manager or the Sub-Manager shall be determined and verified after completion of the Corporation’s annual audit and in any event by no later than 120 days following the Corporation’s fiscal year end.

The Corporation and/or Manager and/or the Sub-Manager may in certain circumstances charge borrowers the following fees: lenders' fees, commitment fees, referral fees, extension fees, renewal fees, NSF fees, administration fees and similar fees to borrowers with respect to any mortgage loan. Such fees shall be allocated between the Corporation, the Manager and the Sub-Manager as reasonably determined from time to time by the Manager.

The Corporation pays for all expenses it incurs in connection with its operation and management. In addition to the Manager Fee, such expenses shall include, without limitation: (a) financial reporting costs, and mailing and printing

expenses for periodic reports to securityholders and other securityholder communications including marketing and advertising expenses; (b) any taxes payable by the Corporation; (c) fees payable to its transfer agent and its custodian(s), if applicable; (d) costs and fees payable to any agent, legal counsel, portfolio manager, actuary, valuator, technical consultant, accountant or auditor or any other third party service provider; (e) ongoing regulatory filing fees, licence fees and any other applicable fees; (f) any expenses incurred in connection with any legal proceedings in which the Manager and/or Sub-Manager participates on behalf of the Corporation or any other acts of the Manager, the Sub-Manager or any other agent of the Corporation in connection with the maintenance or protection of the property of the Corporation, including without limitation costs associated with the enforcement of mortgage loans; (g) any fees payable to, and expenses incurred by any independent directors; (h) any additional fees payable to the Manager or the Sub-Manager for performance of extraordinary services on behalf of the Corporation; (i) consulting fees, including website maintenance costs and expenses associated with the preparation of tax filings; (j) costs to establish credit facilities for the Corporation and any debt service costs related thereto; and (k) any other administrative expenses of the Corporation.

The Manager and the Sub-Manager are reimbursed by the Corporation for all expenses incurred by them on behalf of the Corporation, except any costs and expenses incurred by either the Manager or the Sub-Manager applicable to their respective operations, including salaries and employee expenses, office rent and equipment.

### ***The Board of Directors***

The Board of Directors of the Corporation currently consists of four directors, two of which also constitute the board of directors of the Manager, and two of which also constitute the board of directors of, and control, the Sub-Manager. The Board of Directors approves all policies of the Corporation and has final approval on all individual mortgages recommended by the Manager. Please refer to “Conflicts of Interest” below and to Risk Factors Item 8.2(d) for risks associated with potential conflicts of interest. In addition to the professional qualifications and experience they have individually, the Board of Directors receives on-going education on corporate governance.

The Board of Directors meets as a whole at least quarterly although the members of the Board of Directors are in regular communication with the Manager. The Board of Directors receives regular reports from the Manager on the Corporation’s operations and portfolio.

### ***Conflicts of Interest***

Neither the Management Agreement nor the Sub-Management Agreement is exclusive to any party thereto and any party thereto may enter into similar arrangements with other parties on whatever terms such party deems appropriate. Further, the Corporation acknowledges that the Manager and the Sub-Manager and their respective shareholders, directors and senior officers have, or may acquire, interests and dealings in other companies, joint ventures, limited partnerships and/or mortgage investment entities which are presently or may in the future be actively engaged in similar businesses as the Corporation. The Corporation agrees that neither the Manager, the Sub-Manager nor their respective shareholders, directors or senior officers will be liable to the Corporation for any conflict of interest as a result of such other interests or dealings, and that such interests and dealings do not and will not constitute a breach of this Agreement even if competitive with the business of the Corporation, and even if the business opportunity could have been pursued by the Corporation. Notwithstanding the foregoing, in accordance with the Corporation’s investment guidelines and restrictions set forth in this Offering Memorandum, unless same are otherwise amended in accordance therewith, under no circumstances will mortgage loans be made to the Manager or the Sub-Manager or any persons affiliated or related to it.

Notwithstanding the immediately preceding paragraph, each of the Manager and the Sub-Manager shall be required to present to the Corporation all mortgage investment opportunities that are available to it provided the Corporation has the resources to make the proposed investment and the proposed investment meets the Corporation’s investment guidelines and restrictions set forth in the Offering Memorandum and is consistent with the Corporation’s investment objectives and strategies. To the extent that the Corporation does not have the resources to invest in particular mortgage investment opportunities or is otherwise deemed unsuitable by the Manager, the Manager and the Sub-Manager shall be permitted to invest in such mortgage loans, on its own account, either as sole lender, co-lender with the Corporation or co-lender with third parties. In such circumstances, so long as the Corporation continues to not have the resources to make additional

investments in mortgage loans, the Manager and the Sub-Manager shall be authorized to sell to third parties all or any portion of its interests in mortgage loans held on its own account but for certainty not interests held on the Corporation's account. To the extent the Corporation co-invests with the Manager, the Sub-Manager or other third parties, the Manager and the Sub-Manager will use reasonable commercial efforts to ensure such co-investment is allocated fairly.

## **2.3 Development of Business**

The Corporation was incorporated on June 21, 2013 and commenced operations on August 13, 2013. The Corporation's business is primarily limited to investing the net proceeds of this Offering in mortgages in accordance with the strategies, policies and guidelines set out above under Section 2.2.

The success of the Corporation is dependent, to a large part, on the experience and good faith of the Manager and the Sub-Manager. See Section 2.2, "Our Business - The Manager - Bellaforte Financial Inc." and Section 2.2, "Our Business - The Sub-Manager - GBK Financial Inc."

The Corporation has declared and paid dividends quarterly since inception and intends to continue to declare and pay dividends quarterly. Since inception all dividends have been made out of net income and capital gains received in each financial year, and none of such distributions have been funded by sources such as loans, share issuances or any credit facility. It is the intention of the Corporation to continue to make dividends on that basis. Amounts for operating expenses, management fees, and dividend distributions are not paid from the proceeds of the Offering. Since the Corporation is operational and profitable, these amounts have been, and are expected to continue to be, paid out of current mortgage portfolio income.

For fiscal years ended April 30, 2015 and April 30, 2016 and for the period commencing May 1, 2016 and ending March 31, 2017, the Corporation delivered an average annualized dividend yield (net of all fees and expenses of the Corporation) to holders of Preferred Shares of 7.96%.

The Corporation will from time to time determine target yields with respect to the Preferred Shares. As at the date of this Offering Memorandum, the Corporation is targeting declaring dividends based on the following target yields:

<b>Series</b>	<b>Target Yield</b>
Series A	8.00%
Series B	7.50%
Series C	7.00%
Series D	6.50%
Series E	6.00%
Series F	5.50%
Series G	5.00%
Series H	4.50%
Series I	4.00%

Notwithstanding the foregoing, the amount of dividends declared may fluctuate from month to month and there can be no assurance that the Corporation will declare any dividends in any particular month or months. If the Corporation's net income is less than the amount necessary to fund and achieve the target yields, the Corporation may not pay the full target yields. In addition, if the directors of the Corporation, on the advice of the Manager, determine that it would be in the best interests of the Corporation, they may reduce or suspend for any period, or altogether cease indefinitely, the dividends to be made on the Preferred Shares. On the other hand, a special year-end dividend may be declared and paid if the Corporation's net income exceeded quarterly dividends. The payment of dividends is subject to the discretion of the directors of the Corporation to establish working capital and other reserves for the Corporation. Prospective investors should not confuse the Corporation's target yields with the Corporation's rate of return or yield. There is no guarantee

that the Corporation will be able to pay dividends at the levels targeted. Please refer to Item 5.1 “Terms of Securities – Dividend Policy.”

During the Corporation's two most recently completed financial years there have not been any unusual events or conditions that have favourably, or adversely, influenced the development of the Corporation's business.

### *Mortgage Portfolio*

As at December 31, 2016, 86 individual mortgages are held by the Corporation and the total assets under administration is \$5,571,947.47. As at December 31, 2016, the Corporation's portfolio of mortgages has an average loan size of \$64,790 and an average loan to value of 78.02%. As at December 31, 2016, 84 of the 86 individual mortgages were second priority mortgages.

The following table illustrates the property type, location, principal amount, interest rate, days to maturity, appraisal value, location, loan to value, percentage of total portfolio of mortgages held and priority of all mortgages held by the Corporation as at December 31, 2016.

Property Type	Principal Amount	Interest Rate	# days to maturity	Appraisal	Location	LTV	% of portfolio	Priority
Single family dwelling	\$30,000.00	7.99%	335	\$370,000.00	Barrie	22.97%	0.54%	2nd
Single family dwelling	\$24,803.80	6.99%	244	\$395,000.00	Hamilton	38.94%	0.45%	2nd
Single family dwelling	\$5,800.00	0.00%	700	\$360,000.00	Barrie	40.50%	0.10%	2nd
Single family dwelling	\$89,293.60	6.99%	244	\$640,000.00	Richmond Hill	50.67%	1.60%	2nd
Single family dwelling	\$29,601.66	5.99%	213	\$650,000.00	Georgetown	50.71%	0.53%	2nd
Single family dwelling	\$88,469.37	7.99%	60	\$506,000.00	Baldwin	58.29%	80.51%	2nd
Single family dwelling	\$59,722.47	8.99%	274	\$325,000.00	Minesing	58.84%	1.07%	2nd
Single family dwelling	\$119,888.85	11.99%	274	\$755,000.00	Barrie / Harrison Island	59.92%	2.15%	2nd
Single family dwelling	\$89,791.92	10.99%	182	\$295,000.00	Kitchener	64.34%	1.61%	2nd
Single family dwelling	\$50,563.97	6.25%	244	\$1,320,000.00	Thornhill	65.95%	0.91%	2nd
Single family dwelling	\$63,881.46	11.49%	304	\$440,000.00	Richmond Hill	66.27%	1.15%	2nd
Single family dwelling	\$34,633.71	11.50%	91	\$385,000.00	Kitchener	67.18%	0.62%	2nd
Single family dwelling	\$108,774.21	10.99%	91	\$580,000.00	Toronto	67.20%	1.95%	2nd
Single family dwelling	\$69,450.60	6.99%	244	\$650,000.00	Toronto	68.38%	1.25%	2nd
Single family dwelling	\$50,070.25	11.99%	335	\$650,000.00	Blackstock	69.39%	0.90%	2nd
Single family dwelling	\$100,000.00	10.75%	60	\$410,000.00	Keswick	70.37%	1.79%	2nd
Single family dwelling	\$69,538.71	5.99%	274	\$1,400,000.00	Aurora	71.04%	1.25%	2nd
Single family dwelling	\$39,888.67	10.99%	213	\$294,000.00	Keswick	71.39%	0.72%	2nd
Single family dwelling	\$64,288.02	8.99%	152	\$384,500.00	Barrie	71.60%	1.15%	2nd
Single family dwelling	\$55,725.25	4.99%	366	\$580,000.00	Newcastle	72.35%	1.00%	2nd
Single family dwelling	\$130,000.00	9.99%	366	\$550,000.00	Keswick	73.64%	2.33%	2nd
Single family dwelling	\$69,890.17	9.99%	305	\$770,000.00	Oshawa	74.01%	1.25%	2nd
Single family dwelling	\$58,932.51	7.99%	60	\$292,000.00	Listowel	74.46%	1.06%	2nd
Single family dwelling	\$9,967.12	12.00%	366	\$155,000.00	London	74.82%	0.18%	2nd
Single family dwelling	\$106,447.87	9.99%	274	\$520,000.00	Jacksons Point	74.99%	1.91%	2nd
Single family dwelling	\$259,396.34	5.99%	182	\$348,000.00	Toronto / Barrie	75.00%	4.66%	1st

Property Type	Principal Amount	Interest Rate	# days to maturity	Appraisal	Location	LTV	% of portfolio	Priority
Single family dwelling	\$199,337.59	10.99%	366	\$935,000.00	Oshawa / Brooklin	75.70%	3.58%	2nd
Single family dwelling	\$38,840.36	9.99%	274	\$390,000.00	Three Mile Lake	76.37%	0.70%	3rd
Single family dwelling	\$149,796.98	9.99%	335	\$850,000.00	Uxbridge	76.39%	2.69%	2nd
Single family dwelling	\$39,962.99	12.99%	335	\$300,000.00	Port Hope	76.65%	0.72%	2nd
Single family dwelling	\$78,974.20	12.99%	335	\$338,000.00	Three Mile Lake	78.39%	1.42%	2nd
Single family dwelling	\$34,699.35	10.99%	152	\$291,666.50	Toronto	78.90%	0.62%	2nd
Single family dwelling	\$69,828.82	10.99%	305	\$520,000.00	Pickering	79.29%	1.25%	2nd
Single family dwelling	\$59,963.45	11.50%	335	\$640,000.00	Bradford	79.38%	1.08%	2nd
Single family dwelling	\$54,544.14	9.99%	182	\$453,000.00	Brampton	79.59%	0.98%	2nd
Single family dwelling	\$28,630.67	14.99%	91	\$205,000.00	Thunder Bay	79.82%	0.51%	2nd
Single family dwelling	\$80,000.00	10.99%	366	\$445,000.00	Wyebridge	80.22%	1.44%	2nd
Single family dwelling	\$15,926.36	4.99%	152	\$280,000.00	Lindsay	80.69%	0.29%	2nd
Single family dwelling	\$53,574.95	10.99%	32	\$595,000.00	Mississauga	81.27%	0.96%	2nd
Single family dwelling	\$100,000.00	9.99%	366	\$530,000.00	Bolton	81.98%	1.79%	2nd
Single family dwelling	\$69,795.67	12.99%	213	\$415,000.00	Seagrave	82.12%	1.25%	3rd
Single family dwelling	\$84,709.02	12.99%	152	\$520,000.00	Ajax	82.25%	1.52%	2nd
Single family dwelling	\$76,221.65	13.50%	335	\$255,000.00	Lanark	83.03%	1.37%	2nd
Single family dwelling	\$69,736.76	12.99%	244	\$310,000.00	Brampton	83.46%	1.25%	2nd
Single family dwelling	\$75,347.22	10.99%	152	\$400,000.00	Keswick	83.59%	1.35%	2nd
Single family dwelling	\$48,000.00	12.50%	366	\$252,000.00	Ingersol	84.52%	0.86%	2nd
Single family dwelling	\$78,170.62	11.99%	213	\$300,000.00	Barrie	84.59%	1.40%	2nd
Single family dwelling	\$20,138.69	12.99%	305	\$270,000.00	Pembroke	84.87%	0.36%	2nd
Single family dwelling	\$108,000.00	9.99%	366	\$545,000.00	North York	84.95%	1.94%	2nd
Single family dwelling	\$34,719.54	10.99%	182	\$500,000.00	Toronto / Barrie	85.00%	0.62%	2nd
Single family dwelling	\$139,616.44	12.25%	213	\$540,000.00	Angus	85.11%	2.51%	2nd
Single family dwelling	\$13,771.21	8.99%	244	\$260,000.00	Hamilton	85.30%	0.25%	2nd
Single family dwelling	\$16,295.80	8.99%	1	\$285,000.00	Kitchener	85.72%	0.29%	2nd
Single family dwelling	\$27,117.35	4.89%	182	\$472,490.00	Sutton West	85.74%	0.49%	2nd
Single family dwelling	\$99,817.00	10.99%	335	\$580,000.00	Brampton	85.74%	1.79%	2nd
Single family dwelling	\$36,496.45	4.44%	182	\$628,977.95	Keswick	85.80%	0.66%	2nd
Single family dwelling	\$29,425.50	4.44%	366	\$503,000.00	Alliston	85.85%	0.53%	2nd
Single family dwelling	\$37,415.43	4.89%	152	\$635,000.00	Aurora	85.89%	0.67%	2nd
Single family dwelling	\$33,938.68	8.99%	91	\$575,000.00	Barrie	85.90%	0.61%	2nd
Single family dwelling	\$26,903.45	11.99%	213	\$450,000.00	Toronto	85.98%	0.48%	2nd
Single family dwelling	\$24,884.11	8.99%	334	\$415,000.00	Toronto	86.00%	0.45%	2nd
Single family dwelling	\$99,830.02	11.99%	274	\$530,000.00	Mount Albert	86.01%	1.79%	2nd
Single family dwelling	\$24,594.60	16.99%	244	\$250,000.00	Chatham	86.24%	0.44%	2nd
Single family dwelling	\$47,366.73	12.99%	274	\$305,000.00	Little Britain	87.50%	0.85%	2nd
Single family dwelling	\$47,385.05	12.99%	213	\$607,000.00	Keswick	87.71%	0.85%	2nd
Single family dwelling	\$100,793.40	12.99%	60	\$795,000.00	Mississauga	87.85%	1.81%	2nd

Property Type	Principal Amount	Interest Rate	# days to maturity	Appraisal	Location	LTV	% of portfolio	Priority
Single family	\$109,886.16	12.50%	305	\$335,000.00	Hamilton	88.17%	1.97%	2nd
Single family dwelling	\$66,301.52	14.99%	121	\$1,000,000.00	Guelph & Toronto	88.25%	1.19%	2nd
Single family dwelling	\$99,623.93	12.99%	244	\$435,000.00	Guelph	88.65%	1.79%	2nd
Single family dwelling	\$64,181.89	9.99%	91	\$411,000.00	Whitby	88.97%	1.15%	2nd
Single family dwelling	\$23,988.29	14.99%	274	\$245,000.00	Simcoe	89.69%	0.43%	2nd
Single family dwelling	\$44,813.77	11.99%	305	\$440,000.00	Brantford	89.84%	0.80%	2nd
Single family dwelling	\$39,615.76	12.99%	213	\$400,000.00	Essa	89.90%	0.71%	2nd
Single family dwelling	\$44,719.29	11.99%	274	\$430,000.00	Oro Medonte	89.93%	0.80%	2nd
Single family dwelling	\$32,463.76	11.99%	244	\$326,031.00	London	89.96%	0.58%	2nd
Single family dwelling	\$67,858.02	11.99%	335	\$400,000.00	Thorold	89.96%	1.22%	2nd
Single family dwelling	\$116,250.00	12.99%	335	\$775,000.00	Ancaster	90.00%	2.09%	2nd
Single family dwelling	\$41,111.69	16.99%	121	\$350,000.00	Ottawa	90.32%	0.74%	2nd
Single family dwelling	\$63,966.91	4.99%	-213	\$535,000.00	Bradford	91.96%	1.15%	2nd
Single family dwelling	\$46,039.74	4.99%	1	\$381,525.67	Tottenham	92.07%	0.83%	2nd
Single family dwelling	\$47,970.79	4.99%	152	\$395,000.00	Oshawa	92.14%	0.86%	2nd
Single family dwelling	\$61,499.31	8.99%	32	\$505,000.00	Whitby	92.18%	1.10%	2nd
Single family dwelling	\$55,301.49	4.99%	335	\$451,990.00	Caledon	92.24%	0.99%	2nd
Single family dwelling	\$94,570.00	4.89%	366	\$772,000.00	Mississauga	92.25%	1.70%	2nd
Single family dwelling	\$40,503.06	8.99%	305	\$327,990.00	Barrie	92.35%	0.73%	2nd
Single family dwelling	\$57,891.31	9.99%	244	\$290,000.00	St. Thomas	94.96%	1.04%	2nd
	<b>\$5,571,947.47</b>			<b>\$41,601,171.12</b>				

## 2.4 Long-Term Objectives

The Corporation's long term objective is to provide its shareholders with sustainable income while preserving capital for distribution or re-investment. The Corporation will seek to achieve this principal investment objective by investing in mortgages using the funds raised pursuant to this Offering and any debt that may be provided by Canadian chartered banks or alternative lenders. The Corporation invests primarily in second mortgages (but also in first and third mortgages) which are secured by the respective mortgagor's equity in primarily residential real property in accordance with the strategies, policies and guidelines set out above under Section 2.2. The Corporation anticipates continuing to raise funds under this Offering for the foreseeable future and investing all available net proceeds raised in mortgages as opportunities arise for such investment. The Corporation will reinvest in mortgages with the Corporation's income received upon the mortgages becoming due. The costs related to the investment and reinvestment in mortgages is nominal and is not considered to be material. The Corporation's income will primarily consist of interest received on the loans secured by the mortgages, less any fees payable or paid, or any expenses reimbursable, to the Manager as disclosed herein and interest and fees payable with respect to any debt facilities employed to fund a portion of the Corporation's mortgage assets.

## 2.5 Short Term Objectives

The Offering Memorandum form requires the following table to be completed with respect to the Corporation's objectives over the next twelve (12) months.

What we must do and how we will do it	Target completion date or, if not known, number of months to complete	Our cost to complete
Raising of funds under the Offering and investing available funds in mortgage investments in accordance with the policies and guidelines set out herein	Ongoing throughout the next 12 months	The costs of a maximum Offering which are estimated to be \$500,000

## 2.6 Insufficient Proceeds

There is no assurance that (i) any of the Offering will be sold, (ii) the proceeds of the Offering, if any, will be sufficient to accomplish our proposed objectives, or (iii) alternative financing will be available.

## 2.7 Material Agreements

### *Management Agreement*

The Manager has agreed to service the Corporation's mortgage portfolio, including sourcing, negotiating, and underwriting mortgages. The Corporation does not actively employ resources to actively seek or originate mortgages for investment, but instead relies on the expertise of the Manager for a regular flow of investment opportunities. In providing mortgage investment services, the Manager shall adhere to the Corporation's investment strategies, operating restrictions, operating policies and investment policies as set forth herein. See item 2.2, Our Business.

The following summarizes the terms of the Management Agreement.

The Management Agreement is not exclusive to either party and either party may enter into similar arrangements with other parties on whatever terms such party deems appropriate.

Further, the Corporation acknowledges that the Manager and its shareholders, directors and senior officers have, or may acquire, interests and dealings in other companies, joint ventures, limited partnerships and/or mortgage investment entities which are presently or may in the future be actively engaged in similar businesses as the Corporation. The Corporation agrees that neither the Manager nor its shareholders, directors or senior officers will be liable to the Corporation for any conflict of interest as a result of such other interests or dealings, and that such interests and dealings do not and will not constitute a breach of this Agreement even if competitive with the business of the Corporation, and even if the business opportunity could have been pursued by the Corporation. Notwithstanding the foregoing, in accordance with the Corporation's investment guidelines and restrictions set forth in the Offering Memorandum, unless same are otherwise amended in accordance therewith, under no circumstances will mortgage loans be made to the Manager, or any persons affiliated or related to it.

Notwithstanding the immediately preceding paragraph, the Manager shall be required to present to the Corporation all mortgage investment opportunities that are available to it provided the Corporation has the resources to make the proposed investment and the proposed investment meets the Corporation's investment guidelines and restrictions set forth in the Offering Memorandum and is consistent with the Corporation's investment objectives and strategies. To the extent that the Corporation does not have the resources to invest in particular mortgage investment opportunities or is otherwise deemed unsuitable by the Manager, the Manager shall be permitted to invest in such mortgage loans, on its own account, either as sole lender, co-lender with the Corporation or co-lender with third parties. In such circumstances, so long as the Corporation continues to not have the resources to make additional investments in mortgage loans, the Manager shall be authorized to sell to third parties all or any portion of its interests in mortgage loans held on its own account but for certainty not interests held on the Corporation's account. To the extent the Corporation co-invests with the Manager or other third parties, the Manager will use reasonable commercial efforts to ensure such co-investment is allocated fairly.

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

For providing its services, the Manager is entitled to receive a management fee from the Corporation (the “**Manager Fee**”) of up to 2.00% per annum of the gross assets of the Corporation, calculated daily, aggregated and paid monthly in arrears, plus applicable taxes. The Manager may in its discretion waive and/or defer in whole or in part the Manager Fee. All or a portion of the Manager Fee is subject to reimbursement as described below. Each of the Manager and the Sub-Manager is also entitled to a bonus to the extent dividends payable exceed target yields as described below.

The Manager Fee is charged to the Corporation monthly in arrears and the Manager will provide the Corporation with an invoice at the end of each month. Prior to each monthly payment of the Manager Fee, the Manager estimates in good faith the total annual Manager Fee and the Corporation pays an amount up to 75% of 1/12<sup>th</sup> of such estimated amount. Accordingly, the Manager shall be paid at each month end a Manager Fee of up to 75% of 1/12<sup>th</sup> of the Manager Fee, as recorded in the unaudited, management prepared financial statements. Following verification after receipt of the annual audited financial statements, any balance owing to the Manager on account of the Manager Fee is paid.

If the net income of the Corporation available for distribution (subject to such working capital or reserve requirements as the Board of Directors determine is necessary or desirable from time to time) is not sufficient to fund dividends to holders of Series Shares based on the stipulated target yields (calculated annually and as confirmed by the Corporation’s annual audited financial statements), then the Manager shall be required to reimburse all or a portion of the Manager Fee to the extent necessary to permit the Corporation to fund dividends at the stipulated target yields; provided, however, that the Manager’s reimbursement obligation shall be limited to amounts actually received as the Manager Fee during the relevant fiscal year; and further provided that the reimbursement obligation shall not carry-over into subsequent fiscal years.

If, however, net income of the Corporation available for distribution (subject to such working capital or reserve requirements as the Board of Directors determine is necessary or desirable from time to time) exceeds that amount required to fund dividends to holders of Series Shares based on the stipulated target yields, the distributable net income remaining after payment of such dividends based on stipulated target yields shall be paid as a bonus to the Manager (as to 50%) and to the Sub-Manager (as to 50%). On a monthly basis, the Manager and the Sub-Manager estimate in good faith the total annual bonuses payable to each of the Manager and Sub-Manager and the Corporation pays an amount up to 75% of 1/12<sup>th</sup> of such estimated amount. Accordingly, the Manager and the Sub-Manager shall collectively be paid at each month up to 75% of 1/12<sup>th</sup> of the estimated total annual bonuses, as recorded in the unaudited, management prepared financial statements. Following verification after receipt of the annual audited financial statements, any balance owing to the Manager and the Sub-Manager on account of such bonuses is paid.

If the net income of the Corporation available for distribution (subject to such working capital or reserve requirements as the Board of Directors determine is necessary or desirable from time to time) is not sufficient to fund dividends to holders of Series Shares based on the stipulated target yields (calculated annually and as confirmed by the Corporation’s annual audited financial statements), then the Manager and the Sub-Manager shall be required to reimburse all or a portion of the amounts paid on account of estimated bonuses to the extent necessary to permit the Corporation to fund dividends at the stipulated target yields; provided, however, that the reimbursement obligations of the Manager and the Sub-Manager shall be limited to amounts actually received during the relevant fiscal year; and further provided that such reimbursement obligations shall not carry-over into subsequent fiscal years.

Any bonuses payable to either the Manager or the Sub-Manager shall be determined and verified after completion of the Corporation’s annual audit and in any event by no later than 120 days following the Corporation’s fiscal year end.

The Corporation and/or Manager and/or the Sub-Manager may in certain circumstances charge borrowers the following fees: lenders' fees, commitment fees, referral fees, extension fees, renewal fees, NSF fees, administration fees and similar fees to borrowers with respect to any mortgage loan. Such fees shall be allocated between the Corporation, the Manager and the Sub-Manager as reasonably determined from time to time by the Manager.

The Corporation pays for all expenses it incurs in connection with its operation and management. In addition to the Manager Fee, such expenses shall include, without limitation: (a) financial reporting costs, and mailing and printing



expenses for periodic reports to securityholders and other securityholder communications including marketing and advertising expenses; (b) any taxes payable by the Corporation; (c) fees payable to its transfer agent and its custodian(s), if applicable; (d) costs and fees payable to any agent, legal counsel, portfolio manager, actuary, valuator, technical consultant, accountant or auditor or any other third party service provider; (e) ongoing regulatory filing fees, licence fees and any other applicable fees; (f) any expenses incurred in connection with any legal proceedings in which the Manager and/or Sub-Manager participates on behalf of the Corporation or any other acts of the Manager, the Sub-Manager or any other agent of the Corporation in connection with the maintenance or protection of the property of the Corporation, including without limitation costs associated with the enforcement of mortgage loans; (g) any fees payable to, and expenses incurred by any independent directors; (h) any additional fees payable to the Manager or the Sub-Manager for performance of extraordinary services on behalf of the Corporation; (i) consulting fees, including website maintenance costs and expenses associated with the preparation of tax filings; (j) costs to establish credit facilities for the Corporation and any debt service costs related thereto; and (k) any other administrative expenses of the Corporation.

The Manager and the Sub-Manager are reimbursed by the Corporation for all expenses incurred by them on behalf of the Corporation, except any costs and expenses incurred by either the Manager or the Sub-Manager applicable to their respective operations, including salaries and employee expenses, office rent and equipment.

The Management Agreement is for an indefinite term. It may be terminated by the Corporation in the event of:

- (a) the bankruptcy or insolvency of the Manager, or if the Manager either voluntarily or under an order of a court of competent jurisdiction makes a general assignment for the benefit of its creditors or otherwise acknowledges its insolvency;
- (b) the Manager does not have any required registrations or licences to carry out its obligations as set out in the Management Agreement and is unable to make any other satisfactory arrangements on behalf of the Corporation;
- (c) the Manager's negligence, wilful misconduct or bad faith which results in a material adverse impact on the Corporation; or
- (d) as otherwise required at law.

The Manager may terminate the Management Agreement by giving the Corporation no less than 90 days' prior written notice of its intention to resign and to terminate the Management Agreement.

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

The Manager must render its services under the Management Agreement honestly and in good faith in a conscientious and reasonable manner and must exercise the care, diligence and skill of a reasonably prudent and qualified manager. Further, the Manager agrees that funds of the Manager will not be commingled with any funds of the Corporation.

The liability of the Corporation pursuant to the Management Agreement has been limited such that the Manager agrees that it shall only look to the Corporation's property and assets for satisfaction of any claims arising out of or in connection with such agreement. Also, except as otherwise provided in the Management Agreement, or for any material breach or default of the obligations of the Manager thereunder, neither the Manager, nor any of its directors, officers, employees, consultants or agents shall be subject to any liability whatsoever, in tort, contract, or otherwise, in connection with the affairs of the Corporation, including, without limitation, in respect of any loss or diminution in value of any of the Corporation's property or assets. The Corporation shall be solely liable therefor and resort shall be had solely to the Corporation's property or assets for the payment or performance thereof.

Pursuant to the terms of the Management Agreement, the Corporation has agreed that it shall indemnify and reimburse the Manager, as well as its directors, officers, employees, consultants or agents, against all liabilities and expenses reasonably incurred in connection with the Manager's services thereunder, except for liabilities and expenses resulting from such party's willful misconduct, bad faith, gross negligence, disregard of the duties or standard of care, diligence, or material breach or default of the Management Agreement. The Manager agreed that it shall indemnify and save harmless the

Corporation, and its directors, officers, employees, consultants and agents, from and against all liabilities and expenses reasonably incurred in connection with any action, suit or proceeding to which it may be made a party by reason of the Manager's willful misconduct, bad faith, gross negligence or disregards of its duties or standard of care, diligence and skill or a material breach of default under the Management Agreement. This indemnity survives the removal or resignation of the Manager in connection with any and all of its duties and obligations under the Management Agreement and shall survive the termination of such agreement.

### ***Sub-Management Agreement***

Pursuant to the terms of a sub-management agreement dated April 4, 2017 (the "**Sub-Management Agreement**") between the Corporation, the Manager and GBK Financial Inc. (the "**Sub-Manager**"), the Sub-Manager has agreed to support the Manager's performance of services to the Corporation under the Management Agreement. The Sub-Manager is a registrant broker and licensee in good-standing under the Mortgage Brokerages, Lenders, and Administrators Act, 2006 (Ontario), operating under Mortgage Brokerage License No. 11921.

The Sub-Manager is entitled to a bonus to the extent dividends payable exceed target yields. See Section 2.2, "Our Business - Management Fees and Expenses."

## **ITEM 3: DIRECTORS, MANAGEMENT, PROMOTERS, AND PRINCIPAL HOLDERS**

### **3.1 Compensation and Securities Held**

The following table sets out information as at the date of this Offering Memorandum about each director, officer and promoter of the Corporation and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Corporation (a "**Principal Holder**").

<b>Name and municipality of principal residence</b>	<b>Positions held and the date of obtaining that position</b>	<b>Compensation paid by the Corporation in the most recently completed financial year and the compensation anticipated to be paid in the current financial year<sup>(3)(4)(5)</sup></b>	<b>Number, type and percentage of securities of the Corporation held as at the date of this Offering Memorandum<sup>(1)(2)</sup></b>	<b>Number, type and percentage of securities of the Corporation held after completion of maximum offering<sup>(1)(2)</sup></b>
Arthur Biffis Georgetown, Ontario	Director, President and Principal Holder since June 21, 2013 and Director, President, Secretary and Sole Shareholder of the Manager	Nil	25 Common Shares (25%)	25 Common Shares (25%)
Christopher Benetello Caledon, Ontario	Director, Secretary-Treasurer and Principal Holder since June 21, 2013 and Vice-President of the Manager	Nil	25 Common Shares (25%)	25 Common Shares (25%)
Wayne MacLeod Richmond Hill, Ontario	Director and Principal Holder since June 21, 2013 and Director, Vice-President, Treasurer and Shareholder of the Manager	Nil	25 Common Shares (25%)	25 Common Shares (25%)
Tim Brown Keswick, Ontario	Director and Principal Holder since June 21, 2013 and Director, President, Secretary and Shareholder of the Sub-Manager	Nil	25 Common Shares (25%)	25 Common Shares (25%)
Bellaforte Financial Inc. <sup>(4)</sup>	Promoter	See Note (4) below.	Nil	Nil
GBK Financial Inc. <sup>(5)</sup>	Promoter	See Note (5) below.	Nil	Nil

**Notes:**

1. The information as to securities beneficially owned as at the date hereof has been furnished by the respective directors and officers.
2. Directors and/or officers of the Corporation may acquire Preferred Shares pursuant to the Offering.
3. The directors and officers of the Corporation do not receive compensation in their capacity as directors or officers.
4. The Manager is considered to be a promoter of the Corporation by reason of its initiative in forming and establishing the Corporation and taking steps necessary for the distribution of the Preferred Shares. The Manager will not receive any benefits, directly or indirectly from the issuance to investors of the Preferred Shares pursuant to this Offering, other than as described in this Offering Memorandum including the Manager Fee and bonus entitlements payable to the Manager as described in Section 2.2, "Our Business - Management Fees and Expenses." For the year ended April 30, 2016, the Manager received a management fee equal to \$63,261 and bonus compensation in the amount of \$137,642.50. For the year ended April 30, 2017, it is anticipated that the Manager will earn approximately \$75,000 as a Manager Fee and \$170,000 as a bonus entitlement.
5. The Sub-Manager is considered to be a promoter of the Corporation by reason of its initiative in forming and establishing the Corporation and taking steps necessary for the distribution of the Preferred Shares. The Sub-Manager will not receive any benefits, directly or indirectly from the issuance to investors of the Preferred Shares pursuant to this Offering, other than as described in this Offering Memorandum including bonus entitlements payable to the Sub-Manager as described in Section 2.2, "Our Business - Management Fees and Expenses." For the year ended April 30, 2016, the Sub-Manager received bonus compensation in the amount of \$137,642.50. For the year ended April 30, 2017, it is anticipated that the Sub-Manager will earn approximately \$170,000 as a bonus entitlement.

**3.2 Management Experience**

The following table sets out the principal occupations of the directors and executive officers of the Corporation over the past five years, and their relevant experience in businesses similar to that of the Corporation.

Name	Principal Occupation and Related Experience
<b>Arthur Biffis</b>	<p><b>Director and President of the Corporation.</b>  <b>Director, President and Secretary of the Manager.</b></p> <p>Art Biffis, former educator and administrator with the TCDSB, earned his undergraduate degree in Psychology from the University of Windsor and went on to earn a Masters Degree from the University of Toronto. Having a dynamic career in the education profession for over three decades, the scope of Art's experience offers valuable insight and knowledge into leadership and relationship building. Art's passions center on the concepts of Team and Leadership. His ability to assess and anticipate customer needs in order to provide the best solutions has resulted in extremely high customer loyalty. Art specializes in innovative lending solutions in the residential real estate market. Bellaforte Financial Inc. and the Corporation are built on integrity, honesty, trust and the highest standards of ethics. These are the cornerstones of Art's continued business success.</p>
<b>Christopher Benetello</b>	<p><b>Director and Secretary-Treasurer of the Corporation.</b>  <b>Vice-President of the Manager.</b></p> <p>Chris Benetello is a mortgage underwriter with wide-ranging industry experience and a proven record of time management and multi-tasking abilities within a fast-paced environment. He puts consistent emphasis upon loan quality, conformity to established guidelines, and benefit to both borrower and lender. He approaches each loan making a determination as to whether it represents an acceptable risk and is economically sound. During his tenure, he has built exemplary industry relationships and a powerful understanding of mortgage financing. This enables him to underwrite the most complex applications using sound judgement. He brings a strong aptitude for problem solving, interpersonal development, writing and organizational skills.</p>
<b>Tim Brown</b>	<p><b>Director of the Corporation.</b>  <b>Director, President and Secretary of the Sub-Manager.</b></p> <p>With more than a decade of operational and management experience in the mortgage industry, Tim Brown has developed a sharp eye for developing mortgage solutions and business plans for a wide range of clients. He has achieved success because of his passion, excitement and tireless work ethic. Tim together with Wayne MacLeod and with the support of a team of professionals has established GBK Financial Inc, as a strategically focussed organization that garnered the 2013 Business Award of Excellence from the</p>

Name	Principal Occupation and Related Experience
	Newmarket Chamber of Commerce. GBK Financial Inc. is a family owned business located in Newmarket, Ontario that developed under the watchful eye and guidance of Gordon Brown, Tim's father who also founded the business. Proudly, it stands as a business that adheres strongly to Gordon Brown's values: a commitment to outstanding customer service, transparency and honesty.
<b>Wayne MacLeod</b>	<p><b>Director of the Corporation.</b></p> <p><b>Vice-President and Treasurer of the Sub-Manager.</b></p> <p>Hailing from Prince Edward Island, Wayne MacLeod graduated from Holland College in Accounting and Finance. Relocating to Toronto, Ontario, Wayne's academic, corporate and finance experiences allowed him to quickly develop the skills that are essential to achieving success in the mortgage industry. He became an integral part of the professional team at GBK Financial Inc, where he was invited in 2009 to become join Tim Brown as a shareholder in GBK Financial Inc. Wayne's success in the industry has undoubtedly been due to his commitment to outstanding customer service striving to find the best possible solutions to meet the needs of his clients. Through sound leadership and strict alignment with the mortgage industry's highest standards, GBK Financial Inc. earned the Business Excellence Award in 2013 from the Newmarket Chamber of Commerce.</p>

In addition to the outside experience and qualifications that each director brings, the Corporation engages in continuing education for its directors. In addition, the Board of Directors receives continuing education on corporate governance and policy.

### 3.3 Penalties, Sanctions and Bankruptcy

There are no penalties or sanctions that have been in effect during the last ten (10) years, and no cease trade orders that have been in effect for a period of more than 30 consecutive days during the past 10 years, against (i) a director, senior officer or control person of the Corporation, or (ii) an issuer in which a person or company referred to in (i) was a director, senior officer or control person at the time.

There are no declarations of or voluntary assignments in bankruptcy, proposals under any bankruptcy or insolvency legislation, proceedings, arrangements or compromises with creditors or appointments of a receiver, receiver manager or trustee to hold assets, that have been in effect during the last ten (10) years with regard to: (i) a director, senior officer or control person of the Corporation, or (ii) an issuer in which a person or company referred to in (i) was a director, senior officer or control person at the time.

### 3.4 Loans

As of the date of this Offering Memorandum, there are no outstanding loans or debentures between the directors, management, promoters or Principal Holders and the Corporation, other than as described in Note 7 and Note 9 to the interim financial statements included at Item 12 of this Offering Memorandum.

## ITEM 4: CAPITAL STRUCTURE

### 4.1 Share Capital

The following table sets out information about the Corporation's outstanding securities, including options, warrants and other securities convertible into shares.

Description of Security	Number Authorized to be Issued	Number Outstanding as at the date of this Offering Memorandum	Number Outstanding After Maximum Offering
Common Shares <sup>(1)</sup>	Unlimited	100 <sup>(2)</sup>	100
Preferred Shares	Unlimited	5,380,026 Series A Shares	100,000,000 Preferred Shares

**Notes:**

1. The holders of the common shares are entitled to one vote for each common share held at all meetings of shareholders of the Corporation, other than meetings at which only the holders of another class or series of shares are entitled to vote separately as a class or series. The holders of common shares shall not be entitled to any dividends. The holders of the common shares shall be entitled, subject to the prior rights of the holders of the Preferred Shares, to receive the remaining property of the Corporation in the event of any distribution of assets of the Corporation among its shareholders arising on the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs.
2. As of the date of this Offering Memorandum, the Corporation has an aggregate of 100 fully paid common shares issued and outstanding, and each of Arthur Biffis, Christopher Benetello, Wayne MacLeod and Tm Brown hold 25 common shares. The Corporation entered into an amended and restated shareholders' agreement as of April 4, 2017 with each of these common shareholders setting forth the manner in which certain affairs of the Corporation shall be conducted and governing matters related to the common shareholdings.

**4.2 Long Term Debt**

As at the date hereof, the Corporation does not have any debt. If deemed necessary by the Manager, the Corporation may, from time to time, secure long term debt from financial institutions or other third parties. Such loans may be secured by granting encumbrances, security interests or other charges on the assets of the Corporation.

**4.3 Prior Sales*****Common Shares***

On June 21, 2013, the Corporation issued 25 common shares at a price of \$1.00 per share to each of Arthur Biffis, Christopher Benetello, Wayne Macleod and Tim Brown.

***Preferred Shares******Subscriptions***

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

<b>Month of Issuance</b>	<b>Securities Issued Pursuant to Subscriptions</b>	<b>Price Per Security</b>	<b>Total Funds Received</b>
April 2017 (to the date hereof)	-	N/A	-
March 2017	-	N/A	-
February 2017	123,691	\$1.00	\$123,691
January 2017	78,000	\$1.00	\$78,000
December 2016	-	N/A	-
November 2016	60,000	\$1.00	\$60,000
October 2016	20,000	\$1.00	\$20,000
September 2016	111,500	\$1.00	\$111,500
August 2016	-	N/A	-
July 2016	-	N/A	-
June 2016	567,259	\$1.00	\$567,259
May 2016	218,936	\$1.00	\$218,936
April 2016	148,761	\$1.00	\$148,761
March 2016	110,943	\$1.00	\$110,943

### *Dividend Reinvestment Plan Participation*

Within the last 12 month period, securities of the Corporation have been issued to existing holders of Preferred Shares through participation in the Corporation's dividend reinvestment plan as follows:

<b>Month of Issuance</b>	<b>Securities Issued Pursuant to Dividend Reinvestment Plan</b>	<b>Value of Securities Issued Pursuant to Dividend Reinvestment Plan</b>
April 2017 (to the date hereof)	-	-
March 2017	-	-
February 2017	-	-
January 2017	-	-
December 2016	-	-
November 2016	-	-
October 2016	-	-
September 2016	-	-
August 2016	-	-
July 2016	-	-
June 2016	-	-
May 2016	-	-
April 2016	142,639	\$142,639
March 2016	-	-

### *Retractions*

Within the last 12 month period, securities of the Corporation have been retracted by holders of Preferred Shares as follows:

<b>Month of Issuance</b>	<b>Securities Retracted</b>	<b>Redemption Price</b>	<b>Redemption Price as a Percentage of Subscription Price</b>
April 2017 (to the date hereof)	-	N/A	-
March 2017	-	N/A	-
February 2017	-	N/A	-
January 2017	-	N/A	N/A
December 2016	54,800	\$54,800	100%
November 2016	30,000	\$30,000	100%
October 2016	20,878	\$20,878	100%
September 2016	-	N/A	N/A
August 2016	3,000	\$3,000	100%
July 2016	10,000	\$10,000	100%
June 2016	-	N/A	N/A
May 2016	-	N/A	N/A
April 2016	27,467	\$27,467	100%
March 2016	-	N/A	N/A

To date, the Corporation has honoured all retraction requests in full at a price equal to the subscription price therefor. The Corporation has not suspended, deferred or rejected any retraction requests since inception. All retraction requests have been paid, and will be paid, using cash on hand. All retraction requests have been paid, and will be paid, using cash on

hand. The Corporation expects retractions to continue approximately as they have historically since inception and does not expect that such retractions will cause any adverse effect on its operations or the payment of dividends.

## **ITEM 5: SECURITIES OFFERED**

### **5.1 Terms of Securities**

#### **Rights Attaching to the First Preferred Shares**

The Corporation is offering up to 100,000,000 First Preferred Shares (“**Preferred Shares**”) for sale at a price of \$1.00 per share.

#### ***Issuable in Series***

Subject to the *Business Corporations Act* (Ontario) (the “**OBCA**”), the Preferred Shares may at any time or from time to time be issued in one or more series, each series to consist of such number of shares as may before the issue thereof be determined by the directors and subject to requirements of applicable law, the directors of the Corporation may (subject as hereinafter provided) by resolution fix from time to time before the issue thereof the designation, preferences, rights, conditions, restrictions, limitations or prohibitions attaching to the said Preferred Shares of each series including without limiting the generality of the foregoing, the rate of preferential dividends, the dates of payment thereof, the redemption price and terms and conditions of redemption, conversion rights (if any) and any sinking fund or other provisions.

The said Preferred Shares of each series shall rank on a parity with the said Preferred Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation whether voluntary or involuntary or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up affairs.

The initial nine series of Preferred Shares (“**Series Shares**”) consist of an unlimited number of shares designated as “First Preferred Shares, Series A”, “First Preferred Shares, Series B”, “First Preferred Shares, Series C”, “First Preferred Shares, Series D”, “First Preferred Shares, Series E”, “First Preferred Shares, Series F”, “First Preferred Shares, Series G”, “First Preferred Shares, Series H” and “First Preferred Shares, Series I”, all of which are being offered pursuant to this Offering Memorandum. The terms of each of the foregoing series of shares are equal in all respects other than with respect to target yields (see “Dividend Policy” below).

#### ***Non-Voting***

Except as provided by applicable law, the holders of Preferred Shares shall not be entitled as such 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.

#### ***No Conversion or Pre-Emptive Rights.***

The Preferred Shares have no pre-emptive or conversion privileges.

#### ***Retraction Rights***

The OBCA does not permit the Corporation to make any payment to purchase, retract or redeem Preferred Shares issued by it if there are reasonable grounds for believing that: (a) the Corporation is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the Corporation’s assets would after the payment be less than the aggregate of (i) its liabilities; and (ii) the amount that would be required to pay the holders of shares that have a right to be paid, on a redemption or in a liquidation, rateably with or prior to the holders of the Preferred Shares.

Subject however to the provisions of the OBCA and applicable securities laws, any holder of Preferred Shares shall be entitled to request that the Corporation retract the whole or any part of the Preferred Shares registered in the name of such holder on the books of the Corporation by tendering to the Corporation at its registered office a share certificate or

certificates representing the Preferred Shares which the registered holder desires to have the Corporation retract, together with a notice in writing ("**Retraction Notice**") specifying:

- (i) that the registered holder desires to have all, or if not all, a specified number of, the Preferred Shares represented by such certificate or certificates retracted by the Corporation; and
- (ii) the Retraction Date (as defined below), which day must be a business day, on which such Preferred Shares are to be retracted.

A holder of Series Shares shall be entitled to exercise his, her or its retraction rights quarterly, such that on the last business day of the calendar quarter in which the Retraction Notice has been delivered or such earlier date as determined by the directors in their sole discretion (the "**Retraction Date**"), the Corporation will retract Series Shares specified in the Retraction Notice for the sum per share of the lesser of: (i) \$1.00; and (ii) the Net Asset Value (as defined below) of the Series Shares (the "**Retraction Amount**"); provided however that the Retraction Amount shall be reduced by 6.00% if less than 24 months has elapsed between the issue date of the Series Shares to be retracted and the Retraction Date; further provided however that in certain circumstances, as determined by the Board of Directors, in its sole discretion, such reduction of the Retraction Amount may be waived, in whole or in part. The Retraction Amount, less any applicable deductions, shall be paid on or within sixty (60) days of the Retraction Date.

Notwithstanding the foregoing or any other provision of these Articles, a holder of Series Shares shall not be entitled to exercise his, her or its retraction rights if less than one year has elapsed between the issue date of the Series Shares to be retracted and the Retraction Date; provided however that in certain exceptional circumstances, including in cases of personal hardship of the holder of Series Shares to be retracted, the directors may, in their sole discretion, waive the foregoing one year hold requirement on terms it considers reasonable.

Upon receipt by the Corporation of the Retraction Notice, the holder of the Preferred Shares shall thereafter cease to have any rights with respect to the Preferred Shares tendered for retraction (other than to receive the retraction payment and the right to receive the pro rata share of any distributions thereon which have accrued up to and including the Retraction Date). Preferred Shares shall be considered to be tendered for retraction on the date that the Corporation has, to the satisfaction of the directors, received the Retraction Notice.

Upon receipt of the share certificate or share certificates representing the Preferred Shares which the registered holder thereof desires to have the Corporation retract, together with the Retraction Notice, the Corporation shall, subject to applicable law and to the rights, privileges, restrictions and conditions attaching to the shares of any class of the Corporation ranking prior to the Preferred Shares, on the Retraction Date, retract such Preferred Shares by paying to such registered holder an amount equal to the Retraction Amount for the Preferred Shares being retracted; provided however that the directors of the Corporation may, at any time and in their sole discretion, including after the Corporation has received a Retraction Notice from a holder of Preferred Shares, suspend in whole or in part the foregoing right of holders to obligate the Corporation to retract their Preferred Shares if in their reasonable opinion, the payments to be made by the Corporation on the exercise by the holders of such rights would be materially prejudicial to the interests of the Corporation as a whole.

The Corporation shall pay the Retraction Price of the Preferred Shares being retracted by cheque payable at par at any branch of the Corporation's bankers for the time being in Canada. Payment may also be made in such other manner as may be agreed upon in writing by the Corporation and the holder. Once payment of the Retraction Price is made as set forth above, such Preferred Shares shall be retracted as at the Retraction Date and from and after the Retraction Date such shares shall cease to be entitled to dividends and the holder thereof shall not be entitled to exercise any of the rights of a holder of Preferred Shares in respect thereof. If payment of the Retraction Price is not so made, the rights of a holder of such Preferred Shares shall remain unaffected and such shares shall not be retracted. If only part of the Preferred Shares represented by any certificate are retracted, a new certificate for the balance of such shares shall be issued at the expense of the Corporation.

If the Corporation is prohibited by applicable law including the provisions of the OBCA or by the rights, privileges, restrictions and conditions attaching to any class of shares of the Corporation ranking prior to the Preferred Shares, from



retracting on the Retraction Date all Preferred Shares represented by certificates duly presented and surrendered to the Corporation for retraction which the holder thereof desires to have retracted on the Retraction Date, it will retract such number thereof as the Corporation is then permitted to retract. The Preferred Shares to be retracted shall be selected as nearly as may be pro rata from among the holders of Preferred Shares who have tendered Preferred Shares for retraction, according to the number of Preferred Shares tendered by each such holder (disregarding fractions). Such holders shall continue to hold and be entitled to exercise all of the rights of a shareholder in respect of, the Preferred Shares not so retracted.

A holder of a Preferred Share duly presented and surrendered to the Corporation for retraction pursuant to a Retraction Notice may, at any time before such share is retracted, by written notice, advise the Corporation that the holder no longer desires such share to be retracted and require the Corporation to return to the holder a certificate representing such share and upon receipt of such written notice, the Corporation shall promptly send to such holder a certificate for such Preferred Share and thereupon the Corporation shall cease to have any obligation to retract such share hereunder unless such share is again tendered for retraction by the holder in accordance with the terms applicable to the Preferred Shares.

To date, the Corporation has honoured all retraction requests in full at a price equal to the subscription price therefor. The Corporation has not suspended, deferred or rejected any retraction requests since inception. All retraction requests have been paid, and will be paid, using cash on hand. All retraction requests have been paid, and will be paid, using cash on hand. The Corporation expects retractions to continue approximately as they have historically since inception and does not expect that such retractions will cause any adverse effect on its operations or the payment of dividends.

### ***Redemption Rights***

Subject to the provisions of the OBCA, the Corporation may, at its option, redeem all or, from time to time, any part of the outstanding Preferred Shares on payment to the holders thereof for each Preferred Share to be redeemed the lesser of (i) \$1.00; and (ii) the Net Asset Value (as defined below) of Preferred Shares per Preferred Share (the "**Redemption Price**"). Before redeeming any Preferred Shares, the Corporation shall provide to each person who is a registered holder of the Preferred Shares to be redeemed, notice of the intention of the Corporation to redeem such shares at least 10 days prior to the intended date of redemption. On or after the date so specified for redemption, the Corporation shall pay the Redemption Price to the registered holders of the Preferred Shares to be redeemed in such manner as may be determined by the Corporation.

If the redemption of any of the Preferred Shares to be redeemed would be contrary to any provisions of the OBCA or any other applicable law or would be contrary to the rights of the holders of any other shares of the Corporation that at that time rank prior to the Preferred Shares, the Corporation shall be obligated to redeem only the maximum number of Preferred Shares that the Corporation determines it is then permitted to redeem, such redemptions to be made from the holders of the Preferred Shares and at the time determined by the Corporation in its sole discretion.

### ***Priority on a Liquidation Distribution***

In the event of a distribution of assets of the Corporation among its shareholders arising on the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, the holders of Preferred Shares shall be entitled to receive, before any distribution of any part of the assets of the Corporation to the holders of common shares, all dividends declared and unpaid on such shares to the effective date of the liquidation distribution, as well as the lesser of (i) \$1.00 and (ii) the Net Asset Value (as defined below) of the Preferred Shares per share and after payment of such amounts so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Corporation.

### ***Net Asset Value***

"**Net Asset Value**" of a share of any class or series of shares of the Corporation at any particular time is calculated as each classes' or series' proportionate share of all investments and other assets of the Corporation less its proportionate share of all common corporate liabilities and the liabilities attributable to each class or series divided by the total number of shares of the class or series outstanding at that time.

### ***Dividend Entitlement***

The holders of the Preferred Shares shall be entitled to receive and the Corporation shall pay thereon, dividends as and when declared by the directors out of the monies of the Corporation properly applicable to the payment of dividends.

The directors may, in their discretion, declare dividends on the Preferred Shares without at the same time declaring dividends on any other class of shares of the Corporation. No dividends on any other class of share shall be declared or paid at any time when there are outstanding declared but unpaid dividends on the Preferred Shares.

### ***Dividend Policy***

As a MIC, the Corporation is permitted to deduct dividends that it pays from net income. As a result, the Corporation intends to pay out as dividends substantially all of its net income and net realized capital gains every year. Amounts for dividend distributions will not be paid from the proceeds of the Offering. The Corporation intends to declare quarterly dividends to holders of Preferred Shares of record on the last business day of each quarter and to pay such dividends on or before the last business day of the following month. Notwithstanding the foregoing, the Corporation has the right to determine a record date that is other than the last business day of each quarter.

The Corporation has declared and paid dividends quarterly since inception and intends to continue to declare and pay dividends quarterly. Since inception all dividends have been made out of net income and capital gains received in each financial year, and none of such distributions have been funded by sources such as loans, share issuances or any credit facility. It is the intention of the Corporation to continue to make dividends on that basis. Amounts for operating expenses, management fees, and dividend distributions are not paid from the proceeds of the Offering. Since the Corporation is operational and profitable, these amounts have been, and are expected to continue to be, paid out of current mortgage portfolio income.

For fiscal years ended April 30, 2015 and April 30, 2016 and for the period commencing May 1, 2016 and ending March 31, 2017, the Corporation delivered an average annualized dividend yield (net of all fees and expenses of the Corporation) to holders of Preferred Shares of 7.96%.

The Corporation will from time to time determine target yields with respect to the Preferred Shares. For the current fiscal year ending April 30, 2017, the Corporation is targeting declaring dividends as follows:

Series A Shares	\$0.02 per Series A Share per quarter (\$0.08 per annum representing an annual dividend of 8.00% based on the \$1.00 issue price)
Series B Shares	\$0.01875 per Series B Share per quarter (\$0.075 per annum representing an annual dividend of 7.50% based on the \$1.00 issue price)
Series C Shares	\$0.0175 per Series C Share per quarter (\$0.07 per annum representing an annual dividend of 7.00% based on the \$1.00 issue price)
Series D Shares	\$0.01625 per Series D Share per quarter (\$0.065 per annum representing an annual dividend of 6.50% based on the \$1.00 issue price)
Series E Shares	\$0.015 per Series E Share per quarter (\$0.06 per annum representing an annual dividend of 6.00% based on the \$1.00 issue price)
Series F Shares	\$0.01375 per Series F Share per quarter (\$0.055 per annum representing an annual dividend of 5.50% based on the \$1.00 issue price)
Series G Shares	\$0.0125 per Series G Share per quarter (\$0.05 per annum representing an annual dividend of 5.00% based on the \$1.00 issue price)

Series H Shares	\$0.01125 per Series H Share per quarter (\$0.045 per annum representing an annual dividend of 4.50% based on the \$1.00 issue price)
Series I Shares	\$0.01 per Series I Share per quarter (\$0.04 per annum representing an annual dividend of 4.00% based on the \$1.00 issue price)

As indicated in Section 2.2, "Our Business - Management Fees and Expenses", for providing its services, the Manager is entitled to a Manager Fee of up to 2.00% per annum of the gross assets of the Corporation, calculated daily, aggregated and paid monthly in arrears, plus applicable taxes. The Manager Fee is charged to the Corporation monthly in arrears and the Manager will provide the Corporation with an invoice at the end of each month. Prior to each monthly payment of the Manager Fee, the Manager estimates in good faith the total annual Manager Fee and the Corporation pays an amount up to 75% of 1/12<sup>th</sup> of such estimated amount. Accordingly, the Manager shall be paid at each month end a Manager Fee of up to 75% of 1/12<sup>th</sup> of the Manager Fee, as recorded in the unaudited, management prepared financial statements. Following verification after receipt of the annual audited financial statements, any balance owing to the Manager on account of the Manager Fee is paid.

If the net income of the Corporation available for distribution (subject to such working capital or reserve requirements as the Board of Directors determine is necessary or desirable from time to time) is not sufficient to fund dividends to holders of Series Shares based on the stipulated target yields (calculated annually and as confirmed by the Corporation's annual audited financial statements), then the Manager shall be required to reimburse all or a portion of the Manager Fee to the extent necessary to permit the Corporation to fund dividends at the stipulated target yields; provided, however, that the Manager's reimbursement obligation shall be limited to amounts actually received as the Manager Fee during the relevant fiscal year; and further provided that the reimbursement obligation shall not carry-over into subsequent fiscal years.

If, however, net income of the Corporation available for distribution (subject to such working capital or reserve requirements as the Board of Directors determine is necessary or desirable from time to time) exceeds that amount required to fund dividends to holders of Series Shares based on the stipulated target yields, the distributable net income remaining after payment of such dividends based on stipulated target yields shall be paid as a bonus to the Manager (as to 50%) and to the Sub-Manager (as to 50%). On a monthly basis, the Manager and the Sub-Manager estimate in good faith the total annual bonuses payable to each of the Manager and Sub-Manager and the Corporation pays an amount up to 75% of 1/12<sup>th</sup> of such estimated amount. Accordingly, the Manager and the Sub-Manager shall collectively be paid at each month up to 75% of 1/12<sup>th</sup> of the estimated total annual bonuses, as recorded in the unaudited, management prepared financial statements. Following verification after receipt of the annual audited financial statements, any balance owing to the Manager and the Sub-Manager on account of such bonuses is paid.

If the net income of the Corporation available for distribution (subject to such working capital or reserve requirements as the Board of Directors determine is necessary or desirable from time to time) is not sufficient to fund dividends to holders of Series Shares based on the stipulated target yields (calculated annually and as confirmed by the Corporation's annual audited financial statements), then the Manager and the Sub-Manager shall be required to reimburse all or a portion of the amounts paid on account of estimated bonuses to the extent necessary to permit the Corporation to fund dividends at the stipulated target yields; provided, however, that the reimbursement obligations of the Manager and the Sub-Manager shall be limited to amounts actually received during the relevant fiscal year; and further provided that the reimbursement obligations shall not carry-over into subsequent fiscal years.

Any bonuses payable to either the Manager or the Sub-Manager shall be determined and verified after completion of the Corporation's annual audit and in any event by no later than 120 days following the Corporation's fiscal year end.

Notwithstanding the foregoing, target yields for each Series Shares may fluctuate from year to year as determined by the Board of Directors. Moreover, the amount of dividends declared may fluctuate from quarter to quarter and there can be no assurance that the Corporation will declare any dividends in any particular quarter or quarters. If the Corporation's net income is less than the amount necessary to fund and achieve the target yields, the Corporation may not pay the full target yields. Alternatively, a special year-end dividend may be declared and paid if the Corporation's net income exceeded quarterly dividends.

It is the Corporation's intention that dividends will be paid out of the Corporation's mortgage portfolio income, and that no dividends will be funded by sources such as loans, share issuances or any credit facility.

The payment of dividends is subject to the discretion of the directors of the Corporation to establish working capital and other reserves for the Corporation. If the directors of the Corporation, in consultation with the Manager, determine that it would be in the best interests of the Corporation, they may reduce or suspend for any period, or altogether cease indefinitely, dividends on the Preferred Shares.

Prospective investors should not confuse the Corporation's target yields with the Corporation's rate of return or yield. There is no guarantee that the Corporation will be able to pay dividends at the levels targeted or at all.

### ***Dividend Reinvestment Plan***

The Corporation, subject to maintaining the status of the Corporation as a 'mortgage investment corporation' under the Tax Act, maintains a dividend reinvestment plan (the "**DRIP**"). Under the DRIP, holders of Preferred Shares can reinvest dividends in additional Preferred Shares of the Corporation. The Manager administers all aspects of the DRIP.

All holders of Preferred Shares are eligible to participate in the DRIP by completing an enrolment form in the form attached to the Subscription Agreement accompanying this Offering Memorandum and returning it to the Corporation (the "**Registered Participants**"). If a Preferred Shareholder wishes to participate in the DRIP, it, he or she may enrol any of their Preferred Shares in the DRIP.

Dividends are calculated, paid and reinvested in Preferred Shares on a quarterly basis (the "**Investment Period**"). The Corporation calculates and pays dividends on the Preferred Shares on a quarterly basis on or prior to the last business day of the following month and in any event within 90 days of its year end. The payment of a dividend, and the declaration, record and payment dates applicable to it are determined by the directors of the Corporation in its sole discretion.

Preferred Shares acquired through the DRIP are purchased at \$1.00 per Preferred Share and are issued from the treasury of the Corporation in the same class of Preferred Shares as are enrolled under the DRIP. The Corporation uses the cash dividends attributable to a Preferred Shareholder to purchase additional Preferred Shares on behalf of the Preferred Shareholder. All the Preferred Shares acquired through the DRIP are credited to the Preferred Shareholder's account and physical certificates are issued to the Preferred Shareholder for all shares acquired 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. No brokerage or administration fees will be charged by the Corporation or the Manager for participation in the DRIP. A Preferred Shareholder may elect to purchase additional Preferred Shares at the same subscription price and at the same time as they acquire Preferred Shares under the DRIP. There is no minimum aggregate subscription amount under the DRIP. Shares issued under the DRIP may not be transferred or pledged and are otherwise subject to all other rights and restrictions attaching to the Preferred Shares as described in Item 5, Description of Securities Offered.

Participation in the DRIP may be terminated by a Preferred Shareholder at any time by giving written notice to the Corporation. If written notice terminating participation in the DRIP is not received by the Corporation at least five business days before the end of the Investment Period, the requested action will not be taken until after such Investment Period.

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

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 Preferred Shareholders. The Corporation and the Manager may make rules and regulations not inconsistent with the terms of the DRIP in order to improve the administration of the DRIP.

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.

### ***Constraints on Transferability***

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

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

As the Corporation is not currently a reporting issuer in the selling jurisdictions or in any other jurisdiction, the Preferred Shares are subject to resale restrictions pursuant to applicable securities laws. See Item 10, Resale Restrictions.

## **5.2 Subscription Qualification**

The Preferred Shares are offered in each of the Provinces and Territories of Canada pursuant to any one of the exemptions under National Instrument 45-106 from the prospectus requirements of applicable securities laws and the exemptions under National Instrument 31-103 from the registration requirements of applicable securities laws. Such exemptions relieve the Corporation from provisions under applicable securities laws 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.

While National Instrument 45-106 provides for several different possible prospectus exemptions, the most commonly used exemptions utilized for an investment in the Preferred Shares are the "accredited investor", "minimum amount investment" and "offering memorandum" exemptions, the terms and conditions of which are summarized below.

### ***Accredited Investor Exemption***

In all jurisdictions, an investor may purchase Preferred Shares if the investor is an "accredited investor" and purchases the Preferred Shares as principal. An "accredited investor" is defined in National Instrument 45-106 and is essentially an investor that meets certain minimum income or wealth criteria and can include individuals, corporations, trusts, investment funds and other types of legal entities. For example, for an individual person to qualify as an "accredited investor" they must generally meet one of the following criteria: (i) annual net income of at least \$200,000 for the last two years (or \$300,000 if combined with their spouse); (ii) net assets of at least \$5,000,000, either alone or combined with their spouse; or (iii) net financial assets (i.e. cash, securities, insurance, deposits) of more than \$1,000,000, either alone or combined with their spouse. The Subscription Agreement includes a more detailed description of "accredited investor" and requires the investor relying on this exemption to certify that they meet at least one of the "accredited investor" criteria. Certain individuals who are relying on the accredited investor exemption will also be required to complete and sign a Risk Acknowledgement Form 45-106F9.

### ***Minimum Amount Investment Exemption***

In all jurisdictions, an investor who is not an individual may purchase Preferred Shares, as principal, having a minimum cash acquisition cost of \$150,000. For purposes of determining eligibility for subscribing for Preferred Shares pursuant to the ‘minimum amount investment’ exemption, an “individual” means a natural person and does not include any of the following: partnerships, unincorporated associations, unincorporated syndicates, unincorporated organizations, trusts and natural persons acting in the capacity of trustee, executor, administrator or personal or other legal representative.

### ***Offering Memorandum Exemption***

In British Columbia and Newfoundland and Labrador, an investor may purchase Preferred Shares if, before or at the time the investor completes and signs the Subscription Agreement, the investor purchases as principal, the investor receives this Offering Memorandum and completes and signs the Risk Acknowledgment Form 45-106F4 which accompanies the Subscription Agreement, and delivers it to the Corporation.

In Manitoba, Northwest Territories, Nunavut, Prince Edward Island and Yukon, an investor, provided he, she or it is either an “eligible investor” (see below) or the cash acquisition cost to that investor does not exceed \$10,000, may purchase Preferred Shares if, before or at the time the investor completes and signs the Subscription Agreement, the investor purchases as principal, the investor receives this Offering Memorandum and completes and signs the Risk Acknowledgment Form 45-106F4 which accompanies the Subscription Agreement, and delivers it to the Corporation.

In Alberta, New Brunswick, Nova Scotia, Ontario and Saskatchewan, an investor may purchase Preferred Shares if, before or at the time the investor signs the Subscription Agreement, the investor purchases as principal, the investor receives this Offering Memorandum, the investor completes and signs the Risk Acknowledgment Form 45-106F4 which accompanies the Subscription Agreement and delivers it to the Corporation and: (i) in the case of an investor that is an individual but is not an “eligible investor”, he or she has not exceeded the investment limit of \$10,000 in all offering memorandum exemption investments made in the previous 12 months after taking into account his or her investment in Preferred Shares pursuant to the Subscription Agreement; or (ii) in the case of an investor that is an individual and fits within one of the categories of “eligible investor” (see paragraph below), he or she has not exceeded the investment limit of \$30,000 in all offering memorandum exemption investments made in the previous 12 months after taking into account his or her investment in Preferred Shares pursuant to the Subscription Agreement; or (iii) in the case of an investor that is an individual and fits within one of the categories of “eligible investor” and that received advice from a portfolio manager, investment dealer or exempt market dealer that his or her investment in Preferred Shares pursuant to the Subscription Agreement is suitable, he or she has not exceeded the investment limit of \$100,000 in all offering memorandum exemption investments in Preferred Shares pursuant to the Subscription Agreement. The investment limits above do not apply to investors that are not individuals, whether eligible or non-eligible, accredited investors or a person described in subsection 2.5(1) of NI 45-106.

An “eligible investor” is defined in National Instrument 45-106 and is essentially an investor that meets certain minimum income or wealth criteria and can include individuals, corporations, trusts, investment funds and other types of legal entities. For example, for an individual person to qualify as an “eligible investor” they must generally meet one of the following criteria (i) annual net income of at least \$75,000 for the last two years (or \$125,000 if combined with their spouse); or (ii) net assets of at least \$400,000, either alone or combined with their spouse. The Subscription Agreement includes a more detailed description of “eligible investor” and requires the investor relying on this categorization to certify that they meet at least one of the “eligible investor” criteria.

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

### **5.3 Subscription Procedure**

Subscribers who wish to purchase Preferred Shares will be required to enter into a Subscription Agreement with the Corporation by completing and delivering the Subscription Agreement and related documentation to the Corporation. The

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

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

- (a) completed and executed Subscription Agreement in the form provided with this Offering Memorandum;
- (b) a bank draft, money order or certified cheque payable to the Corporation in the amount of the subscription price for the Preferred Shares; and
- (c) in the case of an investor that is relying on the offering memorandum exemption to purchase Preferred Shares:
  - a. a completed and executed Form 45-106F4 – Risk Acknowledgement;
  - b. if required, a completed and executed Schedule 1 to Form 45-106F4;
  - c. if required, a completed and executed Schedule 2 to Form 45-106F4; and
  - d. if required, a completed and executed Certificate of Eligible Investor; or
- (d) in the case of an investor that is relying on the accredited investor exemption to purchase Preferred Shares, a completed and executed Certificate of Accredited Investor and, if required, a completed and executed Form 45-106F9 – Risk Acknowledgement for Individual Accredited Investors appended to the Certificate of Accredited Investor.

Preferred Shares are being offered on a continuous basis subject to a maximum offering size of \$100,000,000 (100,000,000 Preferred Shares.) The minimum subscription amount is \$5,000 (5,000 Preferred Shares.) The first Closing under this Offering Memorandum is expected to occur on or about April 28, 2017. Thereafter, the Corporation completes Closings from time to time as subscriptions are received. It is expected that all accepted subscriptions will be effective on the last business day of the each month and settled within three business days.

**All subscription proceeds will be held in trust until midnight on the second business day after the day the Subscriber signs the applicable Subscription Agreement. If Subscribers provide the Corporation with a cancellation notice prior to midnight of the second business day after the signing date, or the Corporation does not accept a Subscriber's subscription, all subscription proceeds will be promptly returned to the Subscriber without interest or deduction.**

Proceeds received from Subscribers who purchase Preferred Shares under this Offering will be held in trust and only released against delivery of the certificates representing the Preferred Shares subscribed thereof. If this Offering is terminated prior to Closing, the proceeds under the Offering received from each Subscriber shall be returned to such Subscriber without interest or deduction.

Subscriptions for Preferred Shares will be received subject to rejection or allotment in whole or in part by the Corporation; and the Corporation reserves the right to close the subscription books at any time without notice. A subscription for Preferred Shares hereunder is subject to acceptance of a Subscription Agreement by the Corporation and compliance with applicable securities laws. The Subscription Agreement referred to herein contains representations and warranties of the Subscriber, which the Corporation will be relying upon in order to determine the eligibility of the Subscriber.

We will collect, use and disclose your individual personal information in accordance with the Corporation's privacy policy and will obtain your consent to such collection, use and disclosure from time to time as required by our policy and

the law. A copy of our current privacy policy will be provided to you with your Subscription Agreement and your consent will be sought at that time.

**You should carefully review the terms of the Subscription Agreement provided herewith for more detailed information concerning the rights and obligations of you and the Corporation. Execution and delivery of the Subscription Agreement will bind you to the terms thereof, whether executed by you or by an agent on your behalf. You should consult with your own professional advisors respecting this investment. See Item 8, Risk Factors.**

#### **5.4 Proceeds of Crime (Money Laundering) Legislation**

In order to comply with Canadian legislation aimed at the prevention of money laundering, the Corporation or the Manager may require additional information concerning investors. If, as a result of any information or other matter which comes to the Corporation's or the Manager's attention, any director, officer or employee of the Corporation or the Manager knows or suspects that an investor is engaged in money laundering, such person is required to report such information or other matter to the Financial Transactions and Reports Analysis Centre of Canada and such report shall not be treated as a breach of any restriction upon the disclosure of information imposed by law or otherwise.

### **ITEM 6: INCOME TAX CONSEQUENCES**

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

The following is a summary, reviewed by Chaggares & Bonhomme, Chartered Professional Accountants, 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, all within the meaning of the Tax Act (a "**holder**"). 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 holder. 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. No application has been made for an advance tax ruling with respect to the Offering described in this Offering Memorandum, nor is it intended that any application will be made.**

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' ("**MIC**"). 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 of its property;
- (h) the cost amount of real property (including leasehold interests therein but excluding real property acquired as a consequence of foreclosure or defaults on a mortgage held by the Corporation) owned by the Corporation did not exceed 25% of the cost amount to it of all of its property;
- (i) the Corporation had 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
- (k) 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 that 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, 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 activities (the "**Representations**"), it is anticipated that the Corporation will meet the requirements for qualification as a MIC 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 MIC 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 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.

### *Interest on Amounts Borrowed to Purchase Preferred Shares*

An investor that borrows funds to purchase Preferred Shares may be eligible to deduct all or a portion of the interest paid against the interest earned on Preferred Shares. However, if an investor borrows money or incurs indebtedness in order to contribute to a Registered Plan which in turn acquired Preferred Shares, any interest incurred by such investor will not be deductible for tax purposes.

### *Eligibility for Investment by Registered Plans*

The Corporation confirms, with the concurrence of Chaggares & Bonhomme, Chartered Professional Accountants, that the Preferred Shares may be qualified investments for trusts governed by Registered 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 Registered Plan or any other person who does not deal at arm's length with that person. Registered Plans will generally not be liable for tax in respect of any dividends received 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 Registered Plan. When a Registered 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 Registered 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 Registered Plan that is a tax-free savings account. Additionally, while a Registered 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.

#### *Prohibited Investment for Registered Plans*

While an investment in Preferred Shares may be a qualified investment for Registered Plans purposes, it is possible that such investment may be a prohibited investment thus subjecting the holder to tax applied at a rate of 50% of the fair market value of the investment pursuant to subsection 207.04(1) of the Tax Act. A prohibited investment includes a share of the capital stock of a corporation in which the RRSP annuitant is a specified shareholder or does not deal at arm's length. A share of the capital stock of a corporation that does not deal at arm's length with a corporation in which an RRSP, RRIF, RESP and TFSA annuitant is a specified shareholder is also a prohibited investment. A specified shareholder is defined in subsection 248(1) of the Tax Act to include a taxpayer who owns, directly or indirectly, at any time in the year, not less than 10% of the issued shares of any class of the capital stock of the corporation or any other corporation that is related to it; and, a taxpayer shall be deemed to own each share of the capital stock of a corporation owned at that time by a person with whom the taxpayer does not deal at arm's length.

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

The decision to distribute the Preferred Shares and the determination of the structure and pricing and other terms and conditions of the Offering have been and will continue being made by the Corporation. The Corporation may from time to time enter into agency or sub-agency agreements with appropriate parties in respect of the Offering, which would be anticipated to contain terms and conditions that are customary in respect of offerings of the nature of the Offering.

Pursuant to an EMD Advisory Services Agreement dated September 1, 2016, the Corporation has engaged Liahona Capital Inc. ("**Liahona**"), an exempt market dealer registered in the Provinces of Ontario and British Columbia, to assist the Corporation in marketing, arranging and facilitating the completion of sales of Preferred Shares in the Provinces of Ontario and British Columbia. In consideration for its services, Liahona is entitled to a cash commission equal to 2.00% of the gross proceeds received in connection with the sale of Preferred Shares (which for greater certainty shall exclude deemed proceeds reinvested pursuant to the Corporation's DRIP.) In respect of sales of Preferred Shares sourced solely by Liahona, Liahona is entitled to an additional cash commission equal to 4.00% of the gross proceeds received in connection with the sale of such Preferred Shares. In addition, pursuant to the terms of its engagement, Liahona is entitled to be reimbursed for certain travel and other expenses. Notwithstanding the foregoing, for each transaction for which Liahona is engaged to provide services, there is a minimum fee of \$300 for each transaction relating to a new subscriber of Preferred Shares, a minimum fee of \$200 for each transaction relating to an existing holder of Preferred Shares and a maximum fee of \$5,000.

**Rob Chaggares, a dealing representative of Liahona and holder of 33.33% of the voting shares in the capital of Liahona, is also a partner of Chaggares & Bonhomme, Chartered Professional Accountants, the firm who has compiled the notice to reader interim financial statements of the Corporation included in Item 12. Chaggares & Bonhomme, Chartered Professional Accountants, have also reviewed the summary pertaining to income tax disclosure set forth in Item 6 as well as confirmed the eligibility for investment disclosure contained in Item 6.**

With the consent of Liahona, either the Corporation or the Manager may retain and engage, either on an exclusive or non-exclusive basis, other registered agents, securities dealers and brokers and other eligible persons to sell Preferred Shares. Any commissions, corporate finance fees, finder's fees or referral fees or other compensation payable (including expense reimbursements) by the Corporation in connection with the distribution and sale of the Preferred Shares will be disclosed to investors prior to closing either by way of amended offering memorandum relating to this Offering and/or in the investor's subscription agreement. Under no circumstances will a commission or referral fee be paid where prohibited by securities or other laws. Registrants and other eligible persons seeking investors for any of the Preferred Shares may charge their clients additional fees or commissions to purchase or sell such Preferred Shares. Any agents or sub-agents appointed by the Corporation to offer Preferred Shares for sale under the Offering may also be reimbursed for reasonable expenses incurred in connection with the Offering.

## **ITEM 8: RISK FACTORS**

**There are certain risks inherent in an investment in the Preferred Shares and in the activities of the Corporation, which investors should carefully consider before investing in the Preferred Shares. The following is a summary only of the risk factors. Prospective investors should review the risks relating to an investment in the Preferred Shares with their legal and financial advisors.**

**The Corporation advises that prospective Subscribers should consult with their own independent professional legal, tax, investment and financial advisors before purchasing Preferred Shares in order to determine the appropriateness of this investment in relation to their financial and investment objectives and in relation to the tax consequences of any such investment.**

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

### **8.1 Investment Risk**

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

- (a) ***Absence of Market for Preferred Shares*** – There is no public market for the Preferred Shares. The Preferred Shares are not listed on a stock market or quoted on any public market in Canada or elsewhere.
- (b) ***Retraction Liquidity*** – Shareholders have the right to require the Corporation to retract the Preferred Shares upon appropriate notice from the Shareholder to the Corporation with the guidelines set forth in Item 5.1 “Retraction Rights”. The Corporation provides no assurance that any Shareholder will be able to affect the retraction of any or all of their Preferred Shares at any time. Retraction of the Preferred Shares is subject to the Corporation having access to sufficient excess cash, or other liquid assets, and being in compliance with the applicable corporate, tax and securities legislation.
- (c) ***No Guarantees*** – There is no assurance that the Corporation will be able to pay dividends at levels targeted by the Corporation or at all. The funds available for distribution to shareholders will vary according to many factors, notably the interest and principal payments received in respect of mortgage loans held by the Corporation and the rate of return on the Corporation's cash balances. Although mortgage loans made by the Corporation are carefully selected by the Manager, there can be no assurance that such loans will have a guaranteed rate of return to investors or that losses will not be suffered on one or more loans. Moreover, at any point in time, the interest rates being charged for mortgages are reflective of the general level of interest rates and, as interest rates fluctuate, it is expected that the aggregate yield on mortgage investments will also change. In the event that additional security is given by the borrower or that a third party guarantees the mortgagor's obligations, there is no assurance that such additional security or guarantee will be sufficient to make the Corporation whole if and when resort is to be had thereto.

- (d) ***Lack of Separate Legal Counsel*** – The Investors, as a group, have not been represented by separate counsel. Neither counsel for the Corporation nor counsel for the Manager purports to have acted for the Investors or to have conducted any investigation or review on their behalf.
- (e) ***Leverage by the Corporation*** –The Corporation may from time to time borrow under loans with Canadian chartered banks and others. See “Item 2, Business of the Corporation – Our Business – Investment Strategies”. The Corporation intends to borrow to the extent that the Directors are satisfied that such borrowing and additional investments will increase the overall profitability of the Corporation. The obligations under such loans may be secured, and while the addition of leverage has the potential to enhance returns, it also involves additional risks. For example, due to the varying loan maturities and constant fluctuations in interest rates, there is no assurance that the interest received by the Corporation on its mortgage investments will always exceed the interest the Corporation pays on loans that it may have previously taken out to finance mortgage investments. Therefore, there can be no assurance that the leveraging employed by the Corporation will enhance returns, and to the extent that secured lenders realize on their respective collateral, they will have right to receive distributions in priority to the Preferred Shareholders in addition to the right to seize mortgage assets pursuant to security agreements with the Corporation.

## 8.2 Corporation Risk

Risks that are specific to the Corporation include the following:

- (a) ***MIC Tax Designation*** - The Corporation intends to use reasonable commercial efforts to ensure that the Corporation qualifies as a MIC pursuant to the Tax Act. As well, the Board of Directors has the discretion to reject any applications for stock dividends or share subscriptions, transfers, redemptions or retractions. **There can be no assurance, however, that the Corporation will be able to meet the Tax Act's MIC qualifications at all material times.** As an entity qualified as a MIC, the Corporation may deduct taxable dividends it pays from its income, and the normal gross-up and dividend tax credit rules will not apply to dividends paid by the Corporation on the Preferred Shares. Rather, the dividends will be taxable in the hands of Shareholders as if they had received an interest payment. If for any reason the Corporation fails to maintain its MIC qualification in a particular year, the dividends paid by the Corporation on the Preferred Shares would cease to be deductible from the income of the Corporation for that year and the dividends it pays on the Preferred Shares would be subject to the normal gross-up and dividend tax credit rules. In addition, the Preferred Shares might cease to be qualified investments for trusts governed by Registered Plans with the effect that a penalty tax would be payable by the Subscriber.
- (b) ***Reliance on third parties*** - In assessing the risk of an investment in the Corporation, potential investors should be aware that they will be relying on the good faith, experience and judgment of certain staff of the Manager. Should these staff be unable or unwilling to continue their employment with the Manager, this could have an adverse effect on the Corporation's business, financial condition and results of its operations, which in turn may adversely affect the Corporation's ability to perform its obligations and its ability to maintain dividends on the Preferred Shares at a consistent and desirable level. The competition for such key qualified personnel is intense and there can be no assurance of success in attracting, retaining, or motivating such individuals. Failure in this regard would likely have a material adverse effect on the Corporation's business, financial condition and results of operations which in turn may adversely affect the Corporation's ability to perform its obligations and its ability to maintain dividends on the Preferred Shares at a consistent and desirable level.
- (c) ***Limited History of the Corporation*** – The Corporation was incorporated on June 21, 2013 and commenced operations on August 13, 2013 and accordingly has a limited operating history. This is the Corporation's first offering of securities to investors other than to family, friends and close business associates. The subscriber must rely solely on his, her or its good faith in the Corporation and the Manager. The Corporation has not made any warranties or guarantees to the subscriber.

- (d) **Potential conflicts of interest** - The Directors of the Corporation and the Manager may be employed by or act in other capacities for other companies and entities involved in mortgage and lending activities. See Section 2.2, “Our Business – Conflicts of Interest.”

The Corporation and its shareholders are dependent in large part upon the experience and good faith of the Manager. The Manager is entitled to act, currently acts and in the future may act in a similar capacity for other companies and entities with investment criteria similar to those of the Corporation. Accordingly, there may be instances in which an investment opportunity may be suitable for the Corporation as well as other mortgage lenders or investors with whom the Directors of the Corporation and/or the Manager has business relations. In such cases, the Manager has the right to take such action as it sees fit. As such, there is a risk the Manager will not be able to originate sufficient suitable investment opportunities to keep the Corporation’s funds fully invested.

The Board of Directors may in its discretion but acting in the best interests of the Corporation make any amendments, modifications or other changes to the investment strategies, operating restrictions and investment policies of the Corporation. See Section 2.2, “Our Business - Changes to Investment Strategies, Operating Restrictions and Investment Policies.” The Manager is also entitled to terminate the Management Agreement on 90 days’ prior written notice. See Section 2.7, “Material Agreement - Management Agreement.”

The Manager has sole discretion in determining which mortgages it will make available to the Corporation for investment, subject to compliance with the investment and operating policies and restrictions set out herein.

The Board of Directors approves all policies of the Corporation and has final approval on all individual mortgages recommended by the Manager. Since the directors of the Corporation are also the directors of the Manager and given that the Manager’s management fee is based on approved mortgages, there is a potential conflict of interest to the extent that the Board of Directors approves mortgages that do not serve the best interests of the Corporation. Therefore, in assessing the risk of an investment in the Corporation, potential investors should be aware that they will be relying on the good faith, experience and judgment of the Board of Directors.

### 8.3 Industry Risk

There are also risks faced by the Corporation related to the industry in which it operates. Real estate values are subject to fluctuation owing to a variety of supply and demand factors impacting real estate markets. In addition, prospective Investors should take note of the following:

- (a) **Competition** – The Corporation is competing with many third parties, including other lenders and financial institutions, seeking investment opportunities similar to those sought by the Corporation. There is no assurance that the number of mortgages required to maintain an optimal level of investment will be funded, and this could have an adverse effect on the Corporation’s business, financial condition and results of operations which in turn may adversely affect the Corporation’s performance and its ability to maintain dividends on the Preferred Shares at a consistent and desirable level.

Such third parties may have greater name recognition and greater financial, managerial and technical resources than the Corporation. Competitors may reduce the interest rates that they charge, resulting in a reduction in the Corporation’s share of the market, reduced interest rates on loans and reduced profit margins.

- (b) **Sensitivity to interest rates** – It is anticipated that the value of the Corporation’s investment portfolio at any given time may be affected by the level of interest rates prevailing at such time. The Corporation’s income will consist primarily of interest payments on the mortgages comprising the Corporation’s investment portfolio. If there is a decline in interest rates (as measured by the indices upon which the

interest rates of the Corporation's mortgage assets are based), the Corporation may find it difficult to make a mortgage loan bearing acceptable rates. There can be no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect the Corporation's business, financial condition and results of operations which in turn may adversely affect the Corporation's ability to perform its obligations and its ability to maintain dividends on the Preferred Shares at a consistent and desirable level. Due to the term of the mortgages made by the Corporation and the inability to accurately predict the extent to which the Corporation's mortgages may be prepaid, it is possible that the Corporation may not be able to sufficiently reduce interest rate risk associated with the replacement of such mortgages through new investments in mortgages.

- (c) ***Changes in property values*** – The Corporation's mortgage loans will be secured by real estate, the value of which can fluctuate. The value of real estate is affected by general economic conditions, local real estate markets, the attractiveness of the property to tenants where applicable, competition from other available properties, fluctuations in occupancy rates, operating expenses and other factors. The value of income-producing real property may also depend on the credit worthiness and financial stability of the borrowers and/or the tenants. While independent appraisals will be required before the Corporation makes a mortgage investment, the appraised values, even where reported on an "as is" basis, are not necessarily reflective of the market value of the underlying real property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain conditions, including the completion, rehabilitation or making of leasehold improvements on the real property providing security for the loan. There can be no assurance that these conditions will be satisfied and, if and to the extent they are not satisfied, the loan amount may prove to exceed the value of the underlying real property thus resulting in a loan loss if the property must be sold to remedy a mortgage default. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.
- (d) ***Environmental liability of a mortgage*** – Under various laws, the Corporation could become liable for the costs of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and wastes, where the Corporation has exercised its right of re-entry or foreclosure or has otherwise assumed the control, occupation or management of the property. While the Corporation may obtain a Phase I environmental audit where there is a reasonable possibility of environmental contamination that might impact the value and marketability of a property, the Corporation does not systematically obtain environmental audits of all properties subject to mortgages.
- (e) ***Investment not insured*** – Neither the Manager nor the Corporation is a member of the Canada Deposit Insurance Corporation and the Preferred Shares offered hereunder are therefore not insured against loss through the Canada Deposit Insurance Corporation. Moreover, mortgages held by the Corporation are not insured through the Canada Mortgage and Housing Corporation or otherwise.
- (f) ***Renewal of Mortgages*** – There can be no assurances that any of the mortgages held by the Corporation can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to each mortgage held by the Corporation, it is possible that either the mortgagor, the mortgagee, i.e. the Corporation, or both, will elect not to renew such mortgage. In addition, if the mortgages in the Corporation's mortgage portfolio are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such mortgages will be subject to negotiations between the mortgagors and the mortgagees at the time of renewal and the terms of a refinancing may therefore not be as favourable as the terms of existing indebtedness.
- (g) ***Nature of the investments*** – Investments in mortgages are relatively illiquid. Such illiquidity will tend to limit the Manager's ability to vary the mortgage portfolio promptly in response to changing economic or investment conditions. Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is

producing income or whether mortgage payments are being made. The Corporation may be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.

- (h) ***Specific investment risk for non-conventional mortgage investments*** – Non-conventional mortgage investments attract higher loan loss risk. This higher risk is compensated for by a higher rate of return. The failure of one or more borrowers to make payments according to the terms of their loan could result in the Corporation exercising its rights as mortgagee and may adversely affect the Corporation's rate of return, which is directly correlated to the receipt of mortgage payments. Also, the recovery of a portion of the Corporation's assets, i.e. the property put up as collateral by the defaulting mortgagor, would be tied up for a period of time, diverting resources away from the funding of new investments. Legal fees and other costs incurred by the Corporation in enforcing its rights as mortgagee against a defaulting borrower are borne by the Corporation. Although these fees and costs are often recoverable from the borrower directly or through the sale of the mortgaged property by power of sale or otherwise, there is no assurance that they will actually be recovered. Due to fluctuations in the housing market and the economy generally, there is a possibility that historical loan default rates may increase and that in any power of sale, the Corporation could lose a substantial portion of the principal amount loaned to the borrower. Excessive loan loss could affect materially the Corporation's business, financial condition and results of operations which in turn may adversely affect the Corporation's ability to perform its obligations and its ability to maintain dividends on the Preferred Shares at a consistent and desirable level.
- (i) ***Priority over security*** – The Corporation will from time to time make loans in return for a second or third charge on the property. Second or third mortgage investments typically attract higher loan loss risk due to their subordinate ranking to other mortgage charges and typically higher aggregate loan-to-value ratio. This higher risk is compensated for by a higher rate of return. Also, any real property may be subject to one or more liens which will take priority over a mortgage, even a first-ranking one. Such liens may arise, for example, as a result of unpaid municipal taxes or utility bills. When a charge on real property is in a position other than the first rank, it is possible for the holder of a prior charge, if the borrower is in default under the terms of its obligations to such holder, to take a number of actions against the borrower and ultimately against the underlying real property. Such actions may include foreclosure, the exercising of a giving-in-payment clause or an action forcing the underlying real property to be sold (known as a "power of sale"). Foreclosure or the exercise of a giving-in-payment clause may have the ultimate effect of depriving any person, other than the holder of a first-ranking charge on the underlying real property, of the security of such real property. If an action is taken to sell the underlying real property and sufficient proceeds are not realized from such sale to pay off all creditors who have charges on the property (including a lien holder) ranking prior to the Corporation, the Corporation may lose all or part of its investment to the extent of such deficiency, unless it can otherwise recover such deficiency from other property owned by the borrower.

## ITEM 9: REPORTING OBLIGATIONS

### 9.1 Continuous Disclosure

The Corporation is not a 'reporting issuer' under applicable securities legislation, nor will we become a reporting issuer following the completion of the Offering. **Consequently, except as specifically disclosed herein, we are not required to send you any documents on an annual or ongoing basis.** Since we are not, and will not become, subject to the continuous disclosure requirements of such securities legislation, we are not required to issue press releases or to send to you our interim and annual financial statements, management's discussion and analysis respecting such statements or annual reports.

However, the *Business Corporations Act* (Ontario) requires us to hold a general meeting of our shareholders in each calendar year and, at the meeting, to provide our shareholders with audited financial statements for the previous financial year.



The Corporation is also required to forward to holders of Preferred Shares resident in Alberta, New Brunswick, Ontario, Saskatchewan and Nova Scotia 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 fiscal year of the Corporation ends on the 30th day of April of each year. Furthermore, the Corporation is required to provide notice to holders of Preferred Shares resident in New Brunswick, Nova Scotia and 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.

As a matter of policy, the Corporation has determined to make available to all holders of Preferred Shares all reporting information mandated under the offering memorandum exemption in Ontario, even where such holders are resident or otherwise subject to the laws of jurisdiction outside Ontario or have subscribed under another prospectus exemption.

A statement of each shareholder's shareholdings will be made available to all holders of Preferred Shares on a quarterly basis.

## **9.2 Access to Corporate and Securities Information About the Corporation**

Since we are not a reporting issuer 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 any previous offerings is available from the Ontario Securities Commission at [www.osc.gov.on.ca](http://www.osc.gov.on.ca) and any other relevant securities regulatory authority, the contact information for each being accessible from the "Contact Us" page of the website maintained by the Canadian Securities Administrators (CSA) at [www.securities-administrators.ca](http://www.securities-administrators.ca). Further information about us is posted and available for review by shareholders from the Corporation at the contact information set out on the face page of this Offering Memorandum.

## **ITEM 10: RESALE RESTRICTIONS**

The Preferred Shares will be subject to a number of resale restrictions, including restrictions on trading. Until the restriction on trading expires, you will not be able to trade the Preferred Shares unless you comply with an exemption from the prospectus and registration requirements under securities legislation. Unless permitted under securities legislation, in all jurisdictions in Canada other than Manitoba, you cannot trade the Preferred Shares before the date that is four months and a day after the date the Corporation becomes a reporting issuer in any province or territory of Canada.

The Corporation will not become a reporting issuer upon completion of this Offering and does not currently anticipate ever becoming a reporting issuer. **The resale restriction on the securities may therefore never expire.**

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

- (a) the Corporation has filed a prospectus with the regulator in Manitoba with respect to the Preferred Shares you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or
- (b) you have held the Preferred Shares for at least 12 months.

The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

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

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

**Purchasers should consult their legal advisors to determine the resale restrictions, availability of further exemptions or the possibility of obtaining a discretionary order.**

## **ITEM 11: PURCHASERS' RIGHTS**

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

The securities laws in your jurisdiction may provide you with the right, in certain circumstances, to seek damages or to cancel your agreement to buy Preferred Shares. These rights, or notice with respect to these rights, must be exercised or delivered, as the case may be, by the investor within the time limits prescribed by applicable securities legislations. While most of these rights are available if we make a misrepresentation in the Offering Memorandum or any amendment hereto, in some jurisdictions, you may have these rights in other circumstances including if the Corporation fails to deliver the Offering Memorandum to you within the required time or if we make a misrepresentation in any advertisements or literature regarding Preferred Shares. Generally, a "misrepresentation" is defined in the applicable securities legislation to mean 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 any statement not misleading in light of the circumstances in which it was made. The meaning of misrepresentation may differ slightly depending on the law in your jurisdiction. In most jurisdictions, there are defenses available to the persons or companies that you may have a right to sue. In particular, in many jurisdictions, the person or company that you sue will not be liable if you knew of the misrepresentation when you purchased the Preferred Shares.

**The following summaries are subject to any express provisions of the securities legislation of each jurisdiction where Preferred Shares will be sold 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 an investor may have at law.

### **Two Day Cancellation Right**

You can cancel your agreement to purchase Preferred Shares. To do so, you must send a written notice to the Corporation by midnight on the 2<sup>nd</sup> business day after you sign the agreement to buy the Preferred Shares.

### **Statutory Rights of Action**

#### ***Investors Resident in Alberta, British Columbia, Newfoundland and Labrador, and Nova Scotia***

If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

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

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

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

***Investors Resident in Manitoba***

If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

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

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

If you intend to rely on the rights described in (a) and (b) above, you must do so within strict time limitations. You must commence the action to cancel the agreement within 180 days after you signed the agreement to buy the Preferred Shares. You must commence the action for damages within the earlier of 180 days after learning of the misrepresentation and two (2) years from the date of the Corporation having accepted your subscription to purchase the Preferred Shares.

***Investors Resident in New Brunswick***

If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Corporation to cancel your agreement to buy the Preferred Shares; or
- (b) for damages against the Corporation and a selling securityholder on whose behalf the distribution was made.

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

If you intend to rely on the rights described in (a) and (b) above, you must do so within strict time limitations. You must commence the action to cancel the agreement within 180 days after you signed the agreement to buy the Preferred Shares. You must commence the action for damages within the earlier of one (1) year after learning of the misrepresentation and six (6) years from the date of the Corporation having accepted your subscription to purchase the Preferred Shares.

***Investors Resident in Northwest Territories, Nunavut, Prince Edward Island and Yukon***

If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Corporation to cancel your agreement to buy the Preferred Shares; or
- (b) for damages against the Corporation and selling securityholder on whose behalf the distribution was made, every director of the Corporation at the date of this Offering Memorandum, and every person or company who signed this Offering Memorandum.

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

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

#### ***Investors Resident in Ontario***

If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Corporation to cancel your agreement to buy the Preferred Shares; or
- (b) for damages against the Corporation and selling securityholder on whose behalf the distribution was made.

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

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

#### ***Investors Resident in Québec***

If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Corporation to cancel your agreement to buy the Preferred Shares; or
- (b) for damages against the Corporation and selling securityholder on whose behalf the distribution was made, every officer and director of the Corporation, every person or company who signed this Offering Memorandum, every expert whose opinion containing a misrepresentation was filed respecting this Offering Memorandum, and every person or company that sold securities on behalf of the Corporation or selling securityholder under this Offering Memorandum.

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

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

#### ***Investors Resident in Saskatchewan***

If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Corporation to cancel your agreement to buy the Preferred Shares; or
- (b) for damages against the Corporation and selling securityholder on whose behalf the distribution was made, every promoter and director of the Corporation or the selling securityholder at the time this Offering Memorandum was sent or delivered, every person or company whose consent was filed respecting this Offering Memorandum (but only with respect to reports, opinions or statements that have been made by them), every person or company who signed this Offering Memorandum, and every person or company that sold securities on behalf of the Corporation or selling securityholder under this Offering Memorandum.

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

If you intend to rely on the rights described in (a) and (b) above, you must do so within strict time limitations. You must commence the action to cancel the agreement within 180 days after you signed the agreement to buy the Preferred Shares. You must commence the action for damages within the earlier of one (1) year after learning of the misrepresentation and six (6) years from the date of the Corporation having accepted your subscription to purchase the Preferred Shares.

### ***General***

The securities laws of the Provinces and Territories of Canada are complex. References should be made to the full text of the provisions summarized above relating to statutory rights of action. **Investors should consult their own legal advisors with respect to their rights and the remedies available to them. The rights discussed above are in addition to and without derogation from any other rights or remedies which investors may have at law.**

**ANY PERSON CONSIDERING AN INVESTMENT IN THE ISSUER SHOULD CONSULT ITS OWN ADVISORS IN ORDER TO FULLY UNDERSTAND THE CONSEQUENCES OF AN INVESTMENT IN THE ISSUER WITH RESPECT TO SUCH PERSON'S PARTICULAR SITUATION.**

### **ITEM 12: FINANCIAL STATEMENTS**

The audited financial statements of the Corporation for the fiscal year ended April 30, 2016 and the interim unaudited financial statements for the eight month period ended December 31, 2016 are set forth below.

BENTLEY MORTGAGE INVESTMENT CORPORATION  
FINANCIAL STATEMENTS  
April 30, 2016

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### **Independent Auditor's Report**

To the Shareholders of  
**Bentley Mortgage Investment Corporation**

We have audited the accompanying financial statements of Bentley Mortgage Investment Corporation, which comprise the statement of financial position as at April 30, 2016, and the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

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

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

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



## Independent Auditor's Report, continued

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bentley Mortgage Investment Corporation as at April 30, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Brampton, Ontario  
March 16, 2017

*Pinnacle CPAs LLP*

Chartered Professional Accountants  
Licensed Public Accountants

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BENTLEY MORTGAGE INVESTMENT CORPORATION

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STATEMENT OF FINANCIAL POSITION

April 30, 2016

	2016	2015
	\$	\$
<b>ASSETS</b>		
<b><i>Current</i></b>		
Cash	654,973	411,290
Interest receivable	36,839	19,755
Cash in trust (note 3)	-	37,201
Advances to related parties (note 4)	29,876	-
Current portion of mortgages receivable	2,169,254	2,380,448
	2,890,942	2,848,694
<b><i>Mortgages receivable (note 5)</i></b>	1,641,500	-
	4,532,442	2,848,694
<b>LIABILITIES</b>		
<b><i>Current</i></b>		
Accounts payable and accrued liabilities (note 6)	14,791	14,251
Unearned revenue (note 7)	67,771	12,759
Dividends payable	131,839	65,751
Advances from related parties (note 4)	25,050	119,680
	239,451	212,441
<b><i>Note payable</i></b>	2,000	2,000
	241,451	214,441
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 8)	4,290,991	2,634,253
Retained earnings and Accumulated other comprehensive income	-	-
	4,290,991	2,634,253
	4,532,442	2,848,694

Approved on behalf of the board of directors

(signed) "Arthur Biffis"  
Director

(signed) "Christopher Benetello"  
Director

See notes to the financial statements  
AUDITED

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BENTLEY MORTGAGE INVESTMENT CORPORATION

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STATEMENT OF INCOME AND COMPREHENSIVE INCOME

Year ended April 30, 2016

	2016	2015
	\$	\$
Revenue	689,784	457,369
Expenses		
Interest on long-term debt	223,696	184,319
Management fees	63,261	53,699
Bad debts	48,700	17,000
Professional fees	41,869	26,360
Referral fees	33,116	26,383
Office and general	2,346	740
Advertising and promotion	1,013	-
Interest and bank charges	498	552
	414,499	309,053
Net and comprehensive income	275,285	148,316

*See notes to the financial statements*  
**AUDITED**

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## BENTLEY MORTGAGE INVESTMENT CORPORATION

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### STATEMENT OF CHANGES IN EQUITY

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	Share capital	Retained Earnings	Total
		\$	\$
Balance, May 1, 2014	1,521,114	-	1,521,114
Net and comprehensive income	-	148,316	148,316
Changes	1,113,139	-	1,113,139
Dividends paid	-	(148,316)	(148,316)
Balance, April 30, 2015	2,634,253	-	2,634,253
Net and comprehensive income	-	275,285	275,285
Changes	1,656,738	-	1,656,738
Dividends paid	-	(275,285)	(275,285)
Balance, April 30, 2016	4,290,991	-	4,290,991

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*See notes to the financial statements*  
**AUDITED**

# BENTLEY MORTGAGE INVESTMENT CORPORATION

## STATEMENT OF CASH FLOWS

Year ended April 30, 2016	2016	2015
	\$	\$
<b>Operating activities</b>		
Net income	275,285	148,316
Change in non-cash working capital items		
Interest receivable	(17,084)	(19,755)
Accounts payable and accrued liabilities	540	2,934
Unearned revenue	55,012	5,147
Dividends payable	66,088	38,576
	379,841	175,218
<b>Investing activities</b>		
Mortgages receivable	(1,641,500)	1,596,101
Mortgage receivable	211,194	(2,380,448)
	(1,430,306)	(784,347)
<b>Financing activities</b>		
Advances to related party	(124,506)	39,977
Issuance of share capital	1,656,738	1,113,139
Dividends paid	(275,285)	(148,316)
	1,256,947	1,004,800
<b>Increase in cash</b>	206,482	395,671
<b>Cash, beginning of year</b>	448,491	52,820
<b>Cash, end of year</b>	654,973	448,491
<b>Cash consists of:</b>		
Cash	654,973	411,290
Cash in trust	-	37,201
	654,973	448,491

*See notes to the financial statements*  
**AUDITED**

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# BENTLEY MORTGAGE INVESTMENT CORPORATION

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## NOTES TO THE FINANCIAL STATEMENTS

April 30, 2016

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### 1. Nature of operations

Bentley Mortgage Investment Corporation was incorporated under the Ontario Business Corporations Act and is engaged in the principal business activity of lending private funds as first and second claim residential and commercial mortgages.

### 2. Accounting policies

The financial statements of Bentley Mortgage Investment Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These are the Company's first financial statements prepared in accordance with IFRS.

#### (a) Transaction costs

Transaction costs related to financial assets and liabilities held for trading are expensed as they are incurred. Transactions costs related to financial assets held to maturity, loans and receivables, and other financial liabilities are taken into account in the carrying value of the asset and liability and subsequently amortized over the expected useful life of the instrument using the effective interest method. Transaction costs related to available-for-sale assets are capitalized upon initial recognition and then transferred to other comprehensive income immediately thereafter.

#### (b) Capital disclosures

In accordance with CICA Handbook section 1535 "Capital Disclosures", for non-publicly accountable enterprises, the company is required to disclose: i) externally-imposed restrictions on capital; ii) whether the restrictions were complied with; and, iii) the consequences if they are not complied with. The company has externally-imposed restrictions on capital and the required disclosure is presented in note .

#### (c) Capital management

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at April 30, 2016, the Company's shareholders' equity was \$4,290,891 (2015 - \$2,624,153) and it had \$2,000 in outstanding secured debt. The Company's objectives when managing capital are to continue as a going concern to protect its ability to meet its ongoing liabilities, and to maximize returns for shareholders over the long term.

The capital for the Company's current expansion plan has been raised primarily from net proceeds from the ongoing issuance of preferred shares and notes payable. The net proceeds raised will only be sufficient to identify and evaluate a limited number of exploration assets and businesses for the process of identifying and completing a transaction.

#### (d) Cash

Cash in bank deposit accounts, at times, exceeds federally insured limits. The company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

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# BENTLEY MORTGAGE INVESTMENT CORPORATION

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## NOTES TO THE FINANCIAL STATEMENTS

April 30, 2016

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### 2. Accounting policies, continued

#### (e) Impaired loans and allowance for loan impairment

Investments recorded as impaired loans are accounted for at their face amount net of the allowance for loan impairment. When a loan is deemed to be impaired, its carrying amount is reduced to its estimated realizable amount which is measured by discounting the expected future cash flows at the effective interest rate inherent in the loans. The amount initially recognized as an impaired loan, together with any subsequent change, is charged to the allowance as an adjustment.

#### (f) Fair value hierarchy

The company classifies its financial assets and liabilities at fair value using a fair value hierarchy made up of three levels, according to the inputs used in making the measurements.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in an active market that the company can access at the measurement date.

Level 2: This category includes measurements that use, either directly or indirectly, observable inputs other than quoted prices included in level 1. Derivative instruments in this category are measured using models or other standard valuation techniques using observable market data.

Level 3: The measurements in this category depend upon inputs that are less observable, not available or for which observable inputs do not justify most of the instruments' fair value.

#### (g) Financial instruments

##### (i) Measurement of financial instruments

The company initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The company subsequently measures its financial assets and financial liabilities at amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Forward exchange contracts and interest rate swaps that are not hedging items are measured at fair value. Changes in fair value are recognized in net income.

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# BENTLEY MORTGAGE INVESTMENT CORPORATION

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## NOTES TO THE FINANCIAL STATEMENTS

April 30, 2016

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### 2. Accounting policies, continued

#### (g) Financial instruments, continued

##### (ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- ♦ the present value of the cash flows expected to be generated by the asset or group of assets;
- ♦ the amount that could be realized by selling the assets or group of assets;
- ♦ the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

#### (h) Financial instrument classification

All financial instruments are initially measured at fair value and subsequently according to the following measurement methods.

Financial instruments	Classification	Subsequent measurement
Cash and bank overdraft	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost using the effective interest method
Notes receivable	Loans and receivables	Amortized cost using the effective interest method
Accounts payable and accrued liabilities	Other liabilities	Amortized cost using the effective interest method



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# BENTLEY MORTGAGE INVESTMENT CORPORATION

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## NOTES TO THE FINANCIAL STATEMENTS

April 30, 2016

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### 2. Accounting policies, continued

#### (i) Income taxes

The Company qualifies as a mortgage investment corporation "MIC" for Canadian income tax purposes. A MIC is a special-purpose corporation defined under Section 130.1 of the Income Tax Act (Canada) and is generally able to deduct, in computing its income for a given taxation year, the amount of income for that year and within 90 days of the year end that is distributed to its shareholders. Shareholders who receive any amounts as, or on account of, a taxable dividend, other than a capital gains dividend, will be subject to Canadian income or withholding taxes accordingly.

The Company intends to make distributions to the extent necessary to reduce its taxable income each year to NIL so that it has no income taxes payable under Part I of the Income Tax Act (Canada).

To qualify as a MIC for Canadian income tax purposes, the Company must comply with the following requirements:

- i. at least 50% of the Company's assets must consist of residentially-oriented mortgages and/or cash;
- ii. the Company's only business activity is investing funds of the Company and not managing or developing any real property;
- iii. the Company must not hold any investments secured by real property situated outside Canada or have debts owing to it by non-resident individuals, other than debts secured by real property situated in Canada; and
- iv. no shareholder may own more than 25% of the issued shares of any one class.

#### (j) Impairment of indefinite life intangible assets

Indefinite life intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed its fair value. Impairment is assessed by comparing the carrying amount of the intangible asset with its fair value, generally determined on a discounted cash flow basis. When the carrying amount of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to the excess. An impairment loss is not reversed if the fair value of the related long-lived asset subsequently increases.

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# BENTLEY MORTGAGE INVESTMENT CORPORATION

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## NOTES TO THE FINANCIAL STATEMENTS

April 30, 2016

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### 2. Accounting policies, continued

#### (k) Management estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Key areas where management has made complex or subjective judgments (often as a result of matters that are inherently uncertain) include, among others, the fair value of certain assets, recoverability of investments, uncollectible loans receivable, and allowance for doubtful accounts. Actual results could differ from these and other estimates, the impact of which would be recorded in future periods.

#### (l) Reclassification

Certain reclassifications have been made to the 2015 financial statements to conform with the classifications used in 2016.

#### (m) Revenue recognition

The Company's main source of revenue is interest from its mortgages and fee income. Interest is accrued on mortgage investments in the period in which the interest becomes payable under the terms of the mortgage. Interest is not accrued on mortgages that are identified as impaired. Mortgage investment income consists of interest earned from the mortgage portfolio.

Revenues are recognized and earned at the time mortgages or services have been provided to borrowers, there is clear evidence that an arrangement to provide exists, the amounts pertaining to the mortgages or services are fixed or reasonably determined and collection of such amounts are reasonably assured.

#### (n) Per share information

Per share information is calculated on the basis of the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated using the treasury stock method.

### 3. Cash held in trust

Cash held in trust consists of registered funds transferred to the company and held temporarily with Olympia Trust Company. At the end of the current year, no amounts were held in trust

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## BENTLEY MORTGAGE INVESTMENT CORPORATION

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### NOTES TO THE FINANCIAL STATEMENTS

April 30, 2016

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#### 4. Due from/to related party

- (a) During the year, the company entered into transactions with the following related parties:

GBK Financial Inc., related through elements of common ownership  
Cairoma Investments Inc., related through elements of common ownership  
Art & Jane Biffis, common shareholder  
Bellaforte Financial Inc., related through elements of common ownership

- (b) Transactions

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All advances are non-interest bearing with no set terms of repayment. While none of the parties intend to demand repayment during the next twelve months, they are disclosed as current due to the nature of the advances.

	2016	2015
	\$	\$
	-	-
Interest paid		
Cairoma Investments Inc.	111,848	92,159
GBK Financial Inc.	111,848	92,159
	223,696	184,318
Administration fees paid		
Cairoma Investments Inc.	26,949	28,375
Bellaforte Financial Inc.	36,245	25,323
	63,194	53,698

- (c) Advances to related parties

	2016	2015
	\$	\$
Cairoma Investments Inc.	28,891	-
Art & Jane Biffis	985	-
	29,876	-

# BENTLEY MORTGAGE INVESTMENT CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

April 30, 2016

### 4. Due from/to related party, continued

#### (d) Advances from related parties

	2016	2015
	\$	\$
GBK Financial Inc.	12,623	48,449
Cairoma Investments Inc.	-	52,894
Art & Jane Biffis	-	629
Bellaforte Financial Inc.	12,427	17,708
	25,050	119,680

### 5. Mortgages receivable

	2016	2016	2015	2015
	# mtgs	\$	# mtgs	\$
4.75%	1	38,646	-	-
4.89%	8	216,032	9	239,221
4.99%	16	774,410	14	615,738
6.99%	2	102,982	-	-
7.00%	1	85,000	-	-
7.99%	2	149,661	-	-
8.99%	4	140,862	-	-
9.00%	-	-	2	26,785
9.99%	3	164,700	2	111,453
10.75%	1	100,000	-	-
10.99%	8	425,494	1	14,495
11.25%	1	20,000	-	-
11.50%	3	177,502	1	68,429
11.75%	-	-	1	111,256
11.99%	11	678,424	8	310,153
12.99%	7	462,186	7	360,084
13.50%	1	76,652	-	-
13.99%	1	24,689	1	21,473
14.50%	1	44,437	1	44,018
14.99%	3	101,243	6	327,281
15.24%	-	-	1	37,320
15.99%	1	29,689	1	47,122
16.99%	2	95,845	-	-
17.99%	-	-	1	80,493
		3,908,454		2,415,321
Current portion		(2,169,254)		-
Allowance for bad loans	-	(97,700)	-	(49,000)
		(2,266,954)		(49,000)
		1,641,500		2,366,321

# BENTLEY MORTGAGE INVESTMENT CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

April 30, 2016

### 6. Accounts payable and accrued liabilities

	2016	2015
	\$	\$
Trade accounts payable and accruals	11,791	11,251
Holdbacks in trust	3,000	3,000
	14,791	14,251

### 7. Unearned revenue

Certain of the mortgagors have prepaid, or requested to hold back on existing mortgage advances, interest and principal amounts owing on the related mortgage. These amounts are applied to mortgage principal and interest on a basis consistent with the associated regular scheduled loan repayments. No reduction in interest is permitted due to early repayment or prepayment. Amounts received in advance are recorded as unearned until such time as the payment is due and is recognized in the period to which it pertains.

### 8. Share capital

	2016		2015	
	Issued	Amount	Issued	Amount
		\$		\$
<b>Authorized</b>				
Unlimited number of Class A voting shares				
Unlimited number of preferred shares				
<b>Issued</b>				
Common shares				
Common shares	100	100	100	100
Preferred shares				
Class A non-voting redeemable preferred shares	4,290,891	4,290,891	2,634,153	2,634,153

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## BENTLEY MORTGAGE INVESTMENT CORPORATION

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### NOTES TO THE FINANCIAL STATEMENTS

April 30, 2016

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#### 8. Share capital, continued

	2016	2016	2015	2015
	# shares	\$	# shares	\$
Shares issued and outstanding				
beginning of year	2,634,153	2,634,153	1,521,014	1,521,014
Issued	1,742,774	1,742,774	1,315,634	1,315,634
Shares redeemed	(86,036)	(86,036)	(202,495)	(202,495)
	4,290,891	4,290,891	2,634,153	2,634,153

The Corporation distributes its net income under provisions of the Income Tax Act Canada in order to maintain its status as a mortgage investment corporation. These distributions are treated as dividend income by the recipients and varies from year to year as a direct result of continuing operations less any writeoffs incurred during the current fiscal period.

#### 9. Capital management

The company is exposed to internal and external capital management objectives and requirements. Management acts to ensure that the company complies with these requirements and is not aware of any violations which would result in any third party taking any actions against the company.

#### 10. Credit risk

Credit risk arises from the potential that a debtor will be unable to meet its obligations. The group conducts a thorough assessment of its debtors prior to granting credit, and actively monitors the financial health of its debtors on a continuing basis. As determined by management, the accounts receivable net of applicable provisions for losses, approximates fair market value.

#### 11. Management of net assets

The objective of company in managing its net assets is to remain a sustainable operation while fulfilling its overall mandate as stated in note 1 to the financial statements. It achieves its objective by strong day to day management of its cash flows and by regularly monitoring revenues and expenditures against its annual operating and capital budgets. When necessary, company takes prompt action to raise additional revenues when actual revenues do not meet its budget and to reduce expenditures or curtail programs when alternate sources of revenue can not be found.

#### 12. Financial instruments

The following sections describe the company's financial risk management objectives and policies and the company's financial risk exposures.

The financial instruments of the company and the nature of the risks to which it may be subject are as follows:

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## BENTLEY MORTGAGE INVESTMENT CORPORATION

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### NOTES TO THE FINANCIAL STATEMENTS

April 30, 2016

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#### **12. Financial instruments, continued**

##### **(a) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company's exposure arises from amounts advanced on mortgages to third parties and is limited to the extent that foreclosure proceedings do not recover the full amounts advanced.

The company does have credit risk in mortgages receivable of \$3,908,454 (2015 - \$2,415,321). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The company reduces its exposure to credit risk by performing credit valuations on a regular basis; granting credit upon a review of the credit history of the applicant and creating an allowance for bad debts when applicable. The company maintains strict credit policies and limits in respect to counterparties. In the opinion of management the credit risk exposure to the company is low and is not material.

#### **13. Comparative amounts**

The balance sheet as at April 30, 2015 and the statements of income and comprehensive income, changes in equity and cash flows for the year then ended were reported on by another firm of chartered professional accountants who issued an unqualified opinion.

**BENTLEY MORTGAGE INVESTMENT CORPORATION**

**Financial Statements**

**Eight Month Period Ended December 31, 2016**

*(Unaudited - See Notice To Reader)*



**BENTLEY MORTGAGE INVESTMENT CORPORATION**

**Index to Financial Statements**

**Eight Month Period Ended December 31, 2016**

*(Unaudited - See Notice To Reader)*

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**Chaggares & Bonhomme**  
CHARTERED PROFESSIONAL ACCOUNTANTS

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### NOTICE TO READER

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On the basis of information provided by management, we have compiled the balance sheet of Bentley Mortgage Investment Corporation as at December 31, 2016 and the statements of income and retained earnings and cash flow for the eight month period then ended.

We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

A partner of Chaggares & Bonhomme, Chartered Professional Accountants has a one-third ownership interest in a company that is licenced as an Exempt Market Dealer with the Ontario Securities Commission and has been engaged to sell the securities of Bentley Mortgage Investment Corporation to the public. This engagement commenced in September 2016.

Newmarket, Ontario  
March 11, 2017

**Chaggares & Bonhomme**  
**Chartered Professional Accountants**  
Licensed Public Accountants

# BENTLEY MORTGAGE INVESTMENT CORPORATION

## Balance Sheet

December 31, 2016

(Unaudited - See Notice To Reader)

	December 31 2016	April 30 2016
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 186,842	\$ 654,973
Accounts receivable	966	-
Mortgages receivable (net of allowance) (Note 6)	5,481,057	3,847,593
Due from related parties (Note 9)	-	4,827
	<b>\$ 5,668,865</b>	<b>\$ 4,507,393</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 17,840	\$ 14,792
Dividends payable	124,327	131,839
Short term debt (Note 7)	2,000	2,000
Deferred income (Note 8)	123,750	67,771
Due to related parties (Note 9)	108,293	-
	<b>376,210</b>	<b>216,402</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 10)		
Preferred shares		
5,292,555 Preference non-voting shares, redeemable and retractable at stated capital value	5,292,555	4,290,891
Common Shares		
100 Common voting shares	100	100
	<b>5,292,655</b>	<b>4,290,991</b>
Retained earnings	-	-
	<b>5,292,655</b>	<b>4,290,991</b>
	<b>\$ 5,668,865</b>	<b>\$ 4,507,393</b>

### ON BEHALF OF THE BOARD

(signed) "Arthur Biffis" Director

(signed) "Christopher Benetello" Director

See notes to financial statements

**BENTLEY MORTGAGE INVESTMENT CORPORATION****Statement of Income and Retained Earnings****Eight Month Period Ended December 31, 2016***(Unaudited - See Notice To Reader)*

	<b>December 31 2016</b>	<i>Year ended April 30, 2016</i>
<b>REVENUES</b>	<b>\$ 692,509</b>	<b>\$ 689,783</b>
<b>EXPENSES</b>		
Advertising and promotion	<b>401</b>	1,013
Bad debts	<b>41,599</b>	48,700
Insurance	<b>3,780</b>	-
Interest and bank charges	<b>651</b>	497
Interest on long term debt	<b>244,125</b>	223,696
Management fees	<b>50,374</b>	63,261
Office	<b>900</b>	2,346
Professional fees	<b>47,712</b>	41,869
Referral fees	<b>29,592</b>	33,116
	<b>419,134</b>	414,498
<b>NET INCOME</b>	<b>273,375</b>	275,285
RETAINED EARNINGS - BEGINNING OF PERIOD	-	-
	<b>273,375</b>	275,285
DIVIDENDS DECLARED	<b>(273,375)</b>	(275,285)
<b>RETAINED EARNINGS - END OF PERIOD</b>	<b>\$ -</b>	<b>\$ -</b>

See notes to financial statements

**BENTLEY MORTGAGE INVESTMENT CORPORATION****Statement of Cash Flow****Eight Month Period Ended December 31, 2016***(Unaudited - See Notice To Reader)*

	<b>December 31 2016</b>	<i>Year ended April 30, 2016</i>
<b>OPERATING ACTIVITIES</b>		
Net income	<b>\$ 273,375</b>	<b>\$ 275,285</b>
Changes in non-cash working capital:		
Accounts receivable	<b>(966)</b>	37,201
Accounts payable and accrued liabilities	<b>3,048</b>	541
Deferred income	<b>55,979</b>	55,012
Mortgages receivable (net of allowance)	<b>(1,633,464)</b>	(1,447,390)
	<b>(1,575,403)</b>	(1,354,636)
Cash flow used by operating activities	<b>(1,302,028)</b>	(1,079,351)
<b>FINANCING ACTIVITIES</b>		
Dividends paid	<b>(280,887)</b>	(209,197)
Advances from (to) related parties	<b>113,120</b>	(124,507)
Preference shares issued	<b>1,090,334</b>	1,742,774
Preference shares redeemed	<b>(88,670)</b>	(86,036)
Cash flow from financing activities	<b>833,897</b>	1,323,034
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>(468,131)</b>	243,683
Cash - beginning of period	<b>654,973</b>	411,290
<b>CASH - END OF PERIOD</b>	<b>\$ 186,842</b>	<b>\$ 654,973</b>

See notes to financial statements

**BENTLEY MORTGAGE INVESTMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**Eight Month Period Ended December 31, 2016**

*(Unaudited - See Notice To Reader)*

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

The financial statements are unaudited and prepared on a compilation engagement basis but have note disclosure consistent with that required by International Financial Reporting Standards (IFRS). The financial statements have not been audited, reviewed or otherwise verified by the firm of Chartered Professional Accountants that released them due to an independence prohibition as outlined in the last paragraph of the Notice to Reader report. These financial statements are intended to conform with the requirement related to unaudited interim financial statements that are included in an Offering Memorandum as identified in National Instrument 45-106F2.

Measurement uncertainty

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

The most significant estimate is the allowance for doubtful accounts for the loans receivable. This provision is recognized as management is unable to collect on any loan balance. Management has estimated this balance to comprise 2.5% (April 2016- 2.5%) of the total current loans receivable balance. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Revenue recognition

Interest income on mortgages is recognized on the accrual basis in the period earned.

Fees are recognized when no uncertainty about their collection exists. For lender's fees, this occurs at the time a mortgage is advanced, as such amounts are held back from the amount advanced. Discharge and termination fees are recognized at the time the related mortgage is discharged or terminated.

Income taxes

The company is a Mortgage Investment Corporation under the Canadian Income Tax Act section 130.1. As such, it is permitted for income tax purposes to deduct from income, dividends paid to shareholders during the year and within ninety (90) days thereafter. The company intends to continue conducting its affairs in such a manner as to continue to qualify as a Mortgage Investment Corporation under the Canadian Income Tax Act. For financial statement reporting purposes, the tax deductibility of the Company's distributions results in the Company being effectively exempt from taxation and no provision for current or future income taxes is required. Shareholders who have received dividends from the company will be deemed for income tax purposes to have received interest income and will be subject to Canadian income or withholding taxes accordingly.

*(continues)*

**BENTLEY MORTGAGE INVESTMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**Eight Month Period Ended December 31, 2016**

*(Unaudited - See Notice To Reader)*

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Financial instruments

The company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The company classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities - recognition and derecognition

The company initially recognizes loans and receivables and debt securities issued on the date when they originated. All other financial assets and financial liabilities are initially recognized on the trade date when the company becomes a party to the contractual provisions of the instrument.

The company derecognizes a financial asset when the contractual rights to the cash flow from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risk and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the company is recognized as a separate asset or liability.

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

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets - measurement

Financial assets at fair value through profit or loss is measured at fair value and changes therein are recognized in profit or loss.

Held-to-maturity financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Loans and receivables are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at cost using the effective interest method.

*(continues)*

**BENTLEY MORTGAGE INVESTMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**Eight Month Period Ended December 31, 2016**

*(Unaudited - See Notice To Reader)*

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognized in Other Comprehensive Income and accumulated in the fair value reserve. When these assets are derecognized, the gain or accumulated loss in equity is reclassified to profit or loss.

**(iii) Non-derivative financial liabilities - measurement**

Financial liabilities are classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transactions costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognized in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

**2. DESCRIPTION OF BUSINESS**

Bentley Mortgage Investment Corporation (the "company") is a Mortgage Investment Corporation as defined by the Income Tax Act (Canada), incorporated under the Business Corporations Act of Ontario. Its purpose is to pool funds of its shareholders and earn a return by investing in mortgages.

The company is domiciled in Canada and the registered office is at 123 Main Street South, Georgetown, Ontario, L7G 3E5.

**3. FUNCTIONAL AND PRESENTATION CURRENCY**

These financial statements are presented in Canadian Dollars (CAD), which is the company's functional currency. All amounts have been rounded to the nearest dollar, unless otherwise stated.

**4. FINANCIAL INSTRUMENTS**

The company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the company's risk exposure and concentration as of December 31, 2016.

*(continues)*



**BENTLEY MORTGAGE INVESTMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**Eight Month Period Ended December 31, 2016**

*(Unaudited - See Notice To Reader)*

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**4. FINANCIAL INSTRUMENTS (continued)**

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company is exposed to credit risk from mortgagors, who may experience financial difficulty and be unable to fulfill their mortgage commitments. In order to reduce its credit risk, the company employs qualified and experienced loan underwriters, conducts interviews, performs credit bureau checks and appraisals and inspections of collateral properties for prospective mortgagors. Late or NSF payments are promptly followed up with mortgagors.

The collateral held as security consists of residential real estate in Ontario.

An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The company has a significant number of mortgages which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company is exposed to this risk mainly in respect of its receipt of funds from its mortgagors and other related sources, payments to investors, and accounts payable.

The redeemable preferred shares provide the holders with the right to require the company to redeem all or a portion of their shares.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The company's market risk arises as a result of changes in conditions which affect real estate values. These market changes may be regional or national in nature and may revolve around a specific product type. To manage these risks, management ensures that the loan underwriters are aware of the market conditions that affect each mortgage application and the impact that any changes may have on security for a particular loan. Management monitors changes in the market on an ongoing basis and adjusts the company's lending practices and policies when necessary to reduce the impact of the above risks.

Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The company is not exposed to significant currency risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The company receives most of its funding by selling preferred shares, not by incurring debt, which mitigates interest rate risk.

# BENTLEY MORTGAGE INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

**Eight Month Period Ended December 31, 2016**

*(Unaudited - See Notice To Reader)*

### 5. ACCOUNTS RECEIVABLE

Accounts receivable consists of registered funds transferred to the company and held temporarily with Olympia Trust Company.

### 6. MORTGAGES RECEIVABLE

Mortgages receivable consists of the following:

	# mtgs	Dec 31 2016	# mtgs	April 30 2016
0.00%	1	\$ 5,800	-	\$ -
4.44%	2	65,975	-	-
4.75%	-	-	1	38,646
4.89%	3	159,145	8	216,032
4.99%	6	285,214	16	774,410
5.99%	3	359,029	-	-
6.25%	1	50,674	-	-
6.99%	3	183,914	2	102,982
7.00%	-	-	1	85,000
7.99%	3	177,512	2	149,661
8.99%	8	315,214	4	140,862
9.99%	10	880,189	3	164,700
10.75%	1	100,000	1	100,000
10.99%	11	886,358	8	425,494
11.25%	-	-	1	20,000
11.49%	1	63,969	-	-
11.50%	2	94,676	3	177,502
11.99%	9	565,352	11	678,424
12.00%	1	9,967	-	-
12.25%	1	139,695	-	-
12.50%	2	157,943	-	-
12.99%	12	815,092	7	462,186
13.50%	1	76,272	1	76,652
13.99%	-	-	1	24,689
14.50%	-	-	1	44,437
14.99%	3	118,984	3	101,243
15.99%	2	65,771	1	29,689
16.99%	-	-	2	95,845
Interest and fees receivable	-	42,714	-	36,836
Allowance for uncollectable mortgages	-	(139,299)	-	(97,700)
	86	\$ 5,480,160	77	\$ 3,847,590

**BENTLEY MORTGAGE INVESTMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**Eight Month Period Ended December 31, 2016**

*(Unaudited - See Notice To Reader)*

**7. NOTES PAYABLE**

The notes payable consist of \$1,000 owing to each of Cairoma Investments Inc. and GBK Financial Inc., corporations which are controlled by one or more of the common shareholders of this company. The notes have no set repayment terms, and the interest rate varies based on the company's operating surplus for a given year. The company has been structured in such a way that preference share investors are guaranteed an annual dividend at a fixed percentage (see Note 9). Any surplus (shortfall) will be paid as interest to (funded by) Cairoma Investments Inc. and GBK Financial Inc.

In the current year, a total operating surplus of \$244,125 (April 2016- \$223,696) was paid as interest on the notes payable.

**8. MORTGAGE PREPAYMENTS**

Some of the mortgagors have prepaid, or have had held back from their mortgage advances, interest and principal owing on their mortgages. These payments are posted to the liability account at the time they are received. Payments are applied to mortgage principal and interest income on a monthly basis, in accordance with their regularly scheduled payments. Mortgagors are not allowed any reduction in interest charged due to prepayment of principal, and as such, the payments are tracked separately as prepayments.

**9. RELATED PARTIES**

The following is a summary of the company's related party transactions:

	<b>8-months ended Dec. 31, 2016</b>	<i>Year ended Apr. 30, 2016</i>
Related party transactions		
Cairoma Investments Inc.		
<i>(Owned by one of the common shareholders of the company)</i>		
Administration fee	\$ 28,904	\$ 26,949
Interest paid	122,062	111,848
	<b>150,966</b>	138,797
GBK Financial Inc.		
<i>(Owned by two of the common shareholders of this company)</i>		
Interest paid	\$ 122,062	\$ 111,848
Referral fees	19,928	-
	<b>141,990</b>	111,848

*(continues)*

**BENTLEY MORTGAGE INVESTMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**Eight Month Period Ended December 31, 2016**

*(Unaudited - See Notice To Reader)*

**9. RELATED PARTIES (continued)**

	December 31 2016	April 30 2016
Bellaforte Financial Inc. <i>(Owned by one of the common shareholders of the company)</i>		
Administration fee	\$ 21,470	\$ 36,245
	<b>\$ 314,426</b>	<b>\$ 286,890</b>

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

Due to (from) related parties		
Cairoma Investments Inc.	\$ 46,634	\$ (28,892)
Bellaforte Financial Inc.	20,405	12,427
GBK Financial Inc.	42,239	12,623
Art and Jane Biffis	(985)	(985)
	<b>\$ 108,293</b>	<b>\$ (4,827)</b>

All of the above related parties are companies controlled by one of or by a group of the common shareholders, except for Art and Jane Biffis, who are a common shareholder and spouse. Advances to related parties are non-interest bearing and have no set repayment terms.

**10. SHARE CAPITAL**

Authorized:

- Unlimited Preference shares, redeemable and retractable, non-voting, authorized to issue up to three separate classes of shares
- Unlimited Common voting shares

	December 31 2016		April 30 2016
	Shares	Amount	Shares Amount
<b>Common</b>			
Shares outstanding at the beginning of the year	100	\$ 100	100 \$ 100
	<b>100</b>	<b>\$ 100</b>	<b>100 \$ 100</b>

*(continues)*

# BENTLEY MORTGAGE INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

**Eight Month Period Ended December 31, 2016**

*(Unaudited - See Notice To Reader)*

### 10. SHARE CAPITAL (continued)

	December 31 2016		April 30 2016	
	Shares	Amount	Shares	Amount
<b>Preference</b>				
Shares outstanding at the beginning of the year	4,290,891	\$ 4,290,891	2,634,153	\$ 2,634,153
Issued	1,090,334	1,090,334	1,742,774	1,742,774
Repurchased	(88,670)	(88,670)	(86,036)	(86,036)
	<b>5,292,555</b>	<b>\$ 5,292,555</b>	<b>4,290,891</b>	<b>\$ 4,290,891</b>

#### Preference share attributes:

Income is paid on the preference shares at a percentage that is negotiated between management and the investor, which currently ranges between 6% and 8% per annum. As the distributions are treated as interest income for tax purposes in the hands of the investor, income is accrued based on the portion of the year that the funds have been invested.

The holders of the preferred shares shall be entitled to receive dividends as and when declared by the board of directors, in priority to the declaration and payment of dividends to the common shareholders. The preference shareholders have the right to participate in dividends to the common shareholders after the payment of the preferred shares' dividends and a dividend in like amount to the common shares.

In the event of liquidation, dissolution or winding-up of the company, the holder of each Preferred share is entitled to receive, before any distributions of any part of the assets of the company among the holders of the common shares, or any other shares ranking junior to the preferred shares, repayment of an amount equal to one dollar (\$1.00) per share, together with any accrued but unpaid dividends thereon. The company may, upon giving 30 days' notice, redeem the or any part of the Preferred shares upon payment for each share to be redeemed of an amount equal to one dollar (\$1.00), together with all accrued but unpaid dividends. The preference shares are also redeemable at the option of the shareholders, with 180 days' notice. These shares do not have voting rights.

#### Common share attributes:

Subject to the rights of the holders of the Preferred shares, the holders of the Common shares shall be entitled to receive the remaining property of the company upon the liquidation, dissolution or winding up of the company, whether voluntary or involuntary. The holders of the Common shares shall be entitled to one vote in respect of each Common share held at all meetings of the shareholders of the company.

## **BENTLEY MORTGAGE INVESTMENT CORPORATION**

### **NOTES TO FINANCIAL STATEMENTS**

**Eight Month Period Ended December 31, 2016**

*(Unaudited - See Notice To Reader)*

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#### **11. BAD DEBTS**

Bad debts of \$41,599 (April 2016- \$48,700) are comprised of an increase in allowance for future bad debts, which is currently set to approximate 2.5% (April 2016 - 2.5%) of the total outstanding mortgage receivable balance as at the balance sheet date. This estimate is based on management estimates and their past experience in managing this and other similar mortgage portfolios.

**ITEM 13:      DATE AND CERTIFICATE OF THE ISSUER AND PROMOTERS**

Dated the 4th day of April, 2017.

This Offering Memorandum does not contain a misrepresentation.

**ISSUER**

**BENTLEY MORTGAGE INVESTMENT CORPORATION**

(signed) “*Arthur Biffis*”  
Director and President  
*(Acting in the capacity of Chief  
Executive Officer)*

(signed) “*Christopher Benetello*”  
Director and Secretary-  
Treasurer  
*(Acting in the capacity of Chief  
Financial Officer)*

**PROMOTERS**

**BELLAFORTE FINANCIAL INC.**

(signed) “*Arthur Biffis*”  
Director, President and Secretary

**GBK FINANCIAL INC.**

(signed) “*Tim Brown*”  
Director, President and Secretary

(signed) “*Wayne MacLeod*”  
Director, Vice-President and  
Treasurer

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

## **SCHEDULE “A” – SUBSCRIPTION AGREEMENT**