

Kheiron Mortgage Investment Corporation

Offering Memorandum

February 28, 2017

This Offering Memorandum constitutes an offering of securities only in those jurisdictions and to those persons to whom they may be lawfully offered for sale. This Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus or advertisement or a public offering of these securities.

This Offering is being made to, and subscriptions will only be accepted from, persons resident in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba or Ontario and persons residing outside of Canada. This Offering is being made pursuant to certain exemptions contained in National Instrument 45-106 – *Prospectus and Registration Exemptions* ("NI 45-106").



CONFIDENTIAL OFFERING MEMORANDUM

The information disclosed on this page is a summary only. Subscribers should read the whole Offering Memorandum for full details of the Offering.

Date	February 28, 2017
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THE ISSUER

Name	KHEIRON MORTGAGE INVESTMENT CORPORATION
Head Office	<p>4360 Smith Crescent Richmond, British Columbia V6V 1S7</p> <p>Louie Wu – Chief Executive Officer Phone: 778-668-9238 Email: louie@kheiron.ca</p> <p>Raj Krishna – President Phone: 778-840-6462 Email: raj@kheiron.ca</p>
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	8% Non-Voting Preferred Shares
Price per Security	\$100 per Preferred Share
Minimum/Maximum Offering	<p>There is no minimum. You may be the only purchaser.</p> <p>The Maximum Offering is 200,000 8% Preferred Shares (\$20,000,000).</p>
Minimum subscription amount	The minimum subscription amount is \$5,000 (50 - 8% Preferred Shares).
Payment Terms	The aggregate subscription price is payable at the time of Closing by way of wire transfer, bank draft or certified cheque, or such other manner as may be accepted by the Issuer in its sole discretion. See “Item 5.2: Subscription Procedure” .
Proposed Closing Date(s)	This is a continuous Offering. Closings will take place periodically as determined by the Issuer in its sole discretion. The final Closing will occur upon the Issuer achieving the Maximum Offering. The final Closing is contemplated to occur on or about December 31, 2020.
Tax Consequences	There are important tax consequences to these securities. See "Item 6 – Income Tax Consequences and RRSP Eligibility".
Selling Agent	<p>The Issuer plans to engage unregistered agents and/or approved Exempt Market Dealers (“EMD”) to assist with the sale of the Offering.</p> <p>Where permitted according to applicable securities laws and other</p>



Selling Agent (cont.)	applicable laws, the Issuer may be liable to pay fees or commissions to such agents, provided that it will not pay such fees or commissions in excess of 8% of the gross proceeds of the Offering. See "Item 7 – Compensation Paid to Sellers and Finders".
Terms of Security Offered	The Securities offered are for a four-year term and may be subject to penalties for early redemption.

RESALE RESTRICTIONS

A Subscriber will be restricted from selling its Preferred Shares for an indefinite period. (See "Item 10 - Resale Restrictions").

PURCHASER'S OR SUBSCRIBER'S RIGHTS

A Subscriber has two business days to cancel its agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum a Subscriber has the right to sue either for damages or to cancel the agreement. See "Item 11 – Purchaser's Rights".

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

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements and information within the meaning of applicable securities laws, which reflect current expectations of management of the Issuer regarding future events or the issuer's future performance. When used in this offering memorandum, such statements and information use words such as "may", "will", "expect", "believes", "plan", "could", "should", "anticipate", "continue", "estimate", "intend", "potential", "predict", "project", and other similar terminology. All statements other than statements of historical fact contained in this Offering Memorandum may be forward-looking statements or information. Forward-looking statements and information involve significant known and unknown risks, uncertainties and other factors, are not and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether such results will be achieved. Such risks, uncertainties and other factors could cause actual results to differ materially from those anticipated in these forward-looking statements and information, including but not limited to, the factors discussed under Item 8 - "Risk Factors". The forward-looking statements and information in this Offering Memorandum are based on certain key expectations and assumptions made by the Issuer. Although the forward-looking statements and information contained in this Offering Memorandum are based upon what the Issuer believes are reasonable expectations and assumptions, undue reliance should not be placed on the forward-looking statements and information because the Issuer cannot assure investors that such expectations or assumptions are correct or that actual results will be consistent with these forward-looking statements.

Without limiting the generality of the foregoing, in particular, this Offering Memorandum contains forward-looking statements pertaining to the following:

- The Issuer's business strategy;
- Expected financial performance, condition and ability to generate distributions;
- Risks associated with residential and commercial mortgage loans and securities;
- The determination of applicable interest rates by the Issuer in relation to any particular mortgage loan;
- Income tax considerations;
- Treatment under governmental regulatory regimes;
- Dependence on personnel;
- Collection of accounts receivable;
- Expectations regarding market prices and costs;
- Capital raising; and
- Competitive conditions.

The Issuer's actual results could differ materially from those anticipated in these forward-looking statements as a result of, among other factors, the risk factors set forth below and elsewhere in this Offering Memorandum:

- General economic and market factors, including without limitation, interest rates;
- Competition;
- Dependence on certain key employees;
- Concentration of customers;
- Additional costs of compliance with registration and/or reporting obligations, including National Instrument 31-103 (*Registration Requirements and Exemptions*);
- Material weaknesses in internal control over financial reporting;
- Collection of accounts receivable;
- Governmental regulation or changes thereto, including without limitation, changes to applicable tax laws in Canada or the United States;
- Risks inherent in the issuer's operations;
- Results of legal proceedings;
- The ability of the Issuer to acquire and maintain a portfolio of Mortgage Assets capable of generating the necessary annual yield or returns to enable the Issuer to achieve its investment objective;



- The ability of the Issuer to establish and maintain relationships and agreements with key strategic partners;
- Qualification of the Issuer as a Mortgage Investment Corporation (MIC) under the Tax Act;
- The maintenance of prevailing interest rates at favourable levels;
- The ability of borrowers to service their obligations under the Mortgage Assets of the Issuer;
- Anticipated costs and expenses; and
- The other factors discussed under Item 8 - "Risk Factors".

CONFIDENTIALITY

This Offering Memorandum is for the confidential use of only those persons to whom it is transmitted in connection with this Offering. By your acceptance of this Offering Memorandum, you agree that you will not transmit, reproduce or make available to anyone, other than your immediate family and professional advisors, this Offering Memorandum or any information contained herein. No person has been authorized to provide any information or to make any representations not contained in this Offering Memorandum. Any such information or representation which is provided or received must not be relied upon.



GLOSSARY OF TERMS

In this Offering Memorandum, unless the context otherwise requires, the following words and terms shall have the indicated meanings and grammatical variations of such words and terms shall have corresponding meanings:

"**BCBCA**" means *Business Incorporation Act* (British Columbia).

"**ABCP**" means asset backed commercial paper.

"**Accountants**" means an independent firm of chartered accountants appointed by the Issuer as auditors for the Issuer for the time being, whether or not such firm of chartered accountants is regularly retained by the Issuer or any affiliated entity.

"**Annual Redemption Date**" has the meaning set forth under "Description of Securities Offered — Certain Provisions of the Shares — Class A Redemption Privileges".

"**Automatic Repurchase**" has the meaning set forth under "Description of Offered Securities — Restrictions on Ownership".

"**Automatic Repurchase Shareholder**" has the meaning set forth under "Description of Securities Offered — Restrictions on Ownership".

"**Business day**" means a day which is not a Saturday, Sunday or a legal holiday in the City of Richmond, in the Province of British Columbia.

"**Class Net Redemption Value**" has the meaning set forth under "Calculation of Net Asset Value and Net Redemption Value — Calculation of Net Redemption Value".

"**Closing**" means the day or days upon which the Class D and Class E Preferred Shares are issued to the Subscribers pursuant to this Offering.

"**Closing Date**" means the date of a Closing; Closings may take place periodically and may be approved by the Issuer in its sole discretion with the final Closing occurring upon the Issuer achieving the Maximum Offering.

"**Conventional Mortgages**" means mortgage loans for which the principal amount of the loan, at the time of commitment, together with all other equal and prior ranking mortgages does not exceed 75% of the value of the underlying real property securing the loan.

"**CRA**" means the Canada Revenue Agency.

"**DPSPs**" means deferred profit sharing plans as defined in the Tax Act.

"**MIC**" means Kheiron Mortgage Investment Corporation.

"**Extraordinary Resolution**" has the meaning set forth under "Shareholder Matters — Matters Requiring Shareholder Approval".

"**Issuer End Date**" has the meaning set forth under "Shareholder Matters — Termination of the Issuer".

"**Investment**" means the investment to be made by the Issuer to acquire the real estate properties and/or mortgages.

"**Mortgage Assets**" means mortgage loan investments selected by the Issuer.

"**MIC**" means a 'mortgage investment Corporation as defined under the Income Tax Act.



"**NI 45-106**" means National Instrument 45-106 – Prospectus and Registration Exemptions.

"**NI 31-103**" means National Instrument 31-103 – Registration Requirements and Exemptions.

"**Non-Arm's-Length Parties**" mean related persons within the meaning of the Tax Act.

"**Non-Conventional Mortgages**" means mortgage loans that do not satisfy the criteria of Conventional Mortgages.

"**Offering**" means the offering of the 8% Non-Voting Preferred Shares described herein or in any amendment hereto.

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

"**Ordinary Resolution**" has the meaning set forth under "Shareholder Matters — Matters Requiring Shareholder Approval".

"**Plans**" has the meaning set forth under "Income Tax Consequences and RRSP Eligibility – Eligibility for Investment".

"**Portfolio**" means the portfolio of Mortgage Assets of the Issuer.

"**Principal Shareholders**" has the meaning set forth under **Item 5 – Description of Securities Offered**.

"**Purchased Assets**" has the meaning set forth under "Description of Securities Offered — 8% Non-Voting Preferred Shares — Calculation of Redemption Amount per Class a Share".

"**RDSPs**" means registered disability saving plans as defined in the Tax Act.

"**Redemption Amount per Class A Share**" has the meaning set forth under "Description of Securities Offered — 8% Non-Voting Preferred Shares — Calculation of Redemption Amount per Class A Share".

"**Redemption Payment Date**" has the meaning set forth under "Description of Securities Offered — Certain Provisions of the Shares — Redemption Privileges".

"**Related Persons**" has the meaning set forth under "Income Tax Consequences and RRSP Eligibility — MIC Requirements".

"**Repurchased Shares**" has the meaning set forth under "Description of Securities Offered — Restrictions on Ownership".

"**Resident**" means resident in Canada for the purposes of the Tax Act.

"**RESPs**" means registered education saving plans as defined in the Tax Act.

"**RRIFs**" means registered retirement income funds as defined in the Tax Act.

"**RRSPs**" means registered retirement savings plans as defined in the Tax Act.

"**Securities Act**" means the *Securities Act of the principal jurisdiction of British Columbia and the Securities Act applicable to all other Canadian jurisdiction*, including the rules and regulations promulgated thereunder, as may be amended from time to time.

"**Share Class Expenses**" has the meaning set forth under "Calculation of Net Asset Value and Net Redemption Value — Calculation of Net Redemption Value".



"**Shared Expenses**" has the meaning set forth under "Calculation of Net Asset Value and Net Redemption Value — Calculation of Net Redemption Value".

"**Shares**" means, collectively, all of the shares in the capital of the Issuer, including without limitation the 8% Non-Voting Preferred Shares.

"**Shareholders**" means, collectively, all of the certain individuals and Corporations that have purchased Shares.

"**Subscribers**" means those persons subscribing for 8% Non-Voting Preferred Shares pursuant to this Offering.

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder, as amended from time to time.

"**TFSA**" means tax-free savings accounts as defined in the Tax Act.

"**Triggering Transaction**" has the meaning set forth under "Description of Securities Offered — Restrictions on Ownership".

"**Valuation Date**" has the meaning set forth under "Calculation of Net Asset Value and Net Redemption Value — Calculation of Net Asset Value".

"**Voting Shares**" has the meaning set forth under "Description of Share Capital".

In this Offering Memorandum, references to "**dollars**" and "\$" are to the currency of Canada, unless otherwise indicated.

ITEM 1 – USE OF AVAILABLE FUNDS

1.1 Net Proceeds and Available Funds

The net proceeds of the Offering and the funds which will be available to the Issuer after this Offering are as follows:

	Description	Assuming Minimum Offering	Assuming Maximum Offering
A	Amount to be raised by this offering	\$10,000	\$20,000,000
B	Selling Commissions and fees	\$800 ⁽¹⁾	\$1,600,000 ⁽¹⁾
C	Estimated offering cost (legal, accounting, audit, etc.)	\$50,000 ⁽²⁾	\$50,000 ⁽²⁾
D	Net proceeds: $D = A - (B+C)$	\$(40,800)	\$18,350,000
E	Additional source of funding	\$0	\$0
F	Working Capital Deficiency	\$(40,800)	\$0
G	Total proceeds available: $(D + E) - F$	\$0	\$18,350,000

Notes:

- (1) The Issuer plans to distribute its securities in accordance with the Laws and Regulations of the various jurisdictions and may engage unregistered agents and Exempt Market Dealers to distribute its securities where this is essential. Where permitted according to applicable securities laws and other applicable laws, the Issuer may be liable to pay fees or commissions to such agents, provided that it will not pay such fees or commissions in excess of 8% of the gross proceeds of the Offering. The Issuer reserves the right to negotiate the fees or commissions between the agents and the Issuer. See "Item 7 – Compensation Paid to Sellers and Finders".
- (2) Includes accounting, auditing and legal costs with respect to the Initial Offering Memorandum and Required Updates. These expenses may be initially paid out of the Proceeds raised and charged to operation of the Issuer. The investor cost of the investment will always be the capital contributed and will be supported by the operation over the term of the investment.

1.2 Use of Net Proceeds

The Issuer intends to use the total proceeds available, as noted above, once obtained, as follows:

Description of intended use of Net Proceeds listed in order of Priority	Assuming Minimum Offering	Assuming Maximum Offering
The proceeds will be used for investments in mortgages to finance the acquisition of land and other real estate properties in Canada for development and construction. ⁽¹⁾		\$18,350,000. ^{(1) (2)}
TOTALS		\$18,350,000

Notes:

- (1) All funds raised will be lent out as mortgages on Real Estate Projects. The Mortgagors are involved in the acquisition, renovation, development and construction of residential and commercial real estate properties See "Item 2 –Business of the Issuer".
- (2) Amounts actually invested in Mortgage Assets will be investments net of applicable commissions, audit and legal fees. See "Item 2 – Business of the Issuer – Fees and Expenses".



1.3 Reallocation

The Issuer intends to spend the net proceeds as stated above. The Issuer will reallocate funds only for sound business reasons but in all cases appropriate securities will be obtained for all lending.

1.4 Working Capital Deficiency

The Issuer expects to incur working capital deficiency in the first two years of its operation. In the event of a working capital deficiency is incurred, the founders of the issuers will provide shareholders loans to cover the deficit position and may contribute the amount of the annual deficiency for a maximum of three years. These advances would be interest free. The Shareholders will be reimbursed by the Issuer as such funds become available to the Issuer. (See **Schedule B – Subordinated Agreement of Loans from Shareholder**).

ITEM 2 – BUSINESS OF THE ISSUER

2.1 Structure of the Issuer

Kheiron Mortgage Investment Corporation (the "Issuer") was incorporated on February 3rd, 2017 under the Business Corporation Act of British Columbia. (BCBCA). The Corporation is a private Canadian controlled corporation. The founding shareholders are:

Shareholders	No. Of Shares
Louie Wu	25 Common Voting Class A Shares
Raj Krishna	25 Common Voting Class A Shares
Thao Nguyen	25 Common Voting Class A Shares
Ashwin Krishna	25 Common Voting Class A Shares

2.2 The Business of the Issuer

The Corporation was established to operate as a Mortgage Investment Corporation. The Issuer intends to meet all the requirements under Section 130 of the Income Tax Act of Canada, which governs the existence and operations of Mortgage Investment Corporations.

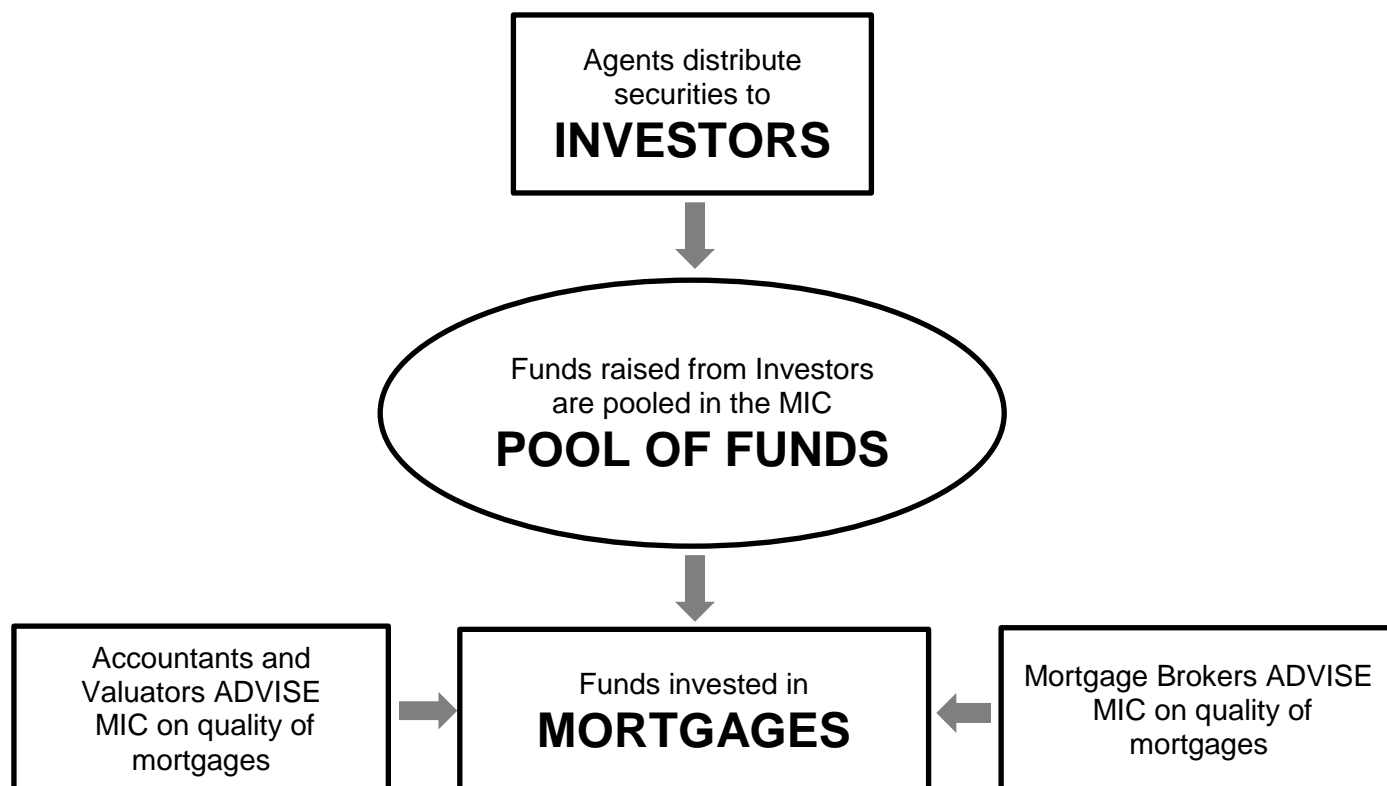
The Issuer primary activities are to:

- raise funds from investors through the issuance of its 8% Preferred Shares
- pool these funds and invest in mortgages.
- invest its funds in acquiring and maintaining a diversified portfolio of Mortgage Assets, including commercial, residential, construction and other mortgage securities that generate stable returns.
- to permit the Issuer to accrue and or pay quarterly interest to its investors and conduct any other business or activity incidental, ancillary or related thereto.

It should be noted that Investors with Deferred Plans earn income annually at the targeted rate of 8% on a compound basis. Investors in non-registered plans are paid on a quarterly basis at the targeted rate of 8% annually.



The following diagram provides a visual illustration of the operations of Kheiron Mortgage Investment Corporation (MIC):



Other focus of the Issuer

The Issuer plans to invest funds raised in three distinct areas of the Real Estate Industry.

2.2 (a) Investing in Modular or Manufactured Buildings - Residential Properties

Mortgagors will already have paid for the land which would be the site on which the manufactured home will be located. Pre-appraisal of the completed property would be obtained prior to any financing by the Corporation. Further Commercial Bank Financing would be prearranged to take out the Corporation once the modular home is completed and occupied. In this category of Mortgage the Corporation will maintain a ratio of up to 85% loan to asset value (LTV) This criterion will provide adequate security and mitigate the risks associated with such project.

2.2 (b) Financing the Purchase of Distress Properties.

The experienced management team through other controlling entities (wholly owned subsidiaries of the Corporation) would acquire distressed and foreclosed properties at bargain prices. The subsidiaries would upgrade these properties and dispose of them within a six-month period of acquisition. Further the Corporation may fund mortgages of independent third parties who purchase these properties. In this category



of Mortgage the Corporation will maintain a ratio of up to 85% loan to asset value (LTV). This criteria will provide adequate security and mitigate the risks associated with repossessed home or properties.

2.2 (c) Financing of New Developments

The Corporation plans to invest in the acquisition of new lands for development. The objective of the investment is geared towards a three-year turnover and to ensure gains to the Corporation and ultimately to its investors. The experienced management team would focus on residential and commercial properties ranging from project cost of \$300,000 to \$5,000,000. In this category of Mortgage the Corporation will maintain a ratio of up to 85% loan to asset value (LTV) This criterion will provide adequate security and mitigate the risks associated with the financing of new developments.

As is noted above the Corporation major criteria for its investment in all mortgages are to hold mortgages, where the mortgagor Loan to Asset Value (LTV) shall not exceed 85% based on different type of investments

The Issuer intends to focus geographically on the BC and Alberta markets in building a portfolio of Mortgage Assets. However, it is intended that the Issuer may pursue opportunities in other jurisdictions if the fundamentals of such opportunities present sound investment opportunities as assessed by the Issuer.

The Issuer may contract or delegate any of its responsibilities to a third party, particularly, mortgage brokers, certified professional accountants and others which may or may not be a related party of the Issuer.

2.3 Development of Business

The Issuer has no operating history, having only incorporated on February 3, 2017. To date, the activities of the Issuer have been confined to conducting discussions for the purpose of identifying potential acquisitions of residential and commercial viable Mortgage Assets, but the Issuer has not entered into any formal agreement regarding these properties under negotiation.

The directors of the Issuer plan robust reviews of real estate development projects in British Columbia and Alberta. Where necessary it is intended to engage real estate brokers and Certified Professional Accountants to assist on the valuation and feasibility of investing in real estate projects.

The primary focus of the Issuer is to safeguard and protect the funds of the issuer from erosion and to ensure adequate return on the mortgage investments to maintain its operations and generate the required returns to its investors and other stakeholders.

The Issuer through intended mortgagors have identified opportunities for investors to achieve an attractive return on investment by offering mortgages to an underserved sector of the Western Canadian mortgage market. The basis for this opportunity is that, due to insufficient competition among Canadian financial institutions and the small number of quality private lenders in the Canadian marketplace, there exists an underserved market of well capitalized, experienced borrowers.

The Issuer plans to achieve its investment objective by investing in a diversified Portfolio consisting primarily of Conventional Mortgage loans that are directly secured by residential (including multi-residential), office, retail and industrial real property across Canada, initially primarily located in Western Canada and primarily in larger urban markets and their surrounding areas, which are typically more liquid and provide less volatile security for mortgage loans.

The Issuer intends to grow its Portfolio by periodically raising capital through offerings of Shares and using the proceeds of such offerings to purchase or fund mortgage loans. Subject to important limitations and, in certain cases, Shareholder approval, future offerings of Shares may be made for net proceeds to the Issuer per Share that are less than the redemption amount of its existing 8% Non-Voting Preferred Shares. **See "Shareholder Matters — Matters Requiring Shareholder Approval".**



Focusing on preservation of capital via directly secured lending positions, the Issuer will endeavour to take advantage of opportunities to provide high yielding loans in the relatively inefficient Canadian mortgage lending market to seek to generate returns that are superior to those typically generated by Canadian fixed income products. The Issuer is targeting an annualized yield to its Investors of approximately 8%, net of all fees and expenses of the Issuer.

2.4 Long Term Objectives

The long-term objectives of the Issuer are:

- acquiring and maintaining a diversified portfolio of Mortgage Assets, including commercial, residential, construction and other mortgage securities
- managing the Mortgage Assets that generate stable returns in order to permit the Issuer to pay annual distributions to its shareholders, and
- conducting any other business or activity incidental, ancillary or related thereto

2.5 Short Term Objectives

The short-term objectives of the Issuer are:

- to complete the Offering and to acquire a diversified portfolio of Mortgage Assets, including commercial, residential, construction and other mortgage securities that generate stable returns
- to meet all commitments to its investors and pay their returns when due
- to involve or associate with Mortgages on properties that can be acquired, developed and sold within a 12-month period (turnover)there about creating a higher degree of liquidity
- to safeguard the investment and mitigate risks by investing in properties that meet the 85% LTV requirement
- To meet all the requirements applicable to Mortgage Investment Corporation under the Section 130.1 of the Income Tax Act of Canada by latest January 31, 2018

Short Term Objectives and How the Issuer Intends to Achieve Them

The short-term objectives of the Issuer as described above are to complete the Offering and to acquire a diversified portfolio of Mortgage Assets, including commercial, residential, construction and other mortgage securities that generate stable returns in order to permit the Issuer to pay annual distributions to its shareholders and conducting any other business or activity incidental, ancillary or related thereto.



How the Issuer intends to meet its Objectives for the Next 12 Months

What the Issuer must do and how it will do it	Target completion date or months to complete	Cost to complete
Acquire a portfolio of Mortgage Assets and meet all the requirements under Section 230 of the Income Tax Act (Canada) to qualify as a Mortgage Investment Incorporated.	Effective March 1, 2017 continuously from then on.	\$100,000 ⁽¹⁾
Complete the Maximum Offering.	Since the Issuer will have an ongoing investment program, there is no target completion date for its maximum offering or any of its investment opportunities.	\$100,000 ⁽²⁾

Notes:

- (1) This is the estimated operating expenses assuming the Maximum Offering is completed. See "Item 2 - Business of the Issuer – Fees and Expenses – Operating Expenses".
- (2) This is the estimated offering costs as presented in Item 1 - "Use of Available Funds – Net Proceeds and Available Funds." The cost is primarily for legal (\$50,000) and initial accounting fees, printing and marketing costs (\$50,000).

2.6 Distribution Policy

The distribution strategy of a MIC is to ensure that all its earnings are distributed to its investors and shareholders in order to minimize or avoid all corporate taxes. The Corporation will distribute all of its earnings first to its investors and then to its shareholders. Kheiron Mortgage Investment Corporation recognizes fully this criterion and focuses on returning a projected annual income of 8% to its investors. The registered holders of the Preferred Shares are entitled to receive distributions of 8% annually, on a quarterly basis commencing in the second year of this Offering Memorandum.

The Issuer intends to make equal quarterly distributions in cash or additional preferred shares by way of interest to holders of Preferred Shares of record on the last business day of each Quarter. The distributions will be paid within fifteen (15) days following the end of each fiscal quarter.

The targeted rate of return is already described under the caption "Our Business". The Issuer as stated before is targeting an annualized yield to its investors of approximately 8%, net of all fees and expenses of the Issuer and based on the issue price of \$100 per 8% Non-Voting Preferred Shares. Further, the Issuer will use its best efforts to achieve the targeted yields set forth above; however, no assurance is given that the Issuer will achieve them. **See Item 8: "Risk Factors"**.

2.7 Insufficient Funds

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

2.8 Material Agreements

The following summarizes all material agreements and the material clauses therein, to which the Issuer is currently or proposed to be party to and any material agreements existing or proposed with a related party. Below are summaries of certain provisions of such agreements. The summaries are qualified in their entirety by reference to the actual agreements, and the Issuer encourages all Subscribers to review the agreements, which are available for review by any Shareholder or prospective Subscriber.



1. Working Capital Requirement: An amount of \$10,000 has been advanced to the Corporation by the Directors of the Issuer in order to maintain its working capital requirement. The lenders have agreed to provide additional funding as required up to a maximum of \$50,000. The Agreement states that the related party lender would not recall or request any repayment on the advance for the next 3 years. The amount up to \$50,000 carrying interest at 10% per annum and is recorded as a long-term debt in Item 4 of this Offering Memorandum. (See Schedule B attached).

2.9 Fees and Expenses

Initial Fees and Expenses

The expenses of the Offering, estimated to be \$50,000 (including the costs of creating and organizing the Issuer, the costs of printing and preparing this Offering Memorandum, legal expenses, marketing expenses, and certain other expenses incurred in connection with the Offering), will be paid from the gross proceeds of the Offering.

Operating Expenses

The Issuer projects its regular operating cost to generally not exceed \$50,000 per year. The operating expenses pertain to the day to day operation and management of the Issuer. In addition to the fees and expenses referenced elsewhere in this Offering Memorandum, it is expected that these expenses will include, without limitation:

- (a) financial reporting costs, and mailing and printing expenses for periodic reports to security holders and other security holder communications including marketing and advertising expenses;
- (b) any taxes payable by the Issuer;
- (c) costs and fees payable to any agent, legal counsel, investment counsel, investment advisor, actuary, valuator, technical consultant, accountant or auditor or other third party service provider;
- (d) ongoing regulatory filing fees, licence fees and other fees;
- (e) any expenses incurred in connection with any legal proceedings in which the Issuer participates or any other acts of the Issuer or any other agent of the Issuer in connection with the maintenance or protection of the property of the Issuer, including without limitation costs associated with the enforcement of mortgage loans;
- (f) any fees payable to, and expenses incurred by, independent directors;
- (g) consulting fees including website maintenance costs and expenses associated with the preparation of tax filings; and
- (h) other administrative expenses of the Issuer. In addition to the operating expenses, the Issuer will also be responsible for all taxes, commissions, brokerage commissions and other costs of securities transactions, Interest or debt service and costs relating to any credit facilities and any other expenses which it may incur or which may be incurred on its behalf from time to time, as applicable.

Certain other fees associated with mortgage loans are generally paid by the borrowers thereunder. For instance, (i) the mortgage broker through which the Issuer invests its assets in mortgage loans is compensated for its services by brokerage fees paid by the mortgage loan borrower, and (ii) the mortgage servicing agents are compensated for their services out of amounts paid by the mortgage loan borrowers in connection with the loans in which the Issuer invests. Moreover, the costs of initially establishing a mortgage loan (e.g., legal expenses, administrative fees, etc.) are generally paid by the mortgage loan borrower.



2.10 Auditors

The Auditors of the Issuer for the purposes of reporting on the First Statement of Financial Position dated February 28, 2017 at the inception of the Corporation is the firm of Clearly Accounting - Certified Professional Accountants. The said financial statements have been approved by management and included in this Offering Memorandum.

The auditors are also engaged to perform the audit of the financial statements for the first fiscal year ended February 3, 2018. The auditing firm is fully qualified Professional Accounting Firm whose activities are monitored and subject to review by the Canadian Accounting Practice Board. The auditors also reported that the firm compliance with all the requirements to operate as a Mortgage Investment Corporation under the terms of Section 130 of the Income Tax Act.

ITEM 3 – DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 Compensation and Securities Held

The following table sets out information about each of the directors and officers of the Issuer and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of the Issuer's voting securities:

Name and municipality of principal residence	Positions held	Compensation paid by the Issuer in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the Issuer to be held after completion of the Minimum Offering	Number, type and percentage of securities of the Issuer to be held after completion of the Maximum Offering
Louie Wu Vancouver, BC	Director, Chief Executive Officer	\$0.00	25 Class A Voting Common Shares	25 Class A Voting Common Shares
Raj Krishna Richmond, BC	Director, President	\$0.00	25 Class A Voting Common Shares	25 Class A Voting Common Shares
Thao Nguyen Vancouver, BC	Shareholder	\$0.00	25 Class A Voting Common Shares	25 Class A Voting Common Shares
Ashwin Krishna Edmonton, AB	Shareholder	\$0.00	25 Class A Voting Common Shares	25 Class A Voting Common Shares

3.2 Management Business Background and Experience

The directors, officers and principals of the Issuer will provide the Issuer with depth of experience, an established reputation and a developed network of long-term relationships in the residential and commercial real estate and mortgage lending community, and in the capital markets and asset management sectors in Western Canada.

The Issuer will benefit from the real estate, asset and investment management experience of the directors, officers and principals of the Issuer. The directors, officers and principals of the Issuer have cumulative experience of over 15 years in real estate, asset and investment management sectors, including originating, underwriting, and syndicating mortgage loans. They are well known in the private real estate market across Western Canada and are associated with



an extensive network of mortgage brokers and other securities individuals and firms, including some of Canada's largest real estate operators.

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

Name	Principal occupations and related experience
<p>Louie Wu</p> <p><i>Director, Chief Executive Officer</i></p>	<p>Louie is responsible for overseeing the day-to-day operations of the firm, building both new and existing business, capitalizing on strategic opportunities and developing and implementing Kheiron's overall strategy. Louie is also responsible for sourcing, underwriting and negotiating new mortgage transactions. Louie brings extensive experience in real estate investment, business development and client relationship management. Prior to starting his own businesses, Louie worked with an international real estate investment and development company as an Account Manager, where he was responsible for deepening relationships with existing and prospective investors as well as developing new direct business channels and referral business partners. During this time, Louie raised over \$900,000 USD in various real estate syndications between Canada and US. Louie holds a Bachelors of Commerce degree in Accounting from the University of British Columbia.</p>
<p>Raj Krishna</p> <p><i>Director, President</i></p>	<p>Raj is responsible for ensuring Kheiron's strong portfolio quality by leading the setting of capital deployment, investment criteria and exposure limits pursuant to established risk appetite parameters. Raj has a strong background in sales and an unmatched ability to raise capital. Through Raj's experience and background in leadership roles he has not only developed a strong capacity to lead but he has also developed strong relationships with many prominent individuals. He has teamed up with other advisors and attorneys to help his clients make the best possible decisions on their investments. Raj brings with him an immense database and unrivalled leadership skills. Raj has been a part of various real estate projects throughout Western Canada. He has over 15 years of experience in Real Estate through personal and business practice. Raj was the Business Development Manager for Everest Development in Edmonton, Alberta. Raj took the enterprise over to Vancouver, leading his team towards great success. He held many responsibilities which included creating multi-lot programs, raising capital, and motivating his sales team. His true desire is working with clients one on one to get them exactly what they are searching for.</p>

Name	Principal occupations and related experience
<p>Thao Nguyen</p> <p><i>Founding Shareholder</i></p>	<p>Thao Nguyen is a well-rounded business professional with a Bachelor of Business Administration Honors degree in Management Information Systems and Marketing from Simon Fraser University, as well as a certificate in Business Technology Management (BTM). She has also studied marketing at Bocconi University in Milan, Italy - one of the leading business and management educational institutions in Europe and worldwide.</p> <p>Thao's primary specialty lies within management information systems, particularly in roles of identifying stakeholder needs and building strong business relationships. She has 2 years of experience working in IT at a mid-sized investment firm, an additional 2 years of experience designing in-house business systems at a large educational institution, and currently works within the Risk Advisory practice at a multinational professional services firm. Her role includes providing IT and internal controls auditing and consulting services to a diverse clientele. The industries that her clients operate in include but are not limited to: financial services, technology, power & utilities, automotive & transportation, and the government and public sector. Thao's well-rounded background in business, risk, and compliance is an asset for any corporation.</p>
<p>Ashwin Krishna</p> <p><i>Founding Shareholder</i></p>	<p>Ashwin Krishna is a founding shareholder of the Issuer. Mr. Krishna has over 12 years' experience in the field of real estate in Canada. His experience and responsibilities have included evaluating, negotiating and closing proposed real estate transactions under consideration for investment; as well as hands-on familiarity in undivided interest and lot programs for current and past companies, for which he was employed. For the past 10 years, he has contributed to Edmonton's real estate growth and his own personal success by managing executive sales teams and directing teams of agents to carry out sales on various real estate programs. Mr. Krishna has been responsible for structuring equity investment opportunities for multifamily properties, MICs, limited partnerships and residential real estate throughout Alberta. He is also responsible for maintaining current relationships and managing the process of creating new relationships with investment sales firms, developers, clients and construction and engineering firms. He also participates in development and real estate consultation, conflict negotiation, agent and team management and recruiting, client sourcing, sales training including guidance, motivation and sales related advice and assistance, client questions, concerns and opposition, questions and concerns in regards to transaction closing as well as hosting presentations and presentation training for real estate products. From 2006 to December, 2009 Mr. Krishna served as the Senior Vice President of Sales for a prominent Alberta development and investment company; and was a key player in raising capital for a successful Mortgage Investment Corporation.</p>

3.3 Penalties, Sanctions and Bankruptcy

None of the directors or officers of the Issuer have had any penalty or sanction in effect against them during the last 10 years and none of the directors or officers of the Issuer have had any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or



compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, that has been in effect during the last 10 years.

3.4 Loans

Except for the Subordinated Loans (\$20,000) from the two directors of the Company the issuer has no other loans or commitments.

ITEM 4 – CAPITAL STRUCTURE

4.1 Share Capital

The following table sets out the capital structure of the Issuer as at the dates indicated:

Description of Security	Number of Authorized to be Issued	Number Outstanding as at February 28, 2017	Number Outstanding After Minimum Offering	Number Outstanding After Maximum Offering
Class A Voting Common Shares	Unlimited	100	100	100
Class B Non-Voting Common Shares	Unlimited	0	0	0
8% Preferred Non-Voting Shares	200,000	0	0	0

4.2 Long Term Debt

The Issuer will restrict its long-term debt to its Investors through the issuance of 8% Non-Voting Preferred Shares. Further the issuer may borrow from its founding shareholders as may be necessitated from time to time to meet the needs of its operations. No other debts will be incurred by the Issuer.

As at the date of this Offering Memorandum, February 28, 2017 Corporation debt arose principally from an advance from its founding shareholders who are directors of the Issuer.

As at February 28, 2017, the debt position of the Corporation is as follows:

Description of long term debt	Interest rate	Repayment terms	Amount outstanding
Subordinated Long Term debt	10% per annum	Repayment on or before February 28, 2020	\$10,000 See Schedule B

The Preferred Shares to be issued under this Offering Memorandum have the following characteristics which qualify them to be accounted for as Long Term Debt:

- shares are issued with an initial term of three years from the date of subscription



- investors have an option to renew on terms to be agreed with the Issuer
- further the investors have the right to early redemption subject to applicable penalties
- payments to Investors are deemed to be interest under the Income Tax Act

4.3 Prior Sales

The Corporation has no sales as at the date of the Offering Memorandum dated February 28, 2017.

ITEM 5 – DESCRIPTION OF SECURITIES OFFERED

5.1 Terms of Securities

The Issuer is authorized to issue 200,000 shares of 8% Non-Voting Preferred Shares. A summary of the terms and conditions of which, as they will exist upon closing of the Offering, is set forth below. Before giving effect to the Offering, there are issued and outstanding 100 Class A Voting Common Shares for total proceeds of \$400.00.

Shareholders	No. Of Shares
Louie Wu	25 Common Voting Class A Shares
Raj Krishna	25 Common Voting Class A Shares
Thao Nguyen	25 Common Voting Class A Shares
Ashwin Krishna	25 Common Voting Class A Shares

The Principal Shareholders, as holder of all of the issued and outstanding Voting Shares, will have the power to vote on all matters to be considered by the holders of Voting Shares.

8% Non-Voting Preferred Shares will be issued under the Offering and other offerings that may be completed in the future.

5.1 (a) Class A Voting Common Shares

The holders of Voting Shares have deferred their entitlements to dividends for the sole benefit of the Preferred Shareholders and have agreed not to receive any dividends in the first three fiscal years. The holders of the Voting Shares will be entitled to one vote per share. The Voting Shares are redeemable and retractable at a price of \$100.00 per share. The Voting Shares rank subsequent to the 8% Non-Voting Preferred Shares with respect to distributions on the dissolution, liquidation or winding-up of the Issuer.

5.1 (b) Class B Non-Voting Common Shares

Presently no Class B Non-Voting Common Shares have been issued or are outstanding and no issuances are contemplated.

The board of directors of the Issuer may issue the Class B Non-Voting Common Shares at any time and from time to time in one or more series. Before the first shares of a particular series are issued, the board of directors of the Issuer shall fix the number of shares in such series and shall determine, subject to the limitations set out in the Articles, the designation, rights, privileges, restrictions and conditions to be attached to the shares of such series including, without limitation, the rate or rates, amount or method or methods of calculation of dividends thereon, the time and place of payment of dividends, whether cumulative or non-cumulative or partially cumulative and whether such rate, amount



or method of calculation shall be subject to change or adjustment in the future, the currency or currencies of payment of dividends, the consideration and the terms and conditions of any purchase for cancellation, retraction or redemption rights (if any), the conversion or exchange rights attached thereto (if any), the voting rights attached thereto (if any), and the terms and conditions of any share purchase plan or sinking fund with respect thereto.

Subject to the particular rights that the board of directors of the Issuer fix for any particular series of Class B Non-Voting Common Shares, the Class B Non-Voting Common Shares shall be entitled to priority over Class A Voting Common Shares of the Corporation and over any other shares of the Corporation ranking junior to the Class B Non-Voting Common Shares with respect to priority in the payment of dividends and the distribution of assets in the event of the 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 its affairs.

5.1 (c) 8% Non-Voting Preferred Shares

General Rights and Privileges

The 8% Non-Voting Preferred Shares is entitled to receive dividends as and when declared by the board of directors of the Issuer. Basically, all the Net Profits as reported on the audited financial statements are required to be distributed to the Preferred Shareholders. The Corporation however aims to pay a targeted return of 8 % annually. The amount declared and paid is a flow through of the Corporation's earnings and are taxed in the hands of the Preferred Shareholders as Interest Income. The holders of 8% Non-Voting Preferred Shares are not entitled to vote at meetings of the shareholders of the Issuer, other than as required by law or as set forth under "Shareholder Matters — Matters Requiring Shareholder Approval".

The 8% Non-Voting Preferred Shares rank equally with each other and in priority to the Voting Shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation or winding up of the Issuer. Upon the dissolution, liquidation or winding up of the Issuer, after satisfaction of all liabilities of the Issuer (or the establishment of reserves or other provision therefore) holders of 8% Non-Voting Preferred Shares will be entitled to receive an amount, in cash or property, equal to the Redemption Amount per Class A Share plus the amount of any declared but unpaid distributions payable on or before the liquidation, dissolution or winding-up in respect of the 8% Non-Voting Preferred Shares. See "Redemption Amount per Class A Share".

5.1 (d) Purchase for Cancellation

Subject to applicable law, the Issuer may at any time or times purchase 8% Non-Voting Preferred Shares for cancellation at a price per share not exceeding the Redemption Amount per Class A Share plus the amount of any declared but unpaid distributions payable on or before the purchase in respect of the Class A Shares to be purchased as of the business day immediately prior to such purchase.

5.1 (e) Redemption by the Issuer

The 8% Non-Voting Preferred Shares is redeemable upon payment of the Redemption Amount per Class A Voting Common Share. Any declared but unpaid distributions payable on or before the redemption date in respect of such Class A Voting Shares to be redeemed shall also be paid on or before the applicable redemption payment date.

5.1 (f) Retraction - Annual Redemptions

Subject to the restrictions set forth under "Description of Securities Offered — Certain Provisions of the Shares — Redemption Privileges — Limitation and Suspension of Redemptions" below, 8% Non-Voting Preferred Shares may be redeemed on the last business day in October of each year (each, an "**Annual Redemption Date**") at a redemption price per 8% Non-Voting Preferred Shares equal to the Redemption Amount per Class A Share. See "Redemption Amount per Class A Share". 8% Non-Voting Preferred Shares must be surrendered for annual redemption to the Issuer or the Issuer's registrar and transfer agent (if any) by no later than 4:00 p.m. (Vancouver time) on January 31st of such year or the immediately preceding business day, in the event that October 1st is not a business day. Payment of the proceeds of redemption will be made on or before the last business day of the month following the redemption date.



5.1 (g) Limitation and Suspension of Redemptions

A preferred shareholder must provide 4-months' advance written notice to the Corporation (this may be waived subject to board approval), requesting that the whole or any part of their redeemable shares be redeemed.

If shares are redeemed after the third anniversary of the date of issuance, there is no administrative charge. As a condition of redemption, Kheiron Mortgage Investment Corporation will collect the following amounts as administrative charge:

- (i) 10% of the redemption amount where the Preferred Share is redeemed after the issuance of the shares but before the start of the second anniversary of such issuance;
- (ii) 8% of the redemption amount where the Preferred Share is redeemed after the first anniversary date of its issuance but before the start of the third anniversary date of its issuance;
- (iii) 5% of the redemption amount where the Preferred Share is redeemed after the second anniversary date of its issuance but before the start of the Third anniversary date of its issuance;
- (iv) Nil, where the Preferred Share is redeemed after the start of the fourth anniversary of the date of its issuance.

****Please note that during the first 12 months after date of subscription, shares are non-redeemable****

The Issuer shall not accept for redemption in the same calendar year 8% Non-Voting Preferred Shares representing more than 15% of the average number of 8% Non-Voting Preferred Shares outstanding for the 180-day period immediately preceding the Annual Redemption Date. In the event that the number of 8% Non-Voting Preferred Shares tendered for redemption in respect of an Annual Redemption Date, as applicable, exceeds the limits set forth above, the Issuer shall redeem such 8% Non-Voting Preferred Shares tendered for redemption on a pro rata basis.

Notwithstanding the foregoing limitations on redemption, the directors of the Issuer may, in their sole discretion, waive the limitation in respect of all 8% Non-Voting Preferred Shares tendered in respect of any one or more Annual Redemption Dates, as applicable.

If the redemption by the Issuer of all 8% Non-Voting Preferred Shares surrendered for redemption in any period would be contrary to applicable law, the Issuer will redeem only the maximum number of 8% Non-Voting Preferred Shares (rounded to the next lower multiple of 1,000 Shares) which it is then permitted to redeem selected on a pro rata basis from each holder of 8% Non-Voting Preferred Shares surrendered for redemption according to the number of 8% Non-Voting Preferred Shares surrendered for redemption by each such holder.

In addition, for any period not exceeding 120 days during which the Issuer determines that conditions exist which render impractical the sale of Mortgage Assets comprising the Portfolio or which impair the ability of the Issuer to determine the value of the assets of the Issuer or the Portfolio, the Issuer may suspend redemptions of 8% Non-Voting Preferred Shares. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All holders of 8% Non-Voting Preferred Shares making such requests shall be advised by the Issuer of the suspension and that the redemption will be affected at a price determined on the first Annual Redemption Date, as applicable, following the termination of the suspension. All such holders of 8% Non-Voting Preferred Shares shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with the rules and regulations promulgated by any governmental body having jurisdiction over the Issuer, any declaration of suspension made by the Issuer shall be conclusive.



5.1 (h) Calculation of Redemption Amount

The redemption amount per 8% Non-Voting Preferred Shares ("**Redemption Amount per Class A Share**") is the amount of consideration received for the applicable 8% Non-Voting Preferred Shares as determined by the directors of the Issuer at the time of issuance, and adjusted by the directors of the Issuer at any time or times so as to ensure that the redemption amount of any such 8% Non-Voting Preferred Shares issued as partial or total consideration for the purchase by the Issuer of any assets or the conversion or exchange of any shares (the "**Purchased Assets**") shall equal the difference between the fair market value of the Purchased Assets as at the date of purchase, conversion or exchange, and the aggregate value of any non-share consideration issued by the Corporation as partial or total consideration for the Purchased Assets. Should any competent taxing authority at any time issue or propose to issue any assessment or assessments that impose or would impose any liability for tax on the basis that the fair market value of the Purchased Assets is other than the amount approved by the directors of the Corporation, and if the directors of the Corporation or a competent court or tribunal agree with such revaluation and all commercially reasonable appeal rights have been exhausted, or all times for appeal have expired without appeals having been taken, or should the directors of the Corporation otherwise determine that the fair market value of the Purchased Assets is other than the amount previously approved by the directors of the Corporation, then the redemption amount of the relevant Class A Shares shall be adjusted (as of the original time of issuance) pursuant to the provisions of this definition to reflect the agreed upon fair market value, and all necessary adjustments, payments and repayments as may be required shall forthwith be made between the applicable parties.

For additional details concerning the redemption of Shares, see "Risk Factors – Significant Redemptions of Shares".

Amendments

Amendments to the terms of the 8% Non-Voting Preferred Shares must be approved by the holders of 8% Non-Voting Preferred Shares in accordance with applicable laws and as set forth under "Shareholder Matters — Matters Requiring Shareholder Approval".

Meetings of 8% Non-Voting Preferred Shareholders

Except as required by law or set out below, Shareholders will not be entitled to receive notice of, to attend or to vote at any meeting of shareholders of the Issuer.

Matters Requiring 8% Non-Voting Preferred Shareholders Approval

Unless otherwise required by law, the following acts require the approval of holders of 8% Non-Voting Preferred Shares at a meeting called and held for such purpose. Each 8% Non-Voting Preferred Shares will have one vote at such a meeting. Items (a) through (d) require approval by resolution passed by at least 66 ²/₃% of the votes cast by holders of 8% Non-Voting Preferred Shares voting thereon (an "**Extraordinary Resolution**") voting as a single class. Items (e) through (g) require approval by resolution passed by at least a simple majority of votes cast by the holders of 8% Non-Voting Preferred Shares voting thereon (an "**Ordinary Resolution**"), unless a greater majority is required by law.

- (a) a change to the fundamental investment objective or investment restrictions of the Issuer, unless such changes are necessary to maintain the Issuer's status as a MIC or otherwise to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (b) the sale of all or substantially all of the assets of the Issuer other than in the ordinary course of its activities and other than in connection with the termination of the Issuer;
- (c) any amendment, modification or variation in the provisions or rights attaching to the 8% Non-Voting Preferred Shares, Class B Non-Voting Common Shares (other than the creation of one or more series in accordance with their present terms) or Voting Shares;



- (d) any termination of the Issuer;
- (e) a reorganization with, or transfer of assets to, another entity, if (i) the Issuer ceases to continue after the reorganization or transfer of assets; and (ii) the transaction results in Shareholders becoming security holders in the other entity;
- (f) a reorganization with, or acquisition of assets of, another entity, if (i) the Issuer continues after the reorganization or acquisition of assets; and (ii) the transaction results in the security holders of the other entity holding a majority of the outstanding securities of the Issuer; or
- (g) any offering of Class A Shares at a price per Share the net proceeds of which are less than 97.5% of any Redemption Amount per Class A Share less the amount of any adjustment made to account for the amortization of the costs associated with the establishment, structuring and periodic offering of securities of the Fund, as at the date prior to the date of pricing of such offering.

In addition, any change to any of the foregoing matters requiring shareholder approval shall require the same approval required to approve such matter.

At a meeting of shareholders of the Issuer, a quorum will constitute 10% of the outstanding Shares (or in respect of a class vote, 10% of the outstanding Shares of that class), represented in person or by proxy at a meeting. If no quorum is present at such meeting within 30 minutes of the time called for such meeting, if called on the requisition of a Shareholder the meeting will be terminated and otherwise will be adjourned to be held on the day that is 14 days after the so adjourned meeting, at the same time and place; provided that if such day is not a business day, the meeting shall be held on the next business day. At the adjourned meeting the Shareholders then present in person or represented by proxy will form the necessary quorum.

Reporting to Shareholders

The Issuer will make available to Shareholders such financial statements and other continuous disclosure documents as are required by applicable law, including audited annual financial statements. The Issuer shall make available to each Shareholder annually, within the time periods prescribed by law, information necessary to enable such Shareholder to complete an income tax return with respect to the amounts payable by the Issuer.

Restrictions on Ownership

No shareholder of the Issuer is permitted, together with Related Persons, at any time to hold more than 25% of any class of the issued shares of the Issuer.

In the event that (i) the exercise by any Shareholder of a monthly or annual redemption right associated with 8% Non-Voting Preferred Shares or Class B Non-Voting Common Shares, or (ii) as determined by the board of directors of the Issuer in its sole discretion, any other transaction affecting the Shares (each a "**Triggering Transaction**"), if completed, would cause any Shareholder(s) (each an "**Automatic Repurchase Shareholder**"), together with Related Persons, to hold more than 25% of any class of the issued Shares of the Issuer, that portion of the Shares held by each Automatic Repurchase Shareholder which constitutes in excess of 24.9% of the issued shares of any class of Shares (the "**Repurchased Shares**") will, simultaneously with the completion of a Triggering Transaction, automatically be repurchased and cancelled by the Issuer (an "**Automatic Repurchase**") without any further action by the Issuer or the Automatic Repurchase Shareholder. The purchase price for any Repurchased Shares will be equal to the applicable redemption price per Share on the date of the Triggering Transaction, including without limitation the Redemption Amount per Class A Share in the case of any applicable Class A Shares. The proceeds of any Automatic Repurchase will be remitted to each applicable Automatic Repurchase Shareholder in accordance with the customary practice of the Issuer in connection with annual redemptions, *mutatis mutandis*.

Termination of the Issuer

The Issuer does not have a fixed termination date but may be terminated at any time with the approval of Shareholders



of each class by an Extraordinary Resolution passed at a duly convened meeting of Shareholders called for the purpose of considering such Extraordinary Resolution. Upon termination of the Issuer, the net assets of the Issuer will be distributed to the shareholders. Prior to the date fixed for the termination of the Issuer (the "**Issuer End Date**"), the Issuer will, to the extent practicable, convert the assets of the Issuer to cash. The Issuer may, in its discretion and upon not less than 30 days prior written notice to Shareholders by press release, extend the Issuer End Date by a maximum of 180 days if the Issuer would be unable to convert all the Issuer's assets to cash and the Issuer determines that it would be in the best interests of the Shareholders to do so. The Issuer will be dissolved following the distribution of its net assets to the shareholders.

5.2 Subscription Procedures

Subscription Documents

Subscribers wishing to subscribe for Shares will be required to enter into a Subscription Agreement with the Issuer, in the form of Schedule A to this Offering Memorandum, which contains, among other things, representations, warranties and covenants by the Subscriber that it is duly authorized to purchase the Shares, that it is purchasing the Shares as principal and for investment purposes only and not with a view to resale and as to its corporate or other status to purchase the Shares, and an acknowledgement that the Issuer is relying on an exemption from the requirements to provide the Subscriber with a prospectus and to sell the Shares through a person or company registered to sell securities under applicable securities laws, and, as a consequence of acquiring the Shares pursuant to this exemption, certain protections, rights and remedies, provided by applicable securities laws, including statutory rights of rescission or damages, will not be available to the Subscriber.

Reference is made to the Subscription Agreement attached as Schedule A to this Offering Memorandum for the express terms of the foregoing and other representations, warranties, acknowledgements, and covenants that the Subscriber will be required to give.

In order to subscribe for Shares, a purchaser must complete, execute and deliver the following documentation to the Issuer, Kheiron Mortgage Investment Corporation located at:

4360 Smith Crescent
Richmond, British Columbia V6V 1S7

Louie Wu – Chief Executive Officer
Phone: 778-668-9238
Email: louie@kheiron.ca

Raj Krishna – President
Phone: 778-840-6462
Email: raj@kheiron.ca

1. One (1) completed and signed copy of the Subscription Agreement (including all applicable schedules attached thereto);
2. A wire transfer, electronic funds transfer, certified cheque, bank draft in an amount equal to the Aggregate Subscription Amount (as set forth in the Subscription Agreement), and payable to "Kheiron Mortgage Investment Corporation"
3. Completed and executed copies of the appropriate investor qualification form(s). The appropriate form(s) to be completed depend on your place of residence and on the amount of your investment:
 - (i) if you are resident in British Columbia, Alberta, Saskatchewan, Manitoba or Ontario you must submit two (2) completed and signed copies of the applicable Risk Acknowledgment Forms attached to the Subscription Agreement as Schedule A;



- (ii) if you are resident in Alberta, Saskatchewan or Manitoba and your investment is more than \$10,000, one (1) completed and signed copy of the Certificate of Eligible Investor attached to the Subscription Agreement as Schedule A; and
- (iii) if you are resident in Ontario, one (1) completed and signed copy of the Certificate of Eligible Investor attached to the Subscription Agreement as Schedule A, specifically confirming that you are an accredited investor.

Subject to applicable securities laws and the Subscriber's two-day cancellation right (**See "Item 11 – Purchaser's Rights"**), a subscription for Shares, evidenced by a duly completed and executed Subscription Agreement delivered to the Issuer, shall be irrevocable by the Subscriber.

Subscriptions for Shares will be received, subject to rejection and allotment, in whole or in part, and subject to the right of the Issuer to close the subscription books at any time, without notice. If a subscription for Shares is not accepted, all subscription proceeds associated with that subscription will be promptly returned to the Subscriber without interest.

Closings will take place periodically at the Issuer's discretion with the final closing occurring upon the Issuer reaching the Maximum Offering. It is expected that certificates representing the Shares will be available for delivery within a reasonable period of time after the relevant closing date(s).

The subscription funds will be held by the Issuer (and not cashed or deposited) until midnight of the second business day subsequent to the date that each Subscription Agreement is signed by you.

Distribution

The Offering is being conducted in the Provinces of British Columbia, Alberta, Saskatchewan and Manitoba pursuant to the exemptions from the prospectus requirements afforded by Item 2.9 (Offering Memorandum) of National Instrument 45-106, Prospectus and Registration Exemptions, of the Canadian Securities Administrators ("**NI-45-106**").

In addition, the Issuer anticipates that it may conduct additional distributions in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario pursuant to the exemptions from the prospectus requirements afforded by Item 2.3 (Accredited Investor) of NI-45-106.

The exemption pursuant to Item 2.9 of NI-45-106 is available for distributions to investors in British Columbia, Alberta, Saskatchewan and Manitoba purchasing as principals, who receive this Offering Memorandum at the same time or prior to signing the Subscription Agreement and who sign a Risk Acknowledgment Form attached to the Subscription Agreement as Schedule B. In addition, Alberta and Saskatchewan investors relying on the exemption set out in Section 2.9 of NI-45-106 and that purchase Shares with an acquisition cost of more than \$10,000 must also sign the Certificate of Eligible Investor attached to the Subscription Agreement as Schedule A.

The foregoing exemptions relieve the Issuer from the provisions of the applicable securities laws of each of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario which otherwise would require the Issuer to file a prospectus with, and obtain a receipt for such prospectus from the securities regulatory authorities in those Provinces. Accordingly, prospective investors for Shares will not receive the benefits associated with a subscription for securities issued pursuant to a filed prospectus, including the review of such a prospectus and other material by securities regulatory authorities.

The above described prospectus exemptions presently have parallel dealer registration requirements contained in the applicable securities laws of each of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, presently allowing the Issuer to offer the Shares for sale directly to the investors.

On September 28, 2009, the Canadian Securities Administrators ("**CSA**") implemented a new national instrument relating to registration requirements and exemptions there from, which was made effective by the various Provincial



and Territorial securities regulators in Canada as National Instrument 31-103 – Registration Requirements and Exemptions ("NI-31-103").

ITEM 6 – INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY

This summary only applies to an investor who, for the purposes of the Tax Act, is a resident of Canada, will hold the 8% Non-Voting Preferred Shares as capital property and deals at arm's length and is not affiliated with the Issuer. The 8% Non-Voting Preferred Shares will generally be considered to constitute capital property to an investor unless the investor either holds such securities in the course of carrying on a business of trading or dealing in securities or has acquired such securities in a transaction or transactions considered to be an adventure in the nature of trade, and this summary is based on the assumption that neither of these circumstances apply. Certain investors who are resident in Canada and whose 8% Non-Voting Preferred Shares do not otherwise qualify as capital property may in certain circumstances make an irrevocable election to have their 8% Non-Voting Preferred Shares and every other "Canadian security" (as defined in the Tax Act) owned by such investor deemed to be capital property.

This summary is based upon the further assumption that the Issuer qualifies as a MIC at all relevant times. The Issuer intends to meet all of the requirements under the Tax Act to qualify as a MIC throughout its current taxation year and for all of its future taxation years. If the Issuer were to cease to qualify as a MIC at any time, the income tax considerations would be materially different from those described below.

This summary does not apply to an investor (i) that is a "specified financial institution" or a "financial institution" both as defined in the Tax Act; (ii) an interest in which constitutes a "tax shelter investment" within the meaning of the Tax Act; or (iii) to whom the "functional currency" reporting rules in section 261 of the Tax Act apply.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire 8% Non-Voting Preferred Shares. It is not intended to constitute tax advice to any prospective investor or to be a substitute for careful individual tax planning, particularly since certain of the income tax consequences will not be the same for all investors. This summary does not address provincial or foreign income tax considerations and, except as otherwise noted, does not take into account or anticipate any changes in law whether by way of legislative, governmental or judicial action or any changes in the administrative practices of the CRA. Investors are urged to consult their own income tax advisers with respect to their particular circumstances.

6.1 Status of the Issuer

Classification under the Tax Act

As noted above, this summary assumes that the Issuer is a MIC. A MIC is deemed to be a public Corporation under the Tax Act. However, the Tax Act effectively treats a Corporation that qualifies as a MIC as operating 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. The practice is to ensure that all the conditions of a MIC are met at the end of the first fiscal year.

6.2 MIC Requirements and the Income Tax Act

The following requirements must have been met throughout a taxation year in order for the Issuer to qualify as a MIC for that taxation year. The practice has been to have all conditions in place at the end of the first fiscal year.

1. **Canadian Corporation.** The Issuer must have been a Canadian Corporation for the purposes of the Tax Act, which generally means a Corporation incorporated and resident in Canada;
2. **Undertaking.** The Issuer's only undertaking was the investing of funds of the Corporation. The Issuer cannot have managed or developed any real property;
3. **Prohibited Foreign Investment.** None of the property of the Issuer consisted of debts owing to the Issuer secured by real property situated outside Canada, debts owing to the Issuer by non-resident persons unless such debts were secured on real property situated in Canada, shares of the capital stock of the Corporation not resident in Canada, or real property situated outside of Canada or any leasehold interest in such property;
4. **Shareholder Requirements.** The Issuer had at least 20 shareholders (in its first taxation year the Issuer must have at least 20 shareholders on the last day of that year). In addition, no shareholder (together with Related Persons, see below) of the Issuer at any time in the year owned, directly or indirectly, more than 25% of the shares of any class of the Issuer. Special rules apply for the purposes of counting shareholders that are registered pension plans or deferred profit sharing plans;
5. **Preferred Shareholders.** Holders of preferred shares (if any) of the Issuer had the right, after payment to them of their preferred dividends and payment of dividends in a like amount per share to the holders of the common shares, to participate *pari passu* (equally) with the holders of the common shares in any further payment of dividends;
6. **50% Asset Test.** The cost amount for tax purposes to the Issuer of its property in the form of or as a combination of money, debts secured on certain specified residential properties, and funds on deposit with a Canada Deposit Insurance Issuer-insured institution or credit union (such debts and deposits referred to as "Required Property") constituted at least 50% of the cost amount to the Issuer of all of its property;
7. **25% Asset Test.** The cost amount for tax purposes to the Issuer of its property in the form of interests in real property (including leaseholds but excepting real property acquired by foreclosure after default by the mortgagor) did not exceed 25% of the cost amount to the Issuer of all of its property; and
8. **Debt to Equity Ratio.** Where at any time in the year the cost amount to the Issuer of its money and Required Property represented less than two-thirds of the aggregate cost amount to the Issuer of all of its property, the Issuer must maintain an asset (at cost amount) to liability ratio of at least 1:3. Where, however, throughout the year the cost amount to the Issuer of its money and Required Property represented two-thirds or more of the aggregate cost amount to the Issuer of all of its property, the Issuer must maintain an asset to liability ratio of at least 1:5.

With respect to the requirement noted above that no shareholder (together with Related Persons) may own more than 25% of the shares of any class of the Issuer, for these purposes "Related Persons" include a Corporation and the person or persons that control the Corporation, a parent Corporation and its subsidiary Corporation(s) and Corporations that are part of the same corporate group, and an individual and that individual's spouse, common-law partner or child under 18 years of age. The rules in the Tax Act defining "related persons" are complex and holders should consult with their own tax advisors in this regard.

For the purposes of the 50% asset test noted above, the requirement is that the Issuer's investments must comprise the specified minimum amount of debts that are secured by mortgages, hypothecs or in any other manner, on "houses" or on property included within a "housing project", as those terms are defined in the National Housing Act (Canada).



Generally, a "house" includes all or part of a building or moveable structure that is intended for human habitation containing not more than two family housing units, and "housing project" includes all or part of a building or movable structure intended for human habitation, any property intended to be converted or developed to provide housing accommodation, or property associated with housing accommodation such as parking, public and recreational facilities.

6.3 Eligibility for Investment

Not all securities are eligible for investment in a registered retirement savings plan ("**RRSP**"). You should consult your own professional advisers to obtain advice on the RRSP eligibility of these securities.

If issued on the date hereof, the 8% Non-Voting Preferred Shares would be qualified investments under the Tax Act for trusts governed by RRSPs, DPSPs, RRIFs, RDSPs, RESPs and TFSAs ("**Plans**"), provided that the Issuer qualifies as a MIC throughout a taxation year and further provided that at any time in the year, the Issuer does not hold 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 Plan, or of any other person who does not deal at arm's length with that person. Moreover, a holder of a TFSA which holds 8% Non-Voting Preferred Shares will be subject to a penalty tax if the holder does not deal at arm's length with the Issuer for purposes of the Tax Act or if the holder has a significant interest within the meaning of the Tax Act, in the Issuer or in a Corporation, partnership or trust with which the Issuer does not deal at arm's length for the purposes of the Tax Act. Holders are advised to consult their own advisors in this regard.

6.4 Taxation of the Issuer

As a public Corporation, the Issuer is subject to tax at the full general corporate income tax rates on its taxable income. However, as long as the Issuer is a MIC, special rules in the Tax Act apply to the Issuer which generally enable it to deduct in computing its income for a taxation year the amount of its income for that taxation year that is distributed to its shareholders. Specifically, the Issuer will be entitled to deduct, in computing its income for a taxation year, the total of:

- (a) all taxable dividends, other than capital gains dividends, paid by the Issuer to its shareholders during the year (to the extent not deductible in computing the Issuer's income for the previous year) or within 90 days after the end of the year; and
- (b) one-half of all capital gains dividends paid by the Issuer to its shareholders during the period commencing 91 days after the commencement of the year and ending 90 days after the end of the year.

The Issuer must elect to have a dividend qualify as a capital gains dividend. The Issuer may elect that dividends paid during a 12-month period commencing 91 days after the commencement of a taxation year and ending 90 days after the end of the year be capital gains dividends to the extent of the Issuer's capital gains for the year less any applicable capital losses. The election must be made in respect of the full amount of a dividend and can only be made if the Issuer qualifies as a MIC throughout the taxation year in respect of which the dividend is paid. The payment of capital gains dividends will allow the Issuer to flow capital gains it realizes through to its shareholders.

The Issuer has advised counsel that the Issuer intends to make distributions to the extent necessary to reduce its taxable income each year to nil so that it has no tax payable under Part I of the Tax Act and to elect to have dividends be capital gains dividends to the maximum extent allowable.

6.5 Taxation of Shareholders

8% Non-Voting Preferred Shares

Holders of 8% Non-Voting Preferred Shares shall receive distributions from the Issuer in respect of their 8% Non-Voting Preferred Shares. As described in more detail below, distributions may be in the form of ordinary dividends



but the recipient has to report these distributions as Interest Income. Holders of 8% Non-Voting Preferred Shares may also realize a capital gain (or loss) upon a disposition of their 8% Non-Voting Preferred Shares.

Taxation of Distributions

The Issuer may also pay ordinary dividends (i.e., dividends other than capital gains dividends) on the 8% Non-Voting Preferred Shares. Ordinary dividends received by a shareholder on 8% Non-Voting Preferred Shares (whether paid in cash or reinvested in 8% Non-Voting Preferred Shares) will be deemed by the Tax Act to have been received by the shareholder as interest payable on a bond issued by the Issuer. Shareholders will therefore be required to include in their income as interest all amounts received as, or on account of, any ordinary dividends. The provisions of the Tax Act providing for interest accrual, the gross-up and dividend tax credit in respect of taxable dividends received by individuals from taxable Canadian Corporations, and for the deduction generally available to Corporations for inter-corporate dividends received, will not apply in respect of ordinary dividends. Similarly, the provisions of Part IV of the Tax Act will not be applicable to the receipt of ordinary dividends by a corporate shareholder.

The reinvestment of an ordinary dividend or a capital gains dividend in additional 8% Non-Voting Preferred Shares will have the same consequence for determining the adjusted cost base of a shareholder's 8% Non-Voting Preferred Shares as any other purchase of 8% Non-Voting Preferred Shares. In particular, if a dividend is paid in 8% Non-Voting Preferred Shares, or paid in cash and reinvested in 8% Non-Voting Preferred Shares, the adjusted cost base of such 8% Non-Voting Preferred Shares acquired by a shareholder will be equal to the amount of the dividend, or the amount of cash so reinvested, as the case may be.

Where a shareholder is a Canadian-controlled private Corporation (as defined in the Tax Act), capital gains dividends and ordinary dividends received on the 8% Non-Voting Preferred Shares will be subject to an additional tax of 6⅔%, which is refundable when the shareholder pays taxable dividends (at a rate of \$1.00 per every \$3.00 of taxable dividends paid).

Disposition of 8% Non-Voting Preferred Shares

A sale or other disposition of 8% Non-Voting Preferred Shares by a shareholder (other than to the Issuer), including deemed dispositions such as those arising upon death or emigration, will give rise to a capital gain (or loss) to the extent that the proceeds of disposition of the 8% Non-Voting Preferred Shares exceed (or are exceeded by) the shareholder's adjusted cost base of the 8% Non-Voting Preferred Shares disposed of and any reasonable disposition costs.

In general, one-half of capital gains ("taxable capital gains") realized in the year by a shareholder on the disposition of 8% Non-Voting Preferred Shares will be included in the shareholder's income for the year, and one-half of capital losses ("allowable capital losses") realized in the year on the disposition of 8% Non-Voting Preferred Shares will be deducted from the shareholder's taxable capital gains, if any, realized in such year. Allowable capital losses that are not deductible by a shareholder in the year may generally be carried back three years or forward indefinitely and deducted against taxable capital gains realized in such years, subject to the detailed rules in the Tax Act.

Shareholders realizing net capital gains on the disposition of 8% Non-Voting Preferred Shares or receiving capital gain dividends on 8% Non-Voting Preferred Shares may be subject to an alternative minimum tax under the Tax Act.

Where a shareholder is a Canadian-controlled private Corporation, any capital gain from the disposition of a Class A Share will be subject to an additional tax of 6⅔%, which will be refunded when the shareholder pays taxable dividends (at a rate of \$1.00 per every \$3.00 of taxable dividends paid).

On a redemption or acquisition of 8% Non-Voting Preferred Shares by the Issuer, the shareholder will be deemed to have received, and the Issuer will be deemed to have paid, a dividend in an amount equal to the amount by which the redemption price exceeds the paid-up capital of the 8% Non-Voting Preferred Shares. This deemed dividend will be treated in the same manner as other dividends received by the shareholder from the Issuer, and will depend on whether the Issuer elects that the entire dividend be a capital gains dividend. The balance of the redemption price will constitute the proceeds of disposition of the 8% Non-Voting Preferred Shares for purposes of the capital gains rules.



6.6 Taxation of Registered Plans

Dividends received by a Plan on 8% Non-Voting Preferred Shares while the 8% Non-Voting Preferred Shares are a qualified investment for such a Plan will be exempt from income tax in the Plan, as will capital gains realized by the Plan on the disposition of such shares. Withdrawals from Plans are generally subject to tax under the Tax Act.

Additional tax considerations apply where 8% Non-Voting Preferred Shares are contributed to a Plan after being acquired. Tax advice should be obtained.

6.7 Tax Implications of the Issuer's Distribution Policy

If a shareholder invests in 8% Non-Voting Preferred Shares before a dividend is declared, the shareholder will be taxable on the full amount of any such dividend that is received by the shareholder. If the Issuer adopts a distribution policy of paying equal monthly distributions to Shareholders of record on the last business day of each month, an investor who acquires a Class A Share late in the month but prior to the dividend will pay tax on the entire dividend, which will generally reflect the income and/or capital gains earned by the Issuer throughout the month up to the time of payment, though the shareholder will have only just acquired 8% Non-Voting Preferred Shares.

ITEM 7 – COMPENSATION PAID TO SELLERS AND FINDERS

The Issuer will engage Authorized Exempt Market Dealers (EMD), to assist with the sale of the Offering in Jurisdictions where registered agents are required to distribute the product. The Issuer also reserves the right, subject to applicable securities laws, to retain other agents to effect or assist with sales connected to the Offering. Where permitted according to applicable securities laws and other applicable laws, the Issuer may be liable to pay fees or commissions to EMD and agents, provided that it will not pay such fees or commissions in excess of 8% of the gross proceeds of the Offering.

ITEM 8 – RISK FACTORS

In addition to factors set forth elsewhere in this Offering Memorandum, potential Subscribers should carefully consider the following factors, many of which are inherent to the ownership of the Units. The following is a summary only of the risk factors involved in an investment in the Shares. Prospective investors should review the risks with their legal and financial advisors.

8.1 No Assurance of Achieving Investment Objectives or Paying Distributions

There is no assurance that the Issuer will be able to achieve its investment objectives or be able to pay distributions at targeted levels. The funds available for distribution to Shareholders will vary according to, among other things, the interest and principal payments received in respect of the mortgage loans comprising the Portfolio and the market value of the securities comprising the Portfolio. There is no assurance that the Portfolio will earn any return.

The Issuer may periodically re-evaluate the Issuer's targeted level of distributions.

An investment in the Issuer is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment and who can withstand the effect of distributions not being paid in any period or at all.

8.2 Changes in Land Values

The Issuer's investments in 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. Changes in market conditions may decrease the value of the secured property and reduce the cash flow from the property, thereby impacting on the ability of the borrower to service the debt and/or repay the loan based on the property income.

A substantial decline in value of real property provided as security for a mortgage may cause the value of the property to be less than the outstanding principal amount of the mortgage loan. Foreclosure by the Issuer on any such mortgage loan would not provide the Issuer with proceeds sufficient to satisfy the outstanding principal amount of the mortgage loan.

While independent appraisals are required before the Issuer may make any mortgage investments, the appraised values provided therein, even where reported on an "as is" basis, are not necessarily reflective of the market value of the underlying real property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain conditions, including the completion, rehabilitation or 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 appraised value may not be achieved. 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.

8.3 Concentration and Composition of the Portfolio

The Portfolio will exclusively be invested in mortgage loans. Given the concentration of the Issuer's exposure to the mortgage lending sector, the Issuer will be more susceptible to adverse economic or regulatory occurrences affecting that sector than an investment fund that is not concentrated in a single sector. Investments in mortgages are relatively illiquid. Such illiquidity will tend to limit the Issuer's ability to vary its Portfolio promptly in response to changing economic or investment conditions.

The composition of the Portfolio may vary widely from time to time, subject to the investment objective and investment restrictions of the Issuer. The Portfolio will be invested and may from time to time be concentrated by geography, type of property, or other factors resulting in the Portfolio being less diversified than at other times. As a result, the returns of the Portfolio may change as its composition changes.

8.4 Subordinated Loans and Mortgages

Some of the investments in which the Issuer intends to invest may be considered to be riskier than senior debt financing because the Issuer will not have a first-ranking charge on the underlying property. When a charge on property is in a position other than first-ranking, it is possible for the holder of a senior-ranking charge on the property, if the borrower is in default under the terms of its obligations to such holder, to take a number of actions against the borrower and ultimately against the property to realize on the security given for the loan. Such actions may include a foreclosure action, the exercising of a giving-in-payment clause or an action forcing the property to be sold. A foreclosure action or the exercise of a giving-in-payment clause may have the ultimate effect of depriving any person having other than a first-ranking charge on the property of the security of the property. If an action is taken to sell the property and sufficient proceeds are not realized from such sale to pay off creditors who have prior charges on the property, the holder of a subsequent charge may lose its investment or part thereof to the extent of such deficiency unless the holder can otherwise recover such deficiency from other property owned by the debtor.

8.5 No Guarantees or Insurance

There can be no assurance that mortgage loans of the Issuer will result in a guaranteed rate of return to Shareholders 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.

A mortgage borrower's obligations to the Issuer or any other person are not guaranteed by the Government of Canada, the government of any province or any agency thereof nor are they insured under the *National Housing Act* (Canada).



In the event that additional security is given by the borrower or a third party or that a private guarantor guarantees the mortgage borrower's obligations, there is no assurance that such additional security or guarantee will be sufficient to make the Issuer whole if and when resort is to be had thereto.

8.6 Competition

The performance of the Issuer depends, in large part, on the Issuer's ability to invest in or acquire mortgage loans at favourable yields. While the Issuer does not anticipate significant competition in the areas in which it proposes to invest, it will compete with individuals, Corporations and institutions for investment opportunities in the financing of real property. Certain of these competitors may have greater resources than the Issuer and may therefore operate with greater flexibility. As a result, the Issuer may not be able to acquire sufficient mortgage loans at favourable yields or at all.

8.7 Investment Not Liquid

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for, and for the perceived desirability of, the investment. The costs of holding real estate are considerable and the Issuer, as a holder of real estate, during a recessionary period may be faced with ongoing expenditures with little prospect of incoming receipts. Such illiquidity may tend to limit the Issuer's ability to vary its asset base promptly in response to changing economic or investment conditions. If the Issuer were required to liquidate its real property investments, the proceeds to the Issuer might be significantly less than the total value of its investment on a going concern basis.

A Subscriber will only be able to sell its Shares to third parties and recover any part of its investment, subject to applicable securities legislation, if the Issuer is able to complete a subsequent public offering or the assets of the Issuer or the Issuer itself is sold for cash or merges with a public company. See "Item 10 - Resale Restrictions".

8.8 Default on Indebtedness

If the Issuer defaults in the repayment of any indebtedness, the creditors holding such indebtedness will be entitled to exercise available legal remedies against the Issuer including recourse against property of the Issuer pledged as collateral. There is no assurance that there will be assets available to recover any portion of a Shareholder's investment.

8.9 Sensitivity to Interest Rates

It is anticipated that the market price for the Shares and the value of the Portfolio at any given time may be affected by the level of interest rates prevailing at such time. The Issuer's income will consist primarily of interest payments on the Mortgage Assets comprising the Portfolio. If there is a decline in interest rates (as measured by the indices upon which the interest rates of the Issuer's Mortgage Assets are based), the Issuer may find it difficult to purchase additional Mortgage Assets bearing rates sufficient to achieve the targeted payment of dividends on the Shares. There can be no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect the Issuer's ability to maintain distributions on the Shares at a consistent level.

Due to the term of the Mortgage Assets comprising the Initial Mortgage Portfolios and the inability to accurately predict the extent to which the Issuer's Mortgage Assets may be prepaid, it is possible that the Issuer may not be able to sufficiently reduce interest rate risk associated with the replacement of such Mortgage Assets through new investments in Mortgage Assets.

8.10 Fluctuations in Distributions

The funds available for distributions will vary according to, among other things, the value of the Portfolio and the interest earned thereon. Fluctuations in the market value of the Portfolio securities may occur for a number of reasons beyond the control of the Issuer.



The Issuer will depend on revenue generated from the Portfolio. There can be no assurance regarding the amount of revenue that will be generated by the Mortgage Assets comprising the Portfolio. The amount of distributions will depend upon numerous factors, including the ability of borrowers to make applicable payments under Mortgage Assets, interest rates, unexpected costs, and other factors which may not now be known by or which may be beyond the control of the Issuer. If the directors of the Issuer determine that it would be in the best interests of the Issuer, they may reduce or suspend for any period or altogether cease indefinitely the distributions to be made to the Shareholders.

Distributions made to holders of Shares may exceed actual cash available to the Issuer from time to time because of items such as debt payment obligations, fluctuations in Portfolio returns and redemptions of Shares, if any. This excess cash required to fund distributions will be funded from an operating credit facility, to the extent that one is available.

8.11 Availability of Investments and Obligation to Purchase Certain Mortgage Assets

The ability of the Issuer to make investments in accordance with its investment objective and investment strategies depends upon the availability of suitable investments and the amount of funds available to make such investments. Additionally, the Issuer may occasionally hold excess funds to be invested in additional Mortgage Assets, which may negatively impact returns.

The purchase by the Issuer of any mortgage loan that generates a yield that is below the targeted yield of the Issuer will have a negative impact on the overall yield of the Issuer.

8.12 Dilution

The Issuer is authorized to issue an unlimited number of 8% Non-Voting Preferred Shares and an unlimited number of Class B Non-Voting Common Shares. The Board of Directors of the Issuer has the discretion to issue additional 8% Non-Voting Preferred Shares and Class B Non-Voting Common Shares from time to time. The Issuer may issue 8% Non-Voting Preferred Shares at a discount to the Redemption Amount per Class A Share applicable to any 8% Non-Voting Preferred Shares, provided that (i) without the prior approval of the Shareholders, Shares may be issued at net proceeds per Share that may not be less than 97.5% of the Redemption Amount per Class A Share of any Class A Share less the amount of any adjustment made to account for the amortization of the costs of establishing the Issuer, with the prior approval of the Shareholders, 8% Non-Voting Preferred Shares may be issued at any price per share so approved, including net proceeds per Share that are less than the applicable 97.5% amount calculated as described above. The issuance of any additional Shares may have a dilutive effect on the purchasers of 8% Non-Voting Preferred Shares under the Offering and on the Shareholders of the Issuer at the time of issuance of any such additional Shares.

8.13 Foreclosure and Related Costs

One or more borrowers could fail to make payments according to the terms of their loan and the Issuer could therefore be forced to exercise its rights as mortgagee. The recovery of a portion of the Issuer's assets may not be possible for an extended period of time during this process. Legal fees and expenses and other costs incurred by the Issuer in enforcing its rights as mortgagee against a defaulting borrower are borne by the Issuer. Although these fees, costs and expenses are usually 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.

Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made through the period of ownership of real property regardless of whether the property is producing income or whether mortgage payments are being made. The Issuer may therefore be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.

8.14 Ability to Manage Growth

The Issuer intends to grow its Mortgage Assets and the Portfolio. In order to effectively deploy its capital and monitor its loans and investments in the future, the Issuer will need to retain additional personnel and may be required to augment, improve or replace existing systems and controls, each of which can divert the attention of management



from their other responsibilities and present numerous challenges. As a result, there can be no assurance that the Issuer will be able to effectively manage its growth and, if it is unable to do so, the Issuer's Mortgage Assets, the Portfolio and the price of the Shares may be materially adversely affected.

8.15 Speculative Nature of 8% Non-Voting Preferred Shares

Investment in the 8% Non-Voting Preferred Shares is speculative due to the nature of the Issuer's business and involves certain risks. There is no guarantee that an investment in 8% Non-Voting Preferred Shares of the Issuer will earn any positive return in the short or long term and investors must be able to bear the risk of a complete loss of their investment and have no need for immediate liquidity in their investment.

8.16 Significant Redemptions of Shares

8% Non-Voting Preferred Shares are redeemable (i) annually at the Redemption Amount per 8% Non-Voting Preferred Shares for the subject Shares as described under "Description of Share Capital — Certain Provisions of the Shares — Redemption Privileges". If a significant number of 8% Non-Voting Preferred Shares are redeemed, (i) the Issuer may be required to sell Portfolio assets in order to satisfy redemption payment obligations and may not be able to complete such Portfolio asset sales on favourable terms or at all; and (ii) the expenses of the Issuer would be spread among fewer Shares resulting in a higher management expense ratio per Share. If, as a result of significant redemptions, the Issuer determines that it is in the best interests of Shareholders to terminate the Issuer, the Issuer could seek to terminate the Issuer without Shareholder approval.

8.17 Qualification as a MIC

Although the Issuer intends to qualify at all times as a MIC, no assurance can be provided in this regard. If for any reason the Issuer does not maintain its qualification as a MIC under the Tax Act, dividends paid by the Issuer on the 8% Non-Voting Preferred Shares will cease to be deductible by the Issuer in computing its income and will no longer be deemed to have been received by shareholders as bond interest or a capital gain, as the case may be. In consequence, the rules in the Tax Act regarding the taxation of public Corporations and their shareholders apply, with the result that the combined corporate and shareholder tax may be significantly greater and the 8% Non-Voting Preferred Shares may not constitute qualified investments for a Plan. See "**Item 6 - Income Tax Consequences and RRSP Eligibility**".

8.18 Reliance on Management

Although the employees of the Issuer who will be primarily responsible for the performance of the obligations of the Issuer have extensive experience, there is no certainty that such individuals will continue to be employees of the Issuer in the future.

In addition, there is no certainty that the persons who are currently officers and directors of the Issuer and will continue to act in such capacity. Shareholders will be required to rely on the good faith, expertise and judgment of the individuals comprising the management of the Issuer from time to time. Shareholders do not have the right to direct or influence in any manner the business or affairs of the Issuer.

8.19 Operating History of the Issuer

The Issuer is a newly organized MIC with no previous operating history. The Issuer's operations are subject to all the risks inherent in the establishment of a new business enterprise, including a lack of operating history. The Issuer cannot be certain that its investment strategy will be successful. The likelihood of success of the Issuer must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business and real estate investment and development. If the Issuer fails to address any of these risks or difficulties adequately, its business will likely suffer. Future revenues and profits, if any, will depend upon various factors, including government regulations and enforcement and general economic conditions. There is no assurance that the Issuer can operate profitably or that the Issuer will successfully implement its plans.



8.20 Issuer may be Unable to Issue Investments

The Issuer may commit to making future mortgage investments in anticipation of repayment of principal outstanding under existing mortgage investments. In the event that such repayments of principal are not made, the Issuer may be unable to advance some or all of the funds required to be advanced pursuant to the terms of its commitments and may be required to obtain interim financing and to fund such commitments or face liability in connection with its failure to make such advances.

8.21 Borrowing and Leverage

The Issuer intends to borrow funds using its Mortgage Assets as security in order to maximize the amount of capital deployed. Subject to the restrictions listed under "Income Tax Consequences and RRSP Eligibility – Status of the Issuer – MIC Requirements", there is no restriction on the amount of funds which the Issuer may borrow from time to time. In the event that the Issuer could not meet the obligations of such loans pertaining to the payment of interest or the repayment of principal, the Issuer could incur substantial costs in order to protect the investments of the Issuer while managing the repayment of such a loan facility and/or the Issuer could lose some or all of its assets as a result of lenders exercising their rights of foreclosure and sale.

The interest expense and banking fees incurred in respect of any credit facilities of the Issuer may exceed the incremental capital gains/losses and income generated by the incremental investments in Mortgage Assets made with the proceeds of leverage. Accordingly, any event which adversely affects the value of Mortgage Assets would be magnified to the extent that leverage is employed to purchase such Mortgage Assets. In addition, the Issuer may not be able to renew any credit facility on acceptable terms or at all. There can be no assurance that the borrowing strategy employed by the Issuer will enhance returns.

8.22 Potential for Conflict of Interest

The Issuer, its officers, directors, employees, or shareholders and its affiliates and associates are not limited or affected in their ability to carry on other business ventures for their own account, or for the account of others, and may be engaged in the development of, investment in, or management of businesses that may compete with the business of the Issuer. The Issuer has not entered into any noncompetition agreements with the Issuer's directors, officers or employees. Accordingly, any one or more of the Issuer's directors, officers and employees may compete with or otherwise have a conflict of interest in carrying out its obligations to the Issuer.

The directors and officers of the Issuer may have a conflict of interest in allocating their time between the respective businesses and interests of the Issuer and other businesses or projects in which they may become involved.

The directors and officers of the Issuer have agreed to devote as much time to the Issuer as is required for the effective management of the Issuer. There can be no assurance that this agreement will be effective or that the Issuer would be able to successfully enforce it. The Issuer's directors and officers may, at any time, engage in promoting or managing other entities and their investments.

8.23 Restrictions on Ownership and Repurchase of Shares

No shareholder of the Issuer is permitted, together with Related Persons, at any time to hold more than 25% of any class of the issued shares of the Issuer. The terms and conditions of the Shares provide that the portion of Shares held by a Shareholder, together with Related Persons, that exceeds 24.9% of the issued shares of any class of Shares will be repurchased by the Issuer on the same terms as an annual redemption completed on the applicable date. Such repurchases of Shares could be significant and could engender similar risks to those that arise in the context of significant redemptions of Shares. See "Risk Factors — Significant Redemptions of Shares".



8.24 Regulatory/Legislative Change

There can be no assurance that certain laws applicable to the Issuer, including Canadian federal and provincial tax laws, tax proposals, other governmental policies or regulations and Governmental, administrative or judicial interpretation thereof, will not change in a manner that will adversely affect the fund or fundamentally alter the tax consequences to shareholders acquiring, holding or disposing of 8% Non-Voting Preferred Shares.

8.25 Environmental Matters

Under various environmental laws, ordinances and regulations, the current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in such property. Such laws could impose liability whether or not the Issuer knew of, or was responsible for, the presence of such hazardous or toxic substances. The presence of hazardous or toxic substances, or the failure to remove or remediate such substances, if any, could adversely affect the Issuer's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the Issuer. In order to obtain financing for the purchase of a new property, the Issuer ordinarily arranges for an environmental audit to be conducted. Although such an audit provides both the Issuer and its lenders with some assurance, the Issuer may be subject to liability for undetected pollution or other environmental hazards on its properties against which it cannot insure, or against which it may elect not to insure where premium costs are disproportionate to the Issuer's perception of relative risk.

The Issuer may in the future take possession, through enforcement proceedings, of properties that secured defaulted mortgage loans to recover its investment in such mortgage loans. Prior to taking possession of properties which secure a mortgage investment, the Issuer will assess the potential environmental liability associated with such investment and determine whether it is significant, having regard to the value of the property. If the Issuer subsequently determines to take possession of the property, the Issuer could be subject to environmental liabilities in connection with such real property, which could exceed the value of the property. If hazardous substances are discovered on a property of which the Issuer has taken possession, the Issuer may be required to remove such substances and clean up the property. The Issuer may also be liable to tenants and other users of neighbouring properties and may find it difficult or not possible to resell the property prior to or following such clean-up.

8.26 Shares Not Insured

The Issuer is not a member institution of the Canada Deposit Insurance Corporation and the Shares offered pursuant to this Offering Memorandum are not insured against loss through the Canada Deposit Insurance Corporation.

ITEM 9 – REPORTING OBLIGATIONS

The Issuer is not a reporting issuer in any of the provinces or territories of Canada. Shareholders will receive, within ninety (90) days of the end of each fiscal year following the Closing, financial statements of the Issuer, together with a narrative report describing the business and affairs of the Issuer. Shareholders will receive all income tax reporting information necessary, no later than February 28 of each year, to enable each Shareholder to file an income tax return with respect to its participation in the Issuer for the preceding calendar year.

ITEM 10 – RESALE RESTRICTIONS

These securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, Shareholders will not be able to trade the securities unless they comply with an exemption from the prospectus and registration requirements under securities legislation.

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



For Subscriber's resident in Manitoba, unless permitted under securities legislation, you must not trade the Shares without the prior written consent of the regulator in Manitoba unless the Issuer has filed a prospectus with the securities legislation in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or you have held the securities for at least 12 months. The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

ITEM 11 – PURCHASER'S RIGHTS

A Subscriber to this Offering will have certain rights, some of which are described below. For information about their rights, a potential Subscriber should consult a lawyer.

Alberta and Saskatchewan

If a Subscriber is a resident of Alberta or Saskatchewan, it will have the following rights:

1. **Two Day Cancellation Right** – A Subscriber can cancel its agreement to purchase the securities offered by this Offering Memorandum. To do so, a Subscriber must send a written notice to the Issuer by midnight on the 2nd business day after such Subscriber signs the agreement to buy the securities.
2. **Statutory Rights of Action** – Securities legislation provides that every purchaser of securities pursuant to this offering memorandum shall have, in addition to any other rights they may have at law, a right of action for damages or rescission, or both, against the issuer or selling security holder on whose behalf the distribution is made if this Offering Memorandum or any amendment hereto contains a misrepresentation. However, such rights must be exercised within prescribed time limits. Purchasers should refer to the applicable provisions of the applicable securities legislation for particulars of those rights or consult with a lawyer.
3. **Statutory Rights in the Event of a Misrepresentation** – If there is a misrepresentation in this Offering Memorandum a Subscriber has a statutory right to sue the Issuer:
 - (a) to cancel its agreement to buy the Shares, or
 - (b) for damages against the Issuer.

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

If a Subscriber intends to rely on the rights described in (3) (i) or (ii) above, it must do so within strict time limitations. A Subscriber must commence its action to cancel the agreement within 180 days from the date of the transaction that gave rise to the cause of action. A Subscriber must commence its action for damages within the earlier of 180 days from the day that it first had knowledge of the facts giving rise to the cause of action or three years from the day of the transaction which gave rise to the cause of action.

British Columbia

If a Subscriber is a resident of British Columbia, it will have the following rights:

1. **Two Day Cancellation Right** - A Subscriber can cancel its agreement to purchase the securities offered by this Offering Memorandum. To do so, a Subscriber must send a written notice to the Issuer by midnight on the 2nd business day after such Subscriber signs the agreement to buy the securities.

2. **Contractual Rights in the Event of a Misrepresentation** - If there is a misrepresentation in this Offering Memorandum, a Subscriber has a statutory right to sue the Issuer:

- (a) to cancel its agreement to buy the Shares, or
- (b) for damages.

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

If a Subscriber intends to rely on the rights described in (2) (i) or (ii) above, it must do so within strict time limitations. A Subscriber must commence its action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. A Subscriber must commence its action for damages within the earlier of 180 days after learning of the misrepresentation and three years after the date of the transaction that gave rise to the cause of action.

The Issuer acknowledges that the limitation period described above extends the limitation period provided by the *Limitations Act* (British Columbia) and agrees to the extension.

Manitoba

If a Subscriber is a resident of Manitoba, it will have the following rights:

A Subscriber resident in Manitoba:

- 1. will not be bound by a contract for the purchase of Shares if the person or company from whom the Shares were purchased or his agent receives written or telegraphic notice evidencing the purchaser's intention not to be bound not later than midnight on the second business day after receipt or deemed receipt by the purchaser or his agent of this Offering Memorandum or any amendment thereto; and
- 2. has the right to rescind a contract for the purchase of the Shares, while still the owner thereof, if this Offering Memorandum and any amendment thereto, as of the date of receipt or deemed receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right may be commenced by a purchaser after the expiration of the later of 180 days from the date of receipt or deemed receipt of this Offering Memorandum or the amendment thereto by the purchaser or the agent of the purchaser, or the date of the contract for the purchase of the Shares.

In the event that this Offering Memorandum or any amendment thereto contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading in the light of the circumstances in which it was made, a purchaser also has a right of action for damages against every person or company required to sign a certificate in an offering memorandum, the two principal officers of each of them, and against every director who, on the date this Offering Memorandum or any amendment thereto was signed, was a director of any such person or company, for any loss or damage that the purchaser has sustained as a result of the purchase of the Shares, unless it is proved:

- (a) that this Offering Memorandum or the amendment thereto was delivered to prospective purchasers of the Shares without the director's knowledge or consent;

- (b) that, after the delivery of this Offering Memorandum or the amendment thereto to the purchaser and before the purchase of the Shares by the purchaser, on becoming aware of any false statement in this Offering Memorandum or the amendment thereto, the director withdrew his consent to the delivery of this Offering Memorandum or the amendment thereto to prospective purchasers and gave reasonable public notice of such withdrawal and of the reason therefore;
- (c) that, with respect to every false statement, the director has reasonable grounds to believe and did believe that the statement was true;
- (d) that where a false statement was that of an expert, the director had no reasonable ground to believe that the expert who made the statement in this Offering Memorandum or the amendment thereto or whose report or valuation was produced or fairly summarized therein was not competent to make such statement, valuation or report; or
- (e) that, with respect to every false statement purporting to be statement made by an official person or contained in what purports to be a copy of or extract from a public official document, it was a correct and fair representation of the statement or copy of or extract from the document,
- (f) but no action to enforce these rights of action for damages against the signatories of this Offering Memorandum or any amendment thereto or any of their directors may be commenced by a purchaser after the expiration of the later of one year from the date of receipt of deemed receipt of this Offering Memorandum or the amendment thereto by the purchaser or the agent of the purchaser or the date of the contract for the purchase of the Shares.

Ontario

If this Offering Memorandum contains a misrepresentation, a Subscriber resident in Ontario who purchases Shares hereunder during the period of distribution shall be deemed to have relied upon such misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action against the Issuer for damages or, while still the owner of Shares, for rescission. This right of action is qualified as follows:

- (a) a Subscriber who elects to exercise a right of rescission against the Issuer will not have a right of action for damages against the Issuer;
- (b) an action for rescission must be commenced not later than 180 days after the date of the transaction that gave rise to the cause of action;
- (c) an action for damages must be commenced not later than the earlier of (i) 180 days after the date that the Subscriber first had knowledge of the facts giving rise to the cause of action, and (ii) three years from the date of the transaction that gave rise to the cause of action;
- (d) the Issuer will not be liable if it proves that the Subscriber purchased the Shares with knowledge of the misrepresentation;
- (e) in an action for damages, the Issuer will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Shares resulting from the misrepresentation; and
- (f) in no case will the amount recoverable exceed the price at which the Shares were offered.

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

A Subscriber may have other rights in addition to those described above. For information about its rights, a potential Subscriber should consult a lawyer.



ITEM 12 – FINANCIAL STATEMENTS

KHEIRON MORTGAGE INVESTMENT CORPORATION

AUDITED FINANCIAL STATEMENTS

PERIOD ENDED FEBRUARY 28, 2017

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Kheiron Mortgage Investment Corporation:

We have audited the accompanying financial statements of Kheiron Mortgage Investment Corporation (the Company) which comprise the statements of financial position as at Feb 28, 2017 and the statements of operations and loss, changes in equity, and cash flows for the period then ended, and the related notes comprising 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 IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Generally Accepted Auditing Standards (GAAS). 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 misstatements.

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 judgement, 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 entity's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control. An audit also involves evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2017 and its financial performance and its cash flows for the period then ended, in accordance with IFRS.

Emphasis of Matter of Going Concern

Without qualifying our opinion, we draw attention to Note 2 of the financial statements which discusses a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern.



Clearly Accounting Ltd.
March 28, 2017

STATEMENT OF FINANCIAL POSITION
As at February 28, 2017

ASSETS

Current Assets

Cash	\$400
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Long Term Assets (Note 4)

Offering Memorandum Development	\$21,000
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Website	3,500
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Incorporation Costs	<u>1,479</u>
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Total Long Term Assets	25,979
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TOTAL ASSETS	<u>\$26,379</u>
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LIABILITIES

Accounts Payable	\$26,000
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Due to Related Parties (Note 6)	<u>7,941</u>
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TOTAL LIABILITIES	33,941
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SHAREHOLDERS EQUITY

Capital Stock (Note 5)	\$400
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Retained Earnings	<u>(7,962)</u>
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TOTAL SHAREHOLDERS' EQUITY	\$(7,562)
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$26,379</u>
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STATEMENT OF OPERATIONS AND LOSS AND STATEMENT OF RETAINED EARNINGS
For the Period Ending February 28, 2017

REVENUE

Revenue	\$0
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Expenses

Professional Fees	\$5,776
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Software Expenses	1,220
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Travel	958
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Other	<u>8</u>
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Total Expenses	<u>\$7,962</u>
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NET LOSS	<u><u>\$(7,962)</u></u>
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Opening Retained Earnings	\$0
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Net Loss for the period	<u>\$(7,962)</u>
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CLOSING RETAINED EARNINGS	<u><u>\$(7,962)</u></u>
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STATEMENT OF CASH FLOWS
For the Period Ending February 28, 2017

OPERATING ACTIVITIES

Revenue (Loss)		\$(7,962)
Non-cash Outlays:		
-		<u>-</u>
Source (Use) of Cash from Operations		(7,962)

Investing Activities

Offering Memorandum Development	21,000	
Website	3500	
Incorporation Costs	<u>1,479</u>	(25,979)

Financing Activities

Increase in Accounts Payable	26,000	
Increase in Amounts Due to Related Parties	7,941	
Issuance of Common Shares	400	<u>34,341</u>

INCREASE IN CASH FOR THE PERIOD		\$400
Cash at Beginning of Period		<u>0</u>
CASH AT END OF PERIOD		<u>\$400</u>

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Kheiron Mortgage Investment Corporation (the Company) is a Canadian Controlled Private Corporation. The Company was incorporated on February 3, 2017 under the Business Corporations Act of British Columbia. These financial statements are for the period from February 3, 2017 through to February 28, 2017

2. GOING CONCERN

The company intends to operate as a mortgage investment corporation (MIC) as defined under Section 130.1(6) of the Canadian Income Tax Act (ITA) and is working on meeting criteria of the ITA to take advantage of tax provisions through mortgage investment vehicles. The Company is currently working toward issuance of an Offering Memorandum in this regard. It must increase its number of shareholders from 4 to 20, among other conditions to qualify as a MIC. The company must also raise adequate funds and place investments to continue operations.

Once the company begins operations, it will face typical risks associated with operating a MIC business, including interest rate risk, credit risk, liquidity risk, and capital management risk.

3. BASIS OF PREPERATION

These financial statements use the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). As such these financial statements are prepared using the accrual basis of accounting and are based on historical costs.

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

IFRS requires the use of accounting estimates, assumptions and judgements by management that affect the reported amounts of assets, liabilities and disclosures, and the reported amounts of revenue and expenses during the reporting period.

These financial statements were approved by the Board of Directors on March 28, 2017.

4. SIGNIFICANT ACCOUNTING POLICIES – LONG TERM ASSETS

The company has capitalized certain costs associated with the initiation and organization of the Company. No amortization has been recorded in the Company's initial period of operation. Going forward these assets will be amortized as follows:

- Offering Memorandum Development: Costs are to be amortized over 4 years.
- Website development costs are to be amortized over 3 years.
- Incorporation costs are to be amortized over 40 years.

5. SHARE CAPITAL

Common shares are classified as equity and are recorded at issued value. The company currently has 4 Class A common shareholders who hold 100 shares (25%) each. The company is authorized to issue shares as follows:

- Class A Voting Common Shares without par value – unlimited available, 400 issued;
- Class B Non-Voting Common Shares without par value – unlimited available, 0 issued;
- Class C 8% Preferred Shares – maximum issue of 200,000 shares available, 0 issued.

6. RELATED PARTIES, TRANSACTIONS AND BALANCES

The following two shareholders are also the only Directors and Officers of the Company:

Raj Krishna, Director and President

Louie Wu, Director and Chief Executive Officer

The Company's Directors/Officers were not compensated for their efforts during the reporting period.

All the Company's operating and investing activities to date have been financed equally by its Directors/Officers. At period-end the company owed its Directors/Officers a total of \$7,941.



SCHEDULE A

FORM OF SUBSCRIPTION AGREEMENT (SUBSCRIPTION AGREEMENT FOR SHARES)

TO: KHEIRON MORTGAGE INVESTMENT CORPORATION (The "Issuer")

The undersigned (hereinafter referred to as the "**Subscriber**") hereby irrevocably subscribes for and agrees to purchase the number of Class A Non-Voting Preferred Shares (the "**Shares**") of the Issuer for the aggregate subscription price set forth below, representing a subscription price of \$100 per Share, upon and subject to the terms and conditions set forth in "Terms and Conditions of Subscription for Shares of Kheiron Mortgage Investment Corporation attached hereto (the "**Terms and Conditions**") and on the terms and conditions set forth in the offering memorandum of the Issuer made as of February 28, 2017, as amended, restated or supplemented from time to time (the "**Offering Memorandum**"). This page plus the Terms and Conditions and the Exhibits attached thereto, are collectively referred to as the "**Subscription Agreement**". Terms denoted in the Subscription Agreement with initial capital letters and not otherwise defined have the meanings ascribed thereto in the Offering Memorandum, as applicable, unless the context otherwise requires.

(Name of Subscriber - please print)

By: _____
(Authorized Signature)

(Official Capacity or Title – if the subscriber is not an individual)

(Please print name of individual whose signature appears above if different than the name of the Subscriber printed above.)

(Subscriber's Address)

(Telephone Number)

(Email Address)

NOTICE: By executing this Subscription, you are consenting (on your behalf and, if applicable, on behalf of the beneficial purchaser for whom you are contracting), to the collection, use and disclosure of personal information in the manner described in the Privacy Notice on page 10 of this Subscription.

Number of Shares: _____

Aggregate Subscription Price: \$ _____

If the Subscriber is signing as agent for a beneficial purchaser and is not a trust company or a portfolio manager, in either case, purchasing as trustee or agent for accounts fully managed by it, complete the following and ensure that Exhibits 2 and 3 are completed on behalf of such beneficial purchaser:

(Name of Beneficial Purchaser)

(Beneficial Purchaser's address)

(Telephone Number)

(Email Address)

Register the Shares as set out below:

(Name)

(Account reference, if applicable)

(Address)

Deliver the Shares as set out below:

(Name)

(Account reference, if applicable)

(Contact Name)

(Address)

Qualification for Securities Exemptions

If the Subscriber is resident in:

- (a) All Subscribers except Ontario, to receive a copy of the Offering Memorandum dated February 28, 2017
 - (b) All Subscribers, it is an "eligible investor" (Attachment B) pursuant to paragraph ____ of (section 1.1 of Exhibit 1)
 - (c) All Subscribers, it is an "accredited investor" (Attachment C) pursuant to paragraph ____ of (section 2.1 of Exhibit 1)
- All Subscribers must complete and sign Exhibit 2 (Attachment E)
 - All Subscribers must complete and sign Exhibit 3 (Attachment F)
 - British Columbia - Subscribers must complete and sign Exhibit 4 (Attachment G)

ACCEPTANCE: The Issuer, by countersigning below, hereby accepts the above subscription on the terms and conditions contained in this Subscription Agreement.

Kheiron Mortgage Investment Corporation

By: _____

_____, 20__

No: _____

This is the first page of an agreement comprised of 12 pages, not including Exhibits 1, 2, 3, and 4 (total package comprised of 26 pages all together).



Subscription Agreement Requirements

Please make sure that your subscription includes:

1. one (1) signed copy of this Subscription Agreement;
2. a bank wire, electronic funds transfer, certified cheque or bank draft in an amount equal to the Aggregate Subscription Amount, payable to:

"Kheiron Mortgage Investment Corporation"

3. a completed and executed copy of the 45-106 Risk Acknowledgment (attached hereto as Exhibit 2); and
4. a completed and executed copy of the 31-103 Risk Acknowledgment (attached hereto as Exhibit 3).

Please deliver your subscription to:

KHEIRON MORTGAGE INVESTMENT CORPORATION
4360 Smith Crescent
Richmond, British Columbia V6V 1S7

Louie Wu – Chief Executive Officer
Phone: 778-668-9238
Email: louie@kheiron.ca

Raj Krishna – President
Phone: 778-840-6462
Email: raj@kheiron.ca



TERMS AND CONDITIONS OF SUBSCRIPTION SHARES OF KHEIRON MORTGAGE INVESTMENT CORPORATION

Interpretation

In this Subscription Agreement, unless stated otherwise or defined in Section 1(b) hereof, capitalized terms used herein that are defined in the Offering Memorandum have the meanings ascribed to such terms in the Offering Memorandum;

In this Subscription Agreement:

- "Cancellation Right" means the right of the Subscriber to cancel this Subscription Agreement by sending notice of cancellation by midnight on the 2nd business day after the Subscriber executes this Agreement;
- "Closing" means the completion of the subscription for Shares pursuant to this Subscription Agreement;
- "Closing Date" means the date of a Closing; Closings may take place periodically as may be approved by the Issuer in its sole and exclusive discretion, with the final Closing occurring upon the Issuer achieving the Maximum Offering;
- "Closing Time" means 10 A.M. (British Columbia time) or such other time, on the Closing Date, as the Issuer may decide;
- "Offering Memorandum" means the Offering Memorandum of the Issuer dated September 19, 2013 relating to the sale of Shares, as it may be amended from time to time;
- "31-103 Risk Acknowledgement" means the Risk Acknowledgement attached hereto as Exhibit "3";
- "45-106 Risk Acknowledgement" means the Risk Acknowledgement (Form 45-106F4) attached hereto as Exhibit "2";
- "Tax Act" means the *Income Tax Act* (Canada), together with any and all regulations promulgated thereunder, as amended from time to time.

Acknowledgements of the Subscriber

The Subscriber acknowledges that:

- this subscription is subject to rejection or acceptance by the Issuer in whole or in part, and is effective only upon acceptance by the Issuer;
- the Shares subscribed by it hereunder form part of larger issuance and sale by the Issuer (the "**Offering**");
- the Issuer reserves the right to close the Offering in multiple tranches and the Issuer is entitled to use the subscription proceeds as soon as closing has occurred;
- it is solely responsible for obtaining (at its own expense) such legal, tax and financial advice as it considers necessary or appropriate in connection with the execution, delivery and performance of this Subscription Agreement and completion of the transactions contemplated hereby, and the Issuer bears no responsibility whatsoever for any such matters;
- participation in the Issuer is subject to acceptance of the Subscription Agreement by the Issuer and to certain other considerations set forth in the Offering Memorandum;



Representations, Warranties and Covenants of the Subscriber

By executing this Subscription Agreement, the Subscriber represents, warrants and covenants to the Issuer (and acknowledges that the Issuer and its counsel are relying thereon) that:

- it, or any beneficial owner thereof, is not a "non-resident" of Canada for the purposes of the Tax Act and if the Subscriber is a partnership, the Subscriber is a "Canadian partnership" for the purposes of the Tax Act;
- if the Subscriber is an individual, the Subscriber is of the full age of majority in the jurisdiction in which this Subscription Agreement is executed and is legally competent to execute and deliver this Subscription Agreement, the Offering Memorandum and all other agreements, instruments and other documents contemplated hereby and thereby and that it will perform all of its obligations hereunder and thereunder, undertake all actions required of the Subscriber hereunder and thereunder;
- if the Subscriber is not an individual, (i) the Subscriber has the requisite power, authority, legal capacity and competence to execute and deliver this Subscription Agreement, the Offering Memorandum and all other agreements, instruments and other documents contemplated hereby and thereby and to perform all of its obligations hereunder and thereunder, and to undertake all actions required of the Subscriber hereunder and thereunder, (ii) all necessary approvals of its directors, partners, shareholders, trustees or otherwise with respect to such matters that have been given or obtained and (iii) it pre-existed the Offering, has a *bona fide* purpose other than investment in the Shares, and was not created, formed or established, and is not used, solely or primarily to enable the group of persons that comprise the Subscriber to indirectly purchase the Shares pursuant to the Offering when each person in the group could not do so directly on a basis that is exempt from the prospectus requirements that would otherwise apply under applicable securities laws;
- if the Subscriber is a body corporate, the Subscriber is duly incorporated and validly subsisting under the laws of its jurisdiction of incorporation;
- this Subscription Agreement has been duly and validly authorized, executed and delivered by, and constitutes a legal, valid, binding and enforceable obligation of the Subscriber;
- the execution, delivery and performance by the Subscriber of this Subscription Agreement and the completion of the transactions contemplated hereby and thereby do not and will not result in a violation of any law, regulation, order or ruling applicable to the Subscriber, and do not and will not constitute a breach of or default under any of the Subscriber's constating documents (if the Subscriber is not an individual) or any agreement to which the Subscriber is a party or by which it is bound;
- the Subscriber confirms that it:
 - has such knowledge in financial and business affairs as to be capable of evaluating the merits and risks of its investment in the Shares;
 - is capable of assessing the proposed investment in the Shares as a result of the Subscriber's own experience or as a result of advice received from a person registered under applicable securities legislation;
 - is aware of the characteristics of the Shares and the risks relating to an investment therein; and
 - is able to bear the economic risk of loss of its investment in the Shares;
- it understands that no securities commission, stock exchange, governmental agency, regulatory body or similar authority has made any finding or determination or expressed any opinion with respect to the merits of investing in the Shares;



- it acknowledges that no prospectus has been filed by the Issuer with any securities commission or similar regulatory authority in any jurisdiction in connection with the issuance of the Shares and the issuance is exempted from the prospectus requirements available under the provisions of applicable securities laws and as a result:
 - the Subscriber is restricted from using most of the civil remedies available under applicable securities laws;
 - the Subscriber may not receive information that would otherwise be required to be provided to it under applicable securities laws; and
 - the Issuer is relieved from certain obligations that would otherwise apply under applicable securities laws;
- it confirms that neither the Issuer nor any of its representative directors, employees, officers or affiliates, have made any representations (written or oral) to the Subscriber:
 - regarding the future value of the Shares;
 - that any person will resell or repurchase the Shares;
 - that any person will refund the purchase price of the Shares; or
 - that the Shares will be listed and posted for trading on a stock exchange or that application has been made to list and post the Shares for trading on a stock exchange;
- the Subscriber has been advised to consult its own legal and financial advisors with respect to the suitability of the Shares as an investment for the Subscriber and the resale restrictions and "hold periods" to which the Shares are subject under applicable securities legislation, and has not relied upon any statements made by or purporting to have been made on behalf of the Issuer in deciding to subscribe for Shares hereunder;
- it has not become aware of any advertisement in printed media of general and regular paid circulation (or other printed public media), radio, television or telecommunications or other form of advertisement (including electronic display) with respect to the distribution of the Shares;
- other than the Offering Memorandum, the Subscriber has not received, requested and does not have any need to receive, any offering memorandum, or any other document describing the business and affairs of the Issuer which has been prepared for delivery to and review by, prospective subscribers in order to assist it in making an investment decision in respect of the Shares and it has not become aware of any advertisement in printed media of general and regular paid circulation, radio or television with respect to the distribution of the Shares;
- the Subscriber has received, reviewed and fully understands the Offering Memorandum and has had an opportunity to ask and have answered any and all questions which it wished to raise with respect to the business and affairs of the Issuer, the nature of its activities, the proposed use of proceeds, and the Shares, and this Subscription Agreement;
- unless it is purchasing under subparagraph 3(p), it is purchasing the Shares as principal for its own account, not for the benefit of any other person, for investment only and not with a view to the resale or distribution of all or any of the Shares, it is resident in or otherwise subject to applicable securities laws of the jurisdiction set out as the "Subscriber's Address" on the face page hereof and it fully complies with the following:
 - it is resident in or otherwise subject to applicable securities laws of **Alberta, British Columbia, Manitoba, Ontario or Saskatchewan**; and it is an "eligible investor", as such term is defined in



National Instrument 45-106 ("**NI 45-106**") entitled "Prospectus and Registration Exemptions" promulgated under the *Securities Act* (Alberta), the *Securities Act* (British Columbia), and the *Securities Act* (Ontario) (which definition is reproduced in Exhibit "1" attached hereto);

- if it is not purchasing as a principal, it is duly authorized to enter into this Subscription Agreement and to execute and deliver all documentation in connection with the purchase on behalf of each beneficial purchaser for whom it is acting, each of whom is purchasing as principal for its own account, not for the benefit of any other person, and not with a view to the resale or distribution of all or any of the Shares, it acknowledges that the Issuer is required by law to disclose to certain regulatory authorities the identity of each beneficial purchaser of Shares for whom it may be acting, and it and each beneficial purchaser is resident in the jurisdiction set out as the "Subscriber's Address":
 - subject to securities laws applicable to the Subscriber, if it is acting as agent for one or more disclosed principals, each of such principals is purchasing as principal for its own account, not for the benefit of any other person, for investment only, and not with a view to the resale or distribution of all or any of the Shares, and each of such principals complies with subparagraph (i) of paragraph 3(o) hereof as applicable to the Subscriber;
- if it is a resident of **any jurisdiction referred to in the preceding paragraph 3(o)** but not purchasing thereunder, it is purchasing pursuant to an exemption from prospectus and registration requirements (particulars of which are enclosed herewith) available to it under applicable securities legislation and shall deliver to the Issuer such further particulars of the exemption(s) and the Subscriber's qualifications thereunder as the Issuer or its counsel may request;
- if it is a resident of or otherwise subject to applicable securities of **any jurisdiction not referred to in the preceding paragraph 3(o)** it complies with the requirements of all applicable securities legislation in the jurisdiction of its residence and will provide such evidence of compliance with all such matters as the Issuer or its counsel may request;
- it understands and acknowledges that: (i) there is no market for the Shares and there is no assurance that a market will develop in the future and confirms that no representation has been made to it by or on behalf of the Issuer with respect thereto; and (ii) the Issuer is not a reporting issuer in any province and that the applicable hold period under applicable securities laws of each province where a Subscriber may reside or may be deemed to reside will not commence until the Issuer becomes a reporting issuer in such province, and unless and until such time as the Issuer becomes a reporting issuer in such province and the applicable hold period has expired, it will not be able to resell the Shares except in accordance with the limited exemptions available under applicable securities laws and regulatory policies and that the Subscriber is solely responsible for (and the Issuer is not in any way responsible for) the Subscriber's compliance with applicable resale restrictions.

The Subscriber further acknowledges that the Issuer may never become a reporting issuer, and therefore, the hold period or restricted period may never expire and that it has been advised to consult legal counsel in the jurisdiction in which it resides or is deemed to reside for full particulars of resale restrictions and hold periods to which the Shares are subject under applicable securities laws;

- it understands that any certificates representing the Shares will bear a legend, or legends, indicating that the resale of such securities is restricted;
- it will not resell any of the Shares, except in accordance with the provisions of applicable securities legislation and regulatory policy;
- it acknowledges that:



- there is no government or other insurance covering the Shares; and
 - there are restrictions on the Subscriber's ability to resell the Shares and it is the responsibility of the Subscriber to find out what those restrictions are and to comply with them before selling the Shares; and
 - the Issuer has advised the Subscriber that the Issuer is relying on an exemption from the requirements to provide the Subscriber with a prospectus and to sell securities through a person or company registered to sell securities under the *Securities Act* (British Columbia) and other applicable securities laws and, as a consequence of acquiring Shares pursuant to this exemption, certain protections, rights and remedies provided by the *Securities Act* (British Columbia) and other applicable securities laws, including statutory rights of rescission or damages, will not be available to the Subscriber;
- it is aware that the Shares have not been and will not be registered under the *United States Securities Act of 1933* (the "**U.S. Securities Act**") or the securities laws of any state of the United States and may not be offered or sold, directly or indirectly, in the United States without registration under the U.S. Securities Act or compliance with requirements of an exemption from registration and the applicable laws of all applicable states or an exemption from such registration requirements is available and it acknowledges that the Partnership has no present intention of filing a registration statement under the U.S. Securities Act in respect of the Shares;
 - it is not a "U.S. Person" (as that term is defined by Regulation S under the U.S. Securities Act, which definition includes, but is not limited to, an individual resident in the United States, an estate or trust of which any executor or administrator or trustee, respectively, is a U.S. Person and any partnership or corporation organized or incorporated under the laws of the United States) and is not acquiring the Shares for the account or benefit of a U.S. Person or a person in the United States;
 - the Shares have not been offered to the Subscriber in the United States, and the individuals making the order to purchase the Shares and executing and delivering this Subscription Agreement on behalf of the Subscriber were not in the United States when the order was placed and this Subscription Agreement was executed and delivered;
 - it has not financed its acquisition of Shares with a financing for which recourse is or is deemed to be limited within the meaning of the Tax Act and for the purposes hereof, limited recourse amount means the unpaid principal amount of any indebtedness for which recourse is limited, either immediately or in the future and either absolutely or contingently, and also includes any borrowing which is deemed to be a limited recourse amount. Borrowing will not be deemed to be a limited recourse amount if:
 - *bona fide* arrangements, evidenced in writing, are made at the time the debt arose for the repayment by the borrower of the principal and interest on the debt within a reasonable period of time, not greater than 10 years;
 - the debt is not a part of a series of loans and repayments that ends more than 10 years after it begins; and
 - interest on the debt is payable at least annually, and is actually paid no later than 60 days after the end of the borrower's taxation year, at a rate equal to or greater than the lesser of:
 - the prescribed interest rate for purposes of the Tax Act in effect at the time when the debt arose; and
 - the prescribed interest rate for purposes of the Tax Act applicable from time to time during the term of the debt.



- in the case of a subscription by it for Shares acting as agent for a disclosed principal, it is duly authorized to execute and deliver this Subscription Agreement and all other necessary documentation in connection with such subscription on behalf of such principal and this Subscription Agreement has been duly authorized, executed and delivered by or on behalf of, and constitutes a legal, valid and binding agreement of, such principal;
- it has such knowledge in financial and business affairs as to be capable of evaluating the merits and risks of its investment and is able to bear the economic risk of loss of its investments or, where it is not purchasing as principal, each beneficial purchaser is able to bear the economic risk of loss of its investment;
- it has relied solely upon publicly available information relating to the Issuer and not upon any verbal or written representation as to fact or otherwise made by or on behalf of the Issuer, and acknowledges that the Issuer's counsel act as counsel to the Issuer, and not as counsel to the Subscriber;
- it is not a "tax shelter investment" within the meaning of the Tax Act;
- it is not a "non-Canadian" within the meaning of the *Investment Canada Act* (Canada), as amended, replaced, restated or re-enacted from time to time;
- it acknowledges and understands that it and/or the Issuer may be required to provide securities regulatory authorities or stock exchanges with information concerning the identities of the purchasers of the Shares and, if required by applicable securities legislation or regulatory policy or by any securities regulatory authority or stock exchange, the Subscriber will execute, deliver, file and otherwise assist the Issuer in filing such reports, undertakings and other documents with respect to the issue of the Shares as may be required; and
- it will ensure that his or her status as described above in sections 3(a), (x) and (ee) will not be modified and he or she will not transfer his or her Shares in whole or in part to any person who would be unable to make such representations and warranties.

Timeliness of Representations, etc.

The Subscriber agrees that the representations, warranties and covenants of the Subscriber herein will be true and correct both as of the execution of this Subscription Agreement and as of the Closing Time (as defined herein), and will survive the completion of the distribution of the Shares and any subsequent disposition by the Subscriber of the Shares.

Statutory and Contractual Rights

In the event that a holder of Shares is or becomes entitled under applicable securities legislation to the remedy of rescission by reason of the Offering Memorandum or any amendment thereto containing a misrepresentation, such holder shall, subject to available defenses and any limitation period under applicable securities legislation, be entitled to rescission of the private placement transaction pursuant to which the Shares initially acquired, and shall be entitled in connection with such rescission to a full refund of all consideration paid to the Issuer on the acquisition of the Shares. In the event such holder is a permitted assignee of the interest of the original subscriber, such permitted assignee shall be entitled to exercise the rights of rescission and refund granted hereunder as if such permitted assignee was such original subscriber. The foregoing is in addition to any other right or remedy available to a holder of the Shares under section 130 of the *Securities Act* (Ontario), section 203 of the *Securities Act* (Alberta), equivalent provisions of securities laws in the other Filing Provinces or otherwise at law. The Subscriber expressly waives and releases the Issuer from all rights of withdrawal to which it might otherwise be entitled pursuant to section 71(2) of the *Securities Act* (Ontario), section 130(1) of the *Securities Act* (Alberta) or equivalent provisions of securities laws in the other Filing Provinces.



Indemnity

The Subscriber acknowledges that the Issuer is relying upon the representations, warranties and covenants of the Subscriber set forth herein in determining the eligibility (from a securities law perspective) of the Subscriber to purchase Shares under the Offering, and hereby agrees to indemnify the Issuer against all losses, claims, costs, expenses, damages or liabilities that neither of them may suffer or incur as a result of or in connection with its reliance on such representations, warranties and covenants. The Subscriber undertakes to immediately notify the Issuer at: Kheiron Mortgage Investment Corporation, c/o 4360 Smith Crescent, Richmond, British Columbia, V6V 1S7 Attention: Louie Wu, Chief Executive Officer and/or Raj Krishna, President of any change in any statement or other information relating to the Subscriber set forth herein that occurs prior to the Closing Time.

Deliveries by Subscriber prior to Closing

The Subscriber agrees to deliver to the Issuer, or as the Issuer may direct, not later than 12:00 noon (British Columbia time) on the day that is two business days before any Closing Date of which the Subscriber receives notice:

- one copy of this duly completed and executed Subscription Agreement;
- a bank wire, electronic funds transfer, certified cheque or bank draft made payable to "Kheiron Mortgage Investment Corporation" in an amount equal to the Aggregate Subscription Amount, or payment of the same amount in such other manner as is acceptable to the Issuer;
- a completed and executed copy of the 45-106 Risk Acknowledgment (attached hereto as Exhibit 2);
- except for Ontario resident Subscribers, a completed and executed copy of the 31-103 Risk Acknowledgment (attached hereto as Exhibit 3); and
- such other documents as may be requested by the Issuer as contemplated by this Subscription Agreement.

Partial Acceptance or Rejection of Subscription

The Issuer may, in its absolute discretion, accept or reject the Subscriber's subscription for Shares as set forth in this Subscription Agreement, in whole or in part, and the Issuer reserves the right to sell to the Subscriber less than the amount of Shares subscribed for under this Subscription Agreement. If this Subscription Agreement is rejected in whole, any cheque(s) or bank draft(s) delivered by the Subscriber to the Issuer on account of the subscription price for the Shares subscribed for will be promptly returned to the Subscriber without interest. If this Subscription Agreement is accepted only in part, a cheque representing the amount by which the payment delivered by the Subscriber to the Issuer exceeds the subscription price of the number of Shares sold to the Subscriber pursuant to a partial acceptance of this Subscription Agreement will be promptly delivered to the Subscriber without interest.

Time and Place of Closing

The sale of the Shares will be completed at the offices of Kheiron Mortgage Investment Corporation, 4360 Smith Crescent, Richmond, British Columbia, V6V 1S7 Attention: Louie Wu, Director and/or Raj Krishna, Director at the Closing Time. ***The Issuer reserves the right to close the Offering in multiple tranches, so that one or more closings may occur after the initial closing.***

Privacy

The Subscriber acknowledges that this Subscription Agreement and the Exhibits hereto require the Subscriber to provide certain personal information to the Issuer. Such information is being collected by the Issuer for the purposes of completing the Offering, which includes, without limitation, determining the Subscriber's eligibility to purchase the Shares under applicable securities legislation, preparing and registering certificates representing Shares to be issued to the Subscriber and completing filings required by any stock exchange or securities regulatory authority. The Subscriber's personal information may be disclosed by the Issuer to: (i) securities regulatory authorities; (ii) the



Issuer's registrar and transfer agent; and (iii) any of the other parties involved in the Offering, including legal counsel and may be included in record books in connection with the Offering. By executing this Subscription Agreement, the Subscriber is deemed to be consenting to the foregoing collection, use and disclosure of the Subscriber's personal information. By executing this Subscription Agreement, the Subscriber hereby consents to the filing of copies or originals of any of the Subscriber's documents as may be required to be filed with any securities regulatory authority in connection with the transactions contemplated hereby.

Without limiting the generality of subsection (a) above, the Subscriber acknowledges notice by or on behalf of the Issuer that: (i) the Subscriber's name, address and telephone number as disclosed herein, the number of securities purchased hereunder, the exemption relied upon by the Issuer in connection therewith and the total purchase price paid may be delivered to the Ontario Securities Commission and/or other applicable securities regulatory authorities in Canada; (ii) this information is being collected indirectly by the Ontario Securities Commission and other securities regulatory authorities in Canada under the authority granted to it in securities legislation; (iii) this information is being collected for the purposes of the administration and enforcement of the securities legislation of Ontario and other Canadian jurisdictions, and (iv) the Administrative Assistant to the Director of Corporate Finance of the Ontario Securities Commission, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, telephone (416) 593-8086, can answer questions about the Ontario Securities Commission's indirect collection of the information. The Subscriber hereby authorizes the indirect collection of this information by the Ontario Securities Commission and other securities regulatory authorities in Canada as aforesaid.

Money Laundering

The Subscriber represents and warrants that the funds representing the Aggregate Subscription Price which will be advanced by the Subscriber to the Issuer hereunder will not represent proceeds of crime for the purposes of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) (the "**PCMLTFA**") and the Subscriber acknowledges that the Issuer may in the future be required by law to disclose the Subscriber's name and other information relating to this Subscription Agreement and the Subscriber's subscription hereunder, on a confidential basis, pursuant to the PCMLTFA. To the best of the Subscriber's knowledge: (a) none of the subscription funds to be provided by the Subscriber: (i) have been or will be derived from or related to any activity that is deemed criminal under the law of Canada, the United States of America, or any other jurisdiction; or (ii) are being tendered on behalf of a person or entity who has not been identified to the Subscriber; and (b) it shall promptly notify the Issuer if the Subscriber discovers that any of such representations ceases to be true, and to provide the Issuer with appropriate information in connection therewith.

Expenses

The Subscriber acknowledges and agrees that all costs incurred by the Subscriber (including any fees and disbursements of any counsel retained by the Subscriber) relating to the sale of the Shares to the Subscriber shall be borne by the Subscriber.

Governing Law

The contract arising out of acceptance of this Subscription Agreement by the Issuer shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein. The parties irrevocably attorn to the exclusive jurisdiction of the courts of the Province of British Columbia.

Time of Essence

Time shall be of the essence of this Subscription Agreement.



Entire Agreement

This Subscription Agreement represents the entire agreement of the parties hereto relating to the subject matter hereof, and there are no representations, warranties, covenants or other agreements relating to the subject matter hereof except as stated or referred to herein.

Copies

The Issuer shall be entitled to rely on delivery of a copy of executed subscriptions by facsimile or electronically in Portable Document Format ("PDF"), and acceptance by the Issuer, of such copies of subscriptions shall be legally effective to create a valid and binding agreement between the Subscriber and the Issuer, in accordance with the terms hereof.

Severability

The invalidity, illegality or unenforceability of any provision of this Subscription Agreement shall not affect the validity, legality or enforceability of any other provision hereof.

Survival

The representations, warranties and covenants contained in this Subscription Agreement shall survive the closing of the transactions contemplated hereby, and shall be binding upon and ensure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

Interpretation

The headings used in this Subscription Agreement have been inserted for convenience of reference only and shall not affect the meaning or interpretation of this Subscription Agreement or any provision hereof. In this Subscription Agreement, unless otherwise indicated, all references to money amounts are to Canadian dollars.

Amendment

Except as otherwise provided herein, this Subscription Agreement may only be amended by the parties hereto in writing.

Assignment

Neither party may assign all or part of its interest in or to this Subscription Agreement without the consent of the other party in writing.



SCHEDULE A - ATTACHMENT 1

This form must be submitted with each Kheiron Mortgage Investment Corporation Subscription Agreement.

RE: ACKNOWLEDGEMENT OF RECEIPT OF KHEIRON MORTGAGE INVESTMENT CORPORATION OFFERING MEMORANDUM (OM)

THIS LETTER CONFIRMS THAT I, _____ (Name of recipient) have taken physical delivery of the Kheiron Mortgage Investment Corporation's Offering Memorandum.

I AGREE THAT I WILL USE IT FOR MY OWN PURPOSE AND THE OFFERING MEMORANDUM WOULD NOT BE DUPLICATED OR PROVIDED TO ANY OTHER PARTY WITHOUT THE CONSENT OF KHEIRON MORTGAGE INVESTMENT CORPORATION.

Date at _____ the _____ day of _____, 20 _____

Printed Name

Signature



SCHEDULE A - ATTACHMENT 2

Certificate of Eligible Investor

This certificate must be completed by all investors who are investing **in excess of \$10,000**.

The Applicant certifies to the distribution agent that the Applicant is an eligible investor as defined in National Instrument 45-106 by virtue of being (please check all applicable categories):

- ☐ a) an individual whose net assets, alone or with a spouse, exceed \$400,000;
- ☐ b) an individual whose net income before taxes exceeds \$75,000 in each of the two (2) most recent calendar years and who reasonably expects to exceed that income level in the current calendar year;
- ☐ c) an individual whose net income before taxes, alone or with a spouse, exceeded \$125,000 in each of the two (2) most recent calendar years and who reasonably expects to exceed that income level in the current calendar year;
- ☐ d) an accredited investor;
- ☐ e) a person described in section 2.5 of NI 45-106, Family, friends and business associates; or
- ☐ f) a person that has obtained advice regarding the suitability of the investment and, if the person is resident in a jurisdiction of Canada, that advice has been obtained from an eligibility adviser.

The above representation is true and accurate as of _____, 20____

Signature of Client or Investor

Signature of Distribution Agency or Agent

Print Name of Client or Investor

Print Name of Distribution Agency or Agent



EXHIBIT 1

1. Meaning of "eligible investor"

1.1 "Eligible investor" is defined in National Instrument 45-106 to mean any person who fits within any of the following categories at the time of the sale of securities to that person:

(a) a person whose:

_____ net assets, alone or with a spouse, in the case of an individual, exceed \$400,000;

_____ net income before taxes exceeded \$75,000 in each of the 2 most recent calendar years and who reasonably expects to exceed that income level in the current calendar year; or

_____ net income before taxes, alone or with a spouse, in the case of an individual, exceeded \$125,000 in each of the 2 most recent calendar years and who reasonably expects to exceed that income level in the current calendar year;

_____ a person of which a majority of the voting securities are beneficially owned by eligible investors or a majority of the directors are eligible investors;

_____ a general partnership of which all of the partners are eligible investors;

_____ a limited partnership of which the majority of the general partners are eligible investors;

_____ a trust or estate in which all of the beneficiaries or a majority of the trustees or executors are eligible investors;

_____ an accredited investor;

_____ a person described in section 2.5 of National Instrument 45-106 [*Family, friends and business associates*]; or

_____ a person that has obtained advice regarding the suitability of the investment and, if the person is resident in a jurisdiction of Canada, that advice has been obtained from an eligibility adviser.



SCHEDULE A - ATTACHMENT 3

Certificate of Accredited Investor

This certificate must be completed by all investors who selected "d) an accredited investor" as the eligibility criteria on the Certificate of Eligible Investor (ATTACHMENT 2).

The Applicant certifies to the Exempt Market Dealer that the Applicant is an accredited investor as defined in NI 45-106 by virtue of being (please check all applicable categories):

- ☐ a) a person registered under the securities legislation of a jurisdiction of Canada as an advisor or dealer; or
- ☐ b) an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (a) other than a person registered solely as a limited market dealer under one or both of the Securities Act (Ontario) or the Securities Act (Newfoundland and Labrador); or
- ☐ c) a person other than an individual or investment fund, that has net assets of at least \$5,000,000 as shown on its most recent prepared financial statement; or
- ☐ d) an individual who, either alone with a spouse, beneficially owns, directly or indirectly, financial assets* having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds \$1,000,000; or
- ☐ e) an individual whose net income before taxes exceeded \$200,000 in each of the two (2) most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of the two (2) most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year; or
- ☐ f) an individual who, either alone or with a spouse, has net assets of at least \$5,000,000.

The above representation is true and accurate as of _____, 20____

Signature of Client or Investor

Signature of Distribution Agency or Agent

Print Name of Client or Investor

Print Name of Distribution Agency or Agent

* Financial Assets are defined in section 1.1 of NT 45-106 as:

1. cash;
2. securities;
3. a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purpose of securities legislation.



2. Meaning of "accredited investor"

2.1 "Accredited investor" is defined in National Instrument 45-106 to mean any person who fits within any of the following categories at the time of the sale of securities to that person:

- _____ (a) a Canadian financial institution, or a Schedule III bank;
- _____ (b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada);
- _____ (c) a subsidiary of any person or company referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary;
- _____ (d) a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer, other than a person registered solely as a limited market dealer under one or both of the *Securities Act* (Ontario) or the *Securities Act* (Newfoundland and Labrador);
- _____ (e) an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (d);
- _____ (f) the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada;
- _____ (g) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec;
- _____ (h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government;
- _____ (i) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada;
- _____ (j) an individual who, either alone or with a spouse, beneficially owns financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds \$1,000,000;
- _____ (k) an individual whose net income before taxes exceeded \$200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of the two most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year;
- _____ (l) an individual who, either alone or with a spouse, has net assets of at least \$5,000,000;
- _____ (m) a person other than an individual or investment fund, that has net assets of at least \$5,000,000, as shown on its most recently prepared financial statements;
- _____ (n) an investment fund that distributes or has distributed its securities only to:
 - _____ a person that is or was an accredited investor at the time of the distribution;



- _____ a person that acquires or acquired securities in the minimum circumstances referred to in sections 2.10 [*Minimum amount investment*] or 2.19 [*Additional investment in investment funds*] of National Instrument 45-106; or
- _____ a person described in paragraph (i) or (ii) that acquires or acquired securities under section 2.18 [*Investment fund reinvestment*] of National Instrument 45-106;
- _____ (o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction in Canada for which the regulator or, in Québec, the securities regulatory authority, has issued a receipt;
- _____ (p) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be;
- _____ (q) a person acting on behalf of a fully managed account managed by that person, if that person:
 - _____ is registered or authorized to carry on business as an advisor or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction; and
 - _____ in Ontario, is purchasing a security that is not a security of an investment fund;
- _____ (r) a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded;
- _____ (s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) or paragraph (i) in form and function;
- _____ (t) a person in respect of which all of the owners of interests, direct, indirect, or beneficial, except the voting securities required by law to be owned by directors, are persons that are accredited investors;
- _____ (u) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an advisor; or
- _____ (v) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator, as an accredited investor.



SCHEDULE A - ATTACHMENT 4

Certificate of Permitted Client

The Applicant certifies to the Exempt Market Dealer that the Applicant is a permitted client as defined in National Instrument 31-103 by virtue of being (please tick all applicable categories):

- ☐ a) an individual registered as an advisor or dealer or the equivalent, other than as a scholarship plan dealer or a restricted dealer, under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction; or
- ☐ b) an individual acting on behalf of a managed account managed by the individual, if the individual is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction; or
- ☐ c) an individual who beneficially owns financial assets* having an aggregate realizable value that, before taxes but net of any related liabilities, exceed \$ 5 million.

The above representation is true and accurate as of _____, 20____

Signature of Client or Investor

Signature of Distribution Agency or Agent

Print Name of Client or Investor

Print Name of Distribution Agency or Agent

- ☐ As a permitted client, I waive my right to receive client disclosure information.

Signature of Client

- ☐ As a permitted client, I waive my right to a suitability determination of securities purchased from the Distribution Agency or Agent.

Signature of Client

* Financial Assets are defined in section 1.1 of NT 45-106 as:

1. cash;
2. securities
3. a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purpose of securities legislation.



SCHEDULE A - ATTACHMENT 5

KHEIRON MORTGAGE INVESTMENT CORPORATION

EXHIBIT 2

45-106 REPRESENTATION LETTER

MUST BE COMPLETED BY ALL SUBSCRIBERS (May be Exception in British Columbia)

Risk Acknowledgement (Offering Memorandum)

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

I am investing \$ _____ [total consideration] in total; this includes any amount I am obliged to pay in the future. Kheiron Mortgage Investment Corporation will pay to \$ _____ [amount of fee or commission] of this to _____ [name of person selling the securities] as a fee or commission.

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

Date

Signature of Subscriber or Investor

Print name of Subscriber or Investor

Sign two copies of this document. Keep one copy for your records.

W A R N I N G



SCHEDULE A - ATTACHMENT 6

KHEIRON MORTGAGE INVESTMENT CORPORATION

EXHIBIT 2

45-106 REPRESENTATION LETTER

MUST BE COMPLETED BY ALL SUBSCRIBERS (May be Exception in British Columbia)

Risk Acknowledgement (Offering Memorandum)

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

I am investing \$ _____ [total consideration] in total; this includes any amount I am obliged to pay in the future. Kheiron Mortgage Investment Corporation will pay to \$ _____ [amount of fee or commission] of this to _____ [name of person selling the securities] as a fee or commission.

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

Date

Signature of Subscriber

Print name of Subscriber

Sign two copies of this document. Keep one copy for your records.

W A R N I N G



You have 2 business days to cancel your purchase.

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

Issuer Name and Address:

KHEIRON MORTGAGE INVESTMENT CORPORATION
4360 Smith Crescent
Richmond, British Columbia
V6V 1S7

Phone: 778-668-9238 or 778-840-6462

Email: info@kheiron.ca

You are buying Exempt Market Securities

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

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

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

You will receive an offering memorandum. Read the offering memorandum carefully because it has important information about the issuer and its securities. Keep the offering memorandum because you have rights based on it. Talk to a lawyer for details about these rights.

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

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

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



For more information on the exempt market, call your local securities regulatory authority:

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia V7Y 1L2
Telephone: 604-899-6854
Toll free in British Columbia and Alberta 1-800-373-6393
Facsimile: 604-899-6506

Alberta Securities Commission
4th Floor, 300-5th Avenue SW
Calgary, Alberta T2P 3C4
Telephone: 403-297-6454
Facsimile: 403-297-6156

Saskatchewan Financial Services Commission - Securities Division
6th Floor, 1919 Saskatchewan Drive
Regina, Saskatchewan, S4P 3V7
Telephone: 306-787-5867
Facsimile: 306-787-5899

The Manitoba Securities Commission
1130 – 405 Broadway Avenue
Winnipeg, Manitoba, R3C 3L6
Telephone: 204-945-2548
Facsimile: 204-945-0330

Ontario Securities Commission
Suite 1903, Box 5520 Queen Street West
Toronto, Ontario M5H 3S8
Telephone: 416-593-3682
Facsimile: 416-593-8252
Public official contact regarding indirect collection of information:
Administrative Assistant to the Director of Corporate Finance
Telephone: 416-593-8086



SCHEDULE A - ATTACHMENT 7

KHEIRON MORTGAGE INVESTMENT CORPORATION

EXHIBIT 3

31-103 REPRESENTATION LETTER

MUST BE COMPLETED BY ALL SUBSCRIBERS (May Be Exception in British Columbia)

Risk Acknowledgement (Exemption Registration Provisions)

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

I am investing \$_____ [total consideration] in total; this includes any amount I am obliged to pay in future. Kheiron Mortgage Investment Corporation will pay up to \$_____ [amount of fee or commission] of this to _____ [name of person selling the securities] as a fee or commission.

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

Date

Signature of Subscriber

Print name of Subscriber

Sign two copies of this document. Keep one copy for your records.

**W
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Copy 1 of 2 - Kheiron Mortgage Investment Corporation



SCHEDULE A - ATTACHMENT 8

KHEIRON MORTGAGE INVESTMENT CORPORATION

EXHIBIT 3

31-103 REPRESENTATION LETTER

MUST BE COMPLETED BY ALL SUBSCRIBERS (May be Exception in British Columbia)

Risk Acknowledgement (Exemption Registration Provisions)

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

I am investing \$_____ [total consideration] in total; this includes any amount I am obliged to pay in future. Kheiron Mortgage Investment Corporation will pay up to \$_____ [amount of fee or commission] of this to _____ [name of person selling the securities] as a fee or commission.

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

Date

Signature of Subscriber

Print name of Subscriber

Sign two copies of this document. Keep one copy for your records.

W A R N I N G

Copy 2 of 2 - Investor



SCHEDULE A - ATTACHMENT 9

KHEIRON MORTGAGE INVESTMENT CORPORATION

EXHIBIT 4

BCI 32-517

MUST BE COMPLETED BY ALL SUBSCRIBERS IN BRITISH COLUMBIA ONLY

Risk Acknowledgement under BCI 32-517 *Exemption from Dealer Registration Requirement for Trades in Securities of Mortgage Investment Entities*

Name of Issuer: _____

Name of Seller: _____

I acknowledge that

- the person selling me these securities **is not registered** with a securities regulatory authority and is prohibited from telling me that this investment is suitable for me;
- the person selling me these securities does not act for me;
- this is a risky investment and I could lose all of my money;
- I am investing entirely at my own risk.

Date

Signature of Purchaser

Print Name of Purchaser

Name of salesperson acting on behalf of the seller

Sign two copies of this document. Keep one for your records.

National Instrument 45-106 Prospectus and Registration Exemptions may require you to sign an additional risk acknowledgement form.

If you want advice about the merits of this investment and whether these securities are a suitable investment for you, contact a registered adviser or dealer.

Copy 1 of 2 - Kheiron Mortgage Investment Corporation



SCHEDULE A - ATTACHMENT 10

KHEIRON MORTGAGE INVESTMENT CORPORATION

EXHIBIT 4

BCI 32-517

MUST BE COMPLETED BY ALL SUBSCRIBERS IN BRITISH COLUMBIA ONLY

Risk Acknowledgement under BCI 32-517 *Exemption from Dealer Registration Requirement for Trades in Securities of Mortgage Investment Entities*

Name of Issuer: _____

Name of Seller: _____

I acknowledge that

- the person selling me these securities is not registered with a securities regulatory authority and is prohibited from telling me that this investment is suitable for me;
- the person selling me these securities does not act for me;
- this is a risky investment and I could lose all of my money;
- I am investing entirely at my own risk.

Date

Signature of Purchaser

Print Name of Purchaser

Name of salesperson acting on behalf of the seller

Sign two copies of this document. Keep one for your records.

National Instrument 45-106 Prospectus *and Registration Exemptions* may require you to sign an additional risk acknowledgement form.

If you want advice about the merits of this investment and whether these securities are a suitable investment for you, contact a registered adviser or dealer.

Copy 2 of 2 - Investor



SCHEDULE B

SUBORDINATION AGREEMENT

THIS AGREEMENT is made as of the 28th day of February, 2017

Between

LOUIE WU (the “Lender”)

AND

Raj Krishna (the “Lender”)

AND

KHEIRON MORTGAGE INVESTMENT CORPORATION (the “Corporation”)

(collectively, the “Parties”)

This Agreement is entered into by the Parties in connection with the Obligation of Mr. Louie Wu and Mr. Raj Krishna, shareholders and Lenders to loan Kheiron Mortgage Investment Corporation (the Corporation and Borrower), the sum of \$10,000.00 (ten thousand dollars) for the purpose of allowing the Corporation to carry on its business.

For good and valuable consideration, the Parties agree as follows:

1. Term

The term of the shareholder loan shall be for 3 (three) years commencing on February 28, 2017 and expiring on February 28, 2020.

2. Subordination

The repayment of the loan and all amounts owed thereunder are subordinate to the claims of the other creditors of the Corporation.

3. Dissolution, winding-up, liquidation, insolvency or bankruptcy of the Corporation

In the event of the dissolution, winding-up, liquidation, insolvency or bankruptcy of the Corporation:

- (a) the creditors of the Corporation shall be paid their existing claims in full in priority to the claims of the Lender;
- (b) the Lender shall not be entitled to make any claim upon any property belonging or having belonged to the Corporation, including asserting the right to receive any payment in respect to the Loan before the existing claims of the other creditors of the Corporation Firm have been settled.

4. Terms and conditions of the Loan

During the term of this Agreement:

- (a) interest at the annual rate of 10% shall be paid on the loan balance provided that the payment of such interest does not result in a Working Capital Deficiency of the Corporation.
- (b) any loan or advance or posting of security for a loan or advance by the Corporation to the Lender, shall be deemed to be a payment on account of the Loan.



5. Notification to Investors and update of the Offering Memorandum.

The Corporation must notify all its investors through the update of the Offering Memorandum within 10 days after any material repayment has been made on this loan.

6. Termination of this Agreement

This Agreement may only be terminated only at the end of the three-year term or only at the request of the Corporation if earlier.

Kheiron Mortgage Investment Corporation

Louie Wu
Chief Executive Officer

Date: _____

Raj Krishna
President

Date: _____

Louie Wu
Lender

Date: _____

Raj Krishna
Lender

Date: _____



SCHEDULE C

MARKETING MATERIALS



KHEIRON

MORTGAGE INVESTMENT CORPORATION



KHEIRON MORTGAGE INVESTMENT CORPORATION

Kheiron is a Mortgage Investment Corporation (MIC) that provides real estate investment options for individuals, corporations and institutional investors via a secured mortgage portfolio. We are a Canadian non-bank lender that provides creative financing solutions to real estate investors. We invest directly in mortgage assets granted as security for loans to builders, developers and owners of commercial, residential and industrial real estate located in Canada. Kheiron emphasizes the preservation of capital with the goal of providing a competitive yield that generates stable, reliable income for its shareholders.



RETIREMENT READY?

- retirement savings is Canadians' No. 1 financial worry
- 1 in 5 Canadians will be retired by 2020, and 1 in 4 by 2030
- 1 in 6 Canadians aged 55 or older hasn't started retirement saving yet
- 74% of working Canadians are worried about outliving their funds
- 48% of those already retired are worried about outliving their funds

Source: Retirement in Canada: Lots to Enjoy About 'Golden Years' but Financial Worries Loom Large – Especially for Those Still Working, Angus Reid Institute, July 2015

GIVE YOUR SAVINGS A BOOST.

- 8% target annual dividend yield
- 100% of net income is distributed annually to shareholders
- \$50,000 CAD initial subscription minimum
- \$100.00 CAD par value per share
- RRSPs, RRIFFs, TFSAs, DPSPs, RESPs and RDSPs eligible

ASK YOUR INVESTMENT ADVISOR OR FINANCIAL PLANNER IF INVESTING IN MORTGAGE ASSETS WITH KHEIRON MORTGAGE INVESTMENT CORPORATION IS SUITABLE FOR YOU AND YOUR PORTFOLIO.

KHEIRON.CA

778.668.9238 | info@kheiron.ca