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## OFFERING MEMORANDUM

### ABBEY RIDGE MORTGAGE INVESTMENT CORPORATION

Continuous Offering

April 15, 2023



#### MAXIMUM OFFERING OF \$250,000,000 (250,000,000 FIRST PREFERRED SHARES, SERIES A)

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

**THE ISSUER:** ABBEY RIDGE MORTGAGE INVESTMENT CORPORATION (the “**Issuer**” or the “**Corporation**”)

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

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Telephone: 647-993-9454  
Email: info@abbeyridgemic.ca

CURRENTLY LISTED OR QUOTED:

**No. The Preferred Shares do not trade on any exchange or market.**

REPORTING ISSUER:

No.

#### THE OFFERING:

SECURITIES OFFERED:

Up to 250,000,000 First Preferred Shares, Series A (“**Preferred Shares**”) of the Corporation.

PRICE PER SECURITY:

\$1.00 per Preferred Share.

TARGET YIELD:

A target of 7.00% per annum for Preferred Shares. See Section 5.1, “Terms of Securities - Rights Attaching to the Preferred Shares - Dividend Policy”.

MINIMUM/MAXIMUM OFFERING:

The maximum Offering is \$250,000,000 (250,000,000 Preferred Shares). **There is no minimum Offering. You may be the only purchaser.**

MINIMUM SUBSCRIPTION AMOUNT:

\$25,000 (25,000 Preferred Shares) or such lesser amount as determined in the sole discretion of the Manager.

- PAYMENT TERMS:** Certified cheque, bank draft or wire transfer or any other manner of payment acceptable to the Issuer and payable to the Corporation. Each transaction to complete the sale of Preferred Shares is a “Closing”.
- PROPOSED CLOSING DATES:** Preferred Shares are being offered on a continuous basis subject to a maximum offering size of \$250,000,000 (250,000,000 Preferred Shares). The Corporation completes Closings from time to time as subscriptions are received. It is expected that all accepted subscriptions will be effective on the last business day of each month and settled within three (3) business days.
- OFFERING JURISDICTIONS:** Preferred Shares are being offered to investors resident in, or otherwise subject to the laws of each of the Provinces and Territories of Canada.
- INCOME TAX CONSEQUENCES:** **There are important tax consequences to the Preferred Shares.** The Preferred Shares will be qualified investments for inclusion in a Canadian RRSP, RRIF, RESP, TFSA or DPSP, LIRA, LRIF, RDSP or IPP subject to the Corporation maintaining its status as a “mortgage investment corporation” (“MIC”). For further information, see Item 7, “Income Tax Consequences and Registered Plan Eligibility”.
- INSUFFICIENT FUNDS:** **Funds available under the Offering may not be sufficient to accomplish our proposed objectives. See Section 2.6, “Insufficient Proceeds”.**
- THE MANAGER:** The Corporation has retained Falcon Ridge Mgmt Ltd. (the “**Manager**”) as the manager of the Corporation pursuant to the terms of a management agreement dated June 20, 2018 (the “**Management Agreement**”) between the Corporation and the Manager. Pursuant to the terms of the Management Agreement, the Manager is responsible for directing the affairs and managing the business of the Corporation and retains responsibility for the management of the Corporation’s portfolio, providing investment analysis and recommendations and for making brokerage arrangements in conformance with the Corporation’s investment strategies, operating restrictions and operating policies as set forth in this Offering Memorandum. The Manager makes available to the Corporation for purchase mortgages or interests in mortgages as and when they become available and has the exclusive right to provide the Corporation with these mortgage investments. See Section 2.3, “The Business - The Manager - Falcon Ridge Mgmt Ltd.”

#### ***Management Fees***

For providing its services, the Manager will be entitled to receive a management fee (the “**Manager Fee**”) from the Corporation of up to 3.00% per annum of the gross assets of the Corporation, calculated on a simple average monthly balance basis (i.e., opening mortgage portfolio balance plus closing mortgage portfolio balance divided by two), aggregated and paid monthly in arrears, plus applicable taxes. The Manager may in its discretion waive and/or defer in whole or in part the Manager Fee. All or a portion of the Manager Fee is subject to reimbursement. The Manager shall also be entitled to Bonus Payments (as defined below) to the extent dividend payable exceed target yields. See Section 2.8, “Material Contracts - Management Fees and Expenses”.

The Corporation and/or Manager may in certain circumstances charge borrowers the following fees: lenders’ fees, commitment fees, referral fees, extension fees, renewal fees, NSF fees, administration fees and similar fees to borrowers with respect to any mortgage loan. Lenders’ fees and commitment fees charged to borrowers shall be payable to the Manager or as it directs in writing. Any other fees charged to borrowers shall be allocated between the Corporation and/or the Manager as reasonably determined from time to time by the Manager. The Manager Fee, any Bonus Payments (as defined below) allocable to the Manager and any fees, compensation or other amounts owing to the Manager hereunder shall be payable to the Manager or as it directs in writing.

**COMPENSATION PAID TO SELLERS AND FINDERS:**

The Corporation may retain and engage, on an exclusive or non-exclusive basis, registered agents, securities dealers, brokers and other eligible persons to sell Preferred Shares in any province or territory of Canada or any other jurisdictions subject to compliance with all applicable laws. No fees, commissions or other compensation shall be payable by the Corporation to such agents, securities dealers, brokers or other eligible persons other than as disclosed in this Offering Memorandum (or any amendment thereto) or otherwise disclosed to prospective investors prior to closing in the prospective investor's subscription agreement. The aggregate of all fees, commissions or other compensation payable to agents, securities dealers, brokers or other eligible persons in connection with the Offering shall not exceed an amount equal to 1.00% of the total Offering proceeds to be raised assuming a maximum Offering. In addition, agents, securities dealers, brokers and other eligible persons may charge their clients additional fees and commissions to purchase or sell Preferred Shares.

Pursuant to an exempt market distribution agreement dated May 6, 2022, the Corporation and the Manager have engaged, on a non-exclusive basis, Belco Private Capital Inc. ("**Belco**"), an exempt market dealer registered in the Provinces of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Quebec and Saskatchewan, to assist the Corporation in marketing, arranging and facilitating the completion of sales of Preferred Shares. In this connection, Belco may engage from time to time dealing representatives registered in the applicable jurisdictions who may also be employees of the Corporation, to act on its behalf in connection with the sale of Preferred Shares. In consideration for its services, Belco shall be entitled to a fixed monthly fee (plus applicable taxes), commencing on November 1, 2022.

See Item 7, "Compensation Paid to Sellers and Finders".

**RESALE RESTRICTIONS:**

You will be restricted from selling your securities for an indefinite period. See Section 5.1, "Terms of Securities - Rights Attaching to the Preferred Shares - Restrictions on Ownership" and Item 10, "Resale Restrictions".

**PAYMENTS TO RELATED PARTY:**

Some of your investment may be paid to a related party of the Issuer. See Section 1.2, "Use of Available Funds".

**CERTAIN RELATED PARTY TRANSACTIONS:**

This Offering Memorandum contains disclosure with respect to one or more transactions between the Corporation and related parties. See Section 2.9, "Related Party Transactions".

**CONDITIONS ON RETRACTIONS:**

**You will have a right to require the Corporation to retract the Preferred Shares from you but this right is qualified by certain restrictions and fees as summarized below and as set forth in greater detail in Section 5.1, "Terms of Securities - Rights Attaching to the Preferred Shares - Retraction Rights". As a result, you might not receive the amount of proceeds you want.**

**Holders of the Preferred Shares that have been issued and outstanding for at least 24 months since their issue date are entitled to exercise their retraction rights quarterly, subject to a yearly ceiling and the rights of the Corporation to deny, suspend or delay retractions, as described in Section 5.1, "Terms of Securities - Rights Attaching to the Preferred Shares - Retraction Rights". The Corporation will also retract Preferred Shares that have been issued and outstanding for less than 24 months since their issue date, subject to the following retraction fees (in addition to the abovementioned yearly ceiling and the rights of the Corporation):**

- (i) 2.00% of the aggregate redemption price if less than 12 months has elapsed between the issue date of the Preferred Shares to be retracted and the date of retraction; and**
- (ii) 1.00% of the aggregate redemption price if less than 24 months but more than 12 months has elapsed between the issue date of the Preferred Shares to be retracted and the date of retraction.**

**In certain circumstances, as determined by the Board of Directors, in its sole discretion, the abovementioned fees may be waived, in whole or in part. See Section 5.1, "Terms of Securities - Rights Attaching to the Preferred Shares - Retraction Rights".**

**PURCHASER'S RIGHTS:**

You have two (2) business days to cancel your agreement to purchase the Preferred Shares. If there is a misrepresentation in this Offering Memorandum, you have the right to sue for damages or to cancel the agreement. See Item 12, "Purchaser's Rights".

**No securities regulatory authority or regulator has assessed the merits of the Preferred Shares or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See Item 9, "Risk Factors".**

## GENERAL DISCLAIMERS

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

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

## FORWARD LOOKING STATEMENTS

This Offering Memorandum contains certain statements or disclosures that may constitute forward-looking information under applicable securities laws. Forward-looking statements may be identified by the use of words like “**believes**”, “**intends**”, “**expects**”, “**may**”, “**will**”, “**should**”, or “**anticipates**”, or the negative equivalents of those words or comparable terminology, and by discussions of strategies that involve risks and uncertainties. These statements speak only as of the date of this Offering Memorandum and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements.

All forward-looking statements are based on the Corporation’s current beliefs as well as assumptions made by and information currently available to the Corporation and relate to, among other things: anticipated financial performance; business prospects; strategies; the nature of the Corporation’s operations; sources of income; forecasts of capital expenditures and the sources of the financing thereof; expectations regarding the ability of the Corporation to raise capital; the Corporation’s business outlook; plans and objectives for future operations; forecast business results; and anticipated financial performance.

Although management of the Corporation believes that the expectations reflected in such forward-looking statements are reasonable and represent the Corporation’s expectations and belief as at the date of this Offering Memorandum, the risks and uncertainties of the Corporation’s business, including those discussed under Item 9, “Risk Factors”, could cause the Corporation’s actual results and experience to differ materially from the anticipated results or other expectations expressed. In addition, the Corporation bases forward-looking statements on assumptions about future events, which may not prove to be accurate. In light of these risks, uncertainties and assumptions, prospective purchasers should not place undue reliance on forward-looking statements and should be aware that events described in the forward-looking statements set out in this Offering Memorandum may not occur.

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

## DOCUMENTS INCORPORATED BY REFERENCE

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

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

For purposes hereof, “**OM marketing materials**” means a written communication, other than an OM standard term sheet (as such term is defined in NI 45-106), intended for prospective purchasers regarding the distribution of Preferred Shares under this Offering Memorandum that contains material facts relating to the Corporation, the Preferred Shares and this Offering.

### **CURRENCY**

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

### **CANADIAN FEDERAL INCOME TAX CONSEQUENCES**

There are important Canadian federal income tax consequences relating to the ownership of the Preferred Shares as described in Item 7, “Income Tax Consequences and Registered Plan Eligibility”.

### **RISK FACTORS**

See Item 9, “Risk Factors”.

### **INVESTMENT NOT LIQUID**

There is no market through which the Preferred Shares can be sold, and investors will be unable to sell their Preferred Shares purchased under the Offering. As at the date of this Offering Memorandum, none of the Preferred Shares or any other securities of the Corporation have been listed or quoted on a stock exchange, quotation system or marketplace. The Corporation has not applied to list or quote any of its securities and the Corporation does not currently intend to apply to list or quote any of its securities on any stock exchange, quotation system or marketplace. Further, the Preferred Shares will be subject to a number of resale restrictions, including a statutory restriction on trading. Until the statutory restriction on trading expires, if ever, a securityholder will be unable to trade Preferred Shares unless it complies with very limited exemptions from the prospectus requirements under applicable securities legislation. Since the Corporation has no current intention of becoming a reporting issuer (or the equivalent) in any jurisdiction in Canada, these statutory trading restrictions may never expire. Further, if the securities of the Corporation, other than non-convertible debt securities, are beneficially owned by not more than 50 persons, requests to transfer shares of the Corporation requires consent from the Board of Directors (as defined below). See Section 5.1, “Terms of Securities - Rights Attaching to the Preferred Shares - Restrictions on Ownership” and Item 11, “Resale Restrictions”.

## INTERPRETATION

In this Offering Memorandum, unless the context otherwise requires, when we use terms such as the “**Corporation**”, the “**Issuer**”, “**we**”, “**us**” and “**our**”, we are referring to Abbey Ridge Mortgage Investment Corporation and when we use the terms such as “**Investor**”, “**Subscriber**” or “**you**” we are referring to a person who purchases Preferred Shares under the Offering, thereupon becoming an Investor in the Corporation.

Words importing the singular number only, include the plural and vice versa, and words importing the masculine, feminine or neuter gender include the other genders.

## GLOSSARY OF TERMS

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

“**Belco**” means Belco Private Capital Inc., an exempt market dealer that is registered with the applicable securities regulatory authorities in the Provinces of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Quebec and Saskatchewan.

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

“**Corporation**” means Abbey Ridge Mortgage Investment Corporation, a corporation incorporated under the *Business Corporations Act* (Ontario).

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

“**DRIP**” means the dividend reinvestment plan of the Corporation.

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

“**IPP**” means an “individual pension plan” (i.e., a defined benefit pension plan for an individual) that is registered under the Tax Act.

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

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

“**Manager**” means Falcon Ridge Mgmt Ltd., a corporation incorporated under the *Business Corporations Act* (Ontario).

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

“**Offering**” means the offering of Preferred Shares in the capital of the Corporation for gross aggregate proceeds of up to \$250,000,000 pursuant to this Offering Memorandum, including any supplement, amendment or amendment and restatement thereof.

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

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

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

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

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

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

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

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

“**Subscription Agreement**” means the form of subscription agreement accompanying this Offering Memorandum.

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

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



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## PURPOSE OF THE OFFERING

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

The Preferred Shares will be qualified investments for inclusion in a Canadian RRSP, RRIF, RESP, TFSA, DPSP, LIRA, LRIF, RDSP or IPP subject to the Corporation maintaining its status as a “mortgage investment corporation”. For further information, see Item 7, “Income Tax Consequences and Registered Plan Eligibility”.

### ITEM 1: USE OF AVAILABLE FUNDS

#### 1.1 Funds

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

		Assuming Maximum Offering <sup>(1)</sup>
A	Amount to be raised by this Offering <sup>(2)</sup>	\$250,000,000
B	Selling commissions and fees	\$2,500,000 <sup>(3)</sup>
C	Estimated Offering costs (e.g., legal, accounting, audit, etc.)	\$70,000 <sup>(4)</sup>
D	<b>Available funds: D = A – (B + C)</b>	\$247,430,000
E	Additional sources of funding required (available)	Nil
F	Working capital deficiency <sup>(5)</sup>	Nil
G	<b>Total: G = (D+E) - F</b>	\$247,430,000

**Notes:**

1. The maximum offering size is \$250,000,000 (250,000,000 Preferred Shares.)
2. The Corporation will complete Closings from time to time as subscriptions are received and accepted.
3. This amount excludes the Manager Fee and assumes that the aggregate of all fees, commissions or other compensation payable to agents, securities dealers, brokers or other eligible persons in connection with the Offering shall not exceed an amount equal to 1.00% of the total Offering proceeds to be raised assuming a maximum Offering. See Section 2.8, “Material Contracts - Management Fees and Expenses” and Item 8, “Compensation Paid to Sellers and Finders”.
4. Offering costs (currently estimated to be \$70,000 for the current year of operations) relating to or incidental to the issue, sale and delivery of the Preferred Shares pursuant to this Offering, including fees and disbursements of legal counsel and accountants, printing and other administrative costs associated with marketing the Preferred Shares pursuant to this Offering Memorandum and the reasonable out-of-pocket expenses (including applicable taxes) of the Corporation in connection with such issue, sale and delivery are currently paid for by the Manager until such time as the net income of the Corporation available for distribution (subject to such working capital or reserve requirements as the directors of the Corporation determine is necessary or desirable from time to time) exceeds that amount required to fund dividends to holders of Preferred Shares based on the stipulated target yields set forth herein. At such time, the Manager shall be entitled to be reimbursed for all previously incurred costs and expenses and thereafter the Corporation shall be responsible for ongoing offering costs. See Section 2.8, “Material Contracts - Management Fees and Expenses” and Section 5.1, “Term of Securities - Rights Attaching to the Preferred Shares - Dividend Policy”. As at the date of this Offering Memorandum, the Manager has waived reimbursement of all previously incurred offering costs and expenses of the Corporation since inception to December 31, 2022 and management of the Corporation expects that the Manager will waive reimbursement of all incurred offering costs and expenses of the Corporation for the current fiscal year. Management of the Corporation also expects that the Corporation will be responsible for ongoing offering costs commencing the following fiscal year and onwards.
5. As at the date of this Offering Memorandum

From the date of its inception on February 15, 2018 to March 31, 2023, the Corporation raised gross proceeds of \$12,580,234 and \$1,089,843 was reinvested through the Corporation’s dividend reinvestment plan. Over this same period, there have been retractions totalling \$2,094,550 and offering costs and fees amounting to \$12,605. The net proceeds to the Corporation from the date of its inception to March 31, 2023 is \$11,562,922. See Section 4.3, “Prior Sales”.

As at March 31, 2023, 25 individual mortgages are held by the Corporation and the total assets under administration is \$11,794,990, and the Corporation’s portfolio of mortgages has an average loan size of \$471,800. See Section 2.4, “Development of Business - Mortgage Portfolio”.

## 1.2 Use of Available Funds

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

Description of intended use of available funds proceeds listed in order of priority	Assuming maximum offering
Investment in mortgages, other permitted investments and related administrative expenses (including any Manager Fee and/or Bonus Payment (as defined below)), as further described under Item 2, “Business of the Corporation and Other Information and Transactions”.	\$247,430,000

## ITEM 2: BUSINESS OF THE CORPORATION AND OTHER INFORMATION AND TRANSACTIONS

### 2.1 Canadian Mortgages as an Investment

Management of the Corporation believes that the Canadian residential mortgage market has historically been relatively stable. There are relatively few large financial institutions in Canada. Unlike mortgage lenders in the United States, Canadian lenders have recourse against the borrower’s other assets and income in addition to the real estate that has been secured. Canadians do not have a tax deduction on mortgage interest relating to their principal residences which increases the incentive to pay down or pay off their mortgage. The overall creditor conservatism in Canada has resulted in a much lower delinquency rate during the past global recession. For example, according to the Canada Bankers Association, as at January 31, 2023, 0.07% of all residential mortgages in Ontario were in arrears for in excess of 90 days. In Canada, the arrears ratio as at January 31, 2023 was 0.16%.

The objective of the Corporation is to identify relatively low credit risk and generally higher yield mortgage opportunities, primarily in the form of first mortgages. In general, federally regulated institutions using automated adjudication platforms are unable to take the time necessary to identify the credit worthiness of each individual borrower. There are a number of common circumstances that fall outside the conservative, automated lending guidelines of Canadian banks. These circumstances include, but are not limited to:

- self-employed individuals;
- individuals with non-traditional or variable sources of income;
- individuals with a limited credit history;
- individuals requiring short-term or bridge financing; and
- individuals with high net worth and significant equity in their home.

Due to the continuing and ongoing tightening of the underwriting guidelines of both mortgage insurers and federally regulated institutions, management of the Corporation has observed many financial institutions exiting the non-

conventional residential mortgage market. In addition, alternative financial institutions have reduced their available credit to this market. Due to regulatory constraints, many borrowers are finding it increasingly difficult to qualify for a mortgage, and accordingly find themselves without viable financing options. To the extent traditional Canadian financial institutions under-serve these non-conventional borrowers, an increased number of lending opportunities are being made available to the Corporation.

## **2.2 Structure**

The Corporation was incorporated under the *Business Corporations Act* (Ontario) on February 15, 2018, was formed to carry on the business of a “mortgage investment corporation” (“**MIC**”) as defined under the Tax Act and commenced operations on June 20, 2018. The Corporation invests in relatively low credit risk and generally higher yield mortgage opportunities. A MIC is a flow-through vehicle for tax purposes. The Tax Act effectively treats a corporation that qualifies as a MIC as a flow-through entity so that a shareholder of a MIC is put in a similar position from an income tax perspective as if the investments made by the MIC had been made directly by the shareholder.

The Corporation’s fiscal year ends on December 31 in each year.

The head office and the registered office of the Corporation are located at 8787 Weston Road, Suite 18A, 2<sup>nd</sup> Floor, Vaughan, Ontario L4L 0C3.

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

On May 8, 2018, articles of amendment were filed providing for, among other things, the cancellation of all classes of special shares and commons shares of the Corporation, the creation of an unlimited number of Preferred Shares, issuable in series, and common shares of the Corporation (the “**Common Shares**”) and the addition of certain rights, privileges and conditions to each of the Preferred Shares (as a class and the first series thereof) and the Common Shares.

## **2.3 The Business**

### ***General***

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

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

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

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

### ***The Manager – Falcon Ridge Mgmt Ltd.***

In Ontario, mortgage brokers are regulated by the *Mortgage Brokerages, Lenders and Administrators Act, 2006* (the “**MBLAA**”). The MBLAA not only regulates those who arrange, negotiate or trade in mortgages but also those who administer them. For instance, persons who take steps, on behalf of another person or entity, to enforce payment by a borrower under a mortgage are required to be licensed. Since the Corporation is not licensed as a mortgage broker or administrator, it must therefore conduct its mortgage investment activities through licensed mortgage brokers.

As a result, the Corporation has entered into a management agreement (the “**Management Agreement**”) with Falcon Ridge Mgmt Ltd. (the “**Manager**”) on June 20, 2018 pursuant to which the Manager has agreed to service the Corporation’s mortgage portfolio, including sourcing, negotiating, and underwriting mortgages. The Manager is a licensed mortgage administrator in good standing under the MBLAA operating the MBLAA License No. 13048. Mortgage transactions for the Corporation will be sourced by the Manager primarily from licensed mortgage brokers. See Section 2.8, “Material Contracts - Management Agreement”.

The Manager is considered to be a promoter of the Corporation by reason of its initiative in forming and establishing the Corporation and taking steps necessary for the distribution of the Preferred Shares. The common shareholders, directors and senior officers of the Manager are Giuseppe Decina and Robert Filomena, who are also common shareholders, directors and senior officers of the Corporation. The Manager will not receive any benefits, directly or indirectly from the issuance to investors of the Preferred Shares pursuant to this Offering, other than as described in this Offering Memorandum including as described in Section 2.8, “Material Contracts - Management Fees and Expenses”.

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

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

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

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

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

- (a) to enter into agreements for the underwriting, pricing, negotiation, acquisition, administration, enforcement, collection, financial reporting and general administration relating to the mortgages and/or interests in mortgages and related rights and all ancillary agreements in connection therewith, and to sell, transfer, exchange, convey, or otherwise deal with or dispose of all or any part of the Corporation’s mortgages and/or interests in mortgages and related rights at such times, in such manner and on such

terms as the Manager deems appropriate subject to adhering to the Corporation's strategies, restrictions and policies as set forth in this Offering Memorandum. Specifically, the Manager will be required, among other things, to:

- (i) use its reasonable commercial efforts to acquire investment opportunities consistent with the Corporation's investment guidelines and objectives;
  - (ii) underwrite mortgage applications and retain sufficient relevant information, including the terms and conditions of the acquired mortgage investments;
  - (iii) service and administer those investments acquired by the Corporation, including monitoring the status and progress of such investments, maintaining records and accounts in respect of each investment, accounting for all amounts received on account of the Corporation's interest in an investment, and on a monthly basis preparing a monthly statement of account in respect of all investments in which the Corporation has an interest;
  - (iv) investigate, select and conduct relations with consultants, borrowers, lenders, mortgagors and other mortgage and investment participants, accountants, originators or brokers, correspondents and mortgage managers, technical advisers, lawyers, underwriters, brokers and dealers, corporate fiduciaries, escrow agents, depositories, custodians, agents for collection, insurers, insurance agents, banks, investors, builders and developers;
  - (v) to employ, retain and supervise such persons and the services performed or to be performed by such persons in connection with the Corporation's investments and to substitute any such party or itself for any other such party or for itself;
  - (vi) manage the collection, handling, prosecuting and settling of any claims the Corporation may have with respect to its investments, including foreclosing and otherwise enforcing mortgages and other liens and security interests securing the Corporation's investments;
  - (vii) act on the Corporation's behalf in connection with acquisitions or dispositions of investments, the execution of deeds, mortgages or other instruments in writing for or on the Corporation's behalf and the handling, prosecuting and settling of any claims relating to the Corporation's investments including the foreclosure or other enforcement of any mortgage, lien or other security interest securing the Corporation's investments;
  - (viii) deliver portfolio reports with respect to the Corporation's investments and provide any other information or documentation relating to such investments as may be reasonably requested or as may be required in accordance with the Offering Memorandum or the Management Agreement; and
  - (ix) generally perform such other acts as are required for purposes of the administration of the Corporation's investments;
- (b) to enter into agreements for the management and administration of the Corporation's mortgages and/or interests in mortgages and related rights and to otherwise oversee the day to day mortgage investment and the mortgage administrative activities of the business of the Corporation;
  - (c) to incur all reasonable expenditures;
  - (d) to employ and dismiss from employment any and all agents, independent contractors, managers, brokers, solicitors and accountants;
  - (e) to open bank accounts for the Corporation, to designate and from time to time change the signatories to such accounts;

- (f) to attend to all matters relating to the sale of Preferred Shares in accordance with the *Securities Act* (Ontario) and any other applicable securities legislation, law or policy including without limitation: (A) arranging, and facilitating the completion of, the sale of Preferred Shares through exempt market dealers or other registrants; (B) overseeing investor relations and liaising with and instructing exempt market dealers or other registrants engaged to sell Preferred Shares; (C) acting as transfer agent and registrar for the Preferred Shares; and (D) reviewing and reporting to the holders of Preferred Shares with respect to the financial statements and other information of the Corporation in accordance with the reporting obligations imposed upon the Corporation pursuant to this Offering Memorandum or otherwise under applicable legislation, law or policy;
- (g) to invest funds not immediately required for the operations of the Corporation in cash deposited with a Canadian chartered bank or in short term deposits, savings accounts or government guaranteed income certificates or treasury bills and to make recommendations to the Corporation to consider distributions of excess cash to holders of Preferred Shares in the capital of the Corporation to the extent the Corporation is retaining too much cash on hand;
- (h) to submit the Corporation to binding arbitration with respect to any matters pertaining to the assets and undertakings of the Corporation;
- (i) to defend on behalf of the Corporation any and all actions and other proceedings brought against the Corporation or its assets and undertakings and to, in its sole discretion, settle on such terms as it deems advisable all such actions, and to consent to a judgment against the Corporation, provided that the effect of the consent would not be to materially or financially affect the business, assets or operations of the Corporation; and
- (j) to execute, acknowledge and deliver any and all instruments to effectuate any and all of the foregoing.

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

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

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

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

The Manager provides for the preparation of accounting, management and other financial reports as well as the keeping and maintaining of the books and records of the Corporation. The Manager reviews and reports to the holders of any debt or equity interests in the Corporation in accordance with the reporting obligations imposed upon the Corporation as set forth in Item 10, "Reporting Obligations".

## *Investment Strategies*

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

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

The Corporation, through the Manager, invests primarily in residential first mortgages, which may also include construction financing on residential property (residential properties are defined as one to four-unit dwellings). While the majority of the investments will be in residential first mortgages, the Corporation may also identify opportunities in second mortgage loans as well as commercial mortgages (i.e., mortgages that are principally secured by multi-family housing projects, residential land developments, mixed-use properties and income-producing properties that have retail, commercial, service, office and/or industrial uses). Commercial loans will not exceed 20% of the total loan portfolio of the Corporation.

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

- (a) *Standard First or Second Mortgage Loans* – These are conventional (80% loan to value ratio, net of any capitalized application fees) first or second mortgage loans typically advanced to borrowers to assist with the purchase or refinancing of a property; provided however in limited cases, at the discretion of the Board of Directors, the loan to value ratio may exceed 80%. The Corporation targets that the composite weighted average portfolio loan to value ratio, net of any capitalized application fees, will not exceed 80%.
- (b) *Equity Loans* – These loans are advanced to bridge the gap between the equity which is provided by a developer or purchaser and the amount available through conventional financing in the development or purchase of residential, commercial or industrial properties. These can also be 'equity take-out' mortgages where an existing owner has built up equity in a property and wishes to extract cash funds by way of mortgaging that equity. Because of the typically higher risk, potential returns are significantly higher than conventional mortgage returns. Additional revenue is often realized through bonus payments, set up fees, etc. By their very nature, these are generally first or second position mortgage loans secured by mortgages against title to land that rank in first or second priority.
- (c) *Construction Loans* – These loans are advanced to acquire raw land for residential development and/or to finance the construction and development of residential properties. The loans are higher risk than loans on completed buildings. The loan to value of these types of loans will not exceed 75%.
- (d) *Improvement Loans* – These loans are advanced to finance completed or substantially completed buildings that will benefit by the property's redevelopment, renovation, additions, etc. Typically, the funds are used to improve a property so that the overall value is substantively increased, its usability is enhanced, and/or its potential for increased revenue can be realized. While construction risk is substantially eliminated, the success of these projects is subject to market conditions.

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



- (a) property type and geographical diversification;
- (b) short term loans and intermediate term loans;
- (c) interest only loans and amortized products with principal and interest repaid over a 10 - 35 year amortization period; and
- (d) loans in Canadian dollars on Canadian based real estate.

Loans will generally be for terms of twelve months or less. Interest is often set at a fixed rate or at a floating rate based on a margin over the prime lending rate of the Corporation's bank, sometimes with a minimum specified rate. Loan to value, borrower credit history, borrower assets and liabilities, repayment ability of the borrowers (including confirmation of sufficient income and/or cash flow), job stability and marketability of the property and other factors are also part of the underwriting guidelines in setting the appropriate interest rate. Further, mortgage loans will not be advanced unless the underlying real estate securing the mortgage is sufficient to effect full repayment of principal in the event of default. The Manager may also from time to time perform quarterly risk assessments of the Corporation's mortgage portfolio to ensure that each mortgage loan within the mortgage portfolio complies with the Corporation's investment strategies, operating restrictions and investment policies. Separately, the Corporation may share part of a mortgage investment with other lenders acceptable to the Corporation. By limiting its participation in large individual investments, the Corporation will have the benefits of increased portfolio diversification.

Prior to extension or renewal of a mortgage loan term, each mortgage is subject to review by the Manager under the then current market conditions to determine if an extension or renewal is warranted and the terms of any such extension or renewal. As part of this review, the Manager examines among other things the borrower's payment history since inception of the loan, the borrower's income and financial servicing capacity and the then current market conditions for the area surrounding the underlying real estate securing the mortgage loan (and if warranted, a Purview report, realtor opinion or independent appraisal by a qualified appraiser). Upon a successful review, a formal extension or renewal offer is delivered to the borrower for acceptance.

The Corporation may pursue a leveraged investment strategy by issuing debt obligations, it will borrow money (including drawing on a line of credit, if any) in an attempt to increase the Corporation's returns by taking advantage of the difference between the interest earned on the loans made by the Corporation and the cost of borrowing the money to make such loans. Please refer to Section 9.1(e), "Leverage by the Corporation" for risks associated with the use of leverage by the Corporation.

### ***Operating Restrictions***

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

- (a) except as approved by the Board of Directors in exceptional circumstances, the Corporation may not loan an amount greater than 10% of the balance of the accounts receivable of the Corporation and the Corporation may not invest more than 10% of its capital in any one mortgage;
- (b) subject to clause (n) of 'Investment Policies' below, the Corporation will not invest in securities, guaranteed investment certificates or treasury bills unless such securities, guaranteed investment certificates or treasury bills are issued by an arm's-length party and are pledged as collateral in connection with mortgage investments or obtained by realizing on such collateral;
- (c) the Corporation will not invest for the purposes of exercising control over management of any company or other entity;
- (d) the Corporation will not guarantee the securities or obligations of any person;
- (e) except for any obligations owing under the Management Agreement, the Corporation will not enter into any transaction (i) between the Corporation and any person not dealing at arm's length with the

- Corporation or the Manager or their respective directors, officers, employees or shareholders; or (ii) for the benefit of any person not dealing at arm's length with the Corporation or the Manager or any of their respective directors, officers, employees or shareholders;
- (f) the Corporation will not make any loan or investment which does not meet the "Canadian content" requirements of paragraph 130.1(6)(c) of the Tax Act;
  - (g) the Corporation will not engage in derivative transactions for any purpose;
  - (h) the Corporation will not lend money on the security of a mortgage unless an independent appraisal by a qualified appraiser of the real estate which is the primary collateral for the loan has been obtained;
  - (i) the Corporation will not develop or manage any real property;
  - (j) the cost amount to the Corporation of any real property of the Corporation, including any leasehold interests in such property (except real property acquired by foreclosure or other enforcement of its rights as mortgagee) shall not exceed 25% of the cost amount to it of all of its property; and
  - (k) the Corporation will not otherwise conduct its business in a manner that would cause the Corporation to fail to qualify as a MIC under the Tax Act or that would result in the Preferred Shares not being a "qualified investment" for RRSPs, RRIFs RESPs, TFSAs, DPSPs, LIRAs, LRIFs, RDSPs or IPPs under the Tax Act (see Item 7, "Income Tax Consequences and Registered Plan Eligibility").

### ***Investment Policies***

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

- (a) the Corporation's only undertaking will be to invest the Corporation's funds in accordance with its investment strategies and policies and operating restrictions contained in this Offering Memorandum, as may be amended from time to time as set forth below under "Changes to Investment Strategies, Operating Restrictions and Investment Policies";
- (b) the Corporation will primarily make first priority loans in amounts up to 80% of the fair market value of the mortgaged property, net of any capitalized application fees, unless special circumstances warrant exceeding that threshold; fair market value will be primarily based on the most recent sales comparison as determined by an independent professional appraiser who possesses either a Canadian Residential Appraiser (CRA) or Accredited Appraiser Canadian Institute (AACI) designation;
- (c) the Corporation may from time to time engage in financing the construction and development of single-family homes;
- (d) the Corporation may from time to time engage in bridge financing activities including the financing of new home construction;
- (e) up to 10% of the Corporation's mortgage investments may be held in commercial mortgages (i.e., means mortgages that are principally secured by multi-family housing projects, residential land developments, mixed-use properties and income-producing properties that have retail, commercial, service, office and/or industrial uses).
- (f) the Corporation may buy or sell mortgages in the secondary market or hold a fractional interest in a mortgage in limited circumstances and subject to approval by the Board of Directors;
- (g) the Corporation will obtain a Phase I environmental audit where there is a reasonable possibility of environmental contamination that might impact the value and marketability of the property;

- (h) the Corporation will obtain title insurance in respect of real property provided as security for a mortgage loan in such amounts and on such terms as the Manager considers appropriate or, in the alternative, will obtain a favourable title opinion from a solicitor;
- (i) the Corporation shall at all times have policies and procedures in place to verify the identity of prospective borrowers in order to reduce the Corporation's exposure to the risks of mortgage fraud and money laundering activities;
- (j) the Manager enacts measures to pursue any defaults by borrowers in a fashion and manner deemed appropriate by the Manager based on the circumstances of such loans;
- (k) mortgages in which the Corporation invests may contain clauses permitting the mortgagor, when not in default, to renew the mortgage for additional terms at the sole discretion of the Manager and not the borrower;
- (l) all mortgages will, following funding, be registered, subject to regulatory compliance, on title to the subject property in the name of any of the Corporation, the Manager, their respective affiliates or a nominee for the Corporation or the Manager;
- (m) the Manager shall apply known and established procedures in the evaluation of mortgage opportunities being made available to the Corporation; and
- (n) to the extent that the Corporation's funds are not invested in mortgages from time to time, they will be held in cash deposited with a Canadian chartered bank or will be invested by the Manager on the Corporation's behalf in short term deposits, savings accounts or government guaranteed income certificates or treasury bills so as to maintain a level of working capital for the Corporation's ongoing operations considered acceptable by the Board of Directors.

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

The Corporation's Board of Directors may in its discretion but acting in the best interests of the Corporation make any amendments, modifications or other changes to the foregoing investment strategies, operating restrictions and investment policies of the Corporation including if, due to a change in the provisions of the Tax Act or other legislation applicable to the Corporation, any of the foregoing restrictions require amendment in order to comply with such change in legislation in order for the Corporation to continue to qualify as a "mortgage investment corporation", and such amendments, modifications or other amendments will be binding on the Corporation. It is anticipated that the Manager will provide the Corporation with assistance from time to time on revision of the foregoing strategies, restrictions or policies for any reason including in order to comply with applicable legislation. In the event of any amendment to the foregoing strategies, restrictions and policies, the Manager will be required to comply with and observe such change immediately upon such change becoming effective. Please also refer to Section 9.2(d), "Potential Conflicts of Interest" for risks associated with potential conflicts of interest.

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

See Section 2.8, "Material Contracts - Management Fees and Expenses".

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

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

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

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

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

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

## **2.4 Development of Business**

The Corporation was incorporated on February 15, 2018 and commenced operations on June 20, 2018. The Corporation's business is primarily limited to investing the net proceeds of this Offering in mortgages in accordance with the strategies, policies and guidelines set out above under Section 2.3, "The Business".

The success of the Corporation is dependent, to a large part, on the experience and good faith of the Manager. See Section 2.3, "The Business - The Manager - Falcon Ridge Mgmt Ltd".

The Corporation has declared and paid dividends quarterly since inception and intends to continue to declare and pay dividends quarterly. Since inception, all dividends have been made out of the net income and capital gains received in each financial year, and none of such distributions have been funded by sources such as loans, share issuances or any credit facility. It is the intention of the Corporation to continue to make dividends on that basis. Amounts for operating expenses, management fees and dividend distributions are not paid from the proceeds of the Offering. Since the Corporation is operational and profitable, management fees and dividend distributions have been, and are expected to continue to be, paid out of the current mortgage portfolio income. However, offering costs relating or incidental to the issue, sale and delivery of the Preferred Shares pursuant to this Offering are currently paid for by the Manager until such time as the net income of the Corporation available for distribution (subject to such working capital or reserve requirements as the directors of the Corporation determine is necessary or desirable from time to time) exceeds that amount required to fund dividends to holders of Preferred Shares based on the stipulated target yields set forth herein. At such time, the Manager shall be entitled to be reimbursed for all previously incurred costs and expenses and thereafter the Corporation shall be responsible for ongoing offering costs. See Section 2.8, "Material Contracts - Management Fees and Expenses" and Section 5.1, "Term of Securities - Rights Attaching to the Preferred Shares - Dividend Policy".

For the fiscal year ended December 31, 2022 and the period commencing January 1, 2023 and ending March 31, 2023, the Corporation delivered an average annualized dividend yield (net of all fees and expenses of the Corporation) to holders of Preferred Shares of 8.05% and 7.90%, respectively.

The Corporation will from time to time determine target yields with respect to the Preferred Shares. As at the date of this Offering Memorandum, the Corporation is targeting declaring dividends of approximately \$0.00583 per Preferred Share per month (\$0.07 per annum representing an annual dividend of 7.00% based on the \$1.00 issue price).

Notwithstanding the foregoing, the amount of dividends declared may fluctuate from quarter to quarter and there can be no assurance that the Corporation will declare any dividends in any particular quarter or quarters. If the Corporation's net income is less than the amount necessary to fund and achieve the target yields, the Corporation may not pay the full target yields. In addition, if the directors of the Corporation, on the advice of the Manager, determine that it would be in the best interests of the Corporation, they may reduce or suspend for any period, or altogether cease indefinitely, the dividends to be made on the Preferred Shares. On the other hand, a special year-end dividend may be declared and paid if the Corporation's net income exceeded quarterly dividends. The payment of dividends is subject to the discretion of the directors of the Corporation to establish working capital and other reserves for the Corporation. Prospective investors should not confuse the Corporation's target yields with the Corporation's rate of return or yield. There is no guarantee that the Corporation will be able to pay dividends at the levels targeted. Please refer to Section 5.1, "Terms of Securities - Rights Attaching to the Preferred Shares - Dividend Policy".

### ***Mortgage Portfolio***

As at March 31, 2023, 25 individual mortgages are held by the Corporation and the total assets under administration is \$11,794,990, and the Corporation's portfolio of mortgages has an average loan size of \$471,800. Further, as at March 31, 2023, with respect to the mortgages in the Corporation's mortgage portfolio:

- (a) the average of the interest rates payable under the mortgages, weighted by the principal amount of the mortgages, is 8.71%;
- (b) the average of the terms to maturity of the mortgages, weighted by the principal amount of the mortgages, is 4.46 months;
- (c) the average loan-to-value ratio of the mortgages (calculated for each mortgage by dividing the total principal amount of the Corporation's mortgage and all other loans ranking in equal or greater priority to the Corporation's mortgage by the fair market value of the property), weighted by the principal amount of each mortgage, is 62.10%;
- (d) a total principal amount of \$9,067,500 (being 76.88% of the total principal amount of all mortgages in the Corporation's mortgage portfolio) rank in first priority and a total principal amount of \$2,727,490 (being 23.12% of the total principal amount of all mortgages in the Corporation's mortgage portfolio) rank in second priority;
- (e) 25 mortgages with a total principal amount of \$11,794,990 (being 100.00% of the total principal amount of all mortgages in the Corporation's mortgage portfolio) are attributable to properties located in the Greater Toronto Area;
- (f) 25 mortgages with a total principal amount of \$11,794,990 (being 100.00% of the total principal amount of all mortgages in the Corporation's mortgage portfolio) are attributable to residential mortgages;
- (g) 22 mortgages with a total principal amount of \$11,034,990 (being 93.56% of the total principal amount of all mortgages in the Corporation's mortgage portfolio) will mature in less than one (1) year;

- (h) no mortgages have payments more than 90 days overdue or have impaired value;
- (i) the average credit score of borrowers, weighted by the principal amount of the mortgages, is 757; and
- (j) one (1) borrower has more than 10% of the balance of the accounts receivable of the Corporation as set forth in the table immediately below. See also Section 9.2(e), “Credit & Concentration Risk”.

Property Type	Principal Amount	Interest Rate	Maturity Date	Appraisal	Location	LTV	% of portfolio	Priority
Residential	\$1,425,000	9.49%	June 1, 2023	\$3,000,000	Mississauga	74.00%	12.08%	1 <sup>st</sup>

### **Portfolio Performance**

For each completed financial year of the Corporation since inception on February 15, 2018, average annualized dividend yields (net of all fees and expenses) were delivered to holders of Preferred Shares as follows:

Financial Year Ended	Average Annualized Yield (Net of All Fees and Expenses)	Target Yield
December 31, 2018	7.50%	7.00%
December 31, 2019	7.50%	7.00%
December 31, 2020	7.75%	7.00%
December 31, 2021	7.85%	7.00%
December 31, 2022	8.05%	7.00%

### **2.5 Long-Term Objectives**

The Corporation’s long term objective is to provide its shareholders with sustainable income while preserving capital for distribution or re-investment. The Corporation will seek to achieve this principal investment objective by investing in mortgages using the funds raised pursuant to this Offering and any debt that may be provided by Canadian chartered banks or alternative lenders. The Corporation invests primarily in first mortgages (but in some cases second mortgages) which are secured by the respective mortgagor’s equity in primarily residential real property in accordance with the strategies, policies and guidelines set out above under Section 2.3, “The Business”. The Corporation anticipates continuing to raise funds under this Offering for the foreseeable future and investing all available net proceeds raised in mortgages as opportunities arise for such investment. The Corporation will reinvest in mortgages with the Corporation’s income received upon the mortgages becoming due. The costs related to the investment and reinvestment in mortgages is nominal and is not considered to be material. The Corporation’s income will primarily consist of interest received on the loans secured by the mortgages, less any fees payable or paid, or any expenses reimbursable, to the Manager as disclosed herein and interest and fees payable with respect to any debt facilities employed to fund a portion of the Corporation’s mortgage assets.

### **2.6 Short Term Objectives**

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

Actions to be taken	Target completion date or, if not known, number of months to complete	Cost to complete
Raising of funds under the Offering and investing available funds in mortgage investments in accordance with the policies and guidelines set out herein	Ongoing throughout the next 12 months	The cost of this Offering is estimated to be \$70,000 for current year of operations.

## 2.7 Insufficient Proceeds

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

## 2.8 Material Contracts

### *Management Agreement*

The Manager has agreed to service the Corporation's mortgage portfolio, including sourcing, negotiating, and underwriting mortgages. The Corporation does not actively employ personnel to actively seek or originate mortgages for investment, but instead relies on the expertise of the Manager for a regular flow of investment opportunities. In providing mortgage investment services, the Manager shall adhere to the Corporation's investment strategies, operating restrictions, operating policies and investment policies as set forth herein. See Section 2.3, "The Business".

The following summarizes the terms of the Management Agreement.

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

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

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

### *Management Fees, Bonus Payments and Expenses*

For providing its services, the Manager is entitled to receive a management fee from the Corporation (the "**Manager Fee**") of up to 3.00% per annum of the gross assets of the Corporation, calculated on a simple average monthly balance basis (i.e., opening mortgage portfolio balance plus closing mortgage portfolio balance divided by two), aggregated and paid monthly in arrears, plus applicable taxes. The Manager may in its discretion waive and/or defer in whole or in part the Manager Fee. All or a portion of the Manager Fee is subject to reimbursement as described below. The Manager shall also be entitled to a Bonus Payment (as defined below) to the extent dividends payable exceed target yields as described below.

The Manager Fee will be charged to the Corporation monthly in arrears and the Manager will provide the Corporation with an invoice at the end of each month.

Since inception of the Corporation to the date of this Offering Memorandum, the Manager has exercised its discretion and has waived the Manager Fee it was otherwise entitled to be paid. However, such waiver is not a further or continuing waiver by the Manager of any future Manager Fee it is otherwise entitled to be paid.

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

If, however, net income of the Corporation available for distribution (subject to such working capital or reserve requirements as the Board of Directors determine is necessary or desirable from time to time) exceeds that amount required to fund dividends to holders of Preferred Shares based on the stipulated target yields, the distributable net income remaining after payment of such dividends based on stipulated target yields shall be paid as a bonus to the Manager. On a quarterly basis, the Manager estimates in good faith the total annual bonuses payable to the Manager and the Corporation pays an amount up to 75% of 1/4<sup>th</sup> of such estimated amount (the "**Bonus Payment**"). Accordingly, the Manager shall be paid at each quarter-end up to the Bonus Payment, as recorded in the unaudited, management prepared financial statements. Following verification after receipt of the annual audited financial statements, any balance owing to the Manager on account of such bonuses is paid.

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

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

Since inception of the Corporation to the date of this Offering Memorandum, the Manager has exercised its discretion and has waived any Bonus Payments it was otherwise entitled to be paid. However, such waiver is not a further or continuing waiver by the Manager of any future Bonus Payments it is otherwise entitled to be paid.

The Corporation and/or Manager may in certain circumstances charge borrowers the following fees: lenders' fees, commitment fees, referral fees, extension fees, renewal fees, NSF fees, administration fees and similar fees to borrowers with respect to any mortgage loan. Lenders' fees and commitment fees charged to borrowers shall be payable to the Manager or as it directs in writing. Any other fees charged to borrowers shall be allocated between the Corporation and/or the Manager as reasonably determined from time to time by the Manager. The Manager Fee, any Bonus Payments allocable to the Manager and any fees, compensation or other amounts owing to the Manager hereunder shall be payable to the Manager or as it directs in writing.

Other than as set out in the immediately following paragraph, the Corporation shall pay for all expenses it incurs in connection with its operation and management. In addition to the Manager Fee, such expenses shall include, without limitation: (a) financial reporting costs, and mailing and printing expenses for periodic reports to securityholders and other



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

Offering costs relating to or incidental to the issue, sale and delivery of the Preferred Shares pursuant to this Offering, including fees and disbursements of legal counsel and accountants, printing and other administrative costs associated with marketing the Preferred Shares pursuant to this Offering Memorandum and the reasonable out-of-pocket expenses (including applicable taxes) of the Corporation in connection with such issue, sale and delivery are currently paid for by the Manager until such time as the net income of the Corporation available for distribution (subject to such working capital or reserve requirements as the directors of the Corporation determine is necessary or desirable from time to time) exceeds that amount required to fund dividend to holders of Preferred Shares based on the stipulated target yields set forth herein. At such time, the Manager shall be entitled to be reimbursed for all previously incurred costs and expenses and thereafter the Corporation shall be responsible for ongoing offering costs. See Section 5.1, “Terms of Securities - Rights Attaching to the Preferred Shares - Dividend Policy”.

Except as set out in the immediately preceding paragraph, the Manager shall also be reimbursed by the Corporation for all expenses incurred by the Manager on behalf of the Corporation, except any costs and expenses incurred by the Manager applicable to its operations, including salaries and employee expenses, office rent and equipment.

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

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

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

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

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

The liability of the Corporation pursuant to the Management Agreement has been limited such that the Manager agrees that it shall only look to the Corporation’s property and assets for satisfaction of any claims arising out of or in connection with such agreement. Also, except as otherwise provided in the Management Agreement, or for any material breach or

default of the obligations of the Manager thereunder, neither the Manager, nor any of its directors, officers, employees, consultants or agents shall be subject to any liability whatsoever, in tort, contract, or otherwise, in connection with the affairs of the Corporation, including, without limitation, in respect of any loss or diminution in value of any of the Corporation’s property or assets. The Corporation shall be solely liable therefor and resort shall be had solely to the Corporation’s property or assets for the payment or performance thereof.

Pursuant to the terms of the Management Agreement, the Corporation has agreed that it shall indemnify and reimburse the Manager, as well as its directors, officers, employees, consultants or agents, against all liabilities and expenses reasonably incurred in connection with the Manager’s services thereunder, except for liabilities and expenses resulting from such party’s willful misconduct, bad faith, gross negligence, disregard of the duties or standard of care, diligence, or material breach or default of the Management Agreement. The Manager agreed that it shall indemnify and save harmless the Corporation, and its directors, officers, employees, consultants and agents, from and against all liabilities and expenses reasonably incurred in connection with any action, suit or proceeding to which it may be made a party by reason of the Manager’s willful misconduct, bad faith, gross negligence or disregards of its duties or standard of care, diligence and skill or a material breach of default under the Management Agreement. This indemnity survives the removal or resignation of the Manager in connection with any and all of its duties and obligations under the Management Agreement and shall survive the termination of such agreement.

## 2.9 Related Party Transactions

The Manager is a related party of the Corporation and pursuant to the Management Agreement, for providing its services, it is entitled to receive a Manager Fee and, to the extent dividends payable exceed target yields the Manager, certain Bonus Payments. The Manager is also entitled to be reimbursed by the Corporation for certain expenses and to be indemnified by it under certain circumstances. Additionally, lenders’ fees and commitment fees charged to borrowers with respect to any mortgage loan shall be payable to the Manager (or as it directs in writing) and any other fees charged to borrowers shall be allocated between the Corporation and/or the Manager as reasonably determined from time to time by the Manager. See Section 2.8, “Material Contracts - Management Fees, Bonus Payments and Expenses”.

## ITEM 3: COMPENSATION AND SECURITY HOLDINGS OF CERTAIN PARTIES

### 3.1 Compensation and Securities Held

The following table sets out information as at March 31, 2023 about each director, officer and promoter of the Corporation, each director and officer of the Manager and each person who directly or indirectly beneficially owns or controls 10% or more of any class of voting securities of the Corporation (a “Principal Holder”).

Full legal name and place of residence or, if not an individual, jurisdiction of organization	Positions held and the date of obtaining that position or relationship to the Corporation and/or the Manager	Compensation paid by the Corporation in the most recently completed financial year and the compensation anticipated to be paid in the current financial year <sup>(1)</sup>	Number, type and percentage of securities of the Corporation held as at the date of this Offering Memorandum <sup>(3)(4)</sup>	Number, type and percentage of securities of the Corporation held after completion of maximum offering <sup>(3)(4)</sup>
Giuseppe Decina King City, Ontario	Director, Chief Executive Officer and President since February 15, 2018	FY '22 – \$nil FY '23 – \$nil	25 Common Shares (25% of all outstanding Common Shares)	25 Common Shares (25% of all outstanding Common Shares)
	Director, Chief Executive Officer and President of the Manager since February 15, 2018		360,531 Preferred Shares (3.11% of all outstanding Preferred Shares)	360,531 Preferred Shares (0.14% of all outstanding Preferred Shares)

Full legal name and place of residence or, if not an individual, jurisdiction of organization	Positions held and the date of obtaining that position or relationship to the Corporation and/or the Manager	Compensation paid by the Corporation in the most recently completed financial year and the compensation anticipated to be paid in the current financial year <sup>(1)</sup>	Number, type and percentage of securities of the Corporation held as at the date of this Offering Memorandum <sup>(3)(4)</sup>	Number, type and percentage of securities of the Corporation held after completion of maximum offering <sup>(3)(4)</sup>
Robert Filomena Markham, Ontario	Director, Chief Operating Officer and Secretary-Treasurer since May 8, 2018  Director, Chief Operating Officer and Secretary-Treasurer of the Manager since April 19, 2018	FY '22 – \$nil FY '23 – \$nil	25 Common Shares (25% of all outstanding Common Shares)  90,677 Preferred Shares (0.78% of all outstanding Preferred Shares)	25 Common Shares (25% of all outstanding Common Shares)  360,531 Preferred Shares (0.04% of all outstanding Preferred Shares)
Vincent Cosentino Etobicoke, Ontario	Director since May 8, 2018	FY '22 – \$nil FY '23 – \$nil	25 Common Shares (25% of all outstanding Common Shares)	25 Common Shares (25% of all outstanding Common Shares)
Dominic Scarangella King City, Ontario	Director since January 15, 2019	FY '22 – \$nil FY '23 – \$nil	25 Common Shares (25% of all outstanding Common Shares)	25 Common Shares (25% of all outstanding Common Shares)
Falcon Ridge Mgmt Ltd. <sup>(2)</sup>	Promoter	See Note (2) below.	Nil	Nil

**Notes:**

- The directors and officers of the Corporation did not receive compensation in their capacity as directors or officers for the fiscal year ended December 31, 2022 and will not receive such compensation for the current fiscal year. Although director compensation for subsequent fiscal years is anticipated to be substantially similar to the current fiscal year, there may be yearly changes based on performance and other factors.
- The Manager is considered to be a promoter of the Corporation by reason of its initiative in forming and establishing the Corporation and taking steps necessary for the distribution of the Preferred Shares. The common shareholders, directors and senior officers of the Manager are Giuseppe Decina and Robert Filomena, who are also common shareholders, directors and senior officers of the Corporation. The Manager will not receive any benefits, directly or indirectly from the issuance to investors of the Preferred Shares pursuant to this Offering, other than as described in this Offering Memorandum, including the Manager Fee and any Bonus Payments payable to the Manager as described in Section 2.8, “Material Contracts - Management Fees and Expenses”.
- The information as to securities beneficially owned as at the date of this Offering Memorandum has been furnished by the respective directors and officers.
- Directors and/or officers of the Corporation may acquire Preferred Shares pursuant to the Offering.

### 3.2 Management Experience

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

Name	Principal Occupation and Related Experience
Giuseppe Decina	<b>Chief Executive Officer, President and Director of the Corporation and the Manager.</b> Giuseppe Decina is a highly experienced industry executive with over 25 years of proven success in mortgage underwriting, credit analysis and sales growth. Mr. Decina has extensive experience in mortgage lending and has led an Institutional National Sales and Underwriting Unit that was responsible for managing a loan portfolio in excess of \$15 billion. Mr. Decina is a graduate from York University with a Bachelor of Arts degree and is an accredited mortgage professional who is frequently asked to speak at mortgage industry events.

Name	Principal Occupation and Related Experience
Robert Filomena	<p><b>Chief Operating Officer, Secretary-Treasurer and Director of the Corporation and the Manager.</b></p> <p>Robert Filomena is a seasoned Six Sigma Black Belt, Operational Excellence and Transformation professional. With over 25 years of business transformation and operation management experience in the financial services, telecommunications, consumer retail and energy sector industries, Mr. Filomena has been involved in customer life cycle development, risk management, operations, organizational change management and infrastructure development.</p>
Vincent Cosentino	<p><b>Director of the Corporation.</b></p> <p>Vincent Cosentino is the Chief Financial Officer of the Johnvince Foods Group with over 40 years of experience in various industries, including manufacturing, retail, distribution and real estate. Mr. Cosentino also has extensive experience in mergers and acquisitions, financing private companies, structuring debt and participating in new equity and joint venture business opportunities. Prior to joining Johnvince Foods Group, Mr. Cosentino worked in the Toronto and Vaughan offices of KPMG Canada. Mr. Cosentino is a CPA, having received his chartered accountant designation in 1998.</p>
Dominic Scarangella	<p><b>Director of the Corporation.</b></p> <p>Dominic Scarangella is a senior financial professional with over 20 years of corporate board experience and experience working with various business executives in various industries, including manufacturing and retail. Mr. Scarangella's business expertise includes corporate due diligence and turnarounds, restructurings and mergers and acquisitions. Mr. Scarangella also has experience working with a family-owned business, where his ability to influence and build relationships was key to that business's substantial growth.</p>

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

### 3.3 Penalties, Sanctions, Bankruptcy, Insolvency and Criminal or Quasi-Criminal Matters

As at the date of this Offering Memorandum, there are (a) no penalties or other sanctions that have been imposed by a court or a regulatory body relating to a contravention of securities legislation during the past ten (10) years against and (b) no order restricting trading in securities that have been in effect for a period of more than 30 consecutive days during the past ten (10) years against: (i) a director, executive officer or control person of the Corporation or the Manager or (ii) an issuer of which a person referred to in (i) was a director, executive officer or control person at the time.

As at the date of this Offering Memorandum, there are (a) no declarations of or voluntary assignments in bankruptcy, (b) proposals under any bankruptcy or insolvency legislation or (c) proceedings, arrangements or compromises with creditors or appointments of a receiver, receiver manager or trustee to hold assets that have been in effect during the past ten (10) years with regard to: (i) any director, executive officer or control person of the Corporation or the Manager; or (ii) an issuer of which a person referred in (i) above was a director, executive officer or control person at the time.

As at the date of this Offering Memorandum, no director, executive officer or control person of the Corporation or the Manager has ever pled guilty to or been found guilty of (a) a summary conviction or indictable offence under the *Criminal Code* (Canada), (b) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction, (c) a misdemeanour or felony under the criminal legislation of the United States of America or any state or territory of the United States of America or (d) an offence under the criminal legislation of any other foreign jurisdiction.

### 3.4 Certain Loans

As at the date of this Offering Memorandum, there are no outstanding debenture, bond or loan agreements between the Corporation and any related parties.

## ITEM 4: CAPITAL STRUCTURE

### 4.1 Securities Except for Debt Securities

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

Description of Security	Number Authorized to be Issued	Number Outstanding as at March 31, 2023	Number Outstanding After Maximum Offering
Common Shares <sup>(1)</sup>	Unlimited	100 <sup>(2)</sup>	100
Preferred Shares <sup>(3)</sup>	Unlimited	11,575,527	250,000,000

#### Notes:

1. The holders of the common shares are entitled to one vote for each common share held at all meetings of shareholders of the Corporation, other than meetings at which only the holders of another class or series of shares are entitled to vote separately as a class or series. The holders of common shares shall not be entitled to any dividends. The holders of the common shares shall be entitled, subject to the prior rights of the holders of the Preferred Shares, to receive the remaining property of the Corporation in the event of any distribution of assets of the Corporation among its shareholders arising on the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs.
2. As of the date of this Offering Memorandum, the Corporation has an aggregate of 100 fully paid common shares issued and outstanding, and each of Giuseppe Decina, Robert Filomena, Vincent Cosentino and Dominic Scarangella holds 25 common shares. The Corporation and each of these common shareholders are party to a common shareholders' agreement effective as of June 20, 2018 setting forth the manner in which certain affairs of the Corporation shall be conducted and governing matters related to the common shareholdings. On January 15, 2019, Mr. Buzanis surrendered to the Corporation his 25 common shares for the amount of the subscription price therefor, being an aggregate consideration of \$25.00. Contemporaneously, the Corporation issued 25 common shares from treasury to Dominic Scarangella for an aggregate consideration of \$25.00. Mr. Scarangella also entered into the abovementioned common shareholders' agreement.
3. See Section 5.1, "Terms of Securities - Rights Attaching to the Preferred Shares" for description of rights attaching to the Preferred Shares.

### 4.2 Long Term Debt

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

### 4.3 Prior Sales

#### *Common Shares*

On February 15, 2018, the Corporation issued 25 Class A Common shares at a price of \$1.00 per share to Giuseppe Decina. The 25 issued and outstanding Class A Common shares were reclassified as common shares pursuant to the articles of amendment filed on May 8, 2018. Subsequently, on May 8, 2018, the Corporation issued 25 common shares at a price of \$1.00 per share to each of Robert Filomena, Vincent Cosentino and Michael Buzanis.

On January 15, 2019, Mr. Buzanis surrendered to the Corporation his 25 Common Shares for the amount of the subscription price therefor, being an aggregate consideration of \$25.00. Contemporaneously, the Corporation issued from treasury 25 common shares to Dominic Scarangella for an aggregate consideration of \$25.00.

#### *Preferred Shares*

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

Month of Transaction	Subscriptions			Dividend Reinvestment		
	No. of Preferred Shares	Price per Security	Total Funds Received	No. of Preferred Shares	Price per Security	Total Funds Received
April 2022	10,000	\$1.00	\$10,000	80,164	\$1.00	\$80,164
May 2022	550,000	\$1.00	\$550,000	-	-	-
June 2022	nil	\$n/a	\$nil	-	-	-
July 2022	740,000	\$1.00	\$740,000	100,168	\$1.00	\$100,168
August 2022	84,785	\$1.00	\$84,785	-	-	-
September 2022	nil	\$n/a	\$nil	-	-	-
October 2022	10,000	\$1.00	\$10,000	116,045	\$1.00	\$116,045
November 2022	245,000	\$1.00	\$245,000	-	-	-
December 2022	325,197	\$1.00	\$325,197	-	-	-
January 2023	150,000	\$1.00	\$150,000	121,738	\$1.00	\$121,738
February 2023	70,000	\$1.00	\$70,000	-	-	-
March 2023	57,700	\$1.00	\$57,000	-	-	-
April 1, 2023 to April 15, 2023	nil	\$n/a	\$nil	122,679	\$1.00	\$122,679

## ITEM 5: SECURITIES OFFERED

### 5.1 Terms of Securities

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

The Corporation is offering up to 250,000,000 Preferred Shares for sale at a price of \$1.00 per share.

#### Issuable in Series

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

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

#### Non-Voting

Except as provided by applicable law, the holders of Preferred Shares shall not be entitled as such to receive notice of or to attend any meeting of the shareholders of the Corporation and shall not be entitled to vote at any such meeting.

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

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

### Retraction Rights

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

Subject however to the provisions of the OBCA and applicable securities laws, any holder of the Preferred Shares shall be entitled to request that the Corporation retract the whole or any part of the Preferred Shares registered in the name of such holder on the books of the Corporation by tendering to the Corporation at its registered office a notice in writing ("**Retraction Notice**") specifying:

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

A holder of Preferred Shares shall be entitled to exercise his, her or its retraction rights quarterly, such that on the last business day of the calendar quarter in which the Retraction Notice has been delivered or such earlier date as determined by the directors in their sole discretion (the "**Retraction Date**"), the Corporation will retract Preferred Shares specified in the Retraction Notice for the sum per share of the lesser of: (i) \$1.00; and (ii) the Net Asset Value (as defined below) of the Preferred Shares (the "**Retraction Amount**"); provided however that the Retraction Amount shall be reduced:

- (i) reduced by 2.00% if less than 12 months has elapsed between the issue date of said Preferred Shares to be retracted and the Retraction Date; and
- (ii) reduced by 1.00% if less than 24 months but more than 12 months has elapsed between the issue date of said Preferred Shares to be retracted and the Retraction Date;

further provided however that in certain circumstances, as determined by the Board of Directors, in its sole discretion, such reduction of the Retraction Amount may be waived, in whole or in part. The Retraction Amount, less any applicable deductions, shall be paid on or within sixty (60) days of the Retraction Date.

The Corporation will not retract the Preferred Shares for which a Retraction Notice is received if: (i) retraction of the Preferred Shares subject to the Retraction Notice together with the total number of Preferred Shares retracted in that fiscal year to date is greater than 10% of the Preferred Shares issued and outstanding on the first day of the fiscal year in which date of the Retraction Notice falls (the "**Yearly Ceiling**"). Notwithstanding the foregoing, in such circumstances where a Yearly Ceiling on retractions applies, the Corporation intends, subject to applicable law, to permit retraction of Preferred Shares not exceeding the applicable Yearly Ceiling, on a *pro rata* basis.

The Corporation shall provide written notice to all holders of Preferred Shares and/or their dealer representatives forthwith once the Yearly Ceiling applies to suspend retraction of the Preferred Shares.

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

Upon receipt of the Retraction Notice, the Corporation shall, subject to applicable law and to the rights, privileges, restrictions and conditions attaching to the shares of any class of the Corporation ranking prior to the Preferred Shares, on the Retraction Date, retract such Preferred Shares by paying to such registered holder an amount equal to the Retraction Amount for the Preferred Shares being retracted; provided however that the directors of the Corporation may, at any time and in their sole discretion, including after the Corporation has received a Retraction Notice from a holder of Preferred

Shares, suspend in whole or in part the foregoing right of holders to obligate the Corporation to retract their Preferred Shares if in their reasonable opinion, the payments to be made by the Corporation on the exercise by the holders of such rights would be materially prejudicial to the interests of the Corporation as a whole.

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

If the Corporation is prohibited by applicable law including the provisions of the OBCA or by the rights, privileges, restrictions and conditions attaching to any class of shares of the Corporation ranking prior to the Preferred Shares, from retracting on the Retraction Date all Preferred Shares which the holder thereof desires to have retracted on the Retraction Date, it will retract such number thereof as the Corporation is then permitted to retract. The Preferred Shares to be retracted shall be selected as nearly as may be pro rata from among the holders of Preferred Shares who have tendered Preferred Shares for retraction, according to the number of Preferred Shares tendered by each such holder (disregarding fractions). Such holders shall continue to hold and be entitled to exercise all of the rights of a shareholder in respect of, the Preferred Shares not so retracted.

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

#### Redemption Rights

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

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

#### Priority on a Liquidation Distribution

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



### Net Asset Value

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

### Dividend Entitlement

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

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

### Dividend Policy

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

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

For the fiscal year ended December 31, 2022 and the period commencing January 1, 2023 and ending March 31, 2023, the Corporation delivered an average annualized dividend yield (net of all fees and expenses of the Corporation) to holders of Preferred Shares of 8.05% and 7.90%, respectively.

The Corporation will from time to time determine target yields with respect to the Preferred Shares. It is currently expected that the Corporation will target declaring dividends of approximately \$0.00583 per Preferred Share per month (\$0.07 per annum representing an annual dividend of 7.00% based on the \$1.00 issue price).

As indicated in Section 2.8, “Material Contracts - Management Fees and Expenses”, for providing its services, the Manager is entitled to a Manager Fee of up to 3.00% per annum of the gross assets of the Corporation, calculated on a simple average monthly balance basis (i.e., opening mortgage portfolio balance plus closing mortgage portfolio balance divided by two), aggregated and paid monthly in arrears, plus applicable taxes. The Manager Fee is charged to the Corporation monthly in arrears and the Manager will provide the Corporation with an invoice at the end of each month. The Manager may in its discretion waive and/or defer in whole or in part the Manager Fee. All or a portion of the Manager Fee is subject to reimbursement as described below. The Manager shall also be entitled to a bonus to the extent dividends payable exceed target yields as described below. Since inception of the Corporation to the date of this Offering Memorandum, the Manager has exercised its discretion and has waived the Manager Fee it was otherwise entitled to be paid. However, such waiver is not a further or continuing waiver by the Manager of any future Manager Fee it is otherwise entitled to be paid.

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

If, however, net income of the Corporation available for distribution (subject to such working capital or reserve requirements as the Board of Directors determine is necessary or desirable from time to time) exceeds that amount required to fund dividends to holders of Preferred Shares based on the stipulated target yields, the distributable net income remaining after payment of such dividends based on stipulated target yields shall be paid as a bonus to the Manager. On a quarterly basis, the Manager estimates in good faith the Bonus Payment. Accordingly, the Manager shall be paid at each quarter-end up to the Bonus Payment, as recorded in the unaudited, management prepared financial statements. Following verification after receipt of the annual audited financial statements, any balance owing to the Manager on account of such bonuses is paid.

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

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

Since inception of the Corporation to the date of this Offering Memorandum, the Manager has exercised its discretion and has waived any Bonus Payments it was otherwise entitled to be paid. However, such waiver is not a further or continuing waiver by the Manager of any future Bonus Payments it is otherwise entitled to be paid.

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

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

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

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

### Dividend Reinvestment Plan

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

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

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

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

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

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

The Corporation reserves the right to amend, suspend or terminate the DRIP at any time. In the event of any such occurrence, the Corporation will give reasonable notice in writing to all Preferred Shareholders. The Corporation and the Manager may make rules and regulations not inconsistent with the terms of the DRIP in order to improve the administration of the DRIP.

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

### Restrictions on Ownership

If the securities of the Corporation, other than non-convertible debt securities, are beneficially owned by not more than 50 persons, requests to transfer shares of the Corporation requires consent from the Board of Directors.

Further, the Corporation qualifies as a “mortgage investment corporation” (“**MIC**”). One of the requirements for continued qualification as a MIC under the Tax Act is that no shareholder of the Corporation is permitted, together with Related Persons (as defined below), at any time to hold more than 25% of any class of the issued shares of the Corporation.

In order for the Corporation to stay within this 25% limit, the Corporation has been provided with a repurchase right in favour of the Corporation so that in the event that: (i) the exercise by any shareholder of any retraction rights associated with the Preferred Shares or any other class of retractable shares issued and outstanding; or (ii) as determined by the Board of Directors in its sole discretion, any other transaction affecting any class of shares in the capital of the Corporation (each a “**Triggering Transaction**”), if completed, would cause any shareholder(s) of the Corporation (each an “**Automatic Repurchase Shareholder**”), together with Related Persons, to hold more than 25 percent of any class of the issued shares in the capital of the Corporation, that portion of the shares held by each Automatic Repurchase Shareholder which constitutes in excess of 24.99% 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 Corporation (an “**Automatic Repurchase**”) within any further action by the Corporation or the Automatic Repurchase Shareholder. The purchase price for any Repurchased Shares will be equal to the lesser of the original subscription price therefor per share and the net asset value of the shares per share. The proceeds of any Automatic Repurchase will be remitted to each applicable Automatic Repurchase Shareholder in accordance with the customary practice of the Corporation in connection with retractions, *mutatis mutandis*.

For purposes of the foregoing repurchase right, “**Related Persons**” means a related person as defined in the Tax Act, and for the purposes of the requirement that no shareholder, together with Related Persons, holds more than 25% of any class of issued shares of the Corporation, includes 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.

As the Corporation is not currently a reporting issuer in the selling jurisdictions or in any other jurisdiction, the Preferred Shares are subject to resale restrictions pursuant to applicable securities laws. See Item 11, “Resale Restrictions”.

## **5.2 Subscription Qualification**

The Preferred Shares are offered in each of the Provinces and Territories of Canada pursuant to any one of the exemptions under NI 45-106 from the prospectus requirements of applicable securities laws and the exemptions under National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registration Obligations* from the registration requirements of applicable securities laws. Such exemptions relieve the Corporation from provisions under applicable securities laws requiring the Corporation to file a prospectus and therefore Subscribers do not receive the benefits associated with a subscription for securities issued pursuant to a filed prospectus, including the review of material by a securities commission or similar authority.

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

### ***Accredited Investor Exemption and Self-Certified Exemption***

In all jurisdictions, an investor may purchase Preferred Shares if the investor is an “accredited investor” and purchases the Preferred Shares as principal. An accredited investor is defined in NI 45-106 and is essentially an investor that meets certain minimum income or wealth criteria and can include individuals, corporations, trusts, investment funds and other types of legal entities. For example, for an individual person to qualify as an accredited investor they must generally meet one of the following criteria: (i) annual net income of at least \$200,000 for the last two years (or \$300,000 if combined with their spouse); (ii) net assets of at least \$5,000,000, either alone or combined with their spouse; or (iii) net financial assets (i.e. cash, securities, insurance, deposits) of more than \$1,000,000, either alone or combined with their spouse. In Ontario, the definition of “accredited investor” is expanded pursuant to Ontario Instrument 45-507 – *Self Certified Prospectus Exemption* to include certain individuals who have completed and passed relevant proficiency requirements indicating a high degree of understanding of investments and markets (“**self-certified investors**”). The Subscription Agreement includes a more detailed description of accredited investor and self-certified investor and requires the investor relying on this exemption to certify that they meet at least one of the accredited investor or self-certified investor criteria,

as applicable. Certain individuals who are relying on the accredited investor exemption or self-certified investor exemption will also be required to complete and sign a risk acknowledgement form.

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

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

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

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

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

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

### **5.3 Subscription Procedure**

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

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

- (a) completed and executed Subscription Agreement in the form provided with this Offering Memorandum;
- (b) payment to the Corporation by way of a certified cheque, bank draft or evidence of completed wire transfer (wire instructions are included in Schedule “B” of the Subscription Agreement attached hereto as Schedule “A”) in the amount of the subscription price for the Preferred Shares; and
- (c) in the case of an investor that is relying on the offering memorandum exemption to purchase Preferred Shares:
  - a. a completed and executed Form 45-106F4 – Risk Acknowledgement;
  - b. if required, a completed and executed Schedule 1 to Form 45-106F4;
  - c. if required, a completed and executed Schedule 2 to Form 45-106F4; and
  - d. if required, a completed and executed Certificate of Eligible Investor; or
- (d.1) in the case of an investor that is relying on the accredited investor exemption to purchase Preferred Shares, a completed and executed Certificate of Accredited Investor and, if required, a completed and executed Form 45-106F9 – Risk Acknowledgement for Individual Accredited Investors appended to the Certificate of Accredited Investor; or
- (d.2) in the case of an investor that is relying on the self-certified investor exemption to purchase Preferred Shares, a completed and executed Certificate of Self-Certified Investor and Acknowledgement of Risks appended to the Certificate of Self-Certified Investor.

Preferred Shares are being offered on a continuous basis subject to a maximum offering size of \$250,000,000 (250,000,000 Preferred Shares.) The minimum subscription amount is \$25,000 (25,000 Preferred Shares) or such lesser amount as determined in the sole discretion of the Manager. The Corporation completes Closings from time to time as subscriptions are received. It is expected that all accepted subscriptions will be effective on the last business day of each month and settled within three (3) business days.

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

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

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

We will collect, use and disclose your individual personal information in accordance with the Corporation’s privacy policy and will obtain your consent to such collection, use and disclosure from time to time as required by our policy and the law. A copy of our current privacy policy will be provided to you with your Subscription Agreement and your consent will be sought at that time.

You should carefully review the terms of the Subscription Agreement provided herewith for more detailed information concerning the rights and obligations of you and the Corporation. Execution and delivery of the Subscription Agreement will bind you to the terms thereof, whether executed by you or by an agent on your behalf. You should consult with your own professional advisors respecting this investment. See Item 9, “Risk Factors”.

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

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

#### ITEM 6: RETRACTION REQUESTS

For the two (2) most recently completed financial years of the Corporation, Preferred Shares have been retracted as described in the table below.

Date of end of financial year	Number of securities with outstanding retraction requests on the first day of the year	Number of securities for which investors made retraction requests during the year	Number of securities retracted during the year	Average price paid for each retracted security	Source of funds used to complete the retractions	Number of securities with outstanding retraction requests on the last day of the year
December 31, 2021	nil	1,471,572	1,471,572	\$1.00	cash on hand	nil
December 31, 2022	nil	291,547	291,547	\$1.00	cash on hand	nil

For the period commencing on January 1, 2023 and ending March 31, 2023, Preferred Shares have been retracted as described in the table below.

Beginning and end dates of the period	Number of securities with outstanding retraction requests on the first day of the period	Number of securities for which investors made retraction requests during the period	Number of securities retracted during the period	Average price paid for each retracted security	Source of funds used to complete the retractions	Number of securities with outstanding retraction requests on the last day of the period
January 1, 2023 to March 31, 2023	nil	20,000	20,000	\$1.00	cash on hand	nil

As at the date of this Offering Memorandum, the Corporation has honoured, and reasonably expects to honour, all retraction requests in full at a price equal to the subscription price therefor in compliance with the articles of the Corporation. The Corporation has not suspended, deferred or rejected any retraction requests since its formation. All retraction requests have been paid, and are reasonably expected to be paid, using cash on hand. Management of the Corporation does not currently expect that such retractions will cause any material adverse effect on its operations or the payment of dividends.

## ITEM 7: INCOME TAX CONSEQUENCES AND REGISTERED PLAN ELIGIBILITY

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

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

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

**The summary contained in this section is of a general nature only and is not exhaustive of all possible Canadian federal income tax consequences. This summary is not intended to be and should not be interpreted as legal or tax advice to any particular holder. Holders should consult with their own tax advisor regarding the income tax consequences of acquiring, holding and disposing of the Preferred Shares including the application and effect of the income and other tax laws of any country, province, state or local tax authority. No application has been made for an advance tax ruling with respect to the Offering described in this Offering Memorandum, nor is it intended that any application will be made.**

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

- (a) the Corporation is a Canadian corporation as defined in the Tax Act;
- (b) the Corporation's only undertaking was the investing of funds, and it did not manage or develop any real property;
- (c) no debts were owing to the Corporation by non-residents of Canada, except any such debts that were secured on real property situated in Canada;
- (d) the Corporation did not own shares of corporations not resident in Canada;
- (e) the Corporation did not hold real property situated outside of Canada;
- (f) no debts were owing to the Corporation that were secured on real property situated outside of Canada;
- (g) the cost amount of the Corporation's property consisting of mortgages on "houses" or on property included within a "housing project" (as those terms are defined in section 2 of the *National Housing Act* (Canada)), deposits with a bank or other corporations whose deposits are insured by the Canada Deposit Insurance Corporation or a credit union, together with cash on hand (collectively, the "**Qualifying Property**"), was at least 50% of the cost amount to it of all of its property;



- (h) the cost amount of real property (including leasehold interests therein but excluding real property acquired as a consequence of foreclosure or defaults on a mortgage held by the Corporation) owned by the Corporation did not exceed 25% of the cost amount to it of all of its property;
- (i) the Corporation had 20 or more shareholders and no person would have held more than 25% of the issued shares of the capital stock of the Corporation or been a specified shareholder (as such term is defined in subsection 130.1(6) of the Tax Act) of the Corporation;
- (j) holders of any preferred shares had a right, after payment of their dividends, and payment of dividends in a like amount per share to the holders of common shares, to participate *pari passu* with the holders of common shares in any further payment of dividends; and
- (k) where at any time in the year (or at the end of the year, as the case may be) the cost amount to it of its Qualifying Property was less than 2/3 of the cost amount to it of all of its property, the Corporation's liabilities did not exceed three times the amount by which the cost amount to it of all of its property exceeded its liabilities, or, where throughout the taxation year (or at the end of the year, as the case may be) the cost amount to it of its Qualifying Property equaled or exceeded 2/3 of the cost amount of all of its property, the Corporation's liabilities did not exceed five times the amount by which the cost amount to it of all of its property exceeded its liabilities.

It has been assumed for the purpose of this summary that the Corporation will qualify as a MIC in accordance with conditions prescribed in the Tax Act at all times that are relevant to the opinions expressed herein. Based upon certain representations by management of the Corporation as to the nature, location and cost amounts of the Corporation's assets and liabilities, as to the shareholders of the Corporation and as to the range of activities which the Corporation will undertake in the course of carrying on its activities (the "**Representations**"), it is anticipated that the Corporation will meet the requirements for qualification as a MIC under the Tax Act at the closing of this Offering and will continue to so qualify thereafter provided the Representations continue to be true throughout each of the Corporation's subsequent taxation years. Purchasers are cautioned that the Corporation must meet the requirements under the Tax Act to be a MIC on a continuous basis throughout each taxation year in order to avail itself of the provisions of the Tax Act as to the taxation of dividends outlined herein. Management of the Corporation expects that the Representations will continue to be true throughout each of the Corporation's subsequent taxation years such that the Corporation will continue to so qualify.

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

### ***Taxation of the Corporation***

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

### ***Taxation of Holders***

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

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

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

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

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

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

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

#### ***Eligibility for Investment by Registered Plans***

The Corporation confirms, with the concurrence of KBFP LLP, Chartered Professional Accountants that the Preferred Shares may be qualified investments for trusts governed by Registered Plans at a particular time if the Corporation qualifies as a MIC under the Tax Act and if throughout the calendar year in which the particular time occurs, the Corporation does not hold as part of its property any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer or a subscriber, under the relevant Registered Plan or any other person who does not deal at arm's length with that person. Registered Plans will generally not be liable for tax in respect of any dividends received from the Corporation or on any capital gain realized on the disposition of the Preferred Shares or with respect to capital gains dividends.

If the Corporation fails to qualify as a MIC at any time in a taxation year, the Preferred Shares may cease to be a qualified investment for a Registered Plan. When a Registered Plan holds a non-qualified investment, the controlling individual of the Registered Plan will be subject to a tax of 50% of the fair market value of the investment at the time it was acquired or becomes non-qualified. The 50% tax on non-qualified investments is refundable in certain circumstances. To qualify for the refund, the investment must be disposed of before the end of the calendar year after the year in which the tax arose (or such later time as is permitted by the Minister of National Revenue). However, no refund is available if it is reasonable to consider that the controlling individual of the Registered Plan knew or ought to have known that the investment was or would become non-qualified. Additionally, while a Registered Plan holds a non-qualified investment, the controlling individual of the Registered Plan will also be subject to an additional tax that is based on income earned from the non-qualified investment.

### ***Prohibited Investment for Registered Plans***

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

### **ITEM 8: COMPENSATION PAID TO SELLERS AND FINDERS**

The decision to distribute the Preferred Shares and the determination of the structure and pricing and other terms and conditions of the Offering have been and will continue being made by the Corporation.

The Corporation may retain and engage, on an exclusive or non-exclusive basis, registered agents, securities dealers, brokers and other eligible persons to sell Preferred Shares in any province or territory of Canada or any other jurisdictions subject to compliance with all applicable laws. No fees, commissions or other compensation shall be payable by the Corporation to such agents, securities dealers, brokers or other eligible persons other than as disclosed in this Offering Memorandum (or any amendment thereto) or otherwise disclosed to prospective investors prior to closing in the prospective investor's subscription agreement. The aggregate of all fees, commissions or other compensation payable to agents, securities dealers, brokers or other eligible persons in connection with the Offering shall not exceed an amount equal to 1.00% of the total Offering proceeds to be raised assuming a maximum Offering. In addition, agents, securities dealers, brokers and other eligible persons may charge their clients additional fees and commissions to purchase or sell Preferred Shares.

Pursuant to an exempt market distribution agreement dated May 6, 2022, the Corporation and the Manager have engaged, on a non-exclusive basis, Belco Private Capital Inc. ("**Belco**"), an exempt market dealer registered in the Provinces of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Quebec and Saskatchewan, to assist the Corporation in marketing, arranging and facilitating the completion of sales of Preferred Shares. In this connection, Belco may engage from time to time dealing representatives registered in the applicable jurisdictions who may also be employees of the Corporation, to act on its behalf in connection with the sale of Preferred Shares. In consideration for its services, Belco shall be entitled to a fixed monthly fee (plus applicable taxes), commencing on November 1, 2022.

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

Conflicts of interest may arise as a result of the fact that dealing representatives, who are acting on behalf of Belco in connection with the sale of Preferred Shares, may also be employees of the Corporation. However, none of the proceeds of the issuance of the Preferred Shares will be applied for the benefit of the dealing representatives. Moreover, dealing representatives who act on behalf of Belco in connection with the sale of Preferred Shares are not permitted to accept any compensation from the Corporation or the Manager for any registrable activities in respect of the Preferred Shares offered through Belco.

### **ITEM 9: RISK FACTORS**

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

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

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

## **9.1 Investment Risk**

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

- (a) ***Absence of Market for Preferred Shares*** – There is no public market for the Preferred Shares. The Preferred Shares are not listed on a stock market or quoted on any public market in Canada or elsewhere.
- (b) ***Retraction Liquidity*** – Shareholders have the right to require the Corporation to retract the Preferred Shares upon appropriate notice from the Shareholder to the Corporation with the guidelines set forth in Section 5.1, “Terms of Securities - Rights Attaching to the Preferred Shares - Retraction Rights”. The Corporation provides no assurance that any Shareholder will be able to affect the retraction of any or all of their Preferred Shares at any time. Retraction of the Preferred Shares is subject to the Corporation having access to sufficient excess cash, or other liquid assets, and being in compliance with the applicable corporate, tax and securities legislation.
- (c) ***No Guarantees*** – There is no assurance that the Corporation will be able to pay dividends at levels targeted by the Corporation or at all. The funds available for distribution to shareholders will vary according to many factors, notably the interest and principal payments received in respect of mortgage loans held by the Corporation and the rate of return on the Corporation's cash balances. Although mortgage loans made by the Corporation are carefully selected by the Manager, there can be no assurance that such loans will have a guaranteed rate of return to investors or that losses will not be suffered on one or more loans. Moreover, at any point in time, the interest rates being charged for mortgages are reflective of the general level of interest rates and, as interest rates fluctuate, it is expected that the aggregate yield on mortgage investments will also change. In the event that additional security is given by the borrower or that a third party guarantees the mortgagor's obligations, there is no assurance that such additional security or guarantee will be sufficient to make the Corporation whole if and when resort is to be had thereto.
- (d) ***Lack of Separate Legal Counsel*** – The Investors, as a group, have not been represented by separate counsel. Neither counsel for the Corporation nor counsel for the Manager purports to have acted for the Investors or to have conducted any investigation or review on their behalf.
- (e) ***Leverage by the Corporation*** – The Corporation may from time to time borrow under loans with Canadian chartered banks and others. See Section 2.3, “The Business - Investment Strategies”. The Corporation intends to borrow to the extent that the Directors are satisfied that such borrowing and additional investments will increase the overall profitability of the Corporation. The obligations under such loans may be secured, and while the addition of leverage has the potential to enhance returns, it also involves additional risks. For example, due to the varying loan maturities and constant fluctuations in interest rates, there is no assurance that the interest received by the Corporation on its mortgage investments will always exceed the interest the Corporation pays on loans that it may have previously taken out to finance mortgage investments. Therefore, there can be no assurance that the leveraging employed by the Corporation will enhance returns, and to the extent that secured lenders realize on their respective collateral, they will have right to receive distributions in priority to the Preferred Shareholders in addition to the right to seize mortgage assets pursuant to security agreements with the Corporation.

## **9.2 Corporation Risk**

Risks that are specific to the Corporation include the following:

- (a) ***MIC Tax Designation*** - The Corporation intends to use reasonable commercial efforts to ensure that the Corporation qualifies as a MIC pursuant to the Tax Act. As well, the Board of Directors has the discretion to reject any applications for stock dividends or share subscriptions, transfers, redemptions or retractions. **There can be no assurance, however, that the Corporation will be able to meet the Tax Act's MIC qualifications at all material times.** As an entity qualified as a MIC, the Corporation may deduct taxable dividends it pays from its income, and the normal gross-up and dividend tax credit rules will not apply to dividends paid by the Corporation on the Preferred Shares. Rather, the dividends will be taxable in the hands of Shareholders as if they had received an interest payment. If for any reason the Corporation fails to maintain its MIC qualification in a particular year, the dividends paid by the Corporation on the Preferred Shares would cease to be deductible from the income of the Corporation for that year and the dividends it pays on the Preferred Shares would be subject to the normal gross-up and dividend tax credit rules. In addition, the Preferred Shares might cease to be qualified investments for trusts governed by Registered Plans with the effect that a penalty tax would be payable by the Subscriber.
- (b) ***Reliance on third parties*** - In assessing the risk of an investment in the Corporation, potential investors should be aware that they will be relying on the good faith, experience and judgment of certain staff of the Manager. Should these staff be unable or unwilling to continue their employment with the Manager, this could have an adverse effect on the Corporation's business, financial condition and results of its operations, which in turn may adversely affect the Corporation's ability to perform its obligations and its ability to maintain dividends on the Preferred Shares at a consistent and desirable level. The competition for such key qualified personnel is intense and there can be no assurance of success in attracting, retaining, or motivating such individuals. Failure in this regard would likely have a material adverse effect on the Corporation's business, financial condition and results of operations which in turn may adversely affect the Corporation's ability to perform its obligations and its ability to maintain dividends on the Preferred Shares at a consistent and desirable level.
- (c) ***Limited History of the Corporation*** – The Corporation was incorporated on February 15, 2018 and commenced operations on June 20, 2018 and accordingly has a limited operating history. Investors must rely solely on his, her or its good faith in the Corporation and the Manager. The Corporation has not made any warranties or guarantees to the investor.
- (d) ***Potential conflicts of interest*** - The Directors of the Corporation and the Manager may be employed by or act in other capacities for other companies and entities involved in mortgage and lending activities. See Section 2.3, "The Business - Conflicts of Interest".

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

The Board of Directors may in its discretion but acting in the best interests of the Corporation make any amendments, modifications or other changes to the investment strategies, operating restrictions and investment policies of the Corporation. See Section 2.3, "The Business - Changes to Investment Strategies, Operating Restrictions and Investment Policies". The Manager is also entitled to terminate the Management Agreement on 90 days' prior written notice. See Section 2.8, "Material Contracts - Management Agreement".

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

The Board of Directors approves all policies of the Corporation and has final approval on all individual mortgages recommended by the Manager. Since the directors of the Corporation are also the directors of the Manager and given that the Manager's management fee is based on approved mortgages, there is a potential conflict of interest

to the extent that the Board of Directors approves mortgages that do not serve the best interests of the Corporation. Therefore, in assessing the risk of an investment in the Corporation, potential investors should be aware that they will be relying on the good faith, experience and judgment of the Board of Directors.

- (e) **Credit & Concentration Risk** - Credit risk is the risk that a counterpart to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Corporation, resulting in a financial loss to the Corporation. This risk arises principally from mortgages held, and also from other receivables. Credit risk is monitored on an on-going basis by the Manager in accordance with policies and procedures in place. The Corporation's credit risk exposure is represented by the balance of its accounts receivable, which as at December 31, 2022 is \$11,234,580 and as at March 31, 2023 is \$11,860,153.

Concentration risk is the risk that one borrower (or a group of related borrowers) has more than 10% of the balance of the accounts receivable of the Corporation or more than 10% of the Corporation's capital is invested in any one mortgage. As at March 31, 2023, one (1) borrower has more than 10% of the balance of the accounts receivable of the Corporation. See Section 2.4, "Development of Business - Mortgage Portfolio".

### 9.3 Industry Risk

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

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

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

- (b) **Sensitivity to interest rates** – It is anticipated that the value of the Corporation's investment portfolio at any given time may be affected by the level of interest rates prevailing at such time. The Corporation's income will consist primarily of interest payments on the mortgages comprising the Corporation's investment portfolio. If there is a decline in interest rates (as measured by the indices upon which the interest rates of the Corporation's mortgage assets are based), the Corporation may find it difficult to make a mortgage loan bearing acceptable rates. There can be no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect the Corporation's business, financial condition and results of operations which in turn may adversely affect the Corporation's ability to perform its obligations and its ability to maintain dividends on the Preferred Shares at a consistent and desirable level. Due to the term of the mortgages made by the Corporation and the inability to accurately predict the extent to which the Corporation's mortgages may be prepaid, it is possible that the Corporation may not be able to sufficiently reduce interest rate risk associated with the replacement of such mortgages through new investments in mortgages.

- (c) **Changes in property values** – The Corporation's mortgage loans will be secured by real estate, the value of which can fluctuate. The value of real estate is affected by general economic conditions, local real estate markets, the attractiveness of the property to tenants where applicable, competition from other available properties, fluctuations in occupancy rates, operating expenses and other factors. The value of income-producing real property may also depend on the credit worthiness and financial stability of the borrowers and/or the tenants. While independent appraisals will be required before the Corporation makes a mortgage investment, the appraised values, even where reported on an "as is" basis, are not necessarily reflective of the market value of the underlying real property, which may fluctuate. In addition, the appraised values reported in independent

appraisals may be subject to certain conditions, including the completion, rehabilitation or making of leasehold improvements on the real property providing security for the loan. There can be no assurance that these conditions will be satisfied and, if and to the extent they are not satisfied, the loan amount may prove to exceed the value of the underlying real property thus resulting in a loan loss if the property must be sold to remedy a mortgage default. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.

- (d) ***Environmental liability of a mortgage*** – Under various laws, the Corporation could become liable for the costs of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and wastes, where the Corporation has exercised its right of re-entry or foreclosure or has otherwise assumed the control, occupation or management of the property. While the Corporation may obtain a Phase I environmental audit where there is a reasonable possibility of environmental contamination that might impact the value and marketability of a property, the Corporation does not systematically obtain environmental audits of all properties subject to mortgages.
- (e) ***Investment not insured*** – Neither the Manager nor the Corporation is a member of the Canada Deposit Insurance Corporation and the Preferred Shares offered hereunder are therefore not insured against loss through the Canada Deposit Insurance Corporation. Moreover, mortgages held by the Corporation are not insured through the Canada Mortgage and Housing Corporation or otherwise.
- (f) ***Renewal of Mortgages*** – There can be no assurances that any of the mortgages held by the Corporation can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to each mortgage held by the Corporation, it is possible that either the mortgagor, the mortgagee, i.e. the Corporation, or both, will elect not to renew such mortgage. In addition, if the mortgages in the Corporation's mortgage portfolio are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such mortgages will be subject to negotiations between the mortgagors and the mortgagees at the time of renewal and the terms of a refinancing may therefore not be as favourable as the terms of existing indebtedness.
- (g) ***Mortgage Extensions and Mortgage Defaults*** – The Manager may from time to time deem it appropriate to extend or renew the term of a mortgage past its maturity, or to accrue the interest on a mortgage, in order to provide the borrower with increased repayment flexibility. The Manager generally will do so if it believes that there is a low risk to the Corporation of not being repaid the full principal and interest owing on the mortgage. In these circumstances, however, the Corporation is subject to the risk that the principal and/or accrued interest of such mortgage may not be repaid in a timely manner or at all, which could impact the cash flows of the Corporation during the period in which it is granting this accommodation. Further, in the event that the valuation of the asset has fluctuated substantially due to market conditions, there is a risk that the Corporation may not recover all or substantially all of the principal and interest owed to the Corporation in respect of such mortgage. When a mortgage is extended past its maturity, the loan can either be held over on a month-to-month basis or renewed for an additional term at the time of its maturity. Notwithstanding any such extension or renewal, if the borrower subsequently defaults under any terms of the mortgage, the Manager has the ability to exercise its mortgage enforcement remedies in respect of the extended or renewed mortgage. Exercising mortgage enforcement remedies is a process that requires a significant amount of time to complete, which could adversely impact the cash flows of the Corporation during the period of enforcement. In addition, as a result of potential declines in real estate values, there is no assurance that the Corporation will be able to recover all or substantially all of the outstanding principal and interest owed to the Corporation in respect of such mortgages by exercising its mortgage enforcement remedies. Should the Corporation be unable to recover all or substantially all of the principal and interest owed to the Corporation in respect of such mortgages, the returns, financial condition and results of operations of the Corporation could be adversely impacted.
- (h) ***Nature of the investments*** – Investments in mortgages are relatively illiquid. Such illiquidity will tend to limit the Manager's ability to vary the mortgage portfolio promptly in response to changing economic or investment conditions. Furthermore, certain significant expenditures, including property taxes, capital repair and replacement

costs, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing income or whether mortgage payments are being made. The Corporation may be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.

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

#### **9.4 Risks Relating to Outbreaks of Contagious Diseases**

A local, regional, national or international outbreak of a contagious disease could negatively impact local, national and global economies. For example, global markets may experience increased volatility and diminished expectations from, among other things, declining business activities and consumer confidence, increases in unemployment and volatile commodity prices. If a global market and economic crisis intensifies or continues, real estate markets in Canada may be adversely impacted resulting in decreased property values, reduced interest rates, increases in the number of impaired loans and foreclosures and a general reduction in market activity. Overall, this would jeopardize the security in the real property underlying the Corporation’s mortgages and result in decreased revenues and increased costs to the Corporation which would have a material adverse impact on its business, operating results and financial condition, including but not limited to the Corporation’s ability to make a profit, lend funds to borrowers, declare and distribute dividends at historical or desirable levels, honour redemption requests and operate as a going concern. This would also cause the Corporation to hold foreclosed property for an increased length of time, resulting in increased ongoing expenses or forcing the Corporation to sell such foreclosed property at significant losses to avoid such ongoing expenses.



## ITEM 10: REPORTING OBLIGATIONS

### 10.1 Continuous Disclosure

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

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

The Corporation is also required to forward to holders of Preferred Shares resident in Alberta, New Brunswick, Ontario, Saskatchewan and Nova Scotia that purchased Preferred Shares under the offering memorandum exemption audited annual financial statements and disclosure regarding the use of the aggregate gross proceeds raised by the Corporation under the offering memorandum exemption within 120 days following the end of each fiscal year of the Corporation. The fiscal year of the Corporation ends on the 31<sup>st</sup> day of December of each year. Furthermore, the Corporation is required to provide notice to holders of Preferred Shares resident in New Brunswick, Nova Scotia and Ontario that purchased Preferred Shares under the offering memorandum exemption within ten (10) days of the occurrence of: (a) a discontinuation of the Corporation’s business; (b) a change in the Corporation’s industry; or (c) a change of control of the Corporation.

As a matter of policy, the Corporation has determined to make available to all holders of Preferred Shares all reporting information mandated under the offering memorandum exemption in Ontario, even where such holders are resident or otherwise subject to the laws of jurisdiction outside Ontario or have subscribed under another prospectus exemption. In addition, the Corporation will forward to all shareholders a copy of interim unaudited financial statements on a semi-annual basis. Each shareholder will also receive a statement of their shareholders on a quarterly basis.

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

### 10.2 Access to Corporate and Securities Information About the Corporation

Since we are not a reporting issuer and our Preferred Shares are not publicly traded, no corporate or securities information about us is available from a government, regulatory authority, stock exchange or quotation and trade reporting system. Some securities information about this Offering and any previous offerings is available from the Ontario Securities Commission at [www.osc.gov.on.ca](http://www.osc.gov.on.ca) and any other relevant securities regulatory authority, the contact information for each being accessible from the “Contact Us” page of the website maintained by the Canadian Securities Administrators (CSA) at [www.securities-administrators.ca](http://www.securities-administrators.ca). Further information about us is posted and available for review by shareholders from the Corporation at the contact information set out on the face page of this Offering Memorandum.

## ITEM 11: RESALE RESTRICTIONS

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

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

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

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

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

In addition to the aforementioned resale restrictions, section 130.1(6)(d) of the Tax Act stipulates that a MIC may not have fewer than 20 shareholders. That provision also stipulates that no one shareholder may hold more than 25% of the total issued and outstanding shares of any class of the Corporation's capital. Accordingly, under the articles of the Corporation, the Corporation has been provided with an automatic repurchase right in order to ensure that the Corporation remains within this 25% limit. See Section 5.1, "Terms of Securities - Rights Attaching to the Preferred Shares - Restrictions on Ownership".

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

## **ITEM 12: PURCHASER'S RIGHTS**

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

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

**The following summaries are subject to any express provisions of the securities legislation of each jurisdiction where Preferred Shares will be sold and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions.**

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

### **Two Day Cancellation Right**

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

## **Statutory Rights of Action**

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

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

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

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

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

### ***Investors Resident in Manitoba***

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

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

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

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

### ***Investors Resident in New Brunswick***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### ***General***

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

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

### **ITEM 13: FINANCIAL STATEMENTS**

The audited financial statements of the Corporation for the fiscal year ended December 31, 2022 are set forth below.

**ABBAY RIDGE MORTGAGE INVESTMENT CORP**

**Financial Statements**

**December 31, 2022**

**ABBEY RIDGE MORTGAGE INVESTMENT CORP**

**Index to Financial Statements  
(Expressed in Canadian Dollars)  
Year Ended December 31, 2022**

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LICENSED PUBLIC ACCOUNTANTS  
CHARTERED PROFESSIONAL ACCOUNTANTS

Robert V. Pellegrino, CPA, CGA, Licensed Public Accountant  
Philip J. Bright, CPA, CGA, Licensed Public Accountant

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## INDEPENDENT AUDITOR'S REPORT

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To the Shareholders of Abbey Ridge Mortgage Investment Corp

### *Opinion*

We have audited the financial statements of Abbey Ridge Mortgage Investment Corp (the company), which comprise the statement of financial position as at December 31, 2022, and the statements of comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2022, and the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs)

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

(continues)



Independent Auditor's Report to the To the Shareholders of Abbey Ridge Mortgage Investment Corp (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Vaughan, Ontario  
April 17, 2023



KBFP LLP  
Chartered Professional Accountants  
Licensed Public Accountants

ABBHEY RIDGE MORTGAGE INVESTMENT CORP


Statement of Financial Position  
(Expressed in Canadian Dollars)

December 31, 2022

	2022	2021
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 150,293	\$ 30,386
Interest receivable	55,590	58,156
Other receivable (Note 4)	304,000	-
Prepaid expenses	743	660
Mortgage receivable (Note 5)	10,874,990	8,496,235
	<b>\$ 11,385,616</b>	<b>\$ 8,585,437</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 44,525	\$ 40,646
Dividends payable	101,361	70,166
Deferred income	47,625	16,149
	<b>193,511</b>	<b>126,961</b>
DUE TO RELATED COMPANY (Note 6)	-	7,922
	<b>193,511</b>	<b>134,883</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 7)	11,195,248	8,453,697
Deficit	(3,143)	(3,143)
	<b>11,192,105</b>	<b>8,450,554</b>
	<b>\$ 11,385,616</b>	<b>\$ 8,585,437</b>

APPROVED BY THE DIRECTORS

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

See notes to financial statements

**ABBEY RIDGE MORTGAGE INVESTMENT CORP**

**Statement of Comprehensive Income**

**(Expressed in Canadian Dollars)**

**Year Ended December 31, 2022**

	2022	2021
<b>REVENUES</b>	<b>\$ 839,289</b>	<b>\$ 583,428</b>
<b>EXPENSES</b>		
Professional fees	24,674	20,000
Advertising and promotion	9,419	-
Insurance	8,833	7,262
Regulatory fees	3,500	-
Bank charges	320	983
Office and general	-	144
	<b>46,746</b>	<b>28,389</b>
<b>NET INCOME AND COMPREHENSIVE INCOME</b>	<b>\$ 792,543</b>	<b>\$ 555,039</b>

See notes to financial statements

**ABBHEY RIDGE MORTGAGE INVESTMENT CORP****Statement of Changes in Equity****(Expressed in Canadian Dollars)****Year Ended December 31, 2022**

	2022	2021
<b>SHARE CAPITAL</b>		
100 COMMON SHARES	\$ 100	\$ 100
<b>FIRST PREFERRED SHARES, SERIES A</b>		
Shares outstanding - Beginning of year	\$ 8,453,597	\$ 5,728,823
Issued during the year	2,614,982	3,907,400
Retracted during the year	(291,547)	(1,471,572)
Issued through dividend reinvestment plan	418,116	288,946
<b>SHARES OUTSTANDING - END OF YEAR</b>	<b>11,195,148</b>	<b>8,453,597</b>
	<b>\$ 11,195,248</b>	<b>\$ 8,453,697</b>
<b>RETAINED EARNINGS (DEFICIT)</b>		
Deficit - Beginning of year	\$ (3,143)	\$ (1,731)
Net Income and comprehensive income for the year	792,543	555,039
Less dividends to shareholders	(792,543)	(556,451)
<b>DEFICIT - END OF YEAR</b>	<b>\$ (3,143)</b>	<b>\$ (3,143)</b>

**ABBEY RIDGE MORTGAGE INVESTMENT CORP**

**Statement of Cash Flows**

**(Expressed in Canadian Dollars)**

**Year Ended December 31, 2022**

	2022	2021
<b>OPERATING ACTIVITIES</b>		
Net income and comprehensive income	\$ 792,543	\$ 555,039
Changes in non-cash working capital:		
Interest receivable	2,566	(34,902)
Other receivable	(304,000)	-
Accounts payable and accrued liabilities	3,879	40,645
Deferred income	31,476	11,224
Prepaid expenses	(83)	(660)
Dividends payable	31,195	12,758
	<b>(234,967)</b>	<b>29,065</b>
Cash flow from operating activities	<b>557,576</b>	<b>584,104</b>
<b>INVESTING ACTIVITY</b>		
Funding of mortgages	<b>(2,378,755)</b>	<b>(2,993,735)</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	<b>(792,543)</b>	<b>(556,451)</b>
Capital stock issuance	<b>2,741,551</b>	<b>2,724,774</b>
Advances from (to) related company	<b>(7,922)</b>	<b>11,380</b>
Cash flow from financing activities	<b>1,941,086</b>	<b>2,179,703</b>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>119,907</b>	<b>(229,928)</b>
Cash - beginning of year	<b>30,386</b>	<b>260,314</b>
<b>CASH - END OF YEAR</b>	<b>\$ 150,293</b>	<b>\$ 30,386</b>
<b>CASH CONSISTS OF:</b>		
Cash	<b>\$ 150,293</b>	<b>\$ 30,386</b>

See notes to financial statements

# ABBEY RIDGE MORTGAGE INVESTMENT CORP

## Notes to Financial Statements (Expressed in Canadian Dollars) Year Ended December 31, 2022

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### 1. DESCRIPTION OF BUSINESS

Abbey Ridge Mortgage Investment Corp (the "company") is incorporated under the Business Corporations Act (Ontario) on February 15, 2018. The company is a Mortgage Investment Corporation as defined by the Income Tax Act (Canada). Its purpose is to pool the funds of shareholders and earn a return by investing in mortgages.

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### 2. BASIS OF PRESENTATION

#### Statement of Compliance

The financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS").

These audited financial statements were authorized for issuance by the Board of Directors on April 15, 2023.

#### Basis of measurement

The financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair value.

#### Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the company's functional currency.

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Revenue recognition

Interest income are recognized on the accrual basis in the period earned.

#### Allowance for mortgage losses

The company maintains an allowance for mortgage losses that reduces the carrying value of mortgages identified as impaired to their estimated realizable amounts. Impairment is assessed on a mortgage by mortgage basis taking into account experience, credit quality, payment in arrears and specific problem situations. Estimated realizable amounts are determined by reference to loan collection experience and the estimated value of security underlying the mortgages after deducting costs of realization.

When the mortgage is considered beyond realistic prospect of recovery it is written-off first against any allowance for mortgage loss set up for it and the remaining amount if any to income.

#### Cash and cash equivalents

Cash includes cash and cash equivalents that are composed of non-restricted cash and short-term, highly liquid investments with an original maturity of three months or less.

#### Equity instruments

Common shares and First Preferred Shares, Series A are classified as equity.

*(continues)*

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# ABBEY RIDGE MORTGAGE INVESTMENT CORP

## Notes to Financial Statements (Expressed in Canadian Dollars) Year Ended December 31, 2022

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from the amounts estimated.

#### Income taxes

The company is considered a mortgage investment corporation ("MIC") under the Income Tax Act (Canada) and as such it is permitted to deduct for tax purposes dividends paid to shareholders during the year and within 90 days thereafter. The company intends to continue conducting its affairs in such a manner as to continue qualifying as a MIC and pay dividends to its shareholders to ensure that it will not be subject to income taxes.

Accordingly, for financial statement reporting purposes, the tax deductibility of the company's distributions results in the company being effectively exempt from taxation and no provision for current or future income taxes is required for the company.

#### Financial instruments policy

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### Financial Assets

Financial Assets are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial assets are recognized initially at fair value plus, in the case of financial instruments not categorized as FVTPL, any incremental direct transactions costs. Financial assets classified as FVTPL are subsequently measured at fair value with gains and losses recognized in income. The company has classified cash and accounts receivables as FVTPL.

#### Financial liabilities

Financial liabilities primarily consist of accounts payable and accrued liabilities and dividends payable. Financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Non-performance risk, including the company's own credit risk for financial liabilities, is considered when determining the fair value of financial liabilities.

#### Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

#### Transactions costs

The company recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

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ABBEY RIDGE MORTGAGE INVESTMENT CORP

Notes to Financial Statements  
(Expressed in Canadian Dollars)  
Year Ended December 31, 2022

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4. OTHER RECEIVABLE

These amounts relate to proceeds from issuance of preferred shares and were received subsequent to the year end.

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5. MORTGAGES RECEIVABLE

Mortgage receivable are classified as loans and receivable investments. Such instruments are recognized initially at cost plus any directly attributable transactions costs. Subsequent to initial recognition, the mortgages receivable are measured at amortized cost less any impairment loss.

There are 23 (2021 - 17) mortgages consisting of mortgages secured by residential property with interest ranging from 6.49% to 9.99%, maturing at various dates.

As at December 31, 2022, all mortgages were current. Management did not consider any mortgages to be impaired and no allowance for mortgage losses were recorded.

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6. DUE FROM (TO) RELATED COMPANY

	2022	2021
Advances due from (to) Falcon Ridge Mgmt Ltd.	\$ -	\$ 7,922

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The advances due from (to) Falcon Ridge Mgmt Ltd. are unsecured, non-interest bearing with no specific terms of repayment.

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7. SHARE CAPITAL

Authorized:

Unlimited an unlimited number of common shares and First Preferred Shares, Series A.

	2022	2021
Issued:		
100 Common shares	\$ 100	\$ 100
11,195,148 First Preferred Shares, Series A	11,195,148	8,453,597
	<b>\$ 11,195,248</b>	<b>\$ 8,453,697</b>

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The First Preferred Shares, Series A are non-voting and are entitled to discretionary dividends as set by the directors.

All shares issued in the year were issued for cash or re-invested distributions.

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8. RELATED PARTY TRANSACTIONS

The company pays management fees to Falcon Ridge Mgmt Ltd ("Falcon"), a company under common control, pursuant to a management agreement. Falcon is entitled to a management fee of up to 3.0% of gross assets of the company calculated monthly. This fee was waived for the year ended December 31, 2022.

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

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**ABBHEY RIDGE MORTGAGE INVESTMENT CORP**

**Notes to Financial Statements  
(Expressed in Canadian Dollars)  
Year Ended December 31, 2022**

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9. FINANCIAL INSTRUMENT RISKS

The company has a risk management framework to monitor, evaluate and manage principal risks assumed with financial instruments. The principal risks assumed by the company are credit risk, liquidity risk, market risk and interest rate risk as outlined below:

Credit Risk

Credit risk arises from the possibility that mortgagors may experience financial difficulty and be unable to fulfil their mortgage commitments. The company mitigates this risk by having well established lending policies in place that ensure mortgages are well secured and by limiting its exposure to any one mortgagor.

Liquidity risk

The company is exposed to liquidity risk through its accounts payable and dividends payable. Liquidity risk is the risk that the company will encounter difficulty in meeting obligations with financial liabilities.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The company is mainly exposed to interest rate risk.

Interest rate risk

Interest the company may charge on its mortgages is dependant upon market rates. This exposes the company to the risk of changing interest rates that may have an effect on its earnings in future periods. The company does not use derivative instruments to mitigate this risk.

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**ITEM 14: DATE AND CERTIFICATE OF THE ISSUER AND PROMOTER**

DATED the 15<sup>th</sup> day of April, 2023.

This Offering Memorandum does not contain a misrepresentation.

**ISSUER**

**ABBEY RIDGE MORTGAGE INVESTMENT CORPORATION**

*“Giuseppe Decina”*

\_\_\_\_\_  
President, CEO and Director

*“Robert Filomena”*

\_\_\_\_\_  
Secretary-Treasurer, COO and Director

(Acting in the capacity of Chief Financial Officer)

**On behalf of the Board of Directors of  
Abbey Ridge Mortgage Investment Corporation**

*“Vincent Cosentino”*

\_\_\_\_\_  
Director

*“Dominic Scarangella”*

\_\_\_\_\_  
Director

**PROMOTER**

**FALCON RIDGE MGMT LTD.**

*“Giuseppe Decina”*

\_\_\_\_\_  
President, CEO and Director

*“Robert Filomena”*

\_\_\_\_\_  
Secretary-Treasurer, COO and Director

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