

CONFIDENTIAL OFFERING MEMORANDUM FOR ONTARIO RESIDENTS

Dated: June 2, 2020

THE SOLIDITY GROUP MORTGAGE INVESTMENT CORPORATION

\$75,000,000.00 (Cdn)
75,000,000 Class A Shares

This Confidential Offering Memorandum constitutes an offering of the securities described herein only in Ontario and only to those persons in Ontario to whom they may be lawfully offered for sale, and therein only by persons permitted to sell such securities. This Offering Memorandum is not, and under no circumstances is to be construed as, an advertisement or a public offering of the securities referred to in this document in any jurisdiction. No securities commission or similar authority in any jurisdiction has reviewed or in any way passed upon this Offering Memorandum the merits of the securities described herein and any representation to the contrary is an offence.

The offering of Class A Shares (“Shares”) in the capital of THE SOLIDITY GROUP MORTGAGE INVESTMENT CORPORATION (the “Corporation”) is being made only in Ontario and solely by this Offering Memorandum, and any decision to purchase shares should be based solely on information contained within this document. No person has been authorized to give any information or to make any representations concerning this offering other than as contained herein.

This Offering Memorandum is confidential and has been prepared solely for delivery to and review by selected prospective purchasers of Shares to whom it is delivered by the Corporation in connection with the offering of the Shares. The Corporation reserves the right to reject all or part of any offer to purchase the Shares for any reason or to allocate to any purchaser less than all of the Shares for which it has subscribed.

The Shares are offered on a continuous basis. Closings are anticipated to occur approximately quarterly, at the discretion of the Corporation.

In this Offering Memorandum all references are to Canadian dollars. 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.

THE SECURITIES OFFERED HEREBY ARE SPECULATIVE. There is no market for these securities and no such market is expected to develop as a consequence of this Offering, so that it may be difficult or even impossible for the holders to sell them. The resale or transfer of the Shares is also subject to the restrictions imposed by the Securities Act (Ontario). Holders of Shares may not be able to liquidate their investment and the purchase of the Shares should be considered only by investors who are able to make long-term investments and who are able to accept the risks inherent in the investment. (See “Item 12 - Resale Restrictions”).

EACH PURCHASER OF SHARES IS ADVISED TO CONSULT WITH THEIR OWN LEGAL ADVISOR AS TO THE COMPLETE DETAILS OF THE EXEMPTIONS FROM THE PROSPECTUS REQUIREMENTS OF APPLICABLE SECURITIES LAWS BEING RELIED UPON AND THE CONSEQUENCES OF PURCHASING SHARES PURSUANT TO SUCH EXEMPTIONS.

OFFERING OF SHARES

The Issuer

Name: THE SOLIDITY GROUP MORTGAGE INVESTMENT CORPORATION (the "Corporation")
Head office: Unit 211, 1 Commissioners Road East, London ON N6C 5Z3
Phone number: 519-649-0492
E-mail address: billhandsaeme@rogers.com
Fax number: 519-649-7299
Currently listed or quoted? **No. These securities do not trade on any exchange or market.**
Reporting issuer? No.
SEDAR filer? No.

The Offering

Securities Offered: Class A shares in the capital of the Corporation (the "Shares").
Price Per Class A Share: \$1.00 per Share.
Minimum/Maximum Offering: There is no minimum. Maximum offering is \$75,000,000. **You may be the only purchaser.**
Minimum Subscription Amount: The minimum amount each investor must invest is \$100,000. The Corporation has the right to waive the minimum subscription.
Payment Terms: Payment with subscription/on or before any Closing Date by certified cheque, wire transfer or bank draft.
Proposed Closing Date(s): Class A Shares are offered on a continuous basis. The Corporation will close subscriptions from time to time at its discretion upon receipt of sufficient subscription funds, anticipated to be approximately quarterly, but always in the discretion of the Corporation. It is expected that all accepted subscriptions will be effective on the last business day of each month. The right is reserved to close the subscription books at any time without notice.
Income Tax Consequences: There are important tax consequences to these securities. See "Item 8 - Income Tax Consequences".
Selling Agent: Solidity Group Management Corporation is acting as selling agent on behalf of the Corporation at no remuneration. Solidity Group Management Corporation may engage financial advisors, brokers or intermediaries to assist in the marketing and distribution of Shares and receive a commission.

The directors of the Corporation may authorize the Corporation to pay a reasonable commission to any person in consideration of the person's purchasing or agreeing to purchase Shares from the Corporation or from any other person procuring or agreeing to procure purchasers for Shares. See "Item 9 - Commissions Paid".

Eligibility

Eligible investors under certain prospectus exemptions under National Instrument 45-106 (*Prospectus Exemptions*). In addition, the Corporation requires that all subscriptions be submitted through such exempt market dealer or dealers as may be approved by the Corporation from time to time. The Corporation has the right to waive this requirement from time to time.

Resale Restrictions

You will be restricted from selling Shares for an indefinite period. See "Item 12 - Resale Restrictions".

Purchaser's Rights

If there is a misrepresentation in this Offering Memorandum, you have the right to sue for damages or to cancel your agreement to purchase Shares. See "Item 13 - Purchaser's Rights".

No securities regulatory authority has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See "Item 10 - Risk Factors".

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Item 1 USE OF NET PROCEEDS

The proceeds from the sale of the Shares are estimated to be \$75,000,000 on a maximum basis, less any commissions, and before deducting the estimated expenses of the Offering. The net proceeds will be used to invest in eligible investments as described in this Offering Memorandum.

Item 2 BUSINESS OF THE SOLIDITY GROUP MORTGAGE INVESTMENT CORPORATION

THE SOLIDITY GROUP MORTGAGE INVESTMENT CORPORATION was incorporated as a private corporation on November 22, 2012 under the Business Corporations Act (Ontario). The head and registered office of the Corporation is located at Unit 211, 1 Commissioners Road East, London, Ontario N6C 5Z3.

1. Business of the Corporation

The Corporation intends to continue to qualify and carry on business as a mortgage investment corporation (“MIC”) under the *Income Tax Act* (Canada) (the “Tax Act”). In order to maintain its status as a MIC, the Corporation will endeavour to meet the criteria required by the Tax Act including the requirement to invest at least 50% of its assets in residential mortgage loans and deposits with Canada Deposit Insurance Corporation (“CDIC”) insured institutions or credit unions. “Residential mortgage loans” include loans against single family and multiple family residential projects and loans for servicing residential subdivisions.

The business objective is to obtain a secure stream of income by optimizing its investment portfolio within the MIC criteria mandated by the Tax Act. The only permitted undertaking of a MIC under the Tax Act criteria is the investing of its funds and it is specifically prohibited from managing or developing real property. (see “Item 8 - Income Tax Consequences”).

There is an established need for real estate mortgage financing that is not readily provided by the banks, trust companies, credit unions and other traditional lenders. Short-term mortgage financing is a continuing need of individuals, builders and real estate developers and because of their need for flexibility and quick response, they often require the services of private lenders and organizations such as the Corporation. The Corporation intends to maintain flexible procedures and an ability to commit quickly to mortgage applications. Such loans will earn a higher rate of return than those made by institutional lenders. The Corporation expects to minimize risk by endeavouring to ensure that the collateral value of security protects advances, that a viable exit strategy exists for each loan and that loans are made to properly qualified individuals and experienced developers and owners. The Corporation intends to diversify its mortgage portfolio.

In addition, with prior changes in the “refinancing” rules relative to Canada Mortgage and Housing Corporation (“CMHC”), there is a void in this market that will capture a high quality client based on CMHC’s previous underwriting guidelines. The Corporation will continue to operate in this market with a lender fee related product for second mortgage financing and provide secure financing based on similar guidelines implemented by CMHC in the past.

The Corporation’s primary revenue source will continue to be interest payments received on its mortgage investments. The mortgage portfolio may also generate additional remuneration for the Corporation by way of interest bonuses for early prepayment by the borrower, or late payoff bonuses after maturity of the mortgage.

The near prime market segments of the Canadian lending industry are under-serviced by many

large financial institutions in Canada. This segment is under-serviced primarily due to borrowers starting their own businesses, which have weaker than expected credit, and may have substantial equity in their properties. Some other segments are populated by small to mid-sized borrowers in smaller, non-urban geographic markets, who require custom tailored financing solutions to meet their capital requirements. The Corporation will continue to provide a mix of mortgage types in its portfolio including, but not limited to, builder mortgages, first, second and third mortgages, development and construction mortgages and term financing mortgages on income producing properties. The Corporation will comply with its policy in its investment guidelines that limits its credit exposure to any one borrowing group.

All investments will comply with the investment guidelines of the Corporation, as referred to below. The rate of return the Corporation earns from its mortgage investments will fluctuate with prevailing market demand for short term mortgage financing. The Corporation will attempt to minimize risk by being prudent in both its credit decisions and in assessing the value of the underlying real property offered as security. Notwithstanding the foregoing, the credit committee, consisting of four directors of the Corporation, will meet from time to time to discuss/review applications received for mortgage approval that fall outside the investment guidelines adopted by the Corporation.

The Corporation may engage in marketing activity to identify additional investors from time to time which marketing costs will be borne by the Corporation. The costs pertaining to marketing and distribution will be reasonable and economical so as to not produce a major adverse effect on the yield of the investments of the Corporation. The Manager (as defined below) believes that by increasing the size of the investments in the Corporation, and correspondingly the investments made by the Corporation, the overall risk of the portfolio of the Corporation is greatly reduced due to the additional diversification, which significantly reduces the investment risk to each individual investor.

The Corporation did over \$13,935,000 in mortgage volume in 2019.

Over the past couple of years the Corporation has continued to position its mortgage investment portfolio to first, second and third mortgage investments. It focuses on exit strategies and security over increased yield, seeking investments that provide for a more stable stream of dividends.

Recently, during the challenge of COVID-19, management has increased the frequency of its meetings from quarterly to weekly. The member's diverse professional and business backgrounds combined with their strong understanding of the industry is invaluable in the Corporation's ability to meet its stated objectives.

2. Investments

The investment strategy of the Corporation will continue to be to invest in a portfolio of residential and commercial mortgages from borrowers in markets where lenders have greater restrictions to lend based on their lending requirements. The Corporation will build a portfolio of residential and commercial mortgages as follows:

1. Residential Mortgages - at least 50% of the Corporation's assets, at cost, to consist of mortgages on residential properties in Canada, including but not limited to, single family dwellings, duplexes, townhouses, condominium units and apartment buildings, land, income producing property, or cash on hand or deposit pending investments in mortgages.

2. Commercial and Industrial Mortgages – up to 30% of the Corporation’s assets may consist of conventional mortgages on existing or proposed retail, commercial or industrial properties in Canada.
3. Other Investments – investments may also be made from time to time in money market instruments, pending investment in mortgages.
4. Real Property – up to 25% of the Corporation’s assets may be invested directly in real estate properties held for income purposes.

The Corporation may acquire real estate properties by foreclosure or otherwise in the event that default occurs on a mortgage.

It is anticipated that a substantial portion of the Corporation’s mortgage investments will continue to be located in Ontario.

The Corporation may share part of a mortgage investment with other lenders that are acceptable to the Corporation. By limiting its participation in large individual investments, the Corporation will have the benefits of increased portfolio diversification. Sharing mortgage investments with other lenders will also enable the Corporation to participate in the financing of larger real estate projects than would not otherwise be possible.

3. Investment Guidelines

The Corporation’s board of directors will establish, amend, supplement or replace investment guidelines from time to time.

At this time, the Corporation has a policy that no one mortgage may make up more than 10% of the invested funds of the Corporation.

The maximum loan-to-value for any particular mortgage investment will vary depending on a number of factors including the location and marketability of the property, and the condition of the property. In any event, the Corporation will not lend greater than 95% of the value of a particular property plus the applicable lender fee as established by appraisal or opinion of value.

The Corporation, in order to renew or extend a mortgage loan, may increase the loan amount to pay for, but not limited to, renewal fees, extension fees, or legal fees, so long as any increase in the loan size shall not exceed the Corporation’s credit guidelines.

Loans will not be made to the Manager or associated and/or affiliated companies, and in particular will not be made to any shareholder, officer or director of the Manager, or to any company in which a director or shareholder of the Manager holds an equity interest.

Notwithstanding any loan-to-value limits stated herein or other general underwriting criteria outlined above, for risk management purposes only, the Corporation may increase a given investment in order to remedy the default by a borrower of its obligations in respect of a prior ranking security, or to satisfy the indebtedness secured by a prior ranking security, or for any other reason if such action is required to protect the Corporation’s security position in a particular investment provided such proposed increases in the Corporation’s investment are approved by the Manager.

4. Borrowing Strategy

The Corporation has the authority to arrange a credit facility or any other form of borrowing with a lender on terms which its management may deem appropriate for the Corporation and for which all or any part of the assets of the Corporation may be pledged as security. The purpose of arranging such a credit facility is to allow the Corporation to achieve optimum earnings through reasonable leveraging. Such borrowing would be done in compliance with the MIC criteria.

5. Management Qualifications and Experience

In order to facilitate the Corporation's investments in the mortgage lending industry the Corporation, on its inception, entered into a Management Services Agreement (the "Management Agreement") with Solidity Group Management Corporation ("the Manager"). The Manager is a corporation incorporated under the laws of the Province of Ontario. The Manager is licensed as a Mortgage Administrator through the Financial Services Regulatory Authority of Ontario ("FSRA"). The Manager's key personnel have been in the business of originating, underwriting, and submitting mortgage approvals to various lenders since 1979.

The Manager's personnel have extensive experience in mortgage lending and collections and also have wide networks of established relationships with many lenders, experienced owners, builders, developers and others active in the real estate industry. The current business of the President of the Manager is a mortgage brokerage business, assisting clients in the London and surrounding area in obtaining their mortgage approvals. The brokerage has provided assistance in excess of \$61,954,000 in private mortgaging for fiscal 2019 and over \$1,568,671,000 in total for all mortgages funded in 2019. The Corporation believes the Manager is therefore suitably qualified to continue to allocate and recommend investment opportunities for the Corporation.

The Manager has more than 40 years of combined experience, either itself or through its personnel, in the banking, mortgage and finance industry. The principal occupation of the President of the Corporation over the past 31 years and his experience relevant to the Corporation's business are as follow

*William Handsaeme, President and Director, THE SOLIDITY GROUP
MORTGAGE INVESTMENT CORPORATION and SOLIDITY GROUP
MANAGEMENT CORPORATION.*

Mr. Handsaeme has been the President of Forest City Funding Inc., O/A Dominion Lending Centres, since August of 1989. This brokerage has grown to over 190 agents who provide mortgage services to thousands of clients annually. The company is the number 1 Dominion Lending franchise in Canada and funded in excess of \$1.5 billion in mortgage volumes for 2019 (see above). Mr. Handsaeme was also in senior management position with the Bank of Montreal in the years prior to becoming a mortgage broker.

These qualifications and its vast experience put the Manager in an advantageous position to provide the Corporation with mortgage management, administrative, advisory, mortgage lending and financing services.

6. Management Agreement

The Corporation has retained the Manager pursuant to the terms of the Management Agreement to administer the Corporation's business affairs on a day to day basis, to provide ongoing advice to the Corporation, to raise investment capital for the Corporation and to provide the Corporation with real estate, mortgage and financing services, with the supervision of the of the Corporation

and the Finance Committee. On behalf of the Corporation the Manager will originate, underwrite, adjudicate, service and administer each loan, and will provide custodian, advisory and management services.

The Manager concentrates its resources on niches in the mortgage market that have been created by standardization of institutional mortgage underwriting, the liquidity difficulties experienced in the commercial paper securitization market in Canada, and stringent income or credit requirements being imposed by Canadian institutional lenders.

The criteria for qualification in this 'niche' mortgage market focuses principally on the value and quality of the real estate being offered as security (the loan-to-value ratio) but also takes into consideration the "exit strategy." To maintain a stable interest yield on the mortgage portfolio the Manager will manage risk through the maintenance of a diversified mortgage portfolio, the application of consistent and prudent underwriting criteria, and diligent and proactive mortgage servicing.

The Management Agreement has an initial term of 10 years, of which 7 years have elapsed, and is automatically renewable for further terms of five years after the expiration of the initial term, unless terminated earlier in accordance with the termination provisions. Among other things, the Corporation or the Manager may terminate the Management Agreement for breach or the insolvency of the other party.

Under the Management Agreement, among other things, the Manager will:

- hold directly or through subsidiary or associated companies all licenses, permits and registrations necessary in Ontario or elsewhere for the Manager to carry out its responsibilities
- assist the directors in formulating and modifying the Corporation's investment guidelines, and comply with such investment guidelines
- use its best efforts to present investment opportunities consistent with the Corporation's investment strategy and guidelines
- provide information relating to proposed acquisitions, dispositions, financing and mortgage investments
- service and administer the Corporation's investments on its behalf, maintaining records and accounts in respect of each eligible investment and report thereon on a monthly basis
- provide those services required in connection with the collection, handling, prosecuting and settling of any claims with respect to the Corporation's investments, including foreclosing and otherwise enforcing security interests securing the Corporation's investments
- deliver portfolio reports on a regular basis with respect to the Corporation's investments and provide documentation and/or other information as requested
- generally act as a commercial mortgage loan administrator in administering the mortgage portfolio and related investments.

For each mortgage proposal the Manager will obtain:

- a credit application from all potential borrowers;
- a credit report on both the borrowers and any guarantor(s);
- an appraisal prepared by an accredited appraiser in Ontario with the designations of C.R.A. or A.A.C.I., or their successors, or in the alternative from time to time the Manager may rely upon an opinion of value furnished by a reputable realtor who may be equally or better equipped to provide an accurate evaluation of a particular property as a consequence of specialized expertise relating to that particular type of property or with respect to the particular geographic area in which the subject property is located; and
- such other information and/or opinions of value as the Manager deems appropriate in the circumstances to allow it to make an accurate assessment of value with respect to any particular property. The appraised value need not be on an “as-is” basis and may be based on stated conditions, including without limitations, completion, rehabilitation, or sale and/or lease-out of improvements of the real property in the case of construction or renovation loans.

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

The Corporation acknowledges in the Management Agreement that the Manager and its shareholders, directors and senior officers have, or may have, interests and dealings in other companies, joint ventures, limited partnerships and/or MICs which are presently or may in the future be actively engaged in similar businesses as the 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.

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

The Manager will not be liable to the Corporation in respect of any loss or damage suffered by the Corporation, including any loss or diminution in the net assets of the Corporation, unless such loss or damage is a direct result of gross negligence, gross wilful misconduct, or dishonesty by the Manager in relation to its duties and responsibilities under the Management Agreement. The Manager maintains errors and omissions insurance, as mandated by FSRA.

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

7. Management Fees and Expenses

In consideration of the services provided by the Manager, the Management Agreement states that the Corporation will pay following amounts to the Manager:

1. Administration fees in respect of the Manager's general management and advisory services in an amount per annum not to exceed 2% of the net assets of the Corporation, calculated and paid monthly. For this purpose, net assets means total assets less total liabilities of the Corporation, and for greater certainty, the liabilities of the Corporation are not to include any amounts relating to the share capital. The administration fee will be reviewed by the Corporation and the Manager each year on the anniversary date of the Management Agreement, but in no case will there be a change in the fee unless the Manager and the Corporation agree in writing.
2. Underwriting fees in respect of any underwriting, commitment or renewal services for the corresponding mortgage investments. The underwriting fees payable to the Manager shall be paid at the Manager's sole discretion and only to the extent that they are recovered from the borrowers.
3. Ancillary fees as set out in any security documents with the borrowers as compensation or reimbursement for overhead expenses. The ancillary fees shall be payable to the Manager at the Manager's sole discretion and only to the extent that they are recovered from the borrowers.
4. Service fees in respect of any property management, mortgage, real estate or capital raising services, as provided on an ad hoc basis upon agreement of the parties at the time. The Corporation will pay the Manager as agreed at the time the particular service is initiated, but in no case will the Manager be paid a fee which is greater than fair market value for the service.

The Manager is responsible for all fees and expenses incurred in connection with the underwriting, completion and administration of investments to the extent that such fees and expenses are recoverable from borrowers. The Manager will be responsible for the expenses of its personnel, and all costs associated with the sourcing and arranging of eligible investments for presentation to the Corporation, and all of its office expenses. The Corporation is responsible for all its taxes, and for its legal, audit, shareholders communications, operating and administrative costs and expenses not otherwise assumed by the Manager, as well as expenses associated with the acquisition, disposition and enforcement of the portfolio investments not otherwise addressed by the Management Agreement.

The Manager may employ, from time to time the services of a property management company to engage in dealing with the default and distress real estate situations the Corporation may encounter. Remuneration may be paid to such property manager separate and distinct of any administration or service fees paid to the Manager, which property management fees are intended to be paid from the proceeds of sale of any property under enforcement or the proceeds of any refinance. The Manager may appoint from time to time a licensed realtor which may or may not be related to the Manager in the event a property must be listed for sale to realize on the Corporation's mortgage loan investment.

8. Credit Committee

The Corporation has established and will maintain a credit committee (the "Credit Committee") to review all proposals regarding investment decisions that fall outside the Corporation's investment guidelines and to approve or reject such proposals. These will include investments and/or loans by

the Corporation, borrowings by the Corporation and acquisitions and/or dispositions. The Credit Committee will meet as required, and in any event no less than quarterly, to provide strategic guidance and direction. The Credit Committee shall be appointed by the directors of the Corporation from time to time. The Credit Committee is to be comprised of four persons, and at present its members are Mr. Handsaeme, Mr. Derek Anderson, Mr. Scott Furlonger and Dr. Cliff Hardick.

Item 3 DIRECTORS AND OFFICERS, AND PRINCIPAL HOLDERS

William Handsaeme, of London, Ontario, is the sole director of the Corporation (and the Manager) and is the President of the Corporation.

Mr. Handsaeme, the sole director and officer of the Corporation, and persons related to him at the present time hold indirectly 3.14% of the Class A Shares and 18% of the Voting Shares of the Corporation, and 49% of the outstanding shares in the capital of the Manager.

No director or officer of the Corporation is indebted to the Corporation.

Item 4 CAPITAL STRUCTURE

1. Share Capital

The Corporation has authorized capital of two classes of shares: Voting Shares and Class A Shares. As of April 30, 2020 there were 22,416,066.38 Class A Shares and 100 Voting Shares issued. The Corporation does not currently have any outstanding options, warrants or other securities convertible into Class A Shares or Voting Shares.

The holders of the Voting Shares are not entitled to receive dividends, have one (1) vote per share, and, in the event of the liquidation, dissolution or winding up of the Corporation or other distribution of assets or property of the Corporation among its shareholders for the purpose of winding up its affairs, after paying to the holders of the Shares an amount equal to all dividends declared thereon and unpaid, the Corporation will distribute to the holders of the Voting Shares an amount equal to the paid up capital thereon. The holders of the Voting Shares have no other right to participate in the assets of the Corporation.

2. Long Term Debt

At this time, the Corporation does not have any long-term debt. However, the Corporation may have long-term debt in the future.

3. Prior Sales

Within the last 12 months the Corporation has completed issuances of Class A Shares on May 31, 2019, December 31, 2019 and April 30, 2020. All were cash subscriptions for \$1.00 per share.

Item 5 SECURITIES OFFERED

The Corporation is offering an aggregate maximum of \$75,000,000 consisting of 75,000,000 Class A Shares offered for sale at a price of \$1.00 per Share.

No Shares shall be transferred without the consent of the directors of the Corporation.

The rights and restrictions attaching to the Class A Shares are as follows:

1. Voting

Except as otherwise required by applicable law, the holders of Shares (“Shareholders”) are not entitled to notice of or to attend or vote at meetings of the Corporation.

2. Dividends

The holders of the Shares shall be entitled to discretionary, non-cumulative dividends as and when declared by the directors of the Corporation. To take advantage of its status as a MIC, the Corporation intends to pay out as cash dividends substantially all of its net income and net realized capital gains every year. The dividends will be calculated and paid at least annually, and in any event within 90 days of year end. The payment of dividends is subject to the discretion of the board of directors to establish working capital and other reserves for the Corporation.

3. Liquidation, Dissolution, or Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or other distribution of assets or property of the Corporation among its shareholders for the purpose of winding up its affairs, the Corporation will distribute the assets of the Corporation among the shareholders in the following order of priority:

- (a) first, to the holders of the Shares, an amount equal to all dividends declared thereon and unpaid;
- (b) second, to the holders of the Voting Shares, an amount equal to the paid up capital thereon; and
- (c) third, the balance, if any, to the holders of the Shares equally on a share for share basis.

Item 6 REDEMPTION RIGHTS

While not contained in the share provisions for the Shares, the Corporation will provide certain rights to the Shareholders to have their Shares purchased for cancellation (“redeemed”) in certain instances. These rights will be set out in the subscription agreement, and will contain the following provisions:

1. Corporation Offer to Purchase for Cancellation

Upon providing the Shareholders with not less than 21 days’ notice, in its discretion the Corporation may from time to time offer to purchase for cancellation all or any portion of the Shares at the “Redemption Amount” of \$1.00 per Share together with all dividends declared thereon and unpaid as at the purchase for cancellation date. Upon completion of the purchase for cancellation process, the redeemed Shares shall be cancelled. The Shares to be purchased for cancellation will be offered to each Shareholder in proportion to the number of Shares registered in the name of each Shareholder as a percentage of the total number of Shares outstanding. In the event that each Shareholder does not accept the offer to purchase for cancellation to the full extent to which it is entitled, those who accept the offer will be entitled to sell additional Shares to the offer by the Corporation, with such entitlements being determined for the parties accepting the offer in proportion to the number of Shares registered in the name of each Shareholder as a

percentage of the total number of Shares outstanding.

2. Early Purchase for Cancellation on the Death of a Shareholder

Upon notification in writing to the Corporation of the death of a Shareholder, the Corporation undertakes to have the Shares held by such deceased Shareholder purchased for cancellation within 90 days of such notification, subject only to the Corporation being able to do so under applicable laws, and the considerations set out below in “Purchase for Cancellation Rights – General”.

3. Compassionate Early Purchase for Cancellation

The Corporation may consider applications for early purchase for cancellation, but only under special circumstances. It is important to note that the decision as to whether or not to grant an early purchase for cancellation is at the sole discretion of the Corporation and otherwise dependent upon the ability of the Corporation to do so under applicable laws and the considerations set out below in “Purchase for Cancellation Rights – General”. A Shareholder may apply to the Corporation for an early purchase for cancellation of all or part of the Shareholder’s Shares, provided that the date of application for early purchase for cancellation is at least 90 days prior to the purchase for cancellation date. The Corporation may then consider purchasing for cancellation the requested number of Shares on or before the proposed date, or such other date as the Corporation deems appropriate.

4. Discretionary Purchase for Cancellation

Upon no less than 90 days written notice, a Shareholder may at any time request the purchase for cancellation of all or any portion of its Shares at the end of any calendar quarter provided that the Shareholder has held the Shares for a period of at least eighteen months. Any such purchases for cancellation are in the complete discretion of the Corporation. In certain circumstances, the hold period restrictions may be waived or abridged by the Corporation in its sole discretion.

5. Purchase for Cancellation Rights – General

The amount payable by the Corporation in respect of each Share to be purchased for cancellation shall be the Redemption Amount, which amount shall be payable on the purchase for cancellation date. Only whole Shares may be purchased for cancellation unless it is the investor’s entire investment in the Corporation that is being purchased for cancellation.

Purchase for cancellation proceeds will be paid in Canadian dollars in accordance with the Shareholder’s instructions. There is a purchase for cancellation fee of \$339.00 in each instance, for which the Corporation will bear all handling costs, including customary bank charges, etc.

The directors of the Corporation have the discretion to reject or defer any purchase for cancellation application by a Shareholder where, in the view of the directors, such purchase for cancellation will result in the Corporation failing to qualify as a MIC under the Tax Act, prejudice its requirements for working capital and other reserves, or which would otherwise be contrary to applicable laws.

6. Purchase for Cancellation Rights - Substantial Shareholders

Notwithstanding the purchase for cancellation rights outlined above, in the interests of all Shareholders of the Corporation certain restrictions may, in the sole discretion of the board of directors, be placed on Substantial Shareholders. A Substantial Shareholder is defined to mean a

Shareholder, together with parties related (as defined in the Tax Act) to that Shareholder, who holds a total number of Shares which is equal to or greater than 10% of the total number of Shares outstanding. As long as a particular Shareholder is a Substantial Shareholder it will be restricted to submitting for purchase for cancellation no more than 20% of its Shares in any three month period.

Item 7 DIVIDEND REINVESTMENT PLAN

The Corporation, subject to maintaining the status of the Corporation as a MIC under the Tax Act, will maintain a dividend reinvestment and share purchase plan (the “DRIP”). Under the DRIP, Shareholders will be able to reinvest dividends in additional Shares of the Corporation. The Corporation or the Manager will administer all aspects of the DRIP.

1. Eligibility

All Shareholders will be eligible to participate in the DRIP by completing an enrolment form in the form provided by the Corporation and returning it to the Corporation (a “Registered Participant”). Any Shareholder who wishes to participate in the DRIP may enroll any of their Shares in the DRIP.

2. Investment Date

Dividends will be calculated, paid and reinvested in Shares as and when declared by the board of directors of the Corporation. The payment of a dividend, and the payment date (the “Investment Date”), will be determined by the board of directors of the Corporation in its sole discretion.

3. Cost and Attributes of Shares Purchased under the DRIP

Shares will be purchased at \$1 per Share and issued from the treasury of the Corporation. The Corporation will use the cash dividends attributable to a Registered Participant to purchase additional Shares on behalf of the Registered Participant. All Shares acquired through the DRIP will be credited to the Registered Participant’s account. At the end of each fiscal quarter in which Shares have been issued pursuant to the DRIP, physical certificates will be issued to each Registered Participant for all Shares acquired under the DRIP for that period. There will be no fractional Shares issued by the Corporation under the DRIP. Residual cash dividends, which are not used to purchase additional Shares, will be credited to the account of the Registered Participant. There will be no brokerage or administration fees charged by the Corporation or the Manager for participation in the DRIP. A Shareholder may elect to purchase additional Shares at the same subscription price and at the same time as they acquire Shares under the DRIP.

4. Transaction Statements

Transaction statements will be sent, by email in the case of those Registered Participants who have so authorized the Corporation, to each Registered Participant following each Investment Date. The transaction statements will show the Shares purchased under the DRIP and should be retained for income tax purposes. The Corporation will also report to Registered Participants on an annual basis any required information for income tax purposes with regard to all dividends paid to each Registered Participant.

5. Termination of Participation in the DRIP

Participation in the DRIP can be terminated by a Registered Participant at any time by giving

written notice to the Corporation. Any written notice received within five business days before an Investment Date may not be effective until after such Investment Date.

6. No Liability of the Corporation or the Manager for DRIP

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

7. Amendments to DRIP and Termination by Corporation

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

8. Tax Consequences

The reinvestment of dividends does not relieve an investor of liability for tax on those dividends. Shareholders who intend to participate in the DRIP should consult their tax advisers about the tax consequences that might result from their participation in the DRIP.

Item 8 INCOME TAX CONSEQUENCES

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

1. Summary of the Tax Act MIC Criteria

The Corporation is subject to applicable legislation in Ontario and is also subject to special rules under the Tax Act. Section 130.1 of the Tax Act sets out the criteria in order for a corporation to qualify as a MIC, and governing MICs. In general, to qualify as a MIC for a taxation year a corporation must have met all of the following criteria throughout that taxation year:

1. The corporation was a Canadian corporation as defined under the Tax Act;
2. Its only undertaking was the investing of its funds and it did not manage or develop any real property;
3. It did not invest in:
 - (a) debts secured on real property situated outside --Canada;
 - (b) debts owing to the corporation by non-resident persons unless secured by real property situated in Canada;
 - (c) shares of companies not resident in Canada; or
 - (d) real property or leasehold interests situated outside Canada;
4. It had at least 20 shareholders, and no one shareholder together with related parties to that shareholder held more than 25% of the issued shares of any class of shares of the

corporation. Special rules apply for purposes of counting shareholders that are registered pension plans or deferred profit sharing plans. A corporation is deemed to have complied with this condition throughout its first taxation year in which it carried on business if it complied with such condition on the last day of the taxation year;

5. Any holders of preferred shares of the corporation must have the right after payment to them of their dividends, and payment of dividends in a like amount per share to the holders of voting shares of the corporation, to participate *pari passu* with holders of the voting shares in any further payment of dividends;
6. At least 50% of the cost amount (as defined in the Tax Act) of the company's assets must be comprised of:
 - (a) loans secured on property as defined in the *National Housing Act* (Canada);
 - (b) deposits with a bank or other corporation provided such deposits are insured by the Canada Deposit Insurance Fund or the Quebec equivalent; or
 - (c) cash;
7. No more than 25% of the cost amount of the corporation's assets consist of real property, including leasehold interests in real property (excluding any real property acquired after default made on a mortgage, hypothec or agreement of sale of real property whether it be by way of foreclosure or otherwise);
8. If at any time in the year the cost amount to the corporation of the properties referred to above under item 6 (50% asset test) is less than two-thirds of the cost amount to the corporation of all of its property, the liabilities of the corporation at any time in the year must not exceed three times the excess of the cost amount to the corporation of all of its property over such liabilities. However, where at any time in the year the cost amount to a corporation of the properties referred to above under item 6 (50% asset test) is equal to two-thirds or more of the cost amount to the corporation of all of its property, the liabilities of the corporation must not exceed five times the excess of the cost amount to the corporation of all of its property over such liabilities.

As a MIC under the Tax Act, the Corporation will be entitled to deduct from its income certain amounts related to taxable dividends and capital gains dividends. The Corporation intends to pay out as dividends substantially all of its net income and net realized capital gains every year, and as a result the Corporation anticipates that it will not be liable to pay income tax in any year.

2. Income Tax Considerations

The following is a summary of the income tax consequences under the Tax Act of acquiring, holding and disposing of the Shares based on the current provisions of the Tax Act and the regulations thereunder, all specific 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. The income tax consequences may not be the same for all investors but may vary depending on a number of factors, including whether the investor is an individual, a trust or a corporation, the province of residence of the investor, and whether the investor's Shares are characterized as capital property. The following discussion of the income tax consequences is of a general nature only, is not intended to constitute a complete analysis of all the income tax

consequences and should not be interpreted as legal or tax advice to any particular investor. Each investor should obtain independent advice regarding the income tax consequences under federal and provincial tax legislation of investing in Shares, based on the investor's own particular circumstances. The comments in this summary are restricted to the case of an investor who acquires and holds Shares as capital property and who is resident in Canada and who deals at arm's length and is not affiliated with the Corporation for the purposes of the Tax Act. This summary does not apply to investors who are "financial institutions", "specified financial institutions" or an interest in which would be a "tax shelter" or a "tax shelter investment", each as defined in the Tax Act. Such investors are advised to consult their own tax advisor. This summary does not take into account tax laws of a province or territory of Canada or of any jurisdiction outside Canada. This summary assumes that the Corporation qualified as a MIC under the Tax Act at all relevant times.

3. Taxation of Corporation

A MIC, as a general rule, is subject to tax on the same basis as a public corporation resident in Canada. However, special rules relating to a MIC enable it to reduce its taxable income in the year if, during the year or within 90 days after the end of the year, it distributed all of its capital gains arising in the year by way of "capital gains dividends" and all of its other income by way of taxable dividends. More specifically, the Corporation is entitled to deduct from its taxable income the total of:

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

The Corporation must elect in order to distribute its capital gains as capital gains dividends. The election must be made in a prescribed manner and by a prescribed time. The total capital gains dividends that may be paid by the Corporation for a year is limited to twice the Corporation's "taxable capital gains" for the year less its allowable capital losses for the year and any "net allowable capital losses" of prior years that are carried forward and deducted in the year. A special tax is imposed on the Corporation if the capital gains dividends exceed this limit. However, there is a special election procedure whereby this tax can be avoided in certain circumstances if the excess capital gains dividend is elected to be treated as a separate taxable dividend.

The Corporation intends to declare and pay dividends in amounts sufficient to result in no tax being payable by the Corporation each year. To the extent the Corporation does not do so, any taxable income will be subject to tax at the highest corporate tax rate.

4. Taxation of Shareholders

Capital Gains Dividends. A capital gains dividend received by a Canadian resident shareholder is deemed to be a capital gain of the shareholder for the year from the disposition of a capital property.

An investor will be required to include one-half of the amount of any capital gain (a “taxable capital gain”) in income, and will generally be entitled to deduct one-half of the amount of any capital loss (an “allowable capital loss”) against taxable capital gains realized in the year of disposition. Allowable capital losses not deductible in the taxation year in which they are realized may be deducted against taxable capital gains realized in any one of the three preceding taxation years or in any following taxation year to the extent and under the circumstances specified under the Tax Act.

Taxable Dividends (other than Capital Gains Dividends). Dividends other than capital gains dividends paid by the Corporation are not included in the income of an investor as taxable dividends, but rather are deemed to have been received by the investor as interest income.

Disposition of Shares. Assuming the Shares are capital property to the investor, the usual rules apply on the disposition of those Shares as would apply on similar shares of a public corporation resident in Canada. Certain taxpayers, such as securities dealers and those who have acquired the Shares in the course of a business of buying and selling shares or in a transaction that is an “adventure in the nature of trade”, may not be considered to be holding the Shares as capital property.

Dispositions or deemed dispositions of the Shares to a person other than the Corporation will result in a capital gain or capital loss according to the usual rules contained in the Tax Act for a share in a public corporation resident in Canada. A capital gain (or capital loss) will arise to the extent that the proceeds of disposition of the Shares exceed (or are exceeded by) the adjusted cost base (as defined for income tax purposes) of the Shares and any disposition costs. The taxation of capital gains and capital losses is described above.

On purchases for cancellation of the Shares by the Corporation, the investor will be deemed to have received a dividend in an amount equal to the amount by which the purchase price exceeds the paid-up capital of the Shares. The balance of the purchase price will be proceeds of disposition of the Shares for purposes of calculating a capital gain or capital loss.

5. Eligibility for Investment

Based on the current provisions of the Tax Act, if issued on the date hereof, the Shares would be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan (“RRSP”), a registered retirement income fund (“RRIF”), a deferred profit sharing plan, a registered education savings plan, a registered disability savings plan or a tax free savings account (“TFSA”) (collectively, “Plans”) provided that the Corporation qualifies as a MIC throughout a taxation year and further provided that at any time in the relevant calendar year, the Corporation does not hold any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer, or a subscriber under the Plan, or of any other person who does not deal at arm’s length with that person.

Notwithstanding that the Shares may be qualified investments for a trust governed by a TFSA, RRSP or RRIF, the holder of a TFSA or the annuitant of an RRSP or RRIF that holds Shares will be subject to a penalty tax if such Shares are a “prohibited investment”. The Shares will generally be a “prohibited investment” if the holder of a TFSA or the annuitant of the RRSP or RRIF does not deal at arm’s length with the Corporation for purposes of the Tax Act or has a “significant interest” (within the meaning of the Tax Act) in the Corporation or a corporation, partnership or trust with which the Corporation does not deal at arm’s length for

purposes of the Tax Act. On June 12, 2012, the Department of Finance stated it will recommend a change to the definition of a prohibited investment to have the effect of preventing an investment from being a prohibited investment where the holder of the TFSA or the RRSP or RRIF annuitant is not a specified shareholder in the corporation and deals at arm's length with the corporation. In general, a plan-holder is considered to have a "significant interest" in the Corporation if the plan-holder alone or together with non-arm's length persons owns, directly or indirectly, 10% or more of any class or series of shares of the Corporation or of any related corporation. Holders of a TFSA and annuitants of RRSPs or RRIFs should consult their own tax advisors in this regard.

Item 9 COMMISSIONS PAID

The Corporation has not engaged any selling agent or agents other than Management, which will not receive discrete remuneration for this function. There are no broker warrants or agent's options in connection with this Offering.

The directors of the Corporation may, however, authorize the Corporation to pay a reasonable commission to any person, including the officers and directors of the Corporation, in consideration of an investor purchasing or agreeing to purchase Shares from the Corporation or from any other person, or procuring or agreeing to procure purchasers for Shares. It is expected that in the event such commissions are paid, it will not exceed two percent (2%) of the gross amount invested.

The Corporation requires that all subscriptions be submitted through such exempt market dealer or dealers as may be approved by the Corporation from time to time. Fees of such exempt market dealer are payable by the Manager; however, if an exempt market dealer brings an investor to the Corporation, the fees of such dealer will be payable by the investor. The Corporation has the right to waive this requirement from time to time.

Item 10 RISK FACTORS

The Shares offered by this Offering Memorandum are speculative securities. Investment in the Shares should be considered only by investors who are able to make a long term investment and are aware of the risk factors involved in such an investment. Investors should carefully review the following factors together with the other information contained in this Offering Memorandum before making an investment decision. The purchase of Shares is suitable only for investors who are aware of the risks inherent in the real estate industry and who have the ability and willingness to accept the risk of loss of their invested capital and who have no immediate need for liquidity. There is no assurance of any return on an investor's investment.

Investors should consult with their own independent professional legal, tax, investment and financial advisors before purchasing Shares in order to determine the appropriateness of this investment in relation to their financial and investment objectives and in relation to the tax consequences of any such investment.

Investors should carefully consider the following risk factors and all of the other information contained in this Offering Memorandum before purchasing 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 investors. Additional risks and uncertainties not currently known to the Corporation, or that are currently deemed immaterial, may also materially and adversely affect the Corporation's business operations.

1. No Market for Shares

There is no market through which the Shares may be sold and the Corporation does not expect that any market will develop pursuant to this Offering or in the future. Accordingly, an investment in Shares should only be considered by investors who do not require liquidity. The Shares are subject to resale restrictions under applicable securities legislation. See “Item 12 - Resale Restrictions”.

2. Issuer Risks

While the Corporation has a history of investment returns and dividend distributions, note that past performance is no guarantee of future results. The operations of the Corporation and the Manager rely heavily upon the continued support and participation of their respective key personnel with respect to experience and investment expertise, including Bill Handsaeme. The loss of their services may materially affect the timing or the ability of the Corporation to implement its business plan. In accordance with the terms of the Management Agreement between the Corporation and the Manager, the Manager has significant responsibility for assisting the Corporation in conducting its affairs. Any inability of the Manager to perform competently or on a timely basis could negatively affect the Corporation.

3. Absence of Management Rights

The Shares being sold under this Offering do not carry voting rights, and consequently an investor’s investment in Shares does not carry with it any right to take part in the control or management of the Corporation’s business, including the election of directors. In assessing the risks and rewards of an investment in Shares, investors should appreciate that they are relying solely on the good faith, judgment and ability of the directors, officers and employees of the Corporation and the Manager to make appropriate decisions with respect to the management of the Corporation, and that they will be bound by the decisions of the Corporation’s and the Manager’s directors, officers and employees. It would be inappropriate for investors unwilling to rely on these individuals to this extent to purchase Shares.

4. MIC Tax Designation

The directors of the Corporation will use all reasonable commercial efforts to ensure that the Corporation qualifies at all times as a MIC pursuant to the Tax Act. 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 a corporation qualified as a MIC, the normal gross-up and dividend tax credit rules will not apply to dividends paid on the Shares. Rather, the dividends will be taxable in the hands of Shareholders who are subject to tax as if they had received an interest payment. If for any reason the Corporation fails to maintain its MIC designation in a particular year, the dividends paid by the Corporation on the Shares would cease to be deductible from the income of the Corporation for that year and the dividends it pays on the Shares would be subject to the normal gross up and dividend tax credit rules. In addition, the Shares might cease to be qualified investments for trusts governed by Plans, with the effect that a penalty tax would be payable by any applicable investors.

5. Credit Risk

As with most mortgage investment corporations, the Corporation will provide financing to borrowers who may not meet financing criteria for conventional mortgages from institutional sources and, as a result, these investments generally earn a higher rate of return than what institutional lenders may receive. Credit risk is the risk that the mortgagor will fail to discharge the obligation causing the Corporation to incur a financial loss. The Corporation will try to minimize its credit risk primarily by ensuring that the collateral value of the security fully protects both first,

second, and third mortgage advances, that there is a viable exit strategy for each loan, and that loans are made to experienced borrowers. In addition, the Corporation intends to limit the concentration of risk by diversifying its mortgage portfolio by way of location, property type, maximum loan amount on any one property and maximum loan amount to any one borrower.

6. Use of Leverage

The Corporation has the option to incur indebtedness secured by the Corporation's assets to purchase or make mortgage investments. Successful utilization of leverage depends upon the Corporation's ability to borrow funds from outside sources and to lend or invest such funds at a profitable rate of return. The risk of leverage is that it increases the Corporation's exposure to potential losses.

7. Future Operations and Possible Need for Additional Funds

The Corporation requires significant funds to carry out its business plan. In the event the Corporation is unable to raise sufficient funds by this Offering and/or future offerings and/or other debt or equity financing, the Corporation may have insufficient funds available to it to implement its business plan, and investors may receive no return on their Shares. Certain uninsurable or uninsured events may also occur which can substantially reduce the ability of the Corporation to carry on business in a profitable manner, including natural or manmade disasters.

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

8. Insurance

The Corporation's mortgage loans will not usually be insured by the CMHC or any other mortgage insurer in whole or in part.

9. Priority

Security provided by conventional lenders may rank in priority to the mortgages registered in favour of the Corporation, so that in the event of default by the mortgagor under any prior- ranking security, the Corporation may not recover any or all of the monies advanced, or may be required to arrange a new replacement mortgage or pay out the same, in order to avoid adverse financial implications.

10. Bank Commitments/Inability to Redeem

At some point in the future the Corporation may arrange bank loans or lines of credit with lenders that require the Corporation to maintain certain debt/equity ratios and that will otherwise mandate financial guidelines that the Corporation must follow. The Corporation may not, in that event, be able to redeem Shares without the consent of those lenders.

11. Default

In case of default on a mortgage, it may be necessary for the Corporation, in order to protect the investment, to engage in foreclosure or sale proceedings and to make further outlays to complete an unfinished project or to maintain prior encumbrances in good standing.

12. Yield

The yields on real estate investments, including mortgages, depend on many factors including economic conditions and prevailing interest rates, the level of risk assumed, conditions in the real estate industry, opportunities for other types of investments, legislation, governmental regulation and tax laws. The Corporation cannot predict the effect that such factors will have on its operations.

13. Conflicts of Interest

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

Further, the Corporation and its Shareholders are dependent in large part upon the experience and good faith of the Manager, which is entitled to earn a fee for providing services to the Corporation. Officers and directors of the Manager may also serve from time to time as directors and/or officers of the Corporation and/or members of the Credit Committee.

The Manager and its associates are entitled to act in a similar capacity for other companies with investment criteria similar to those of the Corporation. 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. Also, the directors and/or officers of the Corporation and the Manager may be employed by or act in other capacities for other companies involved in mortgage and lending activities.

The directors and officers of the Corporation may be or become employed by or act in other capacities for other companies involved in mortgage and lending activities. 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 they have business relations.

The directors of the Corporation may vary the Corporation's investment guidelines. It may be difficult for some of the directors of the Corporation to exercise independent judgment about these and other matters. Further, the directors and officers of the Corporation are also directors and officers of companies or are engaged and will continue to be engaged in activities that may put them in conflict with the business strategy of the Corporation. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. All decisions to be made by such directors and officers involving the Corporation are required to be made in accordance with their duties and obligations to act honestly and in good faith with a view to the best interests of the Corporation. In addition, such directors and officers are required to declare their interests in, and such directors are required to refrain from voting on, any matter in which they may have a material conflict of interest.

Bill Handsaeme is a director and officer, a holder of Shares and member of the Credit Committee

of the Corporation. As well, Mr. Handsaeme is a director and officer, and a shareholder, of the Manager.

14. Competition

The earnings of the Corporation depend on the Corporation's ability, with the assistance of the Manager, to locate suitable opportunities for the investment and reinvestment of the Corporation's funds and on the yields available from time to time on mortgages and other investments, as well as the cost of borrowing. A variety of competing lenders and investors are active in the areas of investment in which the Corporation will operate. The yields on real estate investments, including mortgages, depend on many factors including economic conditions, the level of risk assumed, conditions in the real estate industry, opportunities for other types of investments, and tax laws. The Corporation cannot predict the effect that such factors will have on its operations.

15. Disruptions from External Environment

The Corporation's business is subject to events outside the Corporation's control. These events may be acts of God, such as natural disasters and epidemics or pandemics, geopolitical risks including acts of terrorism, political instability and social unrest and infrastructure issues such as power failure. These events may give rise to disruption to the Corporation's services and/or result in physical damage and/or loss of life, which could have a material adverse effect on the Corporation's business, prospects, financial condition and results of operations, as not only it but its borrowers could be impacted by such events.

Item 11 REPORTING OBLIGATIONS

1. Periodic Reporting

The Corporation will:

- (a) provide Shareholders with quarterly and annual reports on the operation and performance of the assets of the Corporation;
- (b) provide Shareholders with annual audited financial statements on the operation and performance of the assets of the Corporation;
- (c) respond in a timely manner to any inquiries of the Shareholders; and
- (d) perform such other assignments related to the management of the Corporation as may be reasonably requested by the Shareholders.

The Corporation's fiscal year ends November 30th. The Corporation will prepare audited financial statements for each fiscal year, and provide them to Shareholders upon request.

2. Other Available Information

The Corporation is not a reporting issuer as that term is defined in applicable securities legislation, nor will it become a reporting issuer following the completion of this Offering. As a result, the Corporation will not be subject to the continuous disclosure requirements of such securities legislation, including requirements relating to the preparation and filing of audited annual financial statements and other financial information, the dissemination of news releases disclosing material changes in the business and affairs of the Corporation, and the filing of material change reports.

However, Shareholders will receive annual statements reflecting their investment in the Corporation and annual distribution cheques, if applicable, and will receive T5s for investment income on an annual basis.

Item 12 RESALE RESTRICTIONS

The distribution of the Shares is being made only in Ontario, and on private placement basis only. Shares will only be issued to eligible investors under certain prospectus exemptions under National Instrument 45-106 (*Prospectus Exemptions*) or the corresponding exemptions under the *Securities Act* (Ontario). Accordingly, no prospectus has been, or will be, filed in connection with the offering. Where the Corporation is relying on the accredited investor or minimum amount exemption, the subscription agreement requires each such investor to confirm his status pursuant to the applicable exemption.

The Corporation is not and does not intend to become a reporting issuer pursuant to applicable Canadian securities legislation.

Accordingly, any resale of the Shares will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the Shares unless you comply with an exemption from the prospectus and registration requirements under securities legislation. As well, the consent of the directors of the Corporation is required for any transfer of Shares on the share register.

Purchasers of Shares offered hereunder who wish to resell such securities should consult with their own legal advisers prior to engaging in any resale, in order to ascertain the restrictions on any such resale.

Item 13 PURCHASERS' RIGHTS

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

In Ontario, every purchaser of Shares pursuant to this Offering Memorandum has a right of action for damages and/or rescission against the Corporation if this Offering Memorandum or any amendment thereto contains a misrepresentation (as defined in the *Securities Act* (Ontario)). In particular, Section 130.1 of the *Securities Act* (Ontario) provides that if this Offering Memorandum contains a misrepresentation, a purchaser who purchases shares offered by the Offering Memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation: (i) a right of action for damages against the issuer; or (ii) a right to elect to exercise a right of rescission against the issuer. These rights apply provided that:

1. if the purchaser exercises its right of rescission, the purchaser ceases to have a right of action for damages against the issuer;
2. the issuer will not be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;
3. the issuer will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the security as a result of the misrepresentation relied upon; and
4. in no case shall the amount recoverable exceed the price at which the securities were

offered.

Section 138 of the *Securities Act* (Ontario) provides that no action shall be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any action, other than an action for rescission, the earlier of:
 - (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action; or
 - (ii) three years after the date of the transaction that gave rise to the cause of action.

The right of action for rescission or damages conferred by this section is in addition to and without derogation from any other right the purchaser may have at law.

Item 14 HOW TO SUBSCRIBE

An investor wishing to subscribe for Shares will be required to deliver, through an exempt market dealer (unless waived by the Corporation) a duly executed subscription agreement in duplicate in the form attached hereto as Exhibit A, together with a certified cheque or bank draft payable to the Corporation for the full subscription amount, or receipt of the full subscription amount by the Corporation by wire transfer. All monies received by the Corporation for subscriptions for Shares together with related copies of the subscription agreements will be held by the Corporation.

Subscriptions for Shares will be received subject to rejection or acceptance in whole or in part by the Corporation in its absolute discretion, and the right is reserved to close the subscription books at any time without notice. The Offering is being made in reliance upon exemptions from the registration and prospectus requirements contained in the *Securities Act* (Ontario), as provided in National Instrument 45-106. The subscription agreement referred to herein contains representations and warranties of the investor, including with respect to the qualifications of the investor to acquire the Shares pursuant to specified exemptions, which the Corporation will be relying upon in order to determine the eligibility of the investor.

In the event that this offering is terminated prior to any applicable Closing, the proceeds under the offering received from each investor shall be returned to such investor without interest or deduction.