

FORM 45-106 F2
Offering Memorandum for Non-Qualifying Issuers



ALL ISLAND EQUITY MORTGAGE INVESTMENT CORP. – OFFERING OF CLASS B AND CLASS F SHARES

Date: October 13, 2023

The Issuer

Name: All Island Equity Mortgage Investment Corporation (the “Company”)
Head office: 450A Wentworth Street, Nanaimo, British Columbia V9R 3E1
Telephone Number: (250) 244-9700
Fax Number: (250) 754-7692
Email Address: info@allislandequitymic.com
Currently listed or quoted? No. **These securities do not trade on any exchange or market.**
Reporting issuer? No.

The Offering

Securities offered: Class B shares (redeemable, retractable, non-voting) (each, a “Class B Share”) and Class F shares (redeemable, retractable, non-voting) (each a “Class F Share”, and together with the Class B Shares, the “Preferred Shares” and individually, a “Preferred Share”, as the context requires) of the Company.

Price per security: \$10.00 per Class B Share (sales fees, commissions and trailer fees may apply).
\$10.00 per Class F Share (issuable to managed accounts, sales fees and commissions may apply).

Minimum/Maximum offering: **There is no minimum offering. You may be the only purchaser.** The maximum offering is 2,000,000 Class B Shares or 2,000,000 Class F Shares, or any combination thereof.

Minimum Subscription: The minimum subscription amount is \$25,000 or 2,500 Preferred Shares (unless otherwise approved by the Company).

Payment terms: The full subscription amount, payable by certified cheque, bank draft or wire transfer, on closing. See Item 5.2 “Subscription Procedure”.

Proposed closing date(s): Closing dates will be determined from time to time by the Company, as subscriptions for Preferred Shares are received by the Company.

Income Tax consequences: There are important tax consequences to these securities. See Item 8 “Income Tax Consequences and RRSP Eligibility”.

Insufficient Funds

Funds available under the offering may not be sufficient to accomplish our proposed objectives. See Item 2.6.

Compensation Paid to Sellers and Finders

A person has received or will receive compensation for the sale of securities under this offering. See Item 9.

Underwriter(s)

Not applicable.

Resale restrictions

You will be restricted from selling your securities for an indefinite period. See Item 12.

Working Capital Deficiency

Not applicable.

Payments to Related Party

Some of your investment will be paid to a Related Party of the Company. See Item 1.2.

Certain Related Party Transactions

Not applicable.

Certain Dividends or Distributions

The Company has not paid dividends or distributions that exceeded cash flow from operations. See Item 7.

Conditions on Repurchases

You will have a right to require the Company to repurchase the securities from you, but this right is qualified by the provisions of the Company's Articles relating to such repurchases, including, among other things, adherence to notice provisions, availability of funds and limitations necessary for the Company to maintain its status as a mortgage investment corporation as defined in the Tax Act (as defined herein). In addition, the redemption price per Preferred Share is calculated as the value of such share based upon the net book value of such share as at the fiscal year end in which the notice is given, plus any declared and unpaid dividends thereon as at the date of redemption. As a result, you might not receive the amount of proceeds that you want. See Item 5.1 and Item 10.

Purchaser's rights

You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 13. **Error! Reference source not found.**

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

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GENERAL INFORMATION AND DISCLAIMERS

This offering is being made pursuant to exemptions from the prospectus and, where permitted, and if applicable, registration requirements of applicable securities legislation in Canada. Subscriptions will be received if, as and when accepted, subject to prior sale and satisfaction of the conditions set forth under Item 5.2 "Subscription Procedure" and to the right of the Company to terminate the offering at any time without notice. Closings will be held from time to time as determined by the Company. See Item 5.2 "Subscription Procedure".

This Offering Memorandum constitutes an offering of the securities described herein only in those jurisdictions and to those persons where and 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, a prospectus or a public offering of these securities. No action has been or will be taken to permit a public offering of the Preferred Shares in any jurisdiction where action would be required to be taken for such purpose. Accordingly, the distribution or circulation of this Offering Memorandum and the offering and sale of the Preferred Shares may be restricted by law in certain jurisdictions. This Offering Memorandum does not constitute, and may not be used for or in conjunction with, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Persons into whose possession this Offering Memorandum may come are directed to inform themselves of and observe such restrictions and all legal requirements of their respective jurisdictions of residence in respect of the acquisition, holding and disposition of the Preferred Shares.

Prospective investors should carefully review this Offering Memorandum and are advised to consult with their own legal, financial, accounting, and tax advisers concerning this investment.

The Preferred Shares will be issued only on the basis of information contained in this Offering Memorandum (or information expressly incorporated by reference herein), and no other information or representation has been authorized nor may be relied upon as having been authorized by the Company. Any subscription for the Preferred Shares made by any person on the basis of statements or representations not contained in this Offering Memorandum, or inconsistent with the information contained herein, shall be solely at the risk of such person. Neither the delivery of this Offering Memorandum at any time nor any sale of any of the Preferred Shares made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the business and affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

The Preferred Shares offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of U.S. Persons (as such term is defined in Regulation S under the U.S. Securities Act) except in compliance with the registration requirements of the U.S. Securities Act and applicable state securities laws or pursuant to an exemption therefrom.

BRITISH COLUMBIA FINANCIAL SERVICES AUTHORITY NOTICE

Each of the Company and the Manager is registered as a Mortgage Broker with the British Columbia Financial Services Authority (formerly the Financial Institutions Commission) in accordance with the *Mortgage Brokers Act*. The Office of the Registrar of Mortgage Brokers at the British Columbia Financial Services Authority regulates the mortgage brokering and lending activities of mortgage investment corporations or MICs under the *Mortgage Brokers Act*. The Registrar and the *Mortgage Brokers Act* do not regulate the capital raising and investment marketing activities of MICs which are subject to securities legislation and regulation.

FORWARD LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "proposes", "expects", "estimates", "intends", "anticipates" or "believes", or variations (including negative and grammatical variations) of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, uncertainties which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. A number of factors, many of which are beyond the control of the Company, could cause actual results to differ materially from the results discussed in the forward-looking statements. Although the forward-looking statements contained in this Offering Memorandum or any marketing materials (as defined herein) are based upon assumptions which management of the Company believes to be reasonable, the Company cannot assure Purchasers (as defined herein) that actual results will be consistent with such forward-looking statements. **Because of the risks, uncertainties and assumptions inherent in forward-looking statements, prospective purchasers of Preferred Shares should not place undue reliance on forward-looking statements.**

In particular, this Offering Memorandum and any marketing materials may contain forward-looking statements pertaining to the following:

- the Company's business development plans and estimated timing thereof;
- the Company business strategy and plans;
- the Company's use of proceeds from the Preferred Share Offering (as defined herein);
- the anticipated payment of dividends, including the intention to pay out all net income and net realized capital gains as dividends within the time period specified in the Tax Act (as defined herein);
- the ability of shareholders to redeem Preferred Shares from time to time in accordance with the Articles of the Company;
- the timing of closings and estimated costs thereof;
- the Company's intentions and expectations regarding the growth of its mortgage portfolio;
- anticipated rates of interest, fees, expenses and other terms and conditions with respect to both the Company's lending activities and any future credit facilities;
- the impacts of COVID-19 on the Company's operations and financial results;
- targeted yields on the Preferred Shares;
- other expectations, beliefs, plans, goals, objectives, assumptions, information; and
- statements about possible future events, conditions, results of operations or performance.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that future results, levels of activity, performance or achievements will occur as anticipated.

Undue reliance should not be placed on forward-looking statements. Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks which could cause actual results to vary and, in some instances, to differ materially from those anticipated by the Company and described in the forward-looking statements contained in this Offering Memorandum. Factors which could cause actual results, events, circumstances, expectations or performance to differ materially from those expressed or implied in forward-looking statements include, but are not limited to:

- competition within the Company's business;
- the continued ability to raise capital from the offering, the ability of the Company to continue to operate as a mortgage investment corporation under the Tax Act (as defined herein);
- the ability of the Company to make loans secured by mortgages capable of generating the necessary income to enable the Company to achieve its investment objectives;
- the maintenance of prevailing interest rates at favourable levels, the ability of borrowers to service their obligations under the loans, the ability of the Manager (as defined herein) to effectively perform its obligations to the Company;
- the uncertainty of estimates and projections relating to the real estate industry;
- changes in general economic and business conditions;
- the possibility that government legislation or regulation may change;
- the Company's ability to implement its business strategy;

- cybersecurity risks; and
- acts of war, terrorism, geopolitical risk, extreme weather and weather events, natural disasters or pandemics or epidemics, such as COVID-19.

The foregoing factors are not intended to represent a complete list of the factors that could affect the Company. Additional information on these and other factors that could affect the Company's operations or financial results are included under Item 10 "Risk Factors".

The forward-looking statements contained in this Offering Memorandum and any marketing materials are expressly qualified by the foregoing cautionary statements. The forward-looking statements are made as of the date of this Offering Memorandum. Except as otherwise required by applicable law, the Company does not intend to, and assumes no obligation to, update or revise these or other forward-looking statements it may provide, whether as a result of new information, plans or events or otherwise. Investors should read this entire Offering Memorandum and consult their own professional advisors to ascertain and assess the income tax, legal, risk factors and other aspects of their investment in the Preferred Shares.

CANADIAN CURRENCY

All dollar amounts stated herein, unless otherwise stated, are expressed in Canadian currency.

DOCUMENTS INCORPORATED BY REFERENCE

The marketing materials (the "**marketing materials**") delivered or made reasonably available to a prospective purchaser before the termination of the distribution, related to each distribution under this Offering Memorandum, are incorporated by reference in this Offering Memorandum. The Company reserves the right to modify these marketing materials in a non-material way without re-delivering or without making reasonably available the said marketing materials to a prospective purchaser.

PROSPECTIVE PURCHASERS SHOULD THOROUGHLY REVIEW THIS OFFERING MEMORANDUM, AND ANY MATERIALS INCORPORATED BY REFERENCE HEREIN, AND ARE ADVISED TO CONSULT WITH THEIR OWN LEGAL, FINANCIAL AND TAX ADVISORS CONCERNING ANY INVESTMENT IN PREFERRED SHARES.

GLOSSARY

In this Offering Memorandum, unless the context otherwise requires, the following words and phrases shall have the meaning set forth below:

“affiliate” has the meaning ascribed thereto in NI 45-106, except as otherwise provided herein.

“Agency Agreement” means the agency agreement dated November 11, 2020, as confirmed and extended by the confirmation agreement dated June 24, 2021, as confirmed and further extended by the confirmation agreement dated January 25, 2022, as confirmed and further extended by the confirmation agreement dated June 30, 2022 and as confirmed and further extended by the confirmation agreement dated December 31, 2022, between the Company and Integral, as amended from time to time.

“Agent” or **“Integral”** means Integral Wealth Securities Limited.

“Business Day” means any day that is not a Saturday, Sunday or statutory holiday in Nanaimo, British Columbia.

“Class B Shares” means the Class B shares (redeemable, retractable non-voting), without par value, in the capital of the Company.

“Class F Shares” means the Class F shares (redeemable, retractable non-voting), without par value, in the capital of the Company.

“Closing” means a closing of the sale of Preferred Shares as the Company may determine from time to time.

“Common Share” or **“Common Shares”** means, respectively, one or more Class A share (voting), without par value, in the capital of the Company.

“Company” means All Island Equity Mortgage Investment Corp.

“Computershare” means Computershare Trust Company of Canada.

“Credit Agreement” means the credit facility originally established on May 31, 2004, as amended and restated August 16, 2022, between the Company and Royal Bank of Canada whereby the Royal Bank of Canada agreed to provide the Company certain credit facilities which include an aggregate principal amount of up to \$10,000,000, consisting of a revolving demand facility.

“Director” means a member of the Board of Directors of the Company.

“DPSPs” has the meaning ascribed to it in Item 5.2 “Subscription Procedure”.

“Issuer” has the meaning ascribed to it in Item 8.4 “Definition of a MIC”.

“Management Agreement” means the management agreement dated effective October 13, 2023, among the Company and the Manager, as such agreement may be amended from time to time.

“Management Fee” has the meaning ascribed to it in Item 1.2 “Use of Available Funds”.

“Manager” means AIE MIC Management Corp., a company incorporated under the laws of the Province of British Columbia.

“MIC” means a mortgage investment corporation as defined in subsection 130.1(6) of the Tax Act.

"NI 45-106" means the National Instrument 45-106 *Prospectus Exemptions* of the Canadian Securities Administrators, as it may be amended from time to time.

"Offering Memorandum" means this offering memorandum.

"Preferred Shares" means the Class B Shares and Class F Shares in the capital of the Company.

"Preferred Shareholder" means any holder of Preferred Shares.

"Preferred Share Offering" means the offering by the Company of up to 2,000,000 Class B Shares and 2,000,000 Class F Shares pursuant to this Offering Memorandum or any amendment hereto.

"principal holder" has the meaning ascribed to it under Item 3.1 "Compensation and Securities Held".

"Purchaser" means a purchaser of Preferred Shares pursuant to the Preferred Share Offering.

"Redemption Price" has the meaning ascribed to it under Item 5.1 "Terms of Preferred Shares".

"Related Party" has the meaning ascribed to it NI 45-106.

"RRIFs" has the meaning ascribed to it in Item 5.2 "Subscription Procedure".

"RRSPs" has the meaning ascribed to it in Item 5.2 "Subscription Procedure".

"Shareholder" means any shareholder of record of the Company.

"Subscription Agreement" means a subscription agreement for Preferred Shares, in such form as the Company shall prescribe from time to time, completed and executed by a Subscriber to subscribe for Preferred Shares.

"Subscription Price" means the subscription price of \$10.00 per Preferred Share.

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

"TFSA" has the meaning ascribed to it in Item 8.7 "RRSP, RRIF, RESP, TFSA Eligibility".

"Transfer Agent Agreement" means the Registrar and Transfer Agent Agreement dated December 31, 2006, as amended August 1, 2010, between the Company and Olympia Trust Company, as assigned by Olympia Trust Company to Computershare effective November 30, 2014.

ITEM 1 USE OF AVAILABLE FUNDS

1.1 Funds

The net proceeds of the Preferred Share Offering and the funds which will be available to the Company are as follows:

		Assuming Minimum Offering ⁽¹⁾	Assuming Maximum Offering ⁽²⁾
A.	Amount to be Raised by this Offering	\$ -	\$20,000,000
B.	Selling Commissions and Fees	\$ -	\$ -(3)
C.	Estimated Offering Costs ⁽⁴⁾	\$33,000	\$33,000
D.	Available Funds D = A – (B + C)	(\$33,000)	\$19,967,000
E.	Additional Sources of Funding Required Credit Agreement ⁽⁵⁾	N/A \$9,942,800	N/A \$9,942,800
F.	Working Capital Deficiency	\$ -	\$ -
G.	Total: G = (D + E) – F	\$9,909,800	\$29,909,800

Notes:

- (1) There is no minimum offering. You may be the only purchaser of Preferred Shares.
- (2) The maximum offering is 2,000,000 Class B Shares or 2,000,000 Class F Shares, or any combination thereof, at the Subscription Price.
- (3) Pursuant to the terms of the Agency Agreement, the Agent is entitled to: (i) a fee of \$500.00 per Closing; (ii) an annual trailer fee of 1% of the value of Class B Shares held by clients of the Agent, calculated and paid on a quarterly basis (at the end of each financial quarter of the Company); and (iii) the reimbursement of reasonable fees and disbursements of counsel to the Agent and the Agent's reasonable out-of-pocket expenses. Such trailer fee is not paid out of the proceeds of the Preferred Share Offering but rather out of cash flow from the operations of the Company's business. See Item 9 "Compensation Paid to Sellers and Finders".
- (4) Offering Costs as shown are estimated, and include legal and accounting costs, printing and other administrative costs associated with marketing the Preferred Shares pursuant to this Offering Memorandum.
- (5) The Company may draw on the Credit Agreement pursuant to the terms and conditions thereof. The balance available depends on the amount of qualifying mortgage loans held, and, as a result, the full amount under the Credit Agreement may not be available. As of the date of this Offering Memorandum, \$9,942,800 is available to the Company under the Credit Agreement (subject to change per the foregoing). See Item 2.8 "Material Agreements – The Credit Agreement".

1.2 Use of Available Funds

The Company intends to use the available fund (see Item G in the table above) as follows:

Description of Intended Use of Available Funds Listed in Order of Priority	Assuming Minimum Offering	Assuming Maximum Offering
Investment in Mortgages and other permitted investments, as described under Item 2.2 "The Business"	\$9,909,800	\$29,909,800
Total:	\$9,909,800	\$29,909,800

Mortgage investments will be made as set out in Item 2.2 "The Business - Investment Policies and Guidelines". The Manager will use its best efforts to make suitable investments of the available funds as soon as possible following each Closing. A portion of the available funds may also be used to: (i) pay amounts in connection with the redemptions of Preferred Shares; and (ii) the expenses of the Company, including the Management Fee pursuant to the Management

Agreement. The Directors and officers of the Company are also directors and officers of the Manager. See Item 2.2 “The Business – The Manager” and Item 10 “Risk Factors – Conflicts of Interest”.

Pursuant to the Management Agreement, the Company has agreed to pay the Manager a quarterly fee (the “**Management Fee**”) equal to the sum of the following:

- (a) the amount equal to the product of: (i) the average daily balance of the Company’s mortgage portfolio (i.e., loans registered in the name of the Company) under management in such quarter attributable to the Preferred Share capital; and (ii) one quarter of 1.4%; and
- (b) the amount equal to the product of: (i) the average daily balance of the Company’s mortgage portfolio (i.e., loans registered in the name of the Company) under management in such quarter attributable to amounts drawn on the Company’s line of credit; and (ii) one quarter of 2.4%.

The Company has also agreed to reimburse the Manager for all reasonable and necessary out-of-pocket disbursements incurred by the Manager in connection with administration of the business of the Company. The Manager is a related party to the Company. Hemsworth Management Corp., a private company owned by Mr. Brad Rembold (a Director of the Company) and Mrs. Christina Rembold (the spouse of Brad Rembold), owns 70% of the outstanding voting securities of the Manager and Mid-Island Mortgage and Savings (Qualicum) Ltd., a private company owned by Ms. Margaret O’Connor (a Director of the Company) owns 30% of the outstanding voting securities of the Manager. See Item 2.2 – “The Company’s Business – Management Agreement”.

1.3 Proceeds Tranferred to Other Issuers

Not applicable.

ITEM 2 BUSINESS OF THE ISSUER AND OTHER INFORMATION AND TRANSACTIONS

2.1 Structure

All Island Equity Mortgage Investment Corp. was incorporated under the *Company Act* (British Columbia) on February 27, 1997, and transitioned under the *Business Corporations Act* (British Columbia) on January 23, 2006 under incorporation number BC0537559. The registered and records office, and the head and principal office, of the Company is located at: 450A Wentworth Street, Nanaimo, British Columbia, Canada V9R 3E1. The Company does not have any subsidiaries or proposed subsidiaries.

AIE MIC Management Corp. is the Manager of the Company pursuant to the terms of the Management Agreement. The Manager was incorporated under the Business Corporations Act (British Columbia) on August 24, 2023 under incorporation number BC1435166. The Manager’s registered and records office is located at 19th Floor 855 West Georgia Street, Vancouver, British Columbia V6c 3H4.

2.2 The Business

General

The Company is registered to carry on business as a mortgage investment corporation in the province of British Columbia under the *Mortgage Brokers Act* (British Columbia). The Company’s Articles and investment policies require it to conduct its operations so as to qualify as a “*mortgage investment corporation*” as this term is defined under section 130.1 of the Tax Act. The Directors intend to refuse the registration of an allotment or transfer of the Company’s shares which may result in the Company ceasing to meet such qualification.

It is the intention of the Company to invest in residential, commercial, construction and raw land mortgage loans secured by first or second mortgages, and in exceptional cases, by third mortgages. Mortgages invested in by the Company will generally not exceed 75% of the appraised value. The Company may fund its investments through equity financings or using borrowed funds, as permitted by applicable legislation, of up to a maximum of five times the net book value of its assets. The Company may draw on the Credit Agreement pursuant to the terms and conditions thereof. The balance available depends on the amount of qualifying mortgage loans held, and, as a result, the full amount under the Credit Agreement may not be available. See Item 2.8 “Material Agreements – The Credit Agreement”. The Company intends to borrow to the extent that the Directors are satisfied that such borrowing and additional investments will increase the overall profitability of the Company.

The Company conducts business in the Province of British Columbia and is registered under the *Mortgage Brokers Act* (British Columbia) to carry on business as a mortgage investment corporation in British Columbia. As at the date of this Offering Memorandum, the Company is only registered in British Columbia. However, the Company may expand its business into other provinces, and if so, the Company will apply, if necessary, to become registered under corporate and applicable mortgage brokering legislation to carry on business as a MIC in such provinces.

The Company does not actively employ resources to actively seek or originate mortgages for investment, and relies exclusively on the expertise of the Manager for a regular flow of investment opportunities. Utilizing the services of the Manager, the Company intends to develop its mortgage portfolio as follows:

Agency Origination - The Manager may utilize qualified market intermediaries to assist in identifying mortgage investment opportunities consistent with the Company’s investment policies. These intermediaries will be experienced mortgage lenders who have demonstrated their ability to supply mortgage loans within the parameters of the Company’s lending criteria; and

Direct Origination - The Manager may provide direct origination facilities in Nanaimo, British Columbia in order to supply the Company with mortgage investment opportunities. Using these facilities, the Manager originates mortgages through direct negotiations with mortgage borrowers such as home purchasers, homeowners, homebuilders, and industrial and commercial owners and developers.

The Manager will be responsible for managing the Company’s mortgage investment portfolio. The Manager is registered to carry on business as a mortgage broker in the province of British Columbia under the *Mortgage Brokers Act* (British Columbia). To the extent that the Company’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 Company’s behalf in short term deposits, savings accounts or government guaranteed income certificates so that the Company maintains a level of working capital for its ongoing operations considered acceptable by the Directors. The Management Agreement includes service requirements for the Manager, including that the Manager act in a conscientious and reasonable manner, honestly and in good faith, and requires the Manager to comply with and observe all laws and Company policies that apply to the Company, its investments and its securities. See Item 2.2 “The Business – Management Agreement”.

Investment in Mortgages

The mortgages to be invested in by the Company are a common form of financing within the real estate industry. The standard documentation used with respect to mortgages will provide that, in the event of a failure by the mortgagor to pay any amount owing under a mortgage, the mortgagees will be entitled to enforce the mortgage in accordance with applicable law. In the event of a failure by a mortgagor to make a payment of interest and/or principal when due, the mortgagees will immediately communicate with the mortgagor and, failing prompt rectification, will issue a notice of its intent to exercise the remedy or remedies which are available to the mortgagees which the Manager considers appropriate. Typically, all legal costs, costs related to registration of mortgages and costs relating to obtaining appraisals of real property, as allowed by law, will be for the account of the mortgagors.

Where necessary, title insurance will be obtained. Any title insurance will be held in the name of the Company. In addition, the Company will obtain standard security in respect of commercial mortgages which, depending on the specific mortgage, may include one or more of an assignment of rents, an assignment of insurance proceeds, an assignment of purchase agreements (on residential development projects) and a general security agreement.

The Company will invest in mortgages on residential properties such as single-family dwellings, duplexes, townhouses, condominium units or multiple family dwellings such as apartment buildings located in British Columbia. Additionally, the Company may invest in loans secured by mortgages registered against commercial and industrial properties, including properties under construction, and raw land located in British Columbia. Such mortgages will comply with the investment policies of the Company. Such mortgages will often be short term, generally six to 12 months and on an “interest-only” basis, and up to a maximum term of 24 months, and will primarily be first or second ranking mortgages, but may also be subsequent ranking mortgages.

The loans may include “acquisition” loans and “construction” loans. An “acquisition” loan is normally used to finance the acquisition of land and, possibly, the installation and construction thereon of roads, municipal fees, drainage and sewage systems, utilities, and similar improvements. When funding improvements to the land, subsequent loan advances are made pursuant to a stipulated schedule after an inspection and review of the project’s progress by the lender or its agent and the furnishing of reports by professional engineers, architects or quantity surveyors. In some instances, acquisition loans may be made to finance the acquisition of more land than will be improved immediately, or land, the development of which is contemplated at a later date. Take-out commitments are not normally a prerequisite to the granting of an acquisition loan.

A “construction” loan is normally used to finance the construction of buildings, recreational facilities and similar improvements. Construction loan advances are also made pursuant to a stipulated schedule after appropriate inspections and progress reports. The Company will only invest in a construction loan if the funds made available under the construction loan plus any additional financing arranged by the borrower or the borrower’s available capital is considered to be sufficient to complete the proposed construction. The Company may invest in subsequent ranking loans for any or all development and construction situations.

Because of their greater risk, acquisition loans and construction loans generally bear higher rates of interest than most other mortgage loans.

Investment and Operating Policies

Bradley Rembold, CEO and a Director of the Company, and Margaret O’Connor, COO and a Director of the Company, are registered as sub-mortgage brokers. Mr. Rembold and Ms. O’Connor are responsible for establishing and implementing the Company’s investment objectives and investment strategy, setting any limitations or restrictions on investments, monitoring the performance of the portfolio, and making any adjustments to the Company’s portfolio. Neither Mr. Rembold nor Ms. O’Connor are registered under securities legislation.

The Company’s investment policies are consistent with the Company’s Articles and applicable legislation governing the Company. The Board of Directors of the Company has approved the following policies:

- (a) The Company will invest in mortgages on residential properties such as single-family dwellings, duplexes, townhouses, condominium units or multiple family dwellings such as apartment buildings. Additionally, the Company may invest in commercial and industrial property, including properties under construction, and raw land.
- (b) All loans will be made in respect of real estate located in British Columbia.
- (c) All loans will be secured by mortgages.

- (d) All mortgages will, following funding, be registered on title to the subject property in the name of the Company.
- (e) No single investment or related group of investments involving one property or development, or involving several properties or developments owned by one borrower and its affiliates, will exceed 25% of the book value of the assets of the Company, unless firm takeout commitments are in place. This restriction will not apply to obligations of Canadian municipal, provincial and federal governments and government agencies.
- (f) Mortgage investments will be made as either term mortgages or interim construction mortgages and will not exceed 75% of the appraised value at the date of advance.
- (g) Every mortgage application must be approved unanimously by the Company's loan committee.
- (h) The Company requires a current appraisal with every mortgage application unless otherwise directed by the Directors. Each appraisal is required to be prepared by a member of the Accredited Appraisal Canadian Institute. More than 98% of the Company's current mortgage portfolio has been subject to a current appraisal. However, the Directors may, in their discretion, waive the requirement for an appraisal in circumstances where the loan value is deemed by the Directors, acting reasonably, to be conservative (i.e. 60% or less loan-to-value ratio) in relation to the assessed value published by BC Assessment with respect to the property in question.
- (i) After initial funding of a mortgage, the Company intends to conduct subsequent property valuations if and when necessary.
- (j) Borrowers' sources of repayment and ability to repay will be fully assessed.
- (k) Projects and properties will be in locations with strong demand as borne out by appraisals and/or market feasibility studies.
- (l) Interest rates will reflect the level of risk and market conditions, and typically range between 6% and 12%.
- (m) Commitment letters will be issued for every loan approval. Renewals will have renewal agreements on file and signed by the borrower.
- (n) The Company may co-invest with a third party or third parties in a mortgage.
- (o) All mortgage security documentation will be prepared by a reputable law firm on the Company's list of approved solicitors.
- (p) All mortgage security will be in place and registered as appropriate prior to the disbursement of any loan funds.
- (q) The Company will maintain at least 50% of the Company's assets in investments in mortgages secured by residential real estate.
- (r) No more than 50% of the Company's assets will be invested in mortgages secured by commercial and industrial real estate.
- (s) All funding conditions precedent set out in the commitment letter will be satisfied prior to any disbursement of loan funds unless specifically waived in writing by the Manager.

- (t) The Company may hold real property acquired as a result of foreclosure where such foreclosure was necessary to protect the interests of the Company as a result of a default by the mortgagor. The Company will use its reasonable best efforts to dispose of such real property acquired on foreclosure.,
- (u) The Company intends to manage its affairs and select investments in a manner allowing ongoing qualification as a mortgage investment corporation pursuant to the Tax Act.
- (v) The Company generally 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 or an employer, as the case may be, under the governing plan of trust or of any other person who does not deal at arm's length with that person. From time to time, for sound business reasons and following due consideration by the Directors who are not interested parties, the Company may hold indebtedness, by way of mortgage or otherwise, of a person who does not deal at arm's length with the Company. The Company does not generally permit the sale of foreclosed properties to related parties. In extenuating circumstances where a sale to a related party is considered, all Directors must unanimously approve such sale and the sale price must be validated by an independent appraisal of the subject property.
- (w) The Company generally has a repayment term of 12 months for most of its mortgage loans, although all such mortgage loans may be renewed after review by the Manager provided that the loans are then in good standing. Some mortgages may have longer terms, and mortgages with terms of up to 24 months may be approved at the discretion of the Directors. In making a determination as to whether a 24-month term would be appropriate in the circumstances, the Directors would consider a variety of factors, including an appraisal, the proposed loan-to-value ratio, the financial strength of the borrower and any proposed guarantor and the Company's overall exposure and mix in its then-current mortgage portfolio.

To the extent that, from time to time, the Company's funds are not invested in loans, they will be held in cash deposited with a Canadian chartered bank or any other financial institution whose deposits are insured by the Canada Deposit Insurance Corporation or a credit union, or they will be invested by the Manager on the Company's behalf in investments permitted by the provisions of the Tax Act that are applicable to mortgage investment corporations. If, due to a change in the provisions of the Tax Act or other legislation applicable to the Company, any of the foregoing restrictions require amendment in order to comply with such change in legislation, the Company may make such change and such change will be binding on the Company. In addition, the foregoing restrictions may be changed at any time (so long as such change complies with applicable legislation) if the change is determined by the Company and/or the Manager on the Company's behalf to be required in order to ensure that the Company remains competitive in the making of the highest quality loans being undertaken in the marketplace at the time of such change and is in the best interests of the Company.

Management Agreement

The Manager

The Company does not have and does not expect to have any employees and will be managed by the Manager, which will provide ongoing management and distribution services, administration services and loan management services relating to the Company's business pursuant to the Management Agreement. The Manager is responsible for managing and overseeing the Company's business and affairs, including day-to-day operations and managing the mortgage portfolio, in consideration for the Management Fee.

Pursuant to the Management Agreement, the Manager will, among other things:

- (a) develop and implement all aspects of the Company's marketing and distribution of Preferred Shares, including coordinating the offer and sale of Preferred Shares through registered dealers, compliance with securities laws, closing of subscriptions, responding to inquiries from investors and others, filing of reports and other related tasks;
- (b) provide administrative services to the Company, including establishing and maintaining bank accounts on behalf of the Company, appointing the accountants and transfer agent for the Company, processing and handling distributions from mortgages to Preferred Shareholders, establishing legal and accounting systems for the Company, reporting to Preferred Shareholders, preparing and mailing financial and other reports to Preferred Shareholders, asset valuation of the Company and calculating the Company's income and capital gains, distributing excess funds, authorizing contractual arrangements relating to the Company, and other related tasks; and
- (c) administer the Company's mortgage portfolio, including managing the Company's investments in accordance with the Company's investment objectives and guidelines, reviewing the Company's investment guidelines, overseeing receipt of interest payments on loans, maintaining ongoing communication with borrowers, conducting market analyses, maintaining transaction records, and taking all actions pertaining to loans and enforcement of all security granted thereon.

In exercising its powers and discharging its duties under the Management Agreement, the Manager will exercise the degree of care, diligence and skill that a reasonably prudent adviser and professional manager would exercise in comparable circumstances and act honestly and in good faith.

In consideration for the services provided by the Manager to the Company under the Management Agreement, the Company has agreed to pay to the Manager the Management Fee and to reimburse the Manager for all of its expenses incurred in connection with the management of the Company, including the expenses of this Preferred Share Offering, legal, accounting and printing expenses and for the employment expenses of its personnel, rent and other office expenses properly allocable to the Company. In addition, the Manager may charge brokerage fees, late fees, commitment fees, extension fees, renewal fees, NSF fees, administration fees and similar fees to borrowers with respect to any mortgage loan.

The appointment of the Manager shall be for a five year period and shall renew automatically for consecutive five year periods. The Company or the Manager may terminate the Management Agreement by giving 90 days' written notice to the other party.

The appointment of the Manager will be terminated immediately following the occurrence of any of the following events:

- (a) a bankruptcy, receivership or liquidation order is issued against the Manager;
- (b) the Manager makes an assignment for the benefit of creditors or commits any act of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada);
- (c) the Manager assigns the Management Agreement or its rights or obligations thereunder to any person who is not an Affiliate of the Manager without the prior written consent of the Company;
- (d) the Manager commits a breach or default under the Management Agreement not related to the payment of any money to be paid by the Manager to the Company and the same is not cured within 90 days of the Manager receiving notice thereof; or

- (e) the Manager commits a breach or default under the Management Agreement related to the payment of any money to be paid by the Manager to the Company and the same is not cured within 15 days of the Manager receiving notice thereof.

In addition to any other amounts to which the Manager is entitled under the Management Agreement, upon the termination of the Management Agreement: (i) by the Company upon 90 days' notice to the Manager, whether at the end of a five-year term or otherwise, (ii) by the Manager in the event that the Company commits a breach of the Management Agreement that is not cured within 90 days of notice of such breach, or (iii) by the Manager in the event that the Company engages another person to provide services similar to the services provided by the Manager to the Company under the Management Agreement, the Company shall pay to the Manager, in immediately available funds on the date of termination (such date, the "**Termination Date**") an amount equal to the greater of the following: (iii) twelve times the total amount of the Management Fee received and/or earned by the Manager pursuant to the Management Agreement during the most recently completed quarter on or prior to the Termination Date; and (iv) \$1,500,000, in each case, plus applicable taxes.

The Company agreed to indemnify and hold harmless the Manager, its officers, Directors, employees, shareholders, and agents, from and against any and all liabilities, losses, claims, damages, penalties, actions, suits, demands, costs and expenses including, without limitation, the omissions which the Manager takes under the Management Agreement, provided that such action or omission is taken or not taken in good faith and without gross negligence or is taken pursuant to and is in compliance therewith.

The Manager is an Affiliate of the Company. The Manager and the Company have common directors, officers and voting securityholders. See Item 10 "Risk Factors – Conflicts of Interest".

2.3 Development of Business

The Company has increased its loan portfolio, since its inception, by securing additional capital from previous offerings of Preferred Shares and shareholders' reinvestment of dividends, and from the Credit Agreement. The Company has invested solely in mortgages in British Columbia, however, it will consider mortgage investments elsewhere in Canada, as its capital permits. Emphasis will continue to be on urban centres and growth areas.

Management Agreement

On October 13, 2023, the Company terminated the management agreement dated June 30, 2021 between the Company and Hemsworth Management Corp. ("**Hemsworth**") pursuant to a termination agreement dated October 13, 2023 between the Company and Hemsworth. On October 13, 2023 the Company entered into the Management Agreement with the Manager. See Item 2.2 "The Business – Management Agreement".

Mortgage Portfolio

The following table provides a description of the Company's mortgage portfolio as of October 13, 2023:

Item	Value
Average of the interest rates payable under the mortgages (weighted by the principal amount of the mortgage):	9.28%
Average of the terms to maturity of the mortgages (weighted by the principal amount of the mortgage):	7 months
Average loan-to-value ratio of the mortgages (calculated for each mortgage by dividing the total principal amount of the Company's mortgage and all other loans ranking in equal or greater priority to the Company's mortgage by the fair market value of the property, weighted by the principal amount of each mortgage):	45.63%

Item	Value	
Principal amount, and the percentage of the total principal amount of the mortgages, that rank in the following:		
First priority:	\$50,381,568;	84%
Second priority:	\$9,393,901;	16%
Third or lower priority:	nil;	n/a
Principal amount, and the percentage of the total principal amount of the mortgages by each jurisdiction of Canada, each state or territory of the United States and each other foreign jurisdiction:		
BC:	\$59,775,559;	100%
Breakdown by property type, and the principal amount, and the percentage of the total principal amount of the mortgages, that is attributable to each property type:		
Single family detached:	\$23,936,198;	39.99%
Land, raw land, empty lots:	\$12,883,551;	21.53%
Construction:	\$9,331,175;	15.56%
Commercial:	\$8,132,181;	13.59%
Multi-family:	\$5,587,636;	9.34%
With respect to mortgages that will mature in less than one year, the percentage that those mortgages represent of the total principal amount of the mortgages:	100%	
With respect to mortgages with payments more than 90 days overdue, the number of those mortgages, the principal amount of those mortgages, and the percentage that those mortgages represent of the total principal amount of the mortgages:	N/A	
With respect to mortgages that have an impaired value, the principal amount and the percentage that those mortgages represent of the total principal amount of the mortgages:	N/A	
For any mortgages that are not impaired or in default, but for which the Company has made accommodations to respond to financial difficulties of the borrower, if the accommodations would be material to a reasonable investor, a summary of the accommodations, and the principal amount and the percentage that those mortgages represent of the total principal amount of the mortgages:	N/A	
Average credit score of the borrowers:	N/A	
Certain mortgages comprise 10% or more of the total principal amount of the mortgages. See below for additional information about the Company's mortgage loans as of the dates indicated.		
Unless otherwise deemed necessary or desirable by the Company, the Company does not intend to deliver or make available to shareholders any specific information on an ongoing basis about the Company's mortgage portfolio. The Manager will provide a quarterly newsletter to investors to provide pertinent information related to the portfolio performance		

A summary of the Company's mortgage portfolio as of the dates indicated is set out below.

During the financial year ended June 30, 2023, the Company funded 52 mortgage loans totalling over \$31.58 million. The Company's newly funded mortgages, by type and region, during the year ended June 30, 2023, were as follows:

Region	First Mortgages			Second Mortgages		
	No.	Percent	Principal	No.	Percent	Principal
Vancouver Island	29	78.0%	\$24,466,000	20	18.3%	\$5,738,000
Mainland	1	1.6%	\$500,000	2	2.2%	\$675,000
Total	30	79.6%	\$24,966,000	22	20.4%	\$6,413,000

The Company's mortgage portfolio as of June 30 for the years indicated was as follows:

Mortgage Rank	2023			2022			2021		
	No.	Percent	Principal	No.	Percent	Principal	No.	Percent	Principal
First	67	77.08%	\$44,903,734	66	89.52%	\$42,610,000	55	86.8%	\$27,163,000
Second	37	22.92%	\$13,350,872	23	10.48%	\$4,986,000	24	13.2%	\$4,585,000
Total	104	100%	\$58,254,606	87	100%	\$47,596,000	79	100%	\$31,748,000
Weighted Average Interest Rate	9.28%			8.87%			9.56%		

As at the date of this Offering Memorandum, the Company has 108 mortgages as security for loans totalling approximately \$59,775,558, as follows:

Security City	Security Province	Rate	Position	Principal Loan-to-Value	% of Total Portfolio	Outstanding Balance
Port Alberni	BC	6.000%	First	45.62%	0.5948%	\$353,000.00
Gabriola Island	BC	10.500%	First	41.67%	0.3263%	\$194,000.00
Nanaimo	BC	9.250%	First	28.13%	0.2363%	\$140,000.00
Lasqueti Island	BC	9.500%	First	56.52%	0.2235%	\$133,000.00
Ladysmith	BC	10.000%	First	31.58%	1.7203%	\$1,022,000.00
Nanaimo	BC	11.000%	Second	59.73%	0.1104%	\$66,000.00
Nanaimo	BC	9.500%	First	65.85%	1.9408%	\$1,153,000.00
Qualicum Beach	BC	9.750%	First	65.00%	0.6045%	\$359,000.00
Nanoose	BC	9.750%	First	32.00%	0.1358%	\$81,000.00
Courtenay	BC	9.750%	First	42.80%	0.2402%	\$143,000.00
Campbell River	BC	11.500%	Second	69.57%	0.4405%	\$262,000.00
Campbell River	BC	10.750%	Second	64.37%	0.8277%	\$492,000.00
Malahat	BC	9.850%	First	59.89%	1.0605%	\$630,000.00
Port Alberni	BC	10.000%	First	38.40%	0.1173%	\$70,000.00
Chilliwack	BC	9.250%	First	40.33%	0.4430%	\$263,000.00
Qualicum Beach	BC	11.000%	Second	51.84%	0.1858%	\$110,000.00
Parksville	BC	10.000%	Second	61.29%	0.1328%	\$79,000.00
Port Alberni	BC	11.000%	Second	56.06%	0.0927%	\$55,000.00
Nanaimo	BC	10.750%	First	44.55%	2.5012%	\$1,486,000.00
Cowichan	BC	9.500%	First	42.30%	0.4453%	\$265,000.00
Cowichan	BC	9.250%	Second	60.91%	0.1999%	\$119,000.00
Victoria	BC	10.650%	Second	68.64%	0.1064%	\$63,000.00
Cedar	BC	9.750%	First	47.95%	0.5793%	\$344,000.00
Hornby Island	BC	9.500%	First	56.84%	0.4602%	\$273,000.00
Sayward	BC	9.750%	First	37.98%	0.1804%	\$107,000.00
Campbell River	BC	9.500%	First	65.00%	0.6259%	\$372,000.00
Courtenay	BC	9.750%	First	50.00%	2.0648%	\$1,227,000.00
Lake Cowichan	BC	8.500%	First	60.51%	0.9310%	\$553,000.00
Tofino	BC	9.750%	Second	58.33%	0.0927%	\$55,000.00

Security City	Security Province	Rate	Position	Principal Loan-to-Value	% of Total Portfolio	Outstanding Balance
Nanaimo	BC	10.000%	Second	49.54%	0.0884%	\$53,000.00
Duncan	BC	8.500%	Second	52.76%	2.0699%	\$1,230,000.00
Duncan	BC	9.750%	First	41.18%	1.1735%	\$697,000.00
Duncan	BC	9.500%	First	64.81%	0.2919%	\$173,000.00
Nanaimo	BC	8.750%	Second	69.38%	1.5193%	\$903,000.00
Errington	BC	9.000%	First	58.82%	0.7433%	\$442,000.00
Ucluelet	BC	8.250%	First	33.33%	1.3510%	\$803,000.00
Gabriola Island	BC	9.250%	First	52.61%	0.7258%	\$431,000.00
Courtenay	BC	9.000%	First	51.15%	1.1067%	\$658,000.00
Texada Island	BC	9.500%	First	53.01%	0.3120%	\$185,000.00
Nanaimo	BC	8.250%	First	50.99%	4.6050%	\$2,737,000.00
Port Alberni	BC	9.000%	First	47.62%	0.2194%	\$130,000.00
Powell River	BC	9.250%	First	61.43%	0.7272%	\$432,000.00
Campbell River	BC	8.500%	First	40.00%	0.1691%	\$100,000.00
108 Mile Ranch	BC	8.000%	First	46.30%	0.4159%	\$247,000.00
Nanoose Bay	BC	9.250%	First	45.59%	1.2213%	\$726,000.00
Fanny Bay	BC	9.250%	First	45.20%	2.7004%	\$1,605,000.00
Errington	BC	8.000%	First	54.29%	1.4259%	\$847,000.00
Comox	BC	8.500%	First	62.10%	1.2922%	\$768,000.00
Campbell River	BC	9.250%	First	47.43%	5.9056%	\$3,509,000.00
Parksville	BC	8.500%	First	64.71%	0.7002%	\$416,000.00
Chemainus	BC	9.500%	First	24.93%	1.5198%	\$903,000.00
Port Alberni	BC	8.750%	First	24.54%	0.8442%	\$502,000.00
Bowen Island	BC	9.500%	Second	46.74%	0.3800%	\$226,000.00
Victoria	BC	8.250%	First	69.76%	1.7134%	\$1,018,000.00
Langford	BC	10.000%	First	24.70%	2.5406%	\$1,510,000.00
Ladysmith	BC	8.000%	First	55.95%	1.7682%	\$1,051,000.00
Nanoose Bay	BC	8.000%	First	37.50%	2.5315%	\$1,504,000.00
Qualicum Beach	BC	9.500%	Second	35.64%	0.1347%	\$80,000.00
Parksville	BC	9.500%	Second	55.75%	0.6754%	\$401,000.00
Courtenay	BC	9.250%	First	62.86%	1.5007%	\$892,000.00
Duncan	BC	10.250%	Second	61.49%	0.5914%	\$351,000.00
Qualicum Beach	BC	9.250%	Second	32.73%	0.1687%	\$100,000.00
Port Hardy	BC	9.500%	First	70.57%	1.8158%	\$1,079,000.00
Port Renfrew	BC	9.250%	First	38.25%	0.5908%	\$351,000.00
Nanaimo	BC	9.450%	First	45.86%	0.6130%	\$364,000.00
Shawnigan lake	BC	10.500%	Second	69.32%	0.4222%	\$251,000.00
Sooke	BC	9.750%	First	54.95%	1.2621%	\$750,000.00
Courtenay	BC	10.000%	Second	23.80%	0.8442%	\$502,000.00

Security City	Security Province	Rate	Position	Principal Loan-to-Value	% of Total Portfolio	Outstanding Balance
Campbell River	BC	10.000%	Second	69.99%	0.3742%	\$222,000.00
Bowser	BC	9.000%	First	47.83%	0.3676%	\$218,000.00
Port Alberni	BC	9.750%	First	56.40%	0.8460%	\$503,000.00
Qualicum Beach	BC	9.950%	Second	59.09%	0.8442%	\$502,000.00
Qualicum Beach	BC	9.500%	First	23.53%	0.9201%	\$547,000.00
Sidney	BC	9.750%	Second	56.38%	0.4220%	\$251,000.00
Coombs	BC	10.000%	Second	20.51%	0.1013%	\$60,000.00
Delta	BC	9.000%	Second	62.89%	0.4219%	\$251,000.00
Parksville	BC	8.250%	First	60.31%	0.9974%	\$593,000.00
Courtenay	BC	10.000%	Second	58.18%	0.1014%	\$60,000.00
Port Hardy	BC	10.000%	First	47.37%	3.0034%	\$1,785,000.00
Comox	BC	8.000%	First	58.71%	0.7683%	\$457,000.00
Ladysmith	BC	9.500%	Second	71.56%	0.0959%	\$57,000.00
Qualicum Beach	BC	8.750%	Second	51.72%	0.3375%	\$201,000.00
Ucluelet	BC	9.500%	First	22.51%	1.0133%	\$602,000.00
Saltspring Island	BC	8.750%	First	40.00%	0.8440%	\$502,000.00
Ucluelet	BC	10.000%	Second	34.64%	0.1351%	\$80,000.00
NanOOSE Bay	BC	8.500%	First	9.09%	0.1772%	\$105,000.00
Qualicum Beach	BC	9.750%	Second	65.66%	0.4830%	\$287,000.00
Qualicum Beach	BC	8.000%	First	68.29%	0.9451%	\$562,000.00
Vancouver	BC	9.750%	Second	66.51%	0.7178%	\$427,000.00
NanOOSE Bay	BC	9.500%	Second	51.54%	2.9100%	\$1,729,000.00
NanOOSE Bay	BC	9.500%	First	57.44%	1.2244%	\$728,000.00
Fanny Bay	BC	9.500%	First	30.30%	1.6887%	\$1,004,000.00
Denman Island	BC	9.250%	First	48.78%	1.3509%	\$803,000.00
Nanaimo	BC	10.000%	Second	62.71%	0.9290%	\$552,000.00
Saltspring Island	BC	10.000%	Second	42.76%	0.8446%	\$502,000.00
Nanaimo	BC	8.500%	First	49.87%	0.3199%	\$190,000.00
Courtenay	BC	9.500%	First	21.69%	0.5403%	\$321,000.00
Victoria	BC	9.000%	First	50.00%	5.9088%	\$3,511,000.00
Gabriola Island	BC	10.000%	Second	57.52%	0.1351%	\$80,000.00
Victoria	BC	10.500%	Second	64.25%	0.2703%	\$161,000.00
Saltspring Island	BC	10.000%	Second	32.70%	0.2195%	\$130,000.00
Nanaimo	BC	9.000%	First	57.14%	0.6077%	\$361,000.00
Qualicum beach	BC	9.500%	First	59.92%	0.7596%	\$451,000.00
Comox	BC	9.000%	First	26.85%	0.3376%	\$201,000.00

Security City	Security Province	Rate	Position	Principal Loan-to-Value	% of Total Portfolio	Outstanding Balance
Comox	BC	9.500%	First	25.17%	0.3124%	\$186,000.00
Qualicum Beach	BC	8.000%	First	35.41%	1.1138%	\$662,000.00
Black creek	BC	9.250%	First	47.50%	0.5614%	\$334,000.00
Comox	BC	9.500%	First	27.40%	0.3377%	\$201,000.00
Weighted Average		9.28%		49.63%		
Total						\$59,776,000.00

As of the date of this Offering Memorandum, the Company's loans are secured by different property types, as follows:

Property Type	Number of Loans	Aggregate Principal Amount	Percent of Aggregate Principal
Single Family	66	\$23,906,294	40%
Raw Land	17	\$12,867,335	22%
Construction	13	\$9,299,650	16%
Commercial	8	\$8,122,088	13%
Multi-family	4	\$5,580,192	9%
Totals	108	\$59,775,559	100%

The loan-to-value ratio of each of the Company's outstanding loans varies. As at the date of this Offering Memorandum, 100% of the aggregate principal amount of the Company's mortgages did not exceed a 75% LTV ratio. The current weighted average LTV of the mortgage portfolio is 49.63%.

Foreclosures

As of October 13, 2023, none of the Company's mortgage loans are subject to foreclosure proceedings. The Company has allocated a total of \$575,747 for loss provisions with respect to potential defaults and foreclosures in progress with respect to its current mortgage portfolio.

Source of Funding for Dividends

As a MIC, the Company is entitled to deduct from its taxable income dividends paid to holders of Preferred Shares during the year or within 90 days of the end of the year to the extent the dividends were not deducted previously. The Company intends to maintain its status as a MIC and intends to make sufficient dividend payments in the year and in future years to ensure that the Company is not subject to income taxes payable. Dividends paid to holders of Preferred Shares are a return on capital, and at no point have they been a return of capital, nor does the Company anticipate that a future dividend will be a return of capital. See Item 8 "*Income Tax Consequences and RRSP Eligibility*".

From time to time, operating cashflows may not be consistent with operating income due to the accrual of interest income on outstanding mortgage balances consistent with their terms and other amounts to be received or paid at a later date. When cashflows from operations are insufficient to meet the distribution of earnings, the Company will fund the dividend from cash reserves.

The Company maintains a certain amount of liquid cash available to invest in opportunities, as they arise, to pay the Company's operating costs, and to fund dividends paid to holders of Preferred Shares in the event that cashflows from operations are not sufficient relative to earnings.

Since inception, all to the Company's shareholders have been, and are expected to continue to be, made out of the Company's net income and capital gains received in each financial year, and none of such dividends have been funded by sources such as loans, share issuances or the Credit Agreement. It is the Company's intention to continue to pay dividends on such basis.

Portfolio Performance

The effective annual yield on adjusted share capital for dividends paid to the Company's shareholders for the financial years indicated is set out below:

Year	Dividends Paid	Effective Annual Yield (%) ⁽¹⁾	Net Income	Total Mortgage Balance ⁽²⁾
2009	\$1,491,505	7.93	\$1,491,505	\$21,182,270
2010	\$1,027,435	5.71	\$1,027,435	\$15,668,751
2011	\$880,321	5.08	\$880,321	\$17,014,543
2012	\$661,734	3.55	\$613,179	\$16,884,231
2013	\$840,598	4.54	\$955,722	\$16,020,673
2014	\$531,048	3.06	\$897,844	\$16,049,445
2015	\$479,160	2.91	\$334,164	\$15,687,744
2016	\$604,060	3.58	\$681,638	\$15,960,182
2017 ⁽³⁾	\$933,415	5.11	\$1,166,172	\$18,035,517
2018	\$1,194,820	5.69	\$1,368,239	\$22,892,000
2019	\$1,465,026	5.94	\$1,796,251	\$25,309,000
2020	\$1,874,054	6.07	\$2,257,238	\$32,722,000
2021	\$2,440,193	6.59	\$2,597,719	\$31,748,000
2022	\$3,033,789	7.09	\$3,018,972	\$47,596,000
2023	\$3,689,311	7.24	\$3,922,007	\$58,254,606

Notes:

- (1) Annual compounded return based on the reinvestment of dividends in Preferred Shares (net of 1% trailer fee). Historic results may not be indicative of future performance. See Item 10 "Risk Factors".
- (2) Total mortgage balance as at June 30 of each year indicated.
- (3) Management of the Company was transitioned to current management team.

Holders of Preferred Shares have the option to choose monthly cash distribution of dividends or to participate in the Company's dividend reinvestment program or DRIP. Since inception, all dividends paid to the Company's shareholders have been, and are expected to continue to be, made out of the Company's net income and capital gain received in each financial year, and none of such dividends have been funded by sources such as loans or share issuances (other than the Company's DRIP). It is the Company's intention to continue to pay dividends on such basis.

The rate of return is an average for all of the Company's shareholders and may not reflect the return received by any one investor. There is no guarantee that such rates of return will continue or that investors will receive similar returns in future years. See Item 10 "Risk Factors" for factors that may affect the Company's business and the rates of return realized by investors.

2.4 Long Term Objectives

The Company's long term objectives are:

- (a) to establish a pool of quality loans through prudent investment in mortgages of real property primarily situated in British Columbia;
- (b) to provide holders of Preferred Shares with sustainable income while preserving capital;

- (c) to distribute income on an annual basis; and
- (d) to continue to qualify as a MIC pursuant to the Tax Act.

The Company will seek to achieve these investment objectives by investing primarily in loans secured by mortgages. The Company's income will primarily consist of interest received on the mortgage loans, less fees paid to the Manager and other operating expenses. There is no assurance that the Company will meet its long term objectives. See Item 10 "Risk Factors".

2.5 Short Term Objectives

The Company's business objectives for the next 12 months are:

- (a) to raise additional capital to enhance the operating efficiency of the Company in conjunction with its long term objectives; and
- (b) to source appropriate lending opportunities to meet the challenge of providing superior returns in the current interest rate environment.

Actions to be Taken	Target Completion Date	Cost to Complete
Offering of Preferred Shares as described in this Offering Memorandum.	Within next 12 months	\$33,000 ⁽¹⁾
Investment of net proceeds of the Preferred Share Offering in loans secured by mortgages.	As soon as practicable after each Closing.	Not yet known ⁽²⁾

⁽¹⁾ Estimated legal, accounting, audit costs and printing and other administrative costs associated with marketing the Offering.

⁽²⁾ The costs to complete the investment of the available funds will vary based on the amount of funds actually invested and the different type of mortgages invested in.

2.6 Insufficient Funds

The funds available as a result of the Preferred Share Offering may or may not be sufficient to accomplish all of the Company's proposed objectives and there is no assurance that alternative financing will be available. The Company may draw up to \$10,000,000, subject to certain conditions, pursuant to the Credit Agreement to finance a portion of the mortgage loans. See Item 2.8 "Material Agreements – Credit Agreement".

2.7 Additional Disclosure for Issuers Without Significant Revenue

Not applicable.

2.8 Material Agreements

The Company is party to the following material agreements, which are in effect:

- (a) the Transfer Agent Agreement. See Item 2.8 "Material Agreements – The Transfer Agent Agreement".
- (b) the Credit Agreement. See Item 2.8 "Material Agreements – The Credit Agreement".
- (c) the Agency Agreement. See Item 9 "Compensation Paid to Sellers and Finders".
- (d) the Management Agreement. See Item 2.2 "The Business – Management Agreement".

Disclosure in this Offering Memorandum concerning the material agreements are intended to be only a summary of the material provisions of each such agreement. Copies of all agreements referred to above may be inspected during normal business hours at the registered and records office of the Company, located at: 450A Wentworth Street, Nanaimo, British Columbia, Canada V9R 3E1.

Transfer Agent Agreement

Pursuant to the Transfer Agent Agreement, Olympia Trust Company was appointed as the Company's: (i) registrar and transfer agent to keep the register(s) of holders and the register(s) of transfers of the Company's Preferred Shares, and (ii) dividend disbursing and dividend reinvestment agent to disburse dividends and/or shares to shareholders of the Company, which may be declared from time to time on the Preferred Shares. Effective November 30, 2014, the Transfer Agent Agreement was assigned by Olympia Trust Company to Computershare, and Computershare became the Company's registrar and transfer agent to keep the register(s) of holders and the register(s) of transfers of the Company's Preferred Shares and to act as the dividend disbursing and dividend reinvestment agent to disburse dividends and/or shares to shareholders of the Company, which may be declared from time to time on the Preferred Shares.

Credit Agreement

Pursuant to the Credit Agreement, the Royal Bank of Canada, as lender, agreed to provide the Company, as borrower, with certain credit facilities consisting of a revolving demand credit facility in the aggregate principal amount of up to \$10,000,000. The actual principal amount available to the Company is based on the margined value of the Company's underlying mortgage portfolio. The Company agreed to pay to Royal Bank of Canada certain upfront fees, monthly management / margin fees and annual renewal fees in connection with the Credit Agreement. The Credit Agreement amends and restates the credit agreement dated February 7, 2012, as amended August 16, 2022, between the Company and Royal Bank of Canada.

Advances under the Credit Agreement by a lender to the Company may be made in increments of \$5,000. Interest on such advances is at a rate equal to the Royal Bank prime rate (as defined in the Credit Agreement) plus 1.0% per annum. The main purpose of the Credit Agreement is to assist the Company to better manage the timing difference between the Company's cashflows in order to maintain efficient capital deployment through new capital raises, borrower payouts/paydowns, redemptions of shares and new mortgage investments, in addition to increasing returns through leverage. Any proceeds under the Credit Agreement will be used by the Company to refinance the Company's existing outstanding indebtedness with the balance for working capital and general corporate requirements of the Company arising in the ordinary course of its business operations. Security for the Company's obligations under the Credit Agreement to Royal Bank of Canada include, among other things, the following: a first floating charge on all present and after-acquired real property of the Company and a first ranking security interest in all personal property of the Company, general assignment of all legal and beneficial interest in all present and future mortgages in the Company's mortgage portfolio, the mortgage loans outstanding thereunder and all other mortgage documents relating thereto; and general power(s) of attorney from the Company in respect of all present and future mortgages in its mortgage portfolio.

As of the date of this Offering Memorandum, \$9,942,800 was available to the Company based on its mortgage portfolio, of which there was a nil balance outstanding pursuant to the Credit Agreement. The Company is required to make certain reporting to Royal Bank of Canada and to meet certain financial covenants, including debt to tangible net worth, EBITDA to interest expense and minimum equity requirements. As at October 13, 2023, the Company is current in these reporting requirements and covenants.

2.9 Related Party Transactions

Not applicable.

ITEM 3 COMPENSATION AND SECURITY HOLDINGS OF CERTAIN PARTIES

3.1 Compensation and Securities Held

The Company

The following table sets out information about each Director, officer and promoter of the Company and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Company (a “principal holder”):

Name and municipality of principal residence	Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by issuer or related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year ⁽¹⁾	Number, type and percentage of securities of the issuer held after completion of min. offering	Number, type and percentage of securities of the issuer held after completion of max. offering
Patrick Dennis Sullivan Nanaimo, BC	Director (since April 1, 2011)	(i) Nil (ii) Nil	0.95 Common Shares (9.5%) 32,322.117 Preferred Shares ⁽¹⁾ (0.55%)	0.95 Common Shares (9.5%) 32,322.117 Preferred Shares ⁽²⁾ % unknown
Bradley Charles Rembold Qualicum Beach, BC	Director & CEO (since October 1, 2017)	(i) Nil ⁽³⁾ (ii) Nil ⁽³⁾	2.4 Common Shares (24%) Nil Preferred Shares (0%)	2.4 Common Shares (24%) Nil Preferred Shares (0%)
Stuart James Gautier Qualicum Beach, BC	Director (since January 1, 2021)	(i) Nil (ii) Nil	1.85 Common Shares (18.5%) 68,737.566 Preferred Shares ⁽¹⁾⁽⁴⁾ (1.17%)	1.85 Common Shares (18.5%) 68,737.566 Preferred Shares ⁽⁴⁾ % unknown
Alexander (Sandy) Kerr Harper Nanaimo, BC	Director (since December 1, 2010)	(i) Nil (ii) Nil	2.4 Common Shares (24%) Nil Preferred Shares (0%)	2.4 Common Shares (24%) Nil Preferred Shares (0%)
Margaret Jean O'Connor Qualicum Beach, BC	Director & COO (since January 1, 2021)	(i) Nil (ii) Nil	2.4 Common Shares (24%) Nil Preferred Shares (0%)	2.4 Common Shares (24%) Nil Preferred Shares (0%)
Hemsworth Management Corp. Qualicum Beach, BC	Promoter (since January 1, 2018)	(i) \$585,270 ⁽⁵⁾ (ii) \$160,366 ⁽⁶⁾	Nil Common Shares (0%) Nil Preferred Shares (0%)	Nil Common Shares (0%) Nil Preferred Shares (0%)

Name and municipality of principal residence	Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by issuer or related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year ⁽¹⁾	Number, type and percentage of securities of the issuer held after completion of min. offering	Number, type and percentage of securities of the issuer held after completion of max. offering
AIE MIC Management Corp. Qualicum Beach, BC	Promoter (since October 13, 2023)	(i) N/A ⁽⁷⁾ (ii) N/A ⁽⁸⁾	Nil Common Shares (0%) Nil Preferred Shares (0%)	Nil Common Shares (0%) Nil Preferred Shares (0%)

Notes:

- (1) Assumes no Preferred Shares are issued under the minimum offering.
- (2) Preferred Shares are held jointly by Mr. Sullivan and his spouse.
- (3) The Manager pays compensation to the Brad Rembold and Margaret O'Connor from fees earned under the Management Agreement. The Company did not and does not compensate Mr. Rembold and Ms. O'Connor for their service as Directors and officers of the Company.
- (4) Preferred Shares are held jointly by Mr. Gautier and his spouse.
- (5) For the year ended June 30, 2023, the Company paid \$585,270 to Hemsworth, a private company wholly-owned by Bradley Rembold and Christina Rembold, the predecessor manager of the Company, for services performed by it as manager under the previous management agreement.
- (6) Management fees earned from July 1, 2023 to October 13, 2023. The management agreement between the Company and Hemsworth was terminated on October 13, 2023.
- (7) The Manager was engaged as manager of the Company on October 13, 2023 and did not receive any compensation during the most recently completed financial year.
- (8) The Company expects to pay the Manager the Management Fee for services to be performed by it as manager of the Company under the Management Agreement for the current financial year. The amount payable is unknown at this time. See Item 2.2 "The Business – Management Agreement".

As at the date of this Offering Memorandum, the Directors and officers of the Company, as a group, own: (i) 10 Common Shares representing 100% of the issued and outstanding Common Shares; and (ii) 101,059.683 Preferred Shares representing 1.719% of the issued and outstanding Preferred Shares.

3.2 Management Experience

The following table sets out the principal occupations of the Directors, senior officers and management of the Company and the Manager over the past five years and any relevant experience in a business similar to the Company's:

Name	Principal occupation and related experience
Bradley Charles Rembold <i>CEO & Director</i>	Mr. Rembold has been a licensed Mortgage Broker under the <i>Mortgage Brokers Act</i> (British Columbia) since 2007 and has extensive experience in all aspects of mortgage lending. Mr. Rembold graduated from Vancouver Island University in 2006 with a Bachelor of Business Administration majoring in Management and minoring in Finance. His work history includes: sales associate with Accredited Home Lenders (2006 – 2008), mortgage administrator and sales with Coastal Community Credit Union (2008 – 2009), and working as an independent mortgage broker since 2009 with Mortgage Architects followed by, Sand Dollar Mortgages and Mid Island Mortgage and Savings (Qualicum) Ltd. Mr. Rembold's currently manages all day-to-day activities of the Company. Mr. Rembold was the founding VP and director of the Young Professionals of Oceanside and continues to be involved in many community efforts.

Name	Principal occupation and related experience
	<p>Mr. Rembold is also a director and indirect shareholder of AIE MIC Management Corp., the Manager of the Company pursuant to the Management Agreement. See Item 2.2 “The Business – Management Agreement”.</p>
<p>Margaret Jean O’Connor <i>COO & Director</i></p>	<p>Mrs. O’Connor is currently the President and CEO of Mid Island Mortgage and Savings (Qualicum) Ltd., an independent mortgage brokerage firm located in Qualicum Beach. In conjunction with her business she is also an active director of the Company. Mrs. O’Connor obtained her bachelor’s degree from The University of Victoria in 2006 and in 2007 she successfully completed the UBC Sauder School Mortgage Broker licensing course. In 2009, she joined Kensington Realfund Mortgage Investment Corporation and worked alongside Stuart Gautier as co-manager and director of the mortgage fund. In 2020, Kensington was amalgamated with the Company and Mrs. O’Connor joined the Board of Directors of the Company. Mrs. O’Connor is currently an active director and valued member of the Company’s management team. Her roles include portfolio management, broker relations, application review, underwriting, loan servicing and administrative oversight.</p> <p>Ms. O’Connor is also a director and indirect shareholder of AIE MIC Management Corp., the manager of the Company pursuant to the Management Agreement. See Item 2.2 “The Business – Management Agreement”.</p>
<p>Patrick Dennis Sullivan <i>Director</i></p>	<p>In 1997, Mr. Sullivan and William Walker founded the Company. Mr. Sullivan was also the founder of Sullivan Wealth Management Group Ltd. (formerly Patrick Sullivan & Associates Insurance and Investment Services Ltd.), of which he was the President from its incorporation in 1978 until he retired from that company in 2014. Mr. Sullivan holds a Certified Financial Planner (CFP) designation, as well as Certified Life Underwriter (CLU) and Chartered Financial Consultant (CHFC) designations. Mr. Sullivan is semi-retired, giving the majority of his focus and attention to the Company.</p>
<p>Alexander (Sandy) Kerr Harper <i>Director</i></p>	<p>Mr. Harper has been a Realtor in Nanaimo since the early 1990’s and has been with Remax of Nanaimo since 1997. His main focus is on residential properties, including single family dwelling, strata properties and bare lots/acreages. Prior to his involvement in real estate, Mr. Harper was a member of the Copytron sales team (from January 1990 to October 1993) and was a touring golf professional. Mr. Harper is currently serving his second term as a director of the Nanaimo Golf Club.</p>
<p>Stuart James Gautier <i>Director</i></p>	<p>Mr. Gautier has had a long and successful career in the mortgage industry. In 2017, he was included in the Canadian Mortgage Professional Hall of Fame Report, being recognized as a leading professional in the Canadian mortgage industry. Mr. Gautier has been licensed as a mortgage broker since 1978. From 1988 to 2020, Mr. Gautier was the President and CEO of Mid Island Mortgage and Savings. In 1997, Mr. Gautier co-founded a mortgage investment corporation, Kensington Realfund Corporation, which he managed with his daughter Margaret O’Connor until 2020 when Kensington was amalgamated into the Company. Mr. Gautier continues to be an active member on the Company’s Board of Directors and is involved in lending policy and underwriting decisions.</p> <p>Dedicated to being an active member of the community of Qualicum Beach, Mr. Gautier has been involved with various organizations over the years, including the Chamber of Commerce, the BC Premier Baseball League and the Vancouver Island Junior Hockey Association. He has also been a member of the MBABC and BC MIC Managers Association.</p>

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

To the Company's knowledge, no Director, executive officer or control person of the Company has, or any issuer of which any of those persons was a director, executive officer or control person has:

- (a) during the last 10 years, been subject to: (i) a penalty or other sanction imposed by a court relating to a contravention of securities legislation, (ii) a penalty or other sanction imposed by a regulatory body relating to a contravention of securities legislation, or (iii) an order restricting trading in securities that was in effect for a period of 30 or more consecutive days; or
- (b) during the last 10 years, made: (i) a declaration of bankruptcy, (ii) a voluntary assignment in bankruptcy, (iii) a proposal under any bankruptcy or insolvency legislation, or (iv) a proceeding, arrangement or compromise with creditors, or appointment of a receiver, receiver-manager or trustee to hold assets;

To the Company's knowledge, no Director, executive officer or control person of the Company or the Company has ever pled guilty to, or been found guilty of: (i) a summary conviction or indictable offence under the Criminal Code (Canada); (ii) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction; (iii) 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 (iv) an offence under the criminal legislation of any other foreign jurisdiction.

3.4 Certain Loans

As of the date hereof, there are no debentures, bonds or loan agreements between the Company and a Related Party.

ITEM 4 CAPITAL STRUCTURE

4.1 Securities Except for Debt Securities

The authorized capital of the Company consists of: (i) 1,000 Class A shares (voting) without par value; (ii) 10,000,000 Class B shares (redeemable, retractable, non-voting) without par value; and (iii) 10,000,000 Class F shares (redeemable, retractable, non-voting) without par value:

Description of Security	Number authorized to be issued	Price per Security	Number outstanding as at September 13, 2023	Number outstanding after Minimum Offering ⁽¹⁾	Number outstanding after Maximum Offering
Common Shares ⁽²⁾	1,000	\$1.00	10	10	10
Class B Shares ⁽³⁾	10,000,000	\$10.00	5,866,574.985	5,866,574.985	7,866,574.985
Class F Shares ⁽³⁾	10,000,000	\$10.00	nil	nil	2,000,000

Notes:

- ⁽¹⁾ There is no minimum or maximum offering.
- ⁽²⁾ The holders of the Common Shares are entitled to receive notice of and to attend at and to vote in person or by proxy at any general meetings of the shareholders of the Company, and are entitled to cast one vote for each Common Share held.
- ⁽³⁾ The holders of the Class B Shares and Class F Shares are entitled to a portion of any dividends as the Directors of the Company may in their discretion from time to time declare. Additional details of the attributes and characteristics of the Preferred Shares are set forth under Item 5.1 "Terms of Preferred Shares".

4.2 Long Term Debt

The Company has no long term debt.

4.3 Prior Sales

Within the last 12 months, the Company has issued the following Preferred Shares:

Date of Issuance	Type of Security	Number of Securities Issued	Price per Security	Total Funds Received (\$)
October 2022	Class B Shares	200,727	\$10.00	\$2,007,270
February 2023	Class B Shares	302,881	\$10.00	\$3,028,810
May 2023	Class B Shares	125,467	\$10.00	\$1,254,670
June 2023	Class B Shares	184,550	\$10.00	\$1,845,500

ITEM 5 SECURITIES OFFERED

5.1 Terms of Preferred Shares

The Company is offering up to 2,000,000 Class B Shares at a price of \$10.00 per Class B Share or 2,000,000 Class F Shares at a price of \$10.00 per Class F Share, up to an aggregate maximum of 2,000,000 Preferred Shares. The Preferred Shares have the following material terms:

Voting Rights

The Preferred Shares of the Company are non-voting, and the holders of the Preferred Shares are not entitled to receive notice of or vote at meetings of the shareholders of the Company, unless otherwise provided under the *Business Corporations Act* (British Columbia).

Dividend Entitlement

The Directors may from time to time declare and authorize payment of such dividends, if any, as they may deem advisable and need not give notice of such declaration. Pursuant to the Articles, the Company intends to distribute all its earnings in a particular fiscal year by the declaration and payment of dividends within 90 days of the end of such fiscal year. Any dividend declared on shares of any class by the Directors may be made payable on such date as is fixed by the Directors.

The Directors intend to, during each and every fiscal year of the Company or within 90 days of the end of that year, declare and pay to all holders of Preferred Shares and Preferred Shares of record as of the date of that fiscal year end a dividend or dividends in an amount which accordingly to their best estimate they determine to equal the maximum amount deductible in computing the income of the Company. All dividends declared on Preferred Shares shall be in the same amount per issued share. Dividends may not be declared on one Class of shares unless dividends are declared on all classes.

The Company intends to declare and distribute dividends on a quarterly basis as circumstances permit.

Redemption by a Preferred Shareholder

The Company's Articles provide the holders of Preferred Shares with a redemption right. Subject to certain qualifications contained in the Articles and as described herein, holders of Preferred Shares can require the Company to redeem all or any portion of their fully paid Preferred Shares upon providing the Company with written notice prior

to the close of business on December 31, in any year. Subject to availability of funds from the repayment of mortgages, the Company will redeem the shares on April 1 of the year following the year in which the notice was given. In the event there is insufficient funds from the repayment of mortgages held by the Company to redeem all such shares for which a notice has been given, then such shares shall be redeemed in the order and amount for which such funds are and become available, and all notices shall be placed on a list in chronological sequence based on the time and date of actual receipt, from which list the order of redemption shall be determined. The obligation of the Company to comply with the redemption notice and redeem Preferred Shares is subject to the qualification that the Company is not permitted to redeem Preferred Shares if such redemption would cause the Company to cease being qualified as a MIC pursuant to the provisions of the Tax Act. The redemption price per Preferred Share is the value of such share calculated by the Company's auditor and based upon the net book value of such share as at the fiscal year end in which the notice is given, plus any declared and unpaid dividends thereon as at the date of redemption ("**Redemption Price**").

Company Retraction Right

Pursuant to the Articles, the Company may purchase or redeem outstanding shares at a price and upon the terms specified by the Directors. No such purchase or redemption shall be made if the Company is insolvent at the time of the proposed purchase or redemption or if the proposed purchase or redemption would render the Company insolvent. Unless the shares are to be purchased through a stock exchange or the Company is purchasing the shares from dissenting members pursuant to the requirements of the *Business Corporations Act* (British Columbia) the Company shall make its offer to purchase *pro rata* to every member who holds shares of the class or kind, as the case may be, to be purchased.

If the Company proposes at its option to redeem some but not all of the shares of any class, the Directors may, subject to the special rights and restrictions attached to such class of shares, decide the manner in which the shares to be redeemed shall be selected. Subject to the provisions of the *Business Corporations Act* (British Columbia), any shares purchased or redeemed by the Company may be sold or issued by it, but, while such shares are held by the Company, it shall not exercise any vote in respect of these shares and no dividend shall be paid thereon.

Redemption – Sample Calculation

Number and Class of Shares	Period Held	Net Book Value at end of Fiscal Year in which Redemption Notice is Given	Redemption Amount Payable
1000 Class B Shares	Less than 1 year	\$10.00 ⁽¹⁾	\$10,000 ⁽²⁾
1000 Class F Shares	Less than 1 year	\$10.00 ⁽¹⁾	\$10,000 ⁽²⁾
1000 Class B Shares	More than 1 year	\$10.00 ⁽¹⁾	\$10,000 ⁽²⁾
1000 Class B Shares	More than 1 year	\$10.00 ⁽¹⁾	\$10,000 ⁽²⁾

⁽¹⁾ Assumes Net Book Value per share of \$10.00. There is no assurance that the Net Book Value per share will not be less than \$10.00 per share. See Item 10 "Risk Factors".

⁽²⁾ Assumes dividends have been paid in full in cash.

Constraints on Transfer

The Company's Articles provide that the Directors shall not consent to or approve a transfer of shares or cause the Company to allot, issue, sell, purchase or redeem shares unless immediately following the said transaction, no one shareholder would hold more than 25% of the issued shares of the Company and the number of shareholders of the Company would not be reduced to less than 20 shareholders. For the purposes of computing the number of shareholders of the Company only, each DPSP or registered pension plan trust which is a shareholder of the Company shall be counted as four (4) shareholders. Provided that the Directors are not prevented from giving their consent or approval to any transfer, allotment, issuance, sale, purchase or redemption of shares so long as such transaction

would not have the effect, in the opinion of the Directors, of disqualifying the Company as a MIC as defined in the Tax Act.

Paragraph 130.1(6)(d) of the Tax Act stipulates that a mortgage investment corporation may not have fewer than 20 shareholders and no one shareholder may hold more than 25% of its issued shares.

The Tax Act also states that a trust governed by a registered pension plan or a DPSP is counted as four shareholders for purposes of determining the number of shareholders and one shareholder for purposes of determining if a shareholder holds more than 25% of the issued shares. A trust governed by a RRSP is counted as one shareholder for determining the number of shareholders and for determining if a shareholder holds more than 25% of the issued shares. A trust governed by an RRSP is counted as one shareholder.

Accordingly, the Directors intend to refuse registration of an allotment or any transfer of shares, which would result in the Company ceasing to meet the qualifications of a MIC. See also Item 12 *"Resale Restrictions"* for further restrictions on the transferability of the Company's Preferred Shares.

Priority on Liquidation, Dissolution or Winding UP

In the event of the liquidation, dissolution or winding up of the Company or other distribution of its property or assets among shareholders, distributions of the property or assets will be made rateably among the holders of the Common Shares, Class B Shares and Class F Shares after the payment of any dividends that have been declared but not yet paid on any class or classes of shares.

5.2 Subscription Procedure

The Preferred Shares are conditionally offered if, as and when Subscriptions are accepted by the Company and subject to prior sale. Subscriptions for Preferred Shares will be received by the Company subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

This Preferred Share are being offered on a continuous basis pursuant to exemptions from the prospectus and, where applicable, registration exemptions contained in securities legislation in the jurisdictions in which the Preferred Shares are being offered. Such exemptions relieve the Company from provisions under such statutes requiring the Company to file a prospectus and utilize a registered securities dealer to sell the Preferred Shares. As such, investors will not receive the benefits associated with purchasing the Preferred Shares pursuant to a filed prospectus, including the review of the material by the securities commissions or similar regulatory authority in such jurisdictions, or, if applicable, the benefits associated with the involvement of such registrants.

In order to subscribe for Preferred Shares, investors must be within one of the following categories:

- (a) an "accredited investor" as such term is defined in NI 45-106, provided the subscriber delivers a signed risk acknowledgement form in the form required by NI 45-106, if applicable; or
- (b) resident in British Columbia, who acknowledges having received and read a copy of this Offering Memorandum and delivers a signed risk acknowledgement form in the form required by NI 45-106; or
- (c) resident in Manitoba, who acknowledges having received and read a copy of this Offering Memorandum and delivers a signed risk acknowledgement form in the form required by NI 45-106 and is either:
 - (i) an "Eligible Investor" (as defined in NI 45-106); or

- (ii) purchasing a number of Preferred Shares which have an aggregate Subscription Price of less than \$10,000; or
- (d) resident in Alberta, Ontario or Saskatchewan, who acknowledges having received and read a copy of this Offering Memorandum and delivers a signed risk acknowledgement form, including Schedule 1 Classification of Investors under the Offering Memorandum Exemption, in the form required by NI 45-106 and the acquisition cost of all securities acquired by the subscriber who is an individual in the preceding 12 months does not exceed the following amounts:
 - (i) in the case of a subscriber that is not an “Eligible Investor”, \$10,000;
 - (ii) in the case of a subscriber that is an “Eligible Investor”, \$30,000;
 - (iii) in the case of a subscriber that is an “Eligible Investor” and that received advice from a portfolio manager, investment dealer or exempt market dealer that the investment is suitable, \$100,000,provided, however, that the investment limits described in (d)(i) and (ii) above do not apply if the subscriber is an “accredited investor” or a person described in Section 2.5(1) of NI 45-106; or
- (e) acquiring Preferred Shares that have a Subscription Price of not less than \$150,000, provided the conditions of Section 2.10 of NI 45-106 are satisfied.

Notwithstanding the foregoing, Preferred Shares may be issued pursuant to other available exemptions from the prospectus requirements of applicable securities legislation provided the conditions of such exemptions are satisfied.

Subscribers may subscribe for Preferred Shares by returning to the Agent, on behalf of the Company, at 181 University Avenue, Suite 1600, Toronto, Ontario, M5H 3V5, or to the Company, the following:

- (a) a completed Subscription Agreement (including all applicable schedules, appendices, risk and other acknowledgements, certificates and other documents requested by the Company or its counsel); and
- (b) a certified cheque or bank draft or wire transfer in an amount appropriate for the number of Preferred Shares subscribed for, payable to the Agent or the Company, as applicable.

In accordance with the requirements of NI 45-106, the Company will hold the subscription monies advanced by each investor in trust for the investor until midnight on the second business day after the Subscription Agreement is signed by the investor. The Company will return all consideration to an investor if such investor exercises the right to cancel the Subscription Agreement within the prescribed time.

Subscriptions received will be subject to rejection or allotment by the Company in whole or in part. The Company is not obliged to accept any subscription. If any subscription is not accepted, the Company will promptly return to the subscriber the Subscription Agreement and the money comprising such subscription without interest thereon. Confirmation of acceptance of a subscription will be forwarded to the subscriber by the Company. The Company reserves the right to close the subscription books at any time without notice.

Subscription Agreements from Trustees for registered retirement savings plans (“RRSPs”), registered retirement income funds (“RRIFs”) or deferred profit sharing plans (“DPSPs”) under the Tax Act will be accepted by the Company in a manner which accommodates such Trustees administrative procedures. In such cases, the share certificates for the Preferred Shares will be delivered by the Company in exchange for the Subscription Price.

The Preferred Shares have not been and will not be registered under the *United States Securities Act of 1933*, as amended, and subject to certain exceptions, may not be offered or sold in the United States.

Investors should carefully review the terms of the Subscription Agreement for more detailed information concerning their rights and obligations and those of the Company. Execution and delivery of the Subscription Agreement will bind the investor to the terms thereof and hereof, whether executed by the investor or by an agent on the investor's behalf. All subscription documents should be reviewed by prospective subscribers and their professional advisers, including tax, legal and financial advisers, prior to subscribing for any Preferred Shares.

ITEM 6 REPURCHASE REQUESTS

6.1 Redemption History

The Company's redemption history over the last two fiscal years and the current period to October 13, 2023 is as follows:

Description of Security	Date of end of financial year	Number of securities with outstanding repurchase requests on the first day of the year	Number of securities for which investors made repurchase requests during the year	Number of securities repurchased during the year	Average price paid for the repurchased securities	Source of funds used to complete the repurchases	Number of securities with outstanding repurchase requests on the last day of the year
Class B Shares	June 30, 2022	nil	199,986	199,986	(1)	(2)	nil
Class B Shares	June 30, 2023	nil	105,998	105,998	(1)	(2)	nil
Class B Shares ⁽³⁾	June 30, 2024	nil	32,064	32,064	(1)	(2)	nil

Notes:

- (1) Redemption payment of \$10.00 per share. See Item 5.1 "Terms of Preferred – Redemption Rights".
- (2) Amounts paid in connection with redemptions of shares were from cash on hand from operations.
- (3) For the period from June 30, 2023 to October 13, 2023.

ITEM 7 CERTAIN DIVIDENDS AND DISTRIBUTIONS

The Company has not paid dividends or distributions that exceeded cash flow from operations.

ITEM 8 INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY

8.1 Consult Your Own Advisors

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

8.2 General

PROSPECTIVE PURCHASERS SHOULD OBTAIN INDEPENDENT ADVICE FROM THEIR OWN TAX AND LEGAL ADVISORS REGARDING THE INCOME TAX CONSEQUENCES APPLICABLE TO THEIR OWN PARTICULAR CIRCUMSTANCES.

The following is a summary, reviewed and updated by MNP LLP, Chartered Accountants, of the income tax consequences under the laws of Canada of acquiring, holding and disposing of the Preferred Shares. The income tax consequences may not be the same for all Purchasers but may vary depending on a number of factors, including whether the Purchaser is an individual, a trust or a corporation, the province of residence of the Purchaser, and whether the Purchaser's shares are characterized as capital property. The following discussion of the income tax consequences is therefore 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 Purchaser(s).

The comments in this summary are restricted to the case of a Purchaser who acquires shares as capital property and who is resident in Canada for the purposes of the Tax Act. The summary does not take into account tax laws of a province or territory of Canada or of any jurisdiction outside Canada.

This summary is based upon the current provisions of the Tax Act.

You should consult your own professional advisors to obtain advice on the tax consequences that apply to you. The summary contained in this section is of a general nature only and is not exhaustive of all possible Canadian federal income tax consequences. It is not intended to be and should not be interpreted as legal or tax advice to any particular subscriber.

8.3 Scheme of Provisions

The Tax Act contains a number of provisions that enable investors to "pool" their funds through investing in special corporations that are treated in a manner that avoids the two-tiered taxation normally applicable to shareholders of an Issuer (defined below) in respect of distributions of that company's profits. This result is achieved by effectively treating these special corporations as a conduit so that an investor is put in the same position from an income tax perspective as if the corporation's investment had been made directly by the investor.

A MIC is one of these special types of corporations.

8.4 Definition of a MIC

A number of requirements must have been met throughout the year in order for a corporation (herein referred to as the "Issuer") to qualify as a MIC under the Tax Act for that year. If the following requirements are met throughout a particular year, a corporation will qualify for MIC status that year:

- (a) *Canadian Corporation* - the Issuer must have been a Canadian corporation, which generally means a corporation incorporated and resident in Canada.
- (b) *Undertaking* - the Issuer's only undertaking was the "*investing of funds of the Issuer*". The Issuer cannot have managed or developed any real or immovable property.
- (c) *50% Asset Test* - at least 50% of the "*cost amount*", as defined in the Tax Act, to the Issuer of all of its property must have consisted of the Issuer's money, debts owing to the Issuer that were secured on certain specified residential properties, and any deposit standing to the Issuer's credit in the records of a bank or other certain specified financial institutions.
- (d) *25% Asset Test* - the "*cost amount*" to the Issuer of all of its real property including leasehold interest in such property, other than real property acquired by foreclosure or otherwise after default made on a mortgage, hypothecation or agreement for sale of real property, must not have exceeded 25% of the "*cost amount*" to the Issuer of all of its property. The limit is designed to ensure that the primary intention of the Issuer's investment was directed towards residential mortgages.

- (e) *Prohibited Foreign Investment* - none of the property of the Issuer consists of debts owing to the Issuer that were secured on real or immovable property situated outside Canada, debts owing to the Issuer by non-resident persons unless secured on real or immovable property situated in Canada, shares of the capital stock of Issuers not resident in Canada, real or immovable property situated outside Canada, or any leasehold interest in real or immovable property situated outside Canada.
- (f) *Shareholder Requirements* - the Issuer must have at least 20 shareholders, and no shareholder (together with Related Persons, as defined below) of the Issuer at any time during the year owned, directly or indirectly, more than 25% of the issued shares of any class of the capital stock of the Issuer.
- (g) *Classes of Shareholders* - any holders of preferred shares (as defined in the Tax Act) of the Issuer 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 common shares of the Issuer, to participate *pari passu* with the holders of the common shares in any further payment of dividends.
- (h) *Debt to Equity Ratio* - the Issuer is restricted to borrowing a maximum of three times its equity capital unless at least two-thirds of the book value of its investments are mortgages secured on Canadian residential property, the company's money, and specified deposits, in which case the maximum borrowing is five times its equity capital.

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

8.5 Taxation of the Company

This discussion, and the discussion that follows under subsequent headings, is based on the assumption that the Company qualifies as a MIC under the Tax Act at all relevant times.

A MIC, as a general rule, is subject to tax on the same basis as any Canadian public corporation. However, special rules relating to a MIC enable it to reduce its federal 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 Company is entitled to deduct from its federal taxable income the total of:

- (a) all taxable dividends, other than capital gains dividends, paid by the Company 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 Company in computing its income for the preceding year; and
- (b) half of all capital gains dividends paid by the Company during the period commencing 91 days after the commencement of the year and ending 90 days after the end of the year.

If all of the Company's federal taxable income for the year is distributed in this manner, no federal tax is payable by the Company for that year. The elimination of provincial tax depends on relevant provincial legislation. For example, in British Columbia no corporate income tax would be payable if the Company's federal taxable income was zero

because the Company's income taxes for British Columbia's income tax purposes is calculated by reference to its taxable income for federal tax purposes.

Because of the permitted deductions outlined above, the Company is not entitled to the deduction in respect of taxable dividends the Company receives from other taxable Canadian corporations.

The Company 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 Company for a year is limited to the extent of twice the Company'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 Company 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 of the dividend is elected to be treated as a separate taxable dividend.

8.6 Taxation of Preferred Shareholders

Capital Gains Dividends

A capital gains dividend received by a Canadian resident shareholder is not included as dividend income of the shareholder, but rather is deemed to be a capital gain of the shareholder for the year from "a disposition of capital property".

Thus, with respect to capital gains realized by the Company, the Company serves effectively as a conduit only interposed between the investor and the underlying investment. The result is only achieved, however, if the capital gains dividends are paid by the Company within the required time, and the proper elections are made by the Company in prescribed form and by the proper time. If the capital gains dividends are not paid in this manner, the capital gains realized by the Company are taxable to the Company as they would be in the case of any public company. Because the Company will have no "*capital dividend account*", the combined corporate and shareholder tax (when the amounts are paid out to the investor as taxable dividends) could be significantly greater than if the conduit mechanism was used.

Taxable Dividends (Other than Capital Gains Dividends)

Dividends other than capital gains dividends paid by the Company are not included in the income of a shareholder as taxable dividends, but rather are deemed to have been received by the shareholder as interest income payable on a bond issued by the Company after 1971. Accordingly, the "*gross-up/dividend tax credit*" mechanism provided in the Tax Act does not apply to taxable dividends paid by the Company to Canadian resident individual shareholders. Canadian resident corporate shareholders are not entitled to deduct the amount of a taxable dividend received from a MIC in computing taxable income.

If the Company distributes all of its income, it is again effectively treated as a conduit between the investor and the underlying investment, at least with respect to rental and interest income earned. As is the case with capital gains dividends, if the Company does not distribute all of its income within the required time by way of taxable dividends, the income remains taxable in the Company in the same manner as any other public corporation. When amounts are subsequently distributed to the shareholders through the payment of taxable dividends, the combined corporate and shareholder tax may be significantly higher than if the conduit mechanisms was used.

Disposition of Shares

Assuming the shares are capital property to the investor, the usual rules in determining capital gains and capital losses apply on the disposition of those shares as would apply on similar shares of any other public corporation. 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*”, would not be considered to be holder of the shares as capital property.

One half of any capital gain that is realised on the disposition of the shares will be included in the shareholder’s income. Any amount that is deemed to be interest or a capital gains dividend on the redemption or other acquisition of the shares by the Company is not included in determining the proceeds of disposition of the shares for capital gains purposes.

Deferred Income Plans

The shares are qualified investments for trusts governed by RRSPs, RRIFs and DPSPs at the particular time if the Company qualified as a MIC under the Tax Act, and if, throughout the calendar year in which the particular time occurs, the Company 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 or an employer, as the case may be, under the governing plan trust, or of any other person who does not deal at arm’s length with that person.

Non-Resident Shareholders

Shareholders who are considered to be non-resident of Canada are subject to the following rule in the Tax Act: Any taxable dividends paid from the Company to a non-resident shareholder would be subject to a Canadian withholding tax at a maximum rate of 25% of the taxable dividend paid. This rate may be reduced if Canada has ratified a bilateral income tax treaty with the country in which the shareholder is resident.

8.7 RRSP, RRIF, RESP, TFSA Eligibility

If issued on the date hereof, the Preferred Shares would be qualified investments under the Tax Act for a trust governed by a RRSP, a RRIF, a DPSP, a registered disability savings plan, a tax-free savings account (“**TFSA**”) and a registered education savings plan, each as defined in the Tax Act, provided that either: (i) the Company qualifies as a MIC throughout a taxation year and further provided that at any time in the relevant calendar year, the Company 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; or (ii) the Preferred Shares are listed on a designated stock exchange for the purposes of the Tax Act.

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

The income and other tax consequences of acquiring, holding or disposing of the Preferred Shares will vary depending on the particular circumstances of the holder thereof, including any province or territory in which the holder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser. Consequently, prospective purchasers should consult their own tax advisors for advice with respect to the tax consequences to them of an investment in the shares based on their particular circumstances.

The Company is making the income tax disclosure contained in this Item 8, but it makes no other warranties or representations, implied or otherwise, with respect to taxation issues. If the Company were not to qualify as a MIC, the income tax consequences would be materially different from those described in this Item 8.

Purchasers 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.

ITEM 9 COMPENSATION PAID TO SELLERS AND FINDERS

Pursuant to the Agency Agreement, the Agent has agreed to act as exclusive agent for and on behalf of the Company, on a “commercially reasonable efforts” agency basis, in connection with the Preferred Share Offering.

In consideration for the services to be provided by the Agent, the Agent is entitled to: (a) a cash fee of \$500 per closing (subject to a minimum issuance of 100,000 Preferred Shares); (b) an annual trailing fee of 1% of the value of Class B Shares held by clients of the Agent, calculated and paid on a quarterly basis (at the end of each financial quarter of the Company); and (c) the reimbursement of the reasonable fees and disbursements of counsel to the Agent and the Agent’s reasonable out-of-pocket expenses.

The Company is unable to determine the amount that will be payable on account of the trailer fee at this time because it cannot estimate how many investors will subscribe for Class B Shares.

The Agency Agreement contains customary indemnification provisions and covenants in favour of the Agent. During the term of the agreement, the Company has agreed to promptly notify the Agent in writing of the particulars of: (a) any material change to its business, operations, revenues, capital, properties, assets, liabilities, condition or results; (b) any change in any material fact or matter covered by a statement in this Offering Memorandum, which change is of a nature to render any statement in this Offering Memorandum misleading or untrue or which would result in a misrepresentation in the Offering Memorandum; and (c) any material fact that has arisen or has been discovered which would have been required to have been stated in this Offering Memorandum.

The Agent may terminate its obligations under the Agency Agreement prior to the expiry date in various circumstances, including, without limitation, the following: (a) any order to cease or suspend trading in any securities of the Company or prohibiting or restricting the distribution of any of the Preferred Shares is made by any securities commission or other competent authority, and has not been withdrawn; (b) any inquiry, investigation or other proceeding in relation to the Company or any of the directors or senior officers of the Company is commenced by any securities commission or other competent authority or there is a change in law, regulation or policy, if, in the reasonable opinion of the Agent, the change adversely affects the trading or distribution or marketability of the Preferred Shares; (c) there shall have occurred any adverse change or any change in material fact, as determined by the Agent, in respect of the business operations, capital or condition of the Company which in the Agent’s opinion could reasonably be expected to have a material adverse effect on the value of the Preferred Shares; (d) there should develop any event or occurrence of national or international consequence, or any law, regulation or other occurrence of any nature whatsoever, which, in the sole opinion of the Agent, materially adversely affects or involves financial markets generally or the business, operations or affairs of the Company; or (e) the state of the financial markets becomes such that, in the opinion of the Agent, the Preferred Shares cannot be marketed profitably.

ITEM 10 RISK FACTORS

The purchase of Preferred Shares involves a number of risks factors. Neither the Company nor the Manager makes any recommendation as to the suitability of the Preferred Shares for investment by any person. In addition to the factors set forth elsewhere in this Offering Memorandum, potential Purchasers should carefully consider the following factors, many of which are inherent to the ownership of the Preferred Shares. The following is a summary only of certain of the risk factors involved in an investment of the Preferred Shares. Purchasers should consult with

their own professional advisers to assess the income tax, legal and other aspects of an investment in the Preferred Shares.

Investment Risks

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

Speculative Investment

An investment in the Preferred Shares is highly speculative. Investment in the Preferred Shares should be considered only by Purchasers who are able to make a long term investment and are aware of the risk factors involved in such an investment. You should only invest in the Preferred Shares if you are able to bear the risk of the entire loss of your investment and have no need for immediate liquidity in such investment.

No Market for Preferred Shares

There is no market through which the Preferred Shares may be sold and the Company does not expect that any market will develop pursuant to this Preferred Share Offering or in the future. Other than in accordance with the redemption and retraction rights attached to the Preferred Shares, a Purchaser may never be able to sell their Preferred Shares and recover any part of their investment. Accordingly, only Purchasers who do not require liquidity should only consider an investment in Preferred Shares. Prospective investors should consult with their legal advisors in order to obtain further particulars on the restrictions on the resale of Preferred Shares purchased pursuant to this Offering Memorandum.

Prospectus Exemption and No Review

The Preferred Share Offerings are being made pursuant to exemptions from the prospectus requirement in applicable securities legislation (the “**Exemptions**”). As a consequence of acquiring the Preferred Shares offered hereby pursuant to such Exemptions and the fact that no prospectus has or is required to be filed with respect to any of the Preferred Shares offered hereby under applicable securities legislation in Canada: (i) you will be restricted from using certain of the civil remedies available under applicable securities legislation; (ii) certain protections, rights and remedies provided in such legislation will not be available to you; (iii) you may not receive information that might otherwise be required to be provided to you under such legislation; and (iv) the Company is relieved from certain obligations that would otherwise apply under such legislation. Subscribers under the Preferred Share Offering will not have the benefit of a review of the materials, including this Offering Memorandum, by any securities regulatory authority.

Resale Restrictions

The Preferred Shares are subject to resale restrictions under applicable securities laws. Such resale restrictions may never expire. Subscribers should consult with their professional advisors in respect of such resale restrictions. See Item 12 “*Resale Restrictions*”.

Redemption / Retraction Liquidity

The Preferred Shares are redeemable, meaning that Preferred Shareholders have the right to require the Company to redeem them, upon appropriate advance notice from the Preferred Shareholders to the Company. The Company provides no assurance that any Preferred Shareholders will be able to retract or redeem any or all of their Preferred Shares at any time. Retraction and redemption of the Preferred Shares is subject to the Company’s Articles, the Company having access to sufficient excess cash, or other liquid assets, and being in compliance with applicable corporate and securities legislation, and is subject to the terms in this Offering Memorandum, all as determined solely by the Company. Retraction and redemption of the Preferred Shares is also subject to the discretion of the Directors to act in the best interests of the MIC under the Tax Act. Accordingly, this investment is unsuitable for those prospective Purchasers who may require liquidity.

Absence of Voting Rights

The Preferred Shares being sold under this Preferred Share Offering do not carry voting rights (except as otherwise provided in the *Business Corporations Act* (British Columbia)), and consequently a Purchaser's investment in Preferred Shares does not carry with it any right to take part in the control or management of the Company's business, including the election of Directors. In assessing the risks and rewards of an investment in Preferred Shares, potential Purchasers should appreciate that they are relying solely on the good faith, judgment and ability of the Directors, officers and employees of the Company and to make appropriate decisions with respect to the management of the Company, and that they will be bound by the decisions of the Company and the Manager and their respective directors, officers and employees.

No Insurance

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

Issuer Risks

Risks that are specific to the Company include the following:

Qualification as a Mortgage Investment Corporation

The Directors will use their commercially reasonable best efforts to ensure that the Company continues to qualify as a MIC as defined in the Tax Act. There can be no assurance, however, that the Company will be able to meet the Tax Act's MIC qualifications at all material times. As a company qualified as a MIC, the Company 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 Company 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 Company fails to maintain its MIC qualification in a particular year, the dividends paid by the Company on the Preferred Shares would cease to be deductible from the income of the Company 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 RRSPs, DPSPs and RRIIFs, with the effect that a penalty tax would be payable by the Subscriber.

Dilution

The Company is authorized to issue up to 10,000,000 Class B Shares and up to 10,000,000 Class F Shares. The proceeds of the Offering may not be sufficient to accomplish all of the Company's proposed objectives. In addition to alternate financing sources, the Company may conduct future offerings of Preferred Shares in order to raise funds required which will result in a dilution of the interests of the Preferred Shareholders in the Company.

No Assurance of Achieving Investment Objectives

There is no assurance that the Company will be able to achieve its investment objectives or be able to pay dividends at the targeted levels or preserve capital. The funds available for distribution to holders of Preferred Shares will vary according to, among other things, the interest and principal payments received in respect of the loans comprising the Company's mortgage portfolio. There is no assurance that the Company's mortgage portfolio will earn any return. The Company may periodically re-evaluate the targeted level of dividends and adjust it higher or lower. An investment in the Company is appropriate only for investors who have a capacity to absorb a loss on their investment and who can withstand the effect of dividends not being paid in any period or at all.

Reliance on Manager

In accordance with the terms of the Management Agreement between the Company and the Manager, the Manager has significant responsibility for the Company's operations and success. Any inability of the Manager to perform competently or on a timely basis will negatively affect the Company and its operations.

Key Personnel

The operations of the Company and the Manager are highly dependent upon the continued support and participation of their key personnel. The loss of their services may materially affect the timing or the ability of the Company to implement its business plan. The Company and the Manager's management teams consist of several key people. In order to manage the Company and the Manager successfully in the future, it may be necessary to further strengthen their management teams. The competition for such key 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 Company's business, financial condition, and results of operations.

Conflicts of Interest

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

Sourcing Mortgages and Competition

The ability of the Company to achieve income is dependent in part upon the Manager being able to identify and assemble an adequate supply of mortgages. There are no assurances that the Company will be able to locate an adequate ongoing supply of investments. The Company will compete with numerous sources of mortgage lenders, including banks, insurance companies, mortgage funds, mortgage investment corporations, private lenders, individuals, partnerships, companies, trusts and institutions for the investment in the financing of real properties. Many of these competitors have greater financial resources than the Company or operate with greater flexibility. An increase in the availability of investment funds and an increase in interest in such investments may increase competition for those investments, thereby potentially reducing the yield on the investments.

Competition

The Company competes with numerous sources of mortgage lenders, including banks, insurance companies, mortgage funds, mortgage investment corporations, and private lenders, many of which may have greater capital resources. The existence of competing parties could have a material adverse effect on the revenues or profitability of the Company and its ability to meet its debt obligations.

Litigation

The Company may become subject to disputes with various parties with whom it maintains relationships or with whom it does business. Any such dispute could result in litigation or other legal proceedings. Whether or not any dispute actually proceeds to litigation, the Company may be required to devote significant resources, including management

time and attention, to its successful resolution (through litigation, settlement or otherwise), which would detract from management's ability to focus on its business. Any such resolution could involve the payment of damages, costs or expenses, which may be significant. In addition, any such resolution could involve the Company's agreement to certain settlement terms or conditions that may restrict the operation of its business.

Future Operations and Possible Need for Additional Funds

The Company requires significant funds to carry out its business plan. In the event the Company is unable to raise sufficient funds pursuant to this Preferred Share Offering and/or additional future debt and/or equity financing, the Company may have insufficient funds available to it to implement its business plan, and Purchasers may receive no return on their Preferred Shares. Certain uninsurable or uninsured events may also occur which can substantially reduce the ability of the Company to carry on business in a profitable manner, including natural or man-made disasters. The Company anticipates that a substantial portion of the net proceeds of this Preferred Share Offering will be expended by the Company in investing in residential mortgages, and also anticipates that the net proceeds of the Preferred Share Offering and anticipated cash flow from operating revenues will be sufficient to carry out the Company's business plan. There can be no assurances, however, that the Company 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 assurance that the Company will not require additional financing. The Company has no current arrangements with respect to any other additional financing, and there can be no assurance that any such additional financing can be obtained on terms acceptable to the Company, or at all. Failure to obtain additional financing would likely have a substantial material adverse effect on the Company. Moreover, in the event the Company were to obtain such additional financing, it could have a dilutive effect on Purchasers' participation in the revenues generated through the Company's operations.

Investment Concentration

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

Industry Risk

Risks that are specific to the Company's industry include the following:

General

The Company faces risks because of the industry in which it operates. Real estate investment is subject to significant uncertainties due, among other factors, to uncertain costs of construction, development and financing, uncertainty as to the ability to obtain required licenses, permits and approvals, and fluctuating demand for developed real estate. The anticipated higher returns associated with the Company's mortgages reflect the greater risks involved in making these types of loans as compared to long-term conventional mortgages. Inherent in these loans are completion risks as well as financing risks.

Nature of Mortgage Backed Investments

Investments in mortgages are affected by general economic conditions, local real estate markets, demand for leased premises, fluctuation in occupancy rates, interest rates and operating expenses, and various other factors. The Company's investments in mortgage loans will be secured by real estate, the value of which can fluctuate. The value of

a real estate property may ultimately depend on the credit and financial stability of the tenants. Changes in market conditions may decrease the value of the secured property and reduce the cash flow from the property, thereby affecting the ability of the borrower to service the debt and/or repay the loan based on the property income. Investments in mortgages are relatively illiquid. Such illiquidity will tend to limit the Company's ability to change its portfolio promptly in response to changing economic or investment conditions. Investments in mortgages on real properties under development may be riskier than investments in mortgages on existing properties.

Credit Risk

As with most mortgage investment corporations, the Company provides financings 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 repayment obligation, causing the Company to incur a financial loss. The Company minimizes its credit risk primarily by ensuring that the collateral value of the security fully protects both first and second mortgage advances, that there is a viable exit strategy for each loan, and that loans are made to experienced developers and owners. In addition, the Company intends to limit 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.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to hedge this liquidity risk by maintaining a line of credit and managing Preferred Shares. Successful utilization of leverage, as contemplated by any bank line of credit or other financing depends on the Company's ability to borrow funds from outside sources and to use those funds to make loans and other investments at rates of return in excess of the cost to the Company of the borrowed funds. Leverage increases exposure to loss. The Company controls liquidity risks through cash flow projections used to forecast funding requirements on mortgage proposals and includes anticipated redemption of Preferred Shares. The Company commits to mortgage investments only on an assured cash availability basis.

Priority

Financial charges for financing funded by other lenders, such as conventional third party lenders, may rank in priority to the mortgages registered in favour of the Company. In the event of default by the borrower under any prior financial charge, the Company may not recover under foreclosure proceedings, any or all of the monies advanced. As a result, second or subordinate priority mortgages taken by the Company to secure mortgage loans carry a higher risk than first priority mortgages on the same properties. Notwithstanding that first priority mortgages generally have a lower risk than a second or subordinate priority mortgage, there are no assurances that the Company will in all cases be able to collect the entire amount of principal, interest and costs due under a first priority mortgage loan.

Risks Associated with Default and Foreclosure

In the event of default by a borrower, it may be necessary or prudent for the Company to engage in foreclosure or other legal proceedings to sell the defaulting borrower's property or to make further payments to complete an unfinished project (including additional costs of a receiver), or to pay off or maintain prior mortgages in good standing. In those cases, it is possible that the total amount recovered by the Company may be less than the total principal loaned, resulting in loss to the Company. As a result of foreclosure the Company may own real property, which can result in costs such as, among others, real estate taxes, strata/condo fees and legal fees, as well as environmental liabilities, which could adversely affect the Company's income. In a foreclosure, the mortgage is no longer performing and the Company loses its interest income stream and until the property can be sold the capital is tied up in the property without any income being earned. If the foreclosure is on a second mortgage then the Company may determine it is in the best interests to assume the first mortgage and begin paying mortgage payments on the first mortgage, which further impacts the Company's cash flow and ability to invest its cash in performing mortgages or pay dividends or

redeem shares. There are no assurances that a sale of foreclosed property will provide sufficient proceeds to cover the Company's principal loan amount or accrued interest. The likelihood of this occurring is increased where the Company's mortgage does not have a first priority. In the event the Company takes title to a property in the foreclosure process, the provisions of the Tax Act prohibit a MIC from managing or improving the property. These restrictions prevent a MIC from renting the property until it can be sold, and limits the amount of maintenance a MIC can perform on the property to prepare it for sale. These limitations can impact the MIC's potential revenues and negatively impact the sale price of foreclosed properties.

Impaired Loans

The Company may from time to time have one or more impaired loans in its portfolio, particulars of which can be obtained by contacting the Company. The Company defines loans as being impaired where full recovery is considered in doubt based on a current evaluation of the security held and for which write-downs have been taken or specific loss provisions established. As at the date of this Offering Memorandum, the Company does not have any mortgages pending foreclosure proceedings.

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 Company cannot predict the effect that such factors will have on its operations.

Decline in Property Value

The Company's mortgage loans will be secured by real estate. All real estate investments are subject to elements of risk. Real property value is affected by general economic conditions, local real estate markets, the attractiveness of the property to tenants, competition from other available properties and other factors. While independent appraisals are generally required before the Company may make any mortgage investments, the appraised values provided therein, even where reported on an "as is" basis, are not necessarily reflective of the market value of the underlying real property, which may fluctuate. However, the Directors may, in their discretion, waive the requirement for an appraisal in circumstances where the loan value is deemed by the Directors, acting reasonably, to be conservative (i.e. 60% or less loan-to-value ratio) in relation to the assessed value published by BC Assessment with respect to the property in question.

Provided that real estate markets in British Columbia remain healthy and property values remain higher than the amounts advanced to borrowers, then mortgagees should be able to recover their loans, if such loans are in default and recovery becomes necessary, through regular foreclosure proceedings. However, if a market correction occurs in British Columbia, and property values decline, then the risk of loss to mortgagees, including the Company, could be significant. In making its investment decisions, the Company mitigates this risk by investing in accordance with its investment policy as more particularly described herein. In addition, in order to determine that a borrower's representations about his, her or its income and collateral are not untrue, the Company works with established legal professionals in preparing its loan documentation and by adhering to all regulations of the British Columbia Financial Services Authority (formerly Financial Institutions Commission). The Company places mortgages through trusted mortgage brokers with whom it has had a historical relationship. Although the Company takes steps to mitigate risks associated with borrowers' equity vis-à-vis a potential market downturn, the Company may not be fully protected in the event that property values decline.

Renewal of Mortgages

There can be no assurance that any of the mortgages comprising the Company's mortgage portfolio from time to time can or will be renewed at the same interest rates and terms, or in the same amounts as originally negotiated. With

respect to each mortgage comprising the mortgage portfolio, it is possible that the mortgagor, the mortgagee or both, will not elect to renew such mortgage. In addition, if the mortgages in the mortgage portfolio are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such mortgages will be subject to negotiations between the mortgagors, the mortgagee and the Company's management at the time of renewal.

Environmental

Environmental legislation and policies have become an increasingly important feature of property ownership and management in recent years. Under various laws, the Company could become liable for the costs of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and wastes at or from a property, or disposed of at another location. The failure to effect remedial work may adversely affect an owners' ability to sell real estate or to borrow using the real estate as collateral and could result in claims against the owner.

Concentration Risk

Although the Company will endeavour to maintain a diversified portfolio, the composition of the Company's investment portfolio may vary widely from time to time and may be concentrated by type of security, industry or geography, resulting in the Company's portfolio being less diversified than anticipated. There is no assurance that the Company's mortgage portfolio will be profitable.

Changes in Government Regulations

The Company may need to change the manner in which it conducts business if government legislation or regulation changes, including in respect of the Tax Act as it pertains to MICs. In October, 2017, the Federal Office of the Superintendent of Financial Institutions ("OSFI") published guidelines, effective January 1, 2018, dealing with residential mortgage underwriting practices and procedures. OSFI does not currently regulate private lenders such as the Company, and Canada's Finance Minister indicated in January, 2019 that at that time, the Federal government was not looking to expand its reach into the private lending industry. In the short term, this may mean increased activity in the residential market as borrowers do not meet the "stress tests" required by federally regulated institutional lenders. The Company will maintain its existing prudent investment and lending policies to avoid making any loans to borrowers whose financial status and covenant are risky. In the longer term, the Company will monitor the Federal government's position and will be ready to implement changes to policies in the event that the Federal government extends its reach into the private mortgage lending realm.

Other Risks

An investment in Preferred Shares may include the following risks:

Anti-Money Laundering/Proceeds of Crime Legislation

In British Columbia, there has been increasing concern with possible money laundering activities in the financial services industry in particular. In order to mitigate risks associated with this issue and to ensure that monies invested in the Company are not proceeds of crime, the Company does not solicit or sell the Preferred Shares directly. Rather, it relies on the Agent, which is subject to onerous anti-money laundering and "know your client" regulations, to screen investors and report any suspicious activities.

Extreme Weather and other Weather Events

Frequent or unusually heavy snowfall, ice storms, rainstorms, forest fires or other extreme weather conditions may affect the value of the real estate securing the Company's mortgage loans or borrowers' financial circumstances, including their employment or business income. In addition, natural disasters such as hurricanes, tornadoes and

earthquakes, or a combination of these or other factors, could severely damage or destroy such real estate located in the affected areas or severely adversely affect the financial circumstances of borrowers. Extreme weather or other weather events may disrupt the Company's business and operations, adversely affecting the Company's financial results, resulting in lower returns to investors.

Cybersecurity

Failures or breaches of the electronic systems of the Company, the Manager and/or the Company's other service providers, if any, have the ability to cause disruption and negatively impact the Company's business operations, potentially resulting in financial losses to the Company and its shareholders. While the Company has established continuity plans and risk management systems to mitigate the risk of system breaches or failures, there are inherent limitations with such plans and systems. In addition, the Company cannot control the cybersecurity plans and the systems of the Manager and/or other services providers. Security breaches could materially compromise information, disrupt business operations or cause the Company to breach obligations, thereby exposing the Company to liability, reputational harm and/or significant remediation costs. A theft, loss, corruption, exposure, fraudulent use or misuse of information whether by third parties or as a result of employee malfeasance could result in significant remediation and other costs, fines, litigation or regulatory actions against the Company, as well as, cause reputational harm, negatively impact the Company's competitive position and affect financial results.

Health epidemics, pandemics and similar outbreaks

The Company's business and financial results may be negatively impacted by health epidemics, pandemics and similar outbreaks. The COVID-19 pandemic could have negative impacts on the Company's business, including increased client credit risk and decreased property values. The Company continues to work with its stakeholders (including clients, employees, partners, service providers, creditors and local communities) to address responsibly this global pandemic. The Company will continue to monitor the situation, to assess further possible implications to its business, clients and creditors, and to take actions in an effort to mitigate adverse consequences on its business and affairs. Despite the Company's efforts to manage these impacts on its business, its ultimate impact also depends on factors beyond the Company's knowledge or control, including the duration and severity of any outbreak and actions taken to contain its spread and mitigate its public health effects. The Company cannot at this time predict the impact of the COVID-19 pandemic, but it could have a material adverse effect on the Company's business, financial position, results of operations and/or cash flows.

For all of the aforesaid reasons and others set forth and not set forth herein, the Preferred Shares involve a certain degree of risk. Any person considering the purchase of the Preferred Shares should be aware of these and other factors set forth in this Offering Memorandum and should consult with his, her or its legal, tax and financial advisers prior to making an investment in the Preferred Shares. The Preferred Shares should only be purchased by persons who can afford to lose all of their total investment

ITEM 11 REPORTING OBLIGATIONS

As the Company is not a "reporting issuer" as defined in the applicable securities legislation, the continuous reporting requirements of those acts do not generally apply to the Company.

Notwithstanding the foregoing, issuers relying on the offering memorandum exemption to distribute securities in certain provinces are required to file, deliver or make reasonably available, as applicable, certain prescribed documents within prescribed time periods with or to, as applicable, the applicable securities regulatory authority and each holder of a security acquired under the offering memorandum exemption.

In Ontario, Québec, Saskatchewan, and New Brunswick, the Company must, within 120 days after the end of each its financial years, deliver to the securities regulatory authorities annual financial statements and make them

reasonably available to each investor who has acquired Preferred Shares under this Offering Memorandum. In Alberta, the Company must, within 120 days after the end of each its financial years, file with the securities regulatory authority annual financial statements and make them reasonably available to each investor who has Preferred Shares under this Offering Memorandum. In Nova Scotia, the Company must, within 120 days after the end of each its financial years, make the annual financial statements reasonably available to each investor who has acquired Preferred Shares under this Offering Memorandum. Such financial statements must be provided until the earlier of the date that the Company becomes a reporting issuer in any jurisdiction in Canada or the Company ceases to carry on business and it must be accompanied by a notice of the Company disclosing in reasonable detail the use of the aggregate gross proceed raised by the Company raised under this Offering Memorandum.

In New Brunswick, Nova Scotia and Ontario, the Company must make reasonably available to each Subscriber who has acquired Preferred Shares under this Offering Memorandum, a notice of each of the following events within 10 days of the occurrence of the event: (a) a discontinuance of the Company's business; (b) a change in the Company's industry; or (c) a change of control of the Company.

The Company will, however, on or before that date which is 90 days following the end of the Company's fiscal year, provide to each holder of Preferred Shares audited financial statements and all other information required to file Canadian income tax returns

ITEM 12 RESALE RESTRICTIONS

12.1 General

These securities 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 securities unless you comply with an exemption from the prospectus and registration requirements under applicable securities legislation.

12.2 Restricted Period

Unless permitted under securities legislation, you cannot trade the securities before the date that is four months and a day after the date the Company becomes a reporting issuer in any province or territory of Canada. The Company does not intend to become a reporting issuer at any time, with the result that the Preferred Shareholders may never be able to trade or re-sell their Preferred Shares.

After such period, the Preferred Shares may be transferable, subject to restrictions on transfer required in order to comply with certain provisions of the Tax Act. Section 130.1(6)(d) of the Tax Act stipulates that a mortgage investment corporation may not have fewer than 20 shareholders and no one shareholder may hold more than 25% of the issued and outstanding shares of any class of the Company's capital. Accordingly, the Articles of the Company provide that the Directors may prohibit the transfer of shares in any case where as a result of the transfer the Company would no longer meet the requirements of a MIC. The Directors intend to refuse the registration of an allotment or transfer of the Company's shares which may result in the Company ceasing to meet such qualification.

12.3 Manitoba Resale Restrictions

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

The Company has no current intention of becoming a reporting issuer in any jurisdiction and therefore the foregoing restriction on trading will continue indefinitely (subject to the availability of certain limited exemptions which may not apply in the circumstances).

ITEM 13 PURCHASERS' RIGHTS

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

Two Day Cancellation Right - You can cancel your Subscription Form to purchase these securities. To do so, you must send a notice to us by midnight on the second business day after you sign the subscription agreement to buy the securities.

Statutory Rights of Action in the Event of a Misrepresentation

Applicable securities laws in the offering jurisdictions provide you with a remedy to sue to cancel your agreement to buy the Preferred Shares or for damages if this Offering Memorandum, or any amendment thereto, contains a misrepresentation. Unless otherwise noted, in this section, a "misrepresentation" means an untrue statement or omission of a material fact that is required to be stated or that is necessary in order to make a statement in this Offering Memorandum not misleading in light of the circumstances in which it was made.

Investors in British Columbia

If you are a resident in British Columbia and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, you have a statutory right to sue:

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

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, this Offering Memorandum, the misrepresentation is deemed to be contained in this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Preferred Shares. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action or commence your action for damages within the earlier of: (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the transaction that gave rise to the cause of action.

Investors in Alberta

If you are a resident in Alberta and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, you have a statutory right to sue:

- (a) the Company to cancel your agreement to buy the Preferred Shares; or

- (b) for damages against the Company, every person who was a director of the Company at the date of this Offering Memorandum, and every person or company who signed this Offering Memorandum.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, this Offering Memorandum, the misrepresentation is deemed to be contained in this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Preferred Shares. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action or commence your action for damages within the earlier of: (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the transaction that gave rise to the cause of action.

Investors in Ontario

If you are a resident of Ontario and there is a misrepresentation in this Offering Memorandum, together with any amendment to it, you have a statutory right to sue:

- (a) the Company to cancel your agreement to buy the Preferred Shares; or
- (b) for damages against the Company.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Preferred Shares. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action.

You must commence your action for damages within the earlier of: (i) 180 days after the plaintiff 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.

A misrepresentation is defined in the *Securities Act* (Ontario) as 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 in order to make any statement therein not misleading in light of the circumstances in which it is made. A material fact, when used in relation to securities issued or proposed to be issued, is defined in the *Securities Act* (Ontario) as a fact that significantly affects, or would reasonably be expected to have a significant effect on, the market price or value of such securities.

Investors in Saskatchewan

If you are resident in Saskatchewan and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, subject to certain limitations, you have a statutory right to sue:

- (a) the Company to cancel your agreement to buy the Preferred Shares; or
- (b) for damages against:

- (i) the Company, every person who was a director or the promoter of the Company, respectively, at the date of this Offering Memorandum,
- (ii) every person or company whose consent has been filed respecting the Offering, but only with respect to reports, opinions or statements that have been made by them,
- (iii) every person who, or company that, in addition to the persons or companies mentioned in clauses (i) and (ii), signed this Offering Memorandum, and
- (iv) every person who, or company that, sells the Preferred Shares on behalf of the Company 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 defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Preferred Shares. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action.

You must commence your action for damages within the earlier of: (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or (ii) six years after the date of the transaction that gave rise to the cause of the action.

In addition, subject to certain limitations, where any advertising or sales literature (as such terms are defined in the Saskatchewan securities legislation) disseminated in connection with the Offering contains a misrepresentation, a purchaser who purchases Preferred Shares referred to in that advertising or sales literature has a right of action against the Company, every promoter and director of the Company, and every person or company that sells Preferred Shares under the Offering with respect to which the advertising or sales literature was disseminated. In addition, subject to certain limitations, where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the Preferred Shares and the verbal statement is made either before or contemporaneously with the purchase of Preferred Shares, the purchaser has a right of action for damages against the individual who made the verbal statement.

Investors in Manitoba

If you are a resident in Manitoba and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, you have a statutory right to sue:

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

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, this Offering Memorandum, the misrepresentation is deemed to be contained in this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a

defense if you knew of the misrepresentation when you purchased the Preferred Shares. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action or commence your action for damages within the earlier of: (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) two years after the day of the transaction that gave rise to the cause of action.

Cautionary Statement Regarding Report, Statement or Opinion by Expert

This Offering Memorandum includes the independent auditor's report on the annual consolidated financial statements of the Company dated August 30, 2023 and a summary of the income tax consequences to Canadian residents prepared by the Trust's independent tax adviser. You do not have a statutory right of action against these parties for a misrepresentation in the offering memorandum. You should consult with a legal adviser for further information.

You should refer to the applicable provisions of the securities legislation for particulars of the rights or consult with a lawyer.

You should consult your own legal advisers with respect to your rights and the remedies available to you. The rights discussed above are in addition to and without derogation from any other rights or remedies, which you may have at law.

THE SECURITIES LAWS OF BRITISH COLUMBIA, ALBERTA, ONTARIO, SASKATCHEWAN AND MANITOBA ARE COMPLEX. THE FOREGOING IS A SUMMARY ONLY AND SUBJECT TO INTERPRETATION. REFERENCE SHOULD BE MADE TO THE APPLICABLE SECURITIES LEGISLATION, THE REGULATIONS AND THE RULES THEREUNDER FOR THE COMPLETE TEXT OF THE PROVISIONS UNDER WHICH THE FOREGOING RIGHTS ARE CONFERRED. THE FOREGOING SUMMARY IS SUBJECT TO THE EXPRESS PROVISIONS THEREOF.

THE RIGHTS DISCUSSED ABOVE ARE IN ADDITION TO, AND WITHOUT DEROGATION FROM, ANY OTHER RIGHTS OR REMEDIES WHICH THE SUBSCRIBERS MAY HAVE AT LAW. SUBSCRIBERS SHOULD CONSULT THEIR OWN LEGAL ADVISERS WITH RESPECT TO THEIR RIGHTS AND THE REMEDIES AVAILABLE TO THEM.

ITEM 14
FINANCIAL STATEMENTS

All Island Equity Mortgage Investment Corp.
Financial Statements
June 30, 2023

All Island Equity Mortgage Investment Corp.

Contents

For the year ended June 30, 2023

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To the Shareholders of All Island Equity Mortgage Investment Corp.:

Opinion

We have audited the financial statements of All Island Equity Mortgage Investment Corp. (the "Company"), which comprise the statement of financial position as at June 30, 2023, and the statements of profit and other 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 June 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

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.

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.

Nanaimo, British Columbia

August 30, 2023

MNP LLP

Chartered Professional Accountants

All Island Equity Mortgage Investment Corp.
Statement of Financial Position

As at June 30, 2023

	2023	2022
Assets		
Current		
Cash	2,097,160	2,656,111
Current portion of mortgages receivable (Note 5), (Note 6)	56,737,777	47,266,790
Prepaid expenses	28,557	8,196
	58,863,494	49,931,097
Non-current		
Mortgages receivable (Note 5)	958,039	-
	59,821,533	49,931,097
Liabilities		
Current		
Accounts payable and accruals (Note 8)	360,719	283,599
Dividends payable (Note 9)	296,390	228,958
Prepaid mortgage interest	144,591	115,698
Unearned revenue	148,479	152,477
	950,179	780,732
Events after the reporting period (Note 14)		
Shareholders' Equity		
Share capital (Note 10), (Note 11)	58,941,501	49,218,208
Deficit	(70,147)	(67,843)
	58,871,354	49,150,365
	59,821,533	49,931,097

Approved on behalf of the Board

"signed"
 Director

"signed"
 Director

All Island Equity Mortgage Investment Corp.

Statement of Comprehensive Loss

For the year ended June 30, 2023

	2023	2022
Revenue		
Interest - mortgage investments <i>(Note 6)</i>	4,805,081	3,657,945
Lender fees	560,591	413,674
	5,365,672	4,071,619
Expenses		
Bank charges	7,102	3,168
Computershare transfer agent fees	12,451	10,751
Financial fees <i>(Note 8)</i>	1,112,151	846,170
Interest	51,553	-
Office <i>(Note 8)</i>	168,078	122,425
Professional fees	92,330	70,133
	1,443,665	1,052,647
Net earnings before other items	3,922,007	3,018,972
Other items		
Provision for mortgage investment loss <i>(Note 5)</i>	235,000	-
Net earnings before dividend expense	3,687,007	3,018,972
Dividends <i>(Note 8)</i>	(3,689,311)	(3,033,789)
Comprehensive loss	(2,304)	(14,817)

The accompanying notes are an integral part of these financial statements

All Island Equity Mortgage Investment Corp.

Statement of Changes in Shareholders' Equity

For the year ended June 30, 2023

	<i>Share capital</i>	<i>Deficit</i>	<i>Total equity</i>
Balance June 30, 2021	40,587,802	(53,026)	40,534,776
Comprehensive income (loss) for the year	-	(14,817)	(14,817)
Issuance of share capital - Class B shares	8,467,900	-	8,467,900
Repurchase of shares - Class B shares	(1,999,860)	-	(1,999,860)
Dividends reinvested - Class B shares	2,164,137	-	2,164,137
Offering memorandum costs, net	(1,771)	-	(1,771)
Balance June 30, 2022	49,218,208	(67,843)	49,150,365
Comprehensive income (loss) for the year	-	(2,304)	(2,304)
Issuance of share capital - Class B shares	8,136,250	-	8,136,250
Repurchase of shares - Class B shares	(1,059,977)	-	(1,059,977)
Dividends reinvested - Class B shares	2,653,584	-	2,653,584
Offering memorandum costs, net	(6,564)	-	(6,564)
Balance June 30, 2023	58,941,501	(70,147)	58,871,354

All Island Equity Mortgage Investment Corp.

Statement of Cash Flows

For the year ended June 30, 2023

	2023	2022
Cash provided by (used for) the following activities		
Operating activities		
Fees and other receipts	556,592	388,257
Cash paid to suppliers	(1,576,004)	(966,481)
Interest received	4,862,187	3,218,494
Interest paid	(27,463)	(11,364)
Dividends paid	(968,295)	(837,861)
	2,847,017	1,791,045
Financing activities		
Payment of share issue costs	(25,001)	(14,614)
Proceeds from issuance of preferred shares	8,136,249	8,467,900
Redemption of preferred shares	(1,059,977)	(1,999,860)
	7,051,271	6,453,426
Investing activities		
Proceeds from disposal of foreclosed assets held for sale	-	103,624
Funding of mortgages receivable	(35,337,551)	(32,964,323)
Discharge of mortgages receivable	24,880,312	17,827,033
	(10,457,239)	(15,033,666)
Decrease in cash	(558,951)	(6,789,195)
Cash, beginning of year	2,656,111	9,445,306
Cash, end of year	2,097,160	2,656,111
Supplementary cash flow information		
Class B Shares issued under dividend reinvestment plan	2,653,584	2,164,137

The accompanying notes are an integral part of these financial statements

All Island Equity Mortgage Investment Corp.

Notes to the Financial Statements

For the year ended June 30, 2023

1. Reporting entity

All Island Equity Mortgage Investment Corp. (the "Company") was incorporated under the laws of British Columbia on February 27, 1997. The Company is domiciled in Canada. The Company's principal business activity is mortgage lending for residential and commercial properties. The Company is a mortgage investment corporation ("MIC") and is deemed to be a public corporation under the Income Tax Act.

The investment objective of the Company is, with a primary focus on capital preservation, to acquire and maintain a diversified portfolio of mortgage loan investments, which generates income allowing the Company to pay annual dividends to shareholders at the highest possible return.

The address of the Company's registered office is 450 Wentworth Street, Nanaimo, British Columbia.

2. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements were approved by the board of directors and authorized for issue on August 30, 2023.

3. Basis of preparation

Basis of measurement

The financial statements have been prepared in the historical basis except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies are set out in Note 4.

Functional and presentation currency

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

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. These estimates and assumptions have been made using careful judgment; however, uncertainties could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are prepared based on management's best knowledge of current events and actions that the Company may undertake in the future. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized prospectively in comprehensive income in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

Mortgages receivable

The most significant estimates that management is required to make relate to the fair value of the mortgages receivable. These estimates may include assumptions regarding local real estate market condition, interest rates on the availability of credit, cost and terms of financing, and other factors affecting the investments in mortgages and underlying security of the mortgages. These key management estimates are subjective and involve inherent uncertainties and judgments.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in net earnings in the periods in which they become known. Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provision recognized.

By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements from changes in such estimates in future years could be material.

All Island Equity Mortgage Investment Corp.

Notes to the Financial Statements

For the year ended June 30, 2023

4. Summary of significant accounting policies

Except as noted above, the following principal accounting policies have been adopted in the preparation of these financial statements.

Revenue recognition

Interest income is recognized on an accrual basis by the effective interest method, using an effective interest rate which discounts estimated future cash receipts to the net carrying amount of the financial asset over the asset's expected life.

Appraisal, discharge, inspection and non-sufficient funds fees are recognized when all contractual obligations to provide the corresponding services have been satisfied and collectability is reasonably assured.

Application and renewal fees are amortized to income over the contractual terms of the mortgages, as the contractual obligation of providing mortgage financing is fulfilled over the time each mortgage is outstanding. Forfeited lender fees are recognized at the time a borrower is determined not to have fulfilled the terms and conditions of a mortgage commitment and payment has been received.

Foreclosed assets held for sale

When the Company obtains legal title of the underlying security of an impaired mortgage receivable, the carrying value of the mortgage receivable, which comprises of principal, costs incurred, accrued interest receivable and a provision for mortgage investment loss, if any, is reclassified from mortgages receivable to foreclosed assets held for sale. Foreclosed assets held for sale are recognized at the lower of its carrying amount and fair value less costs to sell. The Company uses management's best estimate to determine fair value of these properties, which may involve frequent inspections, engaging realtors to assess market conditions based on previous property transactions or, retaining professional appraisers to provide independent valuations.

Contractual interest on the mortgage investment is discontinued from the date of transfer from mortgage receivable to foreclosed assets held for sale. Net income or loss generated from foreclosed assets held for sale (including fair value adjustments), if any, is recorded as provision for loss on foreclosed assets held for sale.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Common and preferred shares are classified as equity. Incremental costs directly attributable to the issue of common and preferred shares, which include legal and accounting, are recognized as a deduction from equity.

Under IFRS, IAS 32 requires that shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liabilities. The Company's Class B preferred non-voting shares contain a redemption feature whereby the holders can request redemption of the shares during a specified period during the year. The redemption feature is subject to certain restrictions which give Management the ability to effectively defer redemption indefinitely. Accordingly, management has applied judgment in assessing whether the redemption feature would create a contractual obligation to repurchase or redeem shares for cash or another financial asset and has determined that it would not and that the shares should be classified as equity.

Financial instruments

Financial assets measure at amortized cost:

The Company has classified cash and mortgages receivable as financial assets measured at amortized cost. These assets are initially recognized as their fair value plus transaction costs that are directly attributable to their acquisition. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Subsequent to initial recognition, all financial assets are classified and subsequently measured at amortized cost. Interest revenue is calculated using the effective interest rate method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in comprehensive loss.

All Island Equity Mortgage Investment Corp.
Notes to the Financial Statements
For the year ended June 30, 2023

4. Summary of significant accounting policies *(Continued from previous page)*

Financial instruments *(Continued from previous page)*

Financial liabilities measured at amortized cost:

The Company has classified the following financial liabilities as financial liabilities measured at amortized cost: accounts payable and accruals, and dividends payable. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade.

Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Net gains and losses arising from changes in fair value are recognized in comprehensive loss upon derecognition.

Financial asset impairment

The Company assesses impairment of all its financial assets, except those classified at fair value through profit (loss). Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in current year profit (loss).

The Company reverses impairment losses on financial assets carried at amortized cost when the decrease in impairment can be objectively related to an event occurring after the impairment loss was recognized.

Mortgage Investment Corporation ("MIC") eligibility criteria

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

- i) At least 50% of the Company's assets must consist of residentially orientated mortgages and/or cash;
- ii) The Company's only business activity is the investing funds of the corporation and not managing or developing any real property;
- iii) The Company must not hold any investments secured by real property situated outside Canada; and
- iv) No shareholder, along with connected individuals, directly or indirectly may own more than 25% of the issued shares of any class and the Company must have at least 20 shareholders.

In the opinion of management, these requirements have been met.

All Island Equity Mortgage Investment Corp.

Notes to the Financial Statements

For the year ended June 30, 2023

4. Summary of significant accounting policies (Continued from previous page)

Mortgage receivable

The Company's business model is to manage mortgages and to collect principal and interest payments on mortgage investments. Loss provisions are recorded upon initial recognition of the mortgages receivable based upon expectations of future losses at the time.

The Company makes an estimate for determining whether the cash flows from mortgages receivable represent solely payments of principal and interest (SPPI). The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. At the end of each reporting period, impairment is assessed using an expected credit loss (ECL) approach. Under this approach, the level of credit risk deterioration is assessed in a three-stage impairment model. The three stages are determined, and expected credit losses are assessed as follows:

Stage 1 - No significant increase to credit risk since initial recognition. 12-month expected credit losses are recognized.

Stage 2 - Significant increase in credit risk since initial recognition. Lifetime expected credit losses are recognized.

Stage 3 - Credit impaired. Lifetime expected credit losses are recognized.

Assessments of future expected losses in Stages 1 and 2 are made using forward-looking information. Mortgage investments are transferred to Stage 3 when there is objective information indicating one or more events negatively impacting the estimated future cash flows of that receivable has occurred.

Income taxes

The Company is a mortgage investment corporation ("MIC") for income tax purposes. As such, the Company is able to deduct, in computing its income for a taxation year, dividends paid to its shareholders during the year or within 90 days of the end of the year. The Company intends to maintain its status as a MIC and pay dividends to its shareholders in the current year and in future years to ensure that it will not be subject to income taxes. Accordingly, for financial statement reporting purposes, the tax deductibility of the Company's distribution results in the Company being effectively exempt from taxation and no provision for current or future income taxes is required for the Company.

Shareholders who received dividends from the Company, other than capital gains dividends, will be deemed, for income tax purposes, to have received interest payable on a bond issued by the Company and will be subject to Canadian income or withholding taxes accordingly.

Comprehensive income (loss)

Comprehensive income (loss) includes all changes in equity of the Company, except those resulting from investments by owners and distributions to owners. Comprehensive income (loss) is the total of profit (loss) and other comprehensive income (loss). Other comprehensive income (loss) comprises revenues, expenses, gains and losses that, in accordance with International Financial Reporting Standards, require recognition, but are excluded from profit (loss). The Company does not have any items giving rise to other comprehensive income (loss). All gains/losses, including those arising from measurement of all financial instruments have been recognized in profit (loss) for the year.

Fair value measurements

The Company classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the Company to develop its own assumptions.

4. Summary of significant accounting policies *(Continued from previous page)*

Fair value measurements *(Continued from previous page)*

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

The Company considers a fair value measurement to have transferred between the levels in the fair value hierarchy on the beginning of the reporting period, the date of the event or change in circumstances that caused the transfer, etc. There were no transfers between Level 1 and Level 2, as well as no transfers into or out of Level 3 during the period.

In determining fair value measurements, the Company uses valuation techniques based on its assessment of the current ending market of same or similar terms. Typically, the mortgages receivable approximate their carrying values given the mortgages receivable consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties. When collection of the principal amount of a mortgage is no longer reasonably assured, the fair value of the mortgage is reduced to the estimated net realizable value of the underlying security.

Fair value estimates are made at a specific point in time, based on available relevant market information and details of the financial instrument. However, in cases where they may not be fully supported by observable market prices or rates, assumptions may be subjective, and fair value cannot be estimated with precision.

Standards issued but not yet effective

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at June 30, 2023 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

IAS 1 Presentation of Financial Statements

Amendments to IAS 1, issued in January 2020, provide clarification on the requirements for classifying liabilities as either current or non-current.

The amendments are effective for annual periods beginning on or after January 1, 2023. The Company does not expect these amendments to have a material impact on its financial statements.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to IAS 8, issued in February 2021, introduce a new definition of “accounting estimates” to replace the definition of “change in accounting estimates” and also include clarification intended to help entities distinguish changes in accounting policies from changes in accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023. The Company does not expect these amendments to have a material impact on its financial statements.

All Island Equity Mortgage Investment Corp.
Notes to the Financial Statements
For the year ended June 30, 2023

5. Mortgages receivable

Mortgages receivable consist of the following:

	2023	2022
Mortgage principal receivable	57,340,593	46,631,847
Accrued interest receivable	930,970	975,690
Less: allowance for mortgage investment loss	(575,747)	(340,747)
	57,695,816	47,266,790
Less: current portion of mortgages receivable	56,737,777	47,266,790
	958,039	-

Mortgages receivable bear interest between 6.00% and 11.50% (2022 - 6.00% and 11.50%) and are secured by charges against real property. Principal and/or interest only payments are due monthly and early payment of principal is permitted.

The allowance for mortgage investment loss represents the total amount of management's estimate of the expected credit loss on the mortgage receivable that has experienced a significant increase in credit risk since initial recognition (Stage 1). No mortgages receivable has been transferred to Stages 2 or 3.

6. Mortgages receivable - portfolio allocation

	Number of mortgages receivable	Carrying value	% of Portfolio
Mortgage rate %			
6.00% to 8.99%	29	17,853,807	31
9.00% to 9.49%	18	11,363,134	20
9.50% to 9.74%	17	9,847,402	17
9.75% to 9.99%	16	6,728,936	12
10.00% to 10.25%	16	9,158,863	16
10.26% to 10.50%	1	196,758	-
over 10.50%	7	2,546,916	4
	104	57,695,816	100

7. Bank indebtedness

At June 30, 2023, the Company has an available operating loan with a credit limit of \$10,000,000, bearing interest at prime plus 1.00%, of which \$nil (2022 - \$nil) was outstanding at year-end. A general security agreement covering all assets of the Company is pledged for the operating loan. Prime rate as at June 30, 2023 was 7.20% (2022 - 3.70%).

The operating loan requires that the Company maintain an equity balance of at least \$20,000,000 including preferred shares, maintain a ratio of total liabilities to tangible net worth of not greater than 0.40:1, and maintain a ratio of EBITDA to interest expense of not less than 4:1. In addition, the Company cannot provide mortgages to any person if the aggregate amount of the mortgage would exceed 15% of the mortgage portfolio without prior written consent of the Bank. As at June 30, 2023, the Company is in compliance with all such covenants. It is management's opinion that the Company is likely to remain in compliance with all credit facility covenants throughout the 12 months subsequent to June 30, 2023.

All Island Equity Mortgage Investment Corp.

Notes to the Financial Statements

For the year ended June 30, 2023

8. Related party transactions

In consideration for the services provided by the Manager (a company controlled by a director of the Company) to the Company under the Management Agreement, the Manager has agreed to pay Integral Wealth Securities Limited (the "Agent"), the agent engaged by the Company in connection with the offer and sale of Preferred Shares, an amount equal to 1% of the value of Preferred Shares held by clients of the Agent, calculated and paid on a quarterly basis (at the end of each financial quarter of the Company), from amounts earned by the Manager pursuant to the Management Agreement. The Company agreed to:

- i. pay to the Manager an annual fee of 2.0% of the Company's mortgage portfolio calculated and payable on a quarterly basis, and
- ii. to reimburse the Manager for all of its expenses incurred in connection with the management of the Company.

Included in financial fees is \$585,270 (2022 - \$435,438) paid to the Manager related to the Management Agreement, of which \$150,187 (2022 - \$122,400) is in accounts payable and accruals. This agreement became effective June 30, 2021 and expires June 30, 2026.

Included in office expenses for the current year are \$116,652 (2022 - \$89,214) paid to a company controlled by a director of the Company for the provision of financial and administrative services, of which \$34,349 (2022 - \$25,163) is in accounts payable and accruals.

Included in dividend expense is \$41,420 (2022 - \$69,950) of dividends paid to shareholders of the Company who are related parties.

The above transactions were conducted in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. Dividends payable

The Company has declared dividends to the holders of Class B non voting, no par value, retractable, redeemable preferred shares, in accordance with the provisions for mortgage investment corporations in the Income Tax Act (Canada), where dividends paid within 90 days from the end of the fiscal period are deductible from the income of the Company. For the preferred shareholders, however, these dividends are taxed as interest income.

During the year, the Company declared dividends of \$3,689,311 (2022 - \$3,033,789) of which \$2,653,584 (2022 - \$2,164,137) is reinvested and \$968,295 (2022 - \$837,861) is cash. As of June 30, 2023, \$296,390 (2022 - \$228,958) is payable. This amounts to \$0.6255 (2022 - \$0.6159) preferred share, based on a time-weighted average number of shares issued and outstanding.

10. Share capital

	Number	2023 Amount	Number	2022 Amount
Balance, beginning of year	4,925,663	49,218,208	4,062,446	40,587,802
Class B shares redeemed	(105,998)	(1,059,977)	(199,986)	(1,999,860)
Class B shares issued for cash	813,625	8,136,250	846,790	8,467,900
Class B shares issued as dividend reinvested	265,358	2,653,584	216,413	2,164,137
Class B shares offering memorandum cost	-	(25,001)	-	(14,614)
Class B shares offering memorandum amortization	-	18,437	-	12,843
	5,898,648	58,941,501	4,925,663	49,218,208

All Island Equity Mortgage Investment Corp.

Notes to the Financial Statements

For the year ended June 30, 2023

11. Issued capital

Authorized:

Common Shares

1,000 Class A common shares, voting, no par value

Redeemable/retractable preferred shares

10,000,000 Class B redeemable preferred shares, non voting, no par value, retractable at the option of the shareholder with 90 days notice, redeemable at the option of the Company with 30 days notice at \$10 each.

Issued:

	2023	2022
10 Class A common shares (2022 - 10)	10	10
5,898,640 Class B redeemable preferred shares (2022 - 4,925,653)	58,941,491	49,218,198
	58,941,501	49,218,208

Preferred shares may be redeemed at the request of the shareholders for the issue price, subject to certain restrictions outlined in the offering memorandum and management approval.

12. Capital management

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company monitors capital on the basis of a return on investment calculation to provide shareholders with a consistent rate of return from year to year. During the year, the Company's strategy, which was unchanged from the prior year, was to advance an adequate amount of mortgages at an acceptable risk level to provide a consistent return to shareholders.

In order to maintain compliance with the rules under the Income Tax Act to qualify as a mortgage investment corporation, the Company is subject to capital requirements to maintain a minimum of 20 shareholders with no shareholder owning, directly or indirectly, more than 25% of the issued shares of any class of the share capital of the Company. During the year ended June 30, 2022, the Company was in compliance with these capital requirements.

The Company manages the following as capital:

	2023	2022
Share capital	58,941,491	49,218,208
Deficit	(70,147)	(67,843)
	58,871,344	49,150,365

The Company is subject to a capital requirement imposed by the Royal Bank of Canada with regards to maintaining an equity balance of at least \$20,000,000. As at June 30, 2023 the Company was in compliance with this capital requirement.

All Island Equity Mortgage Investment Corp.
Notes to the Financial Statements
For the year ended June 30, 2023

13. Financial instruments

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit Risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

The maximum exposure to credit risk as at June 30, 2023 is the fair value of its mortgages receivable, which total \$57,695,816 (2022 - \$47,266,790). The Company has recourse under these mortgages in the event of default by the borrower, in which case the Company would have claim against the underlying property. All underlying property is located in British Columbia.

A credit concentration exists relating to mortgages receivable. As at June 30, 2023 and June 30, 2022, there were no borrowers that accounted for more than 10% of the mortgages receivable. The Company believes that there is no unusual exposure associated with the collection of receivables, other than noted as in Note 5.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates and that at the end of a mortgage's term, it will be re-priced to a prevailing interest rate lower than the original one. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The risk is mitigated by the fact that the Company is not exposed to market mortgage rates as there is no specific market for mortgages of a similar type, term or credit risk. This has allowed the Company to renew its mortgages at consistent rates.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company enters into transactions to purchase goods and services on credit and pay dividends within 90 days after the year-end, for which repayment is required at various dates and manages preferred share redemptions. Liquidity risk is measured by reviewing the Company's future net cash flows for the possibility of a negative net cash flow.

The Company manages the liquidity risk resulting from accounts payable and accruals, share redemptions and dividends payable by investing in mortgages with short-term maturities and maintains significant committed borrowing facilities from its bank for credit flexibility. The Company commits to mortgages receivable only on an assured cash availability basis.

13. Financial instruments *(Continued from previous page)*

Risk management policy

The Company, as part of operations, has established avoidance of undue concentrations of risk, and requirements for collateral to mitigate credit risk as risk management objectives. In seeking to meet these objectives, the Company follows a risk management policy approved by its Board of Directors. Policies of the Company include:

- All mortgages will be registered on title to the subject property in the name of the Company;
- No single investment or related group of investments involving one property or development, or involving several properties or developments owned by one borrower and its affiliates, will exceed 25% of the book value of the assets of the Company, unless firm takeout commitments are in place;
- Mortgages receivable will generally not exceed 75% of the appraised value at the date of advance;
- Every mortgage application must be approved unanimously by the Company's loan committee;
- The Company requires an appraisal with every mortgage application unless otherwise directed by the Directors of the Company and each appraisal is required to be prepared by a member of the Accredited Appraisal Canadian Institute; and;
- The Company must not exceed certain debt-to-equity ratios, which vary depending on the percentage of the cost of the property invested in residential mortgages or on deposit with qualifying financial institutions. If less than two-thirds of the cost of the Company's property is invested in this manner, the debt-to-equity ratio may not exceed three to one. If more than two-thirds of the cost of the Company's property is invested in this manner, then the debt-to-equity ratio may not exceed five to one.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company enters into transactions to advance funds on mortgages where an interest rate based upon current mortgage interest rates is charged on the advance date. Other price risk is mitigated by the fact that the Company is not exposed to market mortgage rates as there is no specific market for mortgages of similar type, term or credit risk. Due to this fact, a 1% change in market mortgage interest rates would not change the fair value of mortgages receivable.

The Company manages its other price risk by investing in mortgages with short-term maturities to minimize fluctuations in fair value as a result of market mortgage interest rate changes.

14. Events after the reporting period

Subsequent to the year-end, the Company entered into five (2023 - six) mortgage receivable agreements to be funded in the 2024 fiscal year, for a total of \$1,341,500 (2023 - \$3,190,000).

**ITEM 15
DATE AND CERTIFICATE**

Dated: October 13, 2023

This Offering Memorandum does not contain a misrepresentation.

ALL ISLAND EQUITY MORTGAGE INVESTMENT CORP.

"Brad Rembold"

BRAD REMBOLD, CEO and Director

"Margaret O'Connor"

MARGARET O'CONNOR, COO, Director and acting CFO

ON BEHALF OF THE BOARD OF DIRECTORS

"Stuart Gautier"

STUART GAUTIER, Director

"Patrick Sullivan"

PATRICK SULLIVAN, Director

ON BEHALF OF THE PROMOTER

AIE MIC MANAGEMENT CORP.

"Brad Rembold"

BRAD REMBOLD, Director