

OFFERING MEMORANDUM

*This Offering Memorandum constitutes a private offering of securities only in those jurisdictions and to those persons where and to whom they may be lawfully sold and therein only by those entities permitted to sell such securities. This Offering Memorandum is not, and under no circumstances is it to be construed as a prospectus, advertisement or public offering of the securities referred to herein. **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 "Risk Factors".** Persons who will be acquiring securities pursuant to this Offering Memorandum will not have the benefit of the review of the material by the securities commissions or similar authorities in Canada. The securities offered hereunder will be issued under exemptions from the prospectus requirements of the applicable securities laws of the Provinces of British Columbia, Alberta, Ontario, Saskatchewan, Manitoba, New Brunswick, Prince Edward Island, Nova Scotia, and Newfoundland and Labrador and the rules, regulations and policies thereunder and will be subject to certain resale restrictions. These securities will not be offered for sale in the United States of America.*

February 5, 2025

Continuous Offering

MORTEQ LENDING CORP.

Suite 316 – 5455 152nd Street
Surrey, British Columbia V3S 5A5
Email: parmpurewall@phlcapital.com
Telephone: (604) 579-0849
Fax: (604) 575-7410

\$1.00 per Class A Share

Minimum Subscription: \$25,000

MortEq Lending Corp. (the "Company") is a mortgage investment corporation incorporated under the *Business Corporations Act* (British Columbia) on November 16, 2006. The Company is managed by PHL Capital Corp. (the "Administrator").

The Company is offering on a private placement basis class A redeemable, non-voting preferred shares (the "Class A Shares") in the capital of the Company at an initial price of \$1.00 per Class A Share (the "Offering"). Each Class A Share represents a beneficial interest in the profits of the Company, which will principally be comprised of quarterly dividends paid in cash or in shares of the Company. Class A Shares are to be distributed by PHL Financial Group Ltd. ("PHL Financial"), an affiliate of the Administrator, and by third party registered dealers who from time to time are retained by the Administrator.

The Company is a "connected issuer" and a "related issuer" of PHL Financial, as such terms are defined in National Instrument 33-105 – *Underwriting Conflicts*. The Company has determined that it is a connected issuer and a related issuer of PHL Financial by virtue of PHL Financial's role as an exempt market dealer engaged to sell the Class A Shares offered hereby and based on the fact that the Company and PHL Financial have common securityholders, directors and officers. See "Risk Factors – Conflicts of Interest".

The Offering is being made with reliance on certain exemptions from the prospectus filing requirements available under the securities laws of the Provinces of British Columbia, Alberta, Ontario, Saskatchewan,

Manitoba, New Brunswick, Prince Edward Island, Nova Scotia, and Newfoundland and Labrador. As a result, the Class A Shares offered herein will be subject to the applicable resale restrictions under these laws. You will be restricted from selling your securities for an indefinite period. See "Resale Restrictions". There are certain risk factors inherent in an investment in the Class A Shares and in the activities of the Company. See "Risk Factors".

Subscriptions will be received if, as and when accepted, subject to prior sale and satisfaction of the conditions set forth under "Subscription Procedure" and to the right of the Company to close the subscription books at any time without notice. The Offering is continuous and Class A Shares will be available for sale in accordance with this Offering Memorandum. Purchasers will have two business days to cancel their agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, purchasers will have the right to sue either for damages or to cancel their agreement to purchase these securities. See "Subscription Procedure" and "Purchasers' Rights".

DISCLAIMERS

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. You are directed to inform yourself of and observe such restrictions and all legal requirements of your jurisdiction of residence in respect of the acquisition, holding and disposition of the securities offered hereby. Subscribers should thoroughly review this Offering Memorandum and are advised to consult with their professional advisors to assess the business, legal, income tax and other aspects of this investment. The securities offered hereby will be issued only on the basis of information contained in this Offering Memorandum and no other information or representation is authorized or may be relied upon as having been authorized by the Company. Any subscription for the securities offered hereby made by any person on the basis of statements or representations not contained or incorporated by reference in this Offering Memorandum or so provided, or inconsistent with the information contained herein or therein, will be solely at the risk of such person.

This Offering Memorandum is confidential. By their receipt hereof, prospective Subscribers agree that they will not transmit, reproduce or make available to anyone, other than their professional advisors, this Offering Memorandum or any information contained herein.

FORWARD LOOKING STATEMENTS

Certain statements in this Offering Memorandum as they relate to the Company and its operations are "forward-looking statements". Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects", "does not expect", "is expected", "anticipates", "does not anticipate", "plans", "estimates", "believes", "does not believe" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or achieved) are not statements of historical fact and may be forward-looking statements. These forward-looking statements include, but are not limited to, statements relating to: the risks relating to the activities of the Company; the Company's expectations of demand for alternative mortgage financing; the Company's investment objectives; the Company's ability to continue to have access to the Credit Facilities (as defined herein); the Company's expectations regarding the use of available funds from the Offering and cash flow from operating revenues; the Company's plans to distribute Class A Shares through PHL Financial as its selling agent or third party registered dealers; expectations regarding the amount of the Dealer Services Fee (as defined herein) and annual administration fee payable to the Administrator (as defined herein) and the services to be performed in exchange therefor; that the Company's investments in mortgage loans will meet the criteria for mortgage investment corporations under the *Income Tax Act* (Canada) and will qualify for and receive special tax treatment; that a net return on investment in the range of 6% to 10% can be achieved; the Company's operating policy; the Company expecting tighter conditions

in the credit markets to persist for several years into the future and the Company expecting steady growth in terms of new investor deposits and mortgage receivables; and that the Company will invest in first, second and in exceptional cases third mortgages on residential properties and commercial and industrial properties in British Columbia, Alberta and Ontario. Forward-looking statements are based on expectations, estimates and projections at the time the statements are made that involve a number of risks and uncertainties which would cause actual results or events to differ materially from those presently anticipated. For a description of these and other risks associated with an investment in the Class A Shares, see "Risk Factors". The Company does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

CERTAIN MARKETING MATERIALS INCORPORATED BY REFERENCE

Any "OM marketing materials" (as that term is defined in National Instrument 45-106 – *Prospectus Exemptions*) related to each distribution of Class A Shares under this Offering Memorandum in reliance on the prospectus exemption afforded by Section 2.9 of National Instrument 45-106 – *Prospectus Exemptions* to any investor resident in or otherwise subject to the securities laws of Alberta, Ontario, Saskatchewan, New Brunswick, or Nova Scotia and delivered or made reasonably available to such a prospective shareholder of the Company before the termination of the distribution are, and are deemed to be, incorporated by reference into, this Offering Memorandum for the purposes of applicable securities laws. Notwithstanding the foregoing, OM marketing materials incorporated by reference as described above are no longer incorporated by reference, and no longer form part of this Offering Memorandum, to the extent to which such materials have been superseded by a statement or statements contained in (i) an amendment to the Offering Memorandum, or an amended and restated Offering Memorandum, or (ii) subsequent OM marketing materials delivered to or made reasonably available to such a prospective shareholder. For greater certainty, any OM marketing materials related to each distribution under this Offering Memorandum of Class A Shares to an investor resident in or otherwise subject to the securities laws of British Columbia, Manitoba, Prince Edward Island or Newfoundland and Labrador, or an investor resident in or otherwise subject to the securities laws of Alberta, Ontario, Saskatchewan, New Brunswick, or Nova Scotia, in reliance on a prospectus exemption other than that afforded by Section 2.9 of National Instrument 45-106 – *Prospectus Exemptions*, and delivered or made reasonably available to such a prospective shareholder of the Company before the termination of the distribution are not, and are not deemed to be, incorporated by reference into this Offering Memorandum for the purposes of the securities laws of the applicable Province, as the case may be.

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Offering Memorandum

Date:	February 5, 2025
The Company	
Name:	MortEq Lending Corp., a mortgage investment corporation formed under the laws of the Province of British Columbia
Head office:	Suite 316-5455 152 nd Street Surrey, British Columbia V3S 5A5
Registered and Records Office:	1600 - 925 West Georgia Street, Vancouver, British Columbia V6C 3L2
Phone #:	(604) 579-0849
Website address:	https://phlfinancial.com/morteq-lending-corp/
Email address:	steveponte@phlcapital.com
Currently listed or quoted	No. These securities do not trade on any exchange or market.
Reporting issuer	No
SEDAR+ filer	No, except to the extent such filings are required by private entities.
The Offering	
Securities offered:	Class A Non-Voting Preferred Shares (the "Class A Shares"). Each Class A Share represents a beneficial interest in the profits of the Company. Each Class A Share will have the attributes and characteristics as set out under the heading "Terms of Securities".
Price per security:	\$1.00 per Class A Share.
Minimum/Maximum offering:	There is no minimum and there is no maximum. You may be the only purchaser
Minimum subscription amount:	The minimum number of Class A Shares that may be subscribed for by any one Subscriber is 25,000 Class A Shares at a subscription price of \$1.00 per Class A Share for a total of \$25,000. For subsequent investments by existing Class A Shareholders holding at least 25,000 Class A Shares, the minimum number of Class A Shares that may be subscribed for is 5,000 Class A Shares at a subscription price of \$1.00 per Class A Share for a total of \$5,000. The Company reserves the right to change the minimum amount at any time and from time to time.
Payment terms:	The full subscription price is payable upon subscription, by certified cheque, bank draft, or electronic transfer (including electronic funds transfer via the FundSERV network (www.fundserv.com), if applicable). No financing of the subscription price will be provided by the Company or the Administrator.

Proposed closing date(s):	The closing of the sale of Class A Shares offered hereunder will take place at such times as are chosen by the Company. The Company reserves the right to close the Offering at any time as subscriptions are received.
Income tax consequences:	There are important tax consequences to these securities (see "Income Tax Consequences and Eligibility for Investment").
Compensation paid to sellers and finders	A person has received or will receive compensation for the sale of securities under this offering. The Company intends to distribute Class A Shares through PHL Financial Group Ltd. ("PHL Financial"), an exempt market dealer registered in British Columbia, Alberta, Ontario, Saskatchewan, Manitoba, New Brunswick, Prince Edward Island, Nova Scotia, and Newfoundland and Labrador, which is an affiliate of PHL Capital Corp. (the "Administrator"), the manager and administrator of the Company, or through third party registered dealers who from time to time are retained by the Administrator. See Item 9 "Compensation Paid to Sellers and Finders" and Item 10 "Risk Factors – Conflicts of Interest".
Resale restrictions	As there is no market for Class A Shares, it may be difficult or even impossible to sell them. Class A Shares are subject to resale restrictions and you will be restricted from selling your Class A Shares for an indefinite period (see "Trading and Resale Restrictions").
Conditions on repurchases	You will have the right to require the Company to repurchase the securities from you, but this right is qualified by certain restrictions and procedures. As a result, you might not receive the amount of proceeds that you want. See "Terms of Securities".
Purchaser's rights	You have two business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have a right to sue for damages or to cancel the agreement. See "Purchasers' Rights".
<p>No securities regulatory authority has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment (see "Risk Factors").</p> <p>The Company is a "connected issuer" and a "related issuer" of PHL Financial, as such terms are defined in National Instrument 33-105 – <i>Underwriting Conflicts</i>. The Company has determined that it is a connected issuer and a related issuer of PHL Financial by virtue of PHL Financial's role as an exempt market dealer engaged to sell the Class A Shares offered hereby and based on the fact that the Company and PHL Financial have common securityholders, directors and officers. See "Risk Factors – Conflicts of Interest".</p>	

DEFINITIONS

The following terms used in this Offering Memorandum have the meanings set out below:

"Administration Fee"	means the fees to be paid by the Company to the Administrator in respect of the mortgage servicing and administrative services provided by the Administrator in accordance with the Administrative and Services Agreement.
"Administrative and Services Agreement"	means the Administrative and Services Agreement between the Company and PHL Capital Corp. dated February 16, 2016, as amended and restated effective as of February 18, 2020, and as may be further amended from time to time, in respect of mortgage administration and other ancillary services provided by the Administrator to the Company.
"Administrator"	means PHL Capital Corp., a British Columbia company.
"Agent"	means Royal Bank of Canada, in its capacity as administrative agent under the Loan Agreement.
"Class A Shareholder"	means a person who holds directly or indirectly a Class A Share.
"Class A Shares"	means the Class "A" redeemable, non-voting preferred shares with a par value of \$1.00 in the capital of the Company offered pursuant to this Offering Memorandum.
"Co-Lead Arrangers and Bookrunners"	means Royal Bank of Canada and Canadian Western Bank.
"Company"	means MortEq Lending Corp., a mortgage investment company established under the <i>Business Corporations Act</i> (British Columbia).
"Credit Facilities"	means the \$310,000,000 senior secured revolving facility and \$25,000,000 senior secured swingline facility, as such amounts may be adjusted from time to time, that the Lenders have authorized for use by the Company subject to the terms and conditions of the Loan Agreement.
"CSA Staff Notice 31-343"	means CSA Staff Notice 31-343 – <i>Conflicts of Interest in Distributing Securities of Related or Connected Issuers</i> .

"Dealer Services Agreement"	means the Dealer Services Agreement among the Company, the Administrator (as manager of the Company) and PHL Financial dated effective February 18, 2020, as amended effective March 19, 2021, and as may be further amended from time to time, in respect of dealer services provided by PHL Financial to the Company and Administrator.
"Dealer Services Fee"	has the meaning ascribed to it under the heading "Compensation Paid to Sellers and Finders".
"Directors"	means the board of directors of the Company.
"DRIP"	has the meaning ascribed to it under the heading "Securities Offered – Terms of Securities – Dividend Reinvestment Plan".
"Eligible Owner"	means: (i) a retirement savings plan registered in accordance with the provisions of the Tax Act held for the benefit of a Person, (ii) a retirement savings plan registered in accordance with the provisions of the Tax Act held for the benefit of the spouse of a Person (iii) a trust governed by a deferred profit sharing plan (D.P.S.P.) held for the benefit of a Person, (iv) a trust governed by a Registered Pension Plan held for the benefit of a Person, (v) a registered education savings plan (RESP) held for the benefit of a Person, (vi) a tax free saving account for the benefit of a Person; and (vii) any saving plan created by either the Government of Canada or a Provincial Government in Canada where the plan is held for the benefit of a Person.
"Invested Mortgage Portfolio"	means the Company's mortgage portfolio consisting of mainly investments in Mortgages, the composition of which varies over time.
"Lenders"	means Canadian Western Bank, Royal Bank of Canada, Bank of Montreal, Equitable Bank, ICICI, The Toronto-Dominion Bank, Wells Fargo, N.A., Canadian Branch, and Meridian Credit Union.
"Lending Committee"	means the lending committee appointed by the Directors of the Company.

"Loan Agreement"	Means the loan agreement made among the Agent, the Lenders, the Co-Lead Arrangers and Bookrunners and the Company dated November 21, 2018, as amended by the first amending agreement dated February 6, 2020, as further amended and restated by the first amended and restated loan agreement dated November 13, 2020, as further amended and restated by the second amended and restated loan agreement dated November 4, 2021, as further amended by a first amending agreement dated February 4, 2022, a second amending agreement dated April 12, 2022, a third amending agreement dated November 2, 2022, as further amended and restated by the third amended and restated loan agreement dated November 2, 2023, as further amended by a first amending agreement dated August 12, 2024 and a second amending agreement dated November 1, 2024, and as further amended and restated by the fourth amended and restated loan agreement dated February 3, 2025, and as may be further amended, supplemented, restated, replaced, or otherwise modified from time to time, in respect of the Credit Facilities granted to the Company.
"LTV"	means the loan to value ratio.
"MIC"	means a "mortgage investment corporation" as defined in the Tax Act.
"Mortgage"	means any residential or commercial mortgage containing a fixed charge over Real Property located in Canada, primarily within British Columbia, Alberta or Ontario.
"Net Preferred Share Issuance Amount"	<p>means the greater of:</p> <p>(a) \$0.00; and</p> <p>(b) the aggregate total of:</p> <p>(i) the total issue price of issuances of all shares of the Company that have redemption or retraction rights occurring after the first day of the Company's fourth fiscal quarter in 2024; less</p> <p>(ii) the redemption or retraction price of all such shares that have been redeemed or retracted in compliance with the Loan Agreement occurring after the first day of the Company's fourth fiscal quarter in 2024.</p>
"NI 45-106"	means National Instrument 45-106 – <i>Prospectus Exemptions</i> .

"Offering"	means the offering by the Company of Class A Shares on a private placement basis as described in this Offering Memorandum or in any amendments hereto.
"OLC"	has the meaning ascribed to it under the heading "The Business – Administrator".
"OSA"	means the <i>Securities Act</i> (Ontario), as amended from time to time.
"Person"	means a shareholder who is a human being.
"PHL Financial"	means PHL Financial Group Ltd., a British Columbia company, and the Company's selling agent.
"Plans"	has the meaning ascribed to it under the heading "Income Tax Consequences and Eligibility for Investment – Eligibility for Investment".
"Real Property"	means a fee simple or leasehold interest in real property located in Canada, primarily within British Columbia, Alberta or Ontario.
"Subscriber"	means a subscriber of Class A Shares pursuant to the Offering.
"Subscription Agreement"	means a subscription agreement for Class A Shares in such form as the Company or the Administrator will prescribe from time to time.
"Tax Act"	means the <i>Income Tax Act</i> (Canada) and the regulations promulgated thereunder, as amended from time to time.
"\$"	means Canadian dollars.

ITEM 1

USE OF AVAILABLE FUNDS

1.1 Funds

There is no minimum or maximum Offering. The following table describes the net proceeds from the Offering:

		<u>Assuming Minimum Offering</u>
A	Amount to be raised by the Offering	\$0 ⁽¹⁾
B	Selling commissions and fees ⁽²⁾	nil
C	Estimated offering costs (including legal, accounting and audit) ⁽³⁾	\$90,000
D	Net proceeds: $D = A - (B+C)$	(\$90,000)
E	Additional sources of funding required	\$90,000 ⁽⁴⁾
F	Working capital deficiency	nil
G	Total: $G = (D+E) - F$	\$0

Notes:

- (1) All of the net proceeds of the Offering will be invested in Mortgages in compliance with the Tax Act (see "The Business") in accordance with its investment objectives and strategies set out herein.
- (2) The Company intends to sell the Class A Shares through PHL Financial, which is an exempt market dealer registered in British Columbia, Alberta, Ontario, Saskatchewan, Manitoba, New Brunswick, Prince Edward Island, Nova Scotia, and Newfoundland and Labrador, and through third party registered dealers who from time to time are retained by the Administrator. No commissions are paid on the sale of Class A Shares by the Company to PHL Financial. PHL Financial will be paid by the Administrator an annual administration fee, payable monthly in advance, as described under "Compensation Paid to Sellers and Finders", the fee for the 2023 calendar year was \$796,000, subject to proration or adjustment as applicable, and for the 2024 calendar year is estimated at \$796,000, subject to proration or adjustment as applicable. No fees or commissions will be paid on the sale of Class A Shares by the Company or the Administrator to any authorized third party registered dealer.
- (3) Offering costs may alternatively be paid out of the net income of the Company.
- (4) If necessary the Company will access the Credit Facilities with the Lenders to provide this additional funding. See "Material Agreements – Loan Agreement".

If necessary, the Administrator may lend and pay on behalf of the Company all costs incurred in connection with the preparation for and completion of closings under the Offering, including legal and accounting fees which are estimated to be \$90,000. All costs in connection with the Offering funded by the Administrator will be repaid, without interest, from funds received by the Company from Subscribers or from income generated by the Company.

ITEM 2

BUSINESS OF MORTEQ LENDING CORP.

2.1 Structure

The Company is a corporation incorporated on November 16, 2006 under the *Business Corporations Act* (British Columbia). The head office and principal business address of the Company is Suite 316 - 5455 152nd Street, Surrey, British Columbia. The registered and records office of the Company is 1600 - 925 West Georgia Street, Vancouver, British Columbia V6C 3L2. The Company qualifies as a "mortgage investment corporation" within the meaning of subsection 130.1(6) of the Tax Act.

2.2 The Business

The Company currently qualifies as a MIC and anticipates that this should effectively enable the Company to operate as a tax-free "flow through" conduit of profit to its shareholders since it does not pay income taxes on net earnings from which dividends are paid.

The business of the Company is restricted by the Tax Act as follows:

- (a) its activities are passive and of an investment nature;
- (b) its only undertaking is the investing of funds;
- (c) it does not invest its funds in real property or leasehold interests situated outside Canada;
- (d) it does not invest its funds in debts of non-residents, except those secured on Canadian real property;
- (e) it does not invest its funds in shares of non-resident corporations;
- (f) at least 50% of the cost amount of all of its property consists of bank deposits or debts secured on Canadian homes or housing projects;
- (g) no more than 25% of the cost amount of all of its properties consist of real property or leasehold interests herein unless acquired through foreclosure;
- (h) it restricts its net leveraging to 3:1 unless more than two-thirds of its investments are in residential mortgages and bank deposits, in which case it is entitled to 5:1 leveraging;
- (i) no one shareholder of the Company may own, directly or indirectly, at any time more than 25% of the issued and outstanding shares of any class of the Company; and
- (j) there must be, at minimum, 20 non-related shareholders of the Company during each year of its continuance.

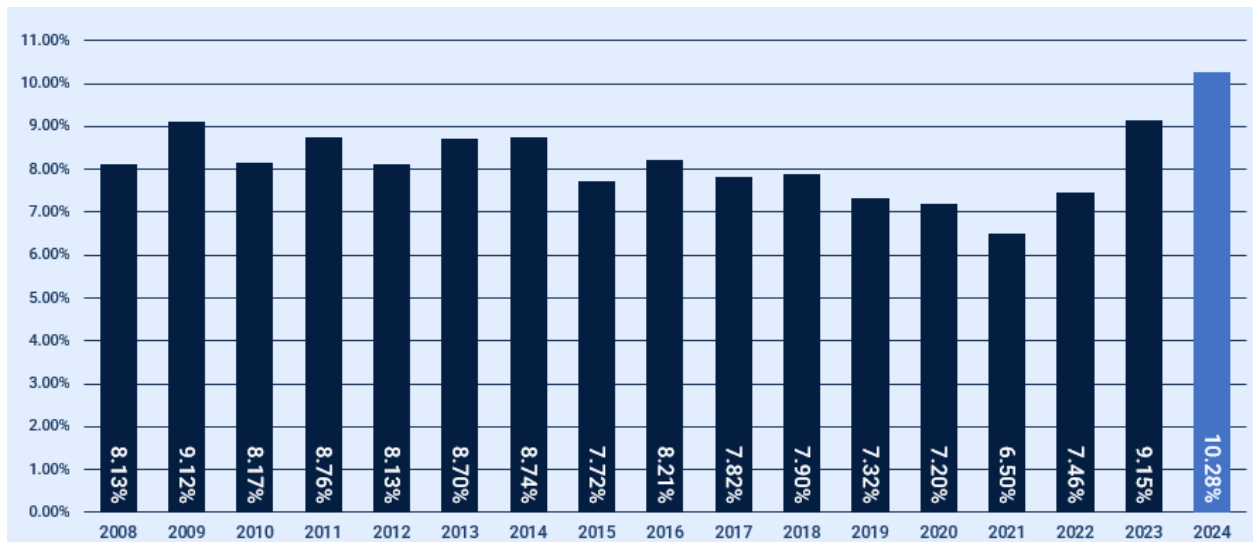
Investment Objective

The Company intends to provide its Class A Shareholders with the opportunity to participate in a professionally managed and diversified portfolio of residential and other mortgage loans secured by real property located within British Columbia, Alberta and Ontario. The Company distributes all of its profits to Class A Shareholders by way of quarterly dividends in cash or in shares of the Company and is not taxed on its earnings.

The investment policy of the Company is designed to allow it to qualify for the special tax treatment afforded to MICs under the Tax Act. The policy requires the Company to invest the majority of its assets in residential and commercial mortgages, cash on hand and deposits. The Company has arranged financing through the Credit Facilities.

By leveraging the capital base of the Company, investing prudently and charging borrowers "user" fees, it is anticipated that a net return on investment (after payment of all expenses of the Company) in the range of 6% to 10% can be achieved. There can be no assurance or guarantees that such returns will be obtained.

The annual rates of return of the dividends paid to the Class A Shareholders since the completion of the Company's 2007 fiscal year are as follows:



The annual rate of return for each fiscal year is determined by aggregating the returns of each fiscal quarter, which quarterly returns are computed based on the total distributable income for the relevant quarter divided by the daily factored share for such quarter.

The types of mortgage loans in which the Company has invested and will invest, are consistent with the criteria for MICs and for so long as the Company meets these criteria, it will be accorded "flow through" tax treatment and not be taxed on any of its earnings so long as all profits after expenses are paid out in the form of dividends, either in shares or cash.

The relationship between the Company's cash flows from operating activities and profit or loss, and its historical distributed cash amounts can be summarized in further detail as follows:

	Cash Flow:	Accumulated for the year ended August 31, 2024	Previously completed fiscal years	
			(2023)	(2022)
A.	Cash flows from operating activities	\$(69,686,067)	(\$105,148,641)	(\$204,518,318)
	Add back changes in mortgages receivable	<u>\$668,211,757</u>	<u>\$566,982,584</u>	<u>\$645,438,145</u>
		\$598,525,690	\$672,131,225	\$440,919,827
B.	Profit or loss	\$53,821,963	\$43,126,453	\$30,570,904
C.	Actual cash distributions paid or payable relating to the period	\$53,821,963	\$43,126,453	\$30,570,904
D.	Excess (shortfall) of cash flows from operating activities over cash distributions paid (A) – (C)	\$544,703,727	\$629,004,772	\$410,348,923
E.	Excess (shortfall) of profit or loss over cash distributions paid (B) – (C)	Nil	Nil	Nil

The Company's dividends are paid quarterly and not guaranteed. The returns will fluctuate from year to year mainly due to the Company's ability to deploy its capital and avoid losses on its mortgage portfolio. The Company's ability to deploy its capital is influenced by the state of the alternative mortgage market in British Columbia, Alberta and Ontario. The alternative mortgage market in these regions is influenced by factors such as the price of real estate, interest rates, lending competition for mortgages generally as well as for alternative mortgages specifically, employment conditions and general economic activity.

With respect to lending competition in particular, one of the primary sources of competition for the Company is other mortgage investment corporations in British Columbia, and other parts of Canada, with investment strategies and objectives similar to the Company and a focus on properties in British Columbia, Alberta, and/or Ontario. Other sources of lending competition include traditional financial institutions, such

as banks, credit unions, and trust companies, as well as the use of online platforms that connect borrowers with investors directly.

The Company's annualized rate of return of the dividends paid to the holders of Class A Shares for the 2024 fiscal year was 10.28%, which resulted in dividends declared during the 2024 fiscal year in the aggregate amount of \$53,823,018, of which \$18,497,709 was paid in cash from operating activities and \$35,325,309 was reinvested in Class A Shares through the reinvestment option.

Operating Policy

The Company invests in first, second, and in exceptional cases third mortgages on residential properties such as single family dwellings, duplexes, townhouses, condominium units, land or multiple family dwellings such as apartment buildings, including properties under construction, providing that in so doing the Company continues to qualify as a MIC. The Company also invests in mortgages on commercial and industrial properties including properties under construction. The Company invests in Mortgages with terms of three years or less, and attempts to stagger the maturities in order to produce an orderly turnover of assets and liabilities.

The Company generally requires a current appraisal, with every Mortgage application, prepared by a member of the Accredited Appraisal Canadian Institute or Canadian Residential Appraiser. Mortgage investments generally do not exceed 75% of the appraised value of the subject property at the date of advance. Mortgage investments are approved by the Lending Committee appointed by the Directors of the Company and any such approved investments in a single mortgage or to an affiliated group of borrowers are limited to no more than 10% of the Company's aggregate approved Mortgage investments, as at the date of approval. Mortgage investments are only made where appraisals and all other relevant materials, including credit and financial reports (including documents evidencing the borrower's income), and documents considering potential exit strategies for the Company in respect of the investment and the desirability, liquidity and affordability of the subject property are satisfactory to the Lending Committee. Following the initial advance, the Company causes the subject property of each Mortgage to be appraised by a member of the Accredited Appraisal Canadian Institute or Canadian Residential Appraiser every 36 months thereafter, and starting January 1, 2024, the Company expects to cause such appraisals every 24 months following thereafter. In the event that any such subsequent appraisal results in the Mortgage investments exceeding 75% of the appraised value, any next steps to be taken by the Company under its lending documents (including the ability for the borrower to renew the relevant loan) in respect of such Mortgage investments in light are considered by the Lending Committee on a case-by-case basis.

All Mortgages must be registered on title to the subject property forthwith upon funding. In certain cases, the Company participates in syndicated mortgages as a lender with one or more lenders, in which the subject Mortgage is registered on title to the subject property in the name of a third party. In such cases, legally binding syndication agreements will provide the Company with a legal entitlement in the subject Mortgage. It should be noted that such arrangements are only made with long term, reputable syndicated lenders that have been internally approved by the Company.

Temporary surplus cash funds not invested in Mortgages are invested in short term deposits, savings accounts or government guaranteed income certificates.

The Company does not hold as part of its property any indebtedness, whether by way of mortgage or otherwise, of a related party (as defined in NI 45-106) or a person who is an annuitant, 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.

Mortgage Portfolio

The Company's assets consist of mortgages secured against real estate. As of August 31, 2024, the mortgage portfolio of the Company consisted of the following: (i) an average of 10.83% in respect of the average interest rate payable under the mortgages (weighted by the advanced principal amount of the mortgages), with interest rates ranging from 6.75% to 20.02%; (ii) an average of 208 days in respect the average of the

terms to maturity of the mortgages (weighted by the advanced principal amount of the mortgages); (iii) no mortgages with an impaired value; (iv) no accommodations made for financial hardship of the borrowers; and (v) an average of 714 in respect of the average weighted credit score (weighted by the advanced principal amount of the mortgages).

The mortgage portfolio composition as of August 31, 2024 was as follows:

Mortgage Portfolio Composition Data

	2024	2023	2022	2021	2020	2019	2018
Total Mortgages	581	408	475	355	324	337	273
Residential Mortgages	85%	83%	81%	77%	71%	82%	92%
Commercial Mortgages	15%	17%	19%	23%	29%	18%	8%
1st Mortgages	90%	93%	91%	85%	84%	80%	82%
2nd Mortgages	10%	7%	9%	15%	16%	20%	18%
Average Mortgage	\$ 1,188,590	\$ 1,453,493	\$ 1,416,124	\$ 1,234,482	\$ 952,272	\$ 767,464	\$ 889,000
Weighted Average LTV	53%	52%	56%	55%	52%	56%	54%

Notes:

- (1) Percentages listed in respect of residential mortgages and commercial mortgages above represent the relevant percentage of the total approved amount of such type of mortgages as it relates to the total approved amount of all mortgages of \$690,570,672 as at August 31, 2024 .
- (2) Percentages listed in respect of first and second mortgages above represent the relevant percentage of the total approved amount of such first or second mortgages, as applicable, as it relates to the total approved amount of all mortgages of \$690,570,672 as at August 31, 2024 .
- (3) The average mortgage amounts listed above has been determined based on the total approved amount of all mortgages divided by the aggregate number of mortgages.
- (4) LTV is the acronym for "Loan to Value". The LTV of any specific mortgage is equal to the sum of the Company's approved mortgage plus any prior mortgages divided by the value the property. The LTV calculations in the above table were completed at the time the mortgages were originally funded. Thus, the above calculations are not an exact indicator of the actual LTV(s) as of the applicable date or time period, as the case may be, as the property prices and/or mortgage values may have changed since the time the mortgage was originally funded.
- (5) The weighted average LTV noted above has been weighted by the advanced principal amount of each mortgage, and based on the LTV of the relevant mortgage at the time it was originally funded. Thus, the above calculations are not an exact indicator of the actual average LTV as of the applicable date or time period, as the case may be, as the property prices and/or mortgage values may have changed since the time the mortgage was originally funded.

As of August 31, 2024, the approved amount of mortgages totaled \$690,570,672 and the outstanding principal of such mortgages funded totaled \$669,596,001.

The mortgage portfolio (based on mortgages approved or advanced, as applicable, as of August 31, 2024) can be summarized in further detail in the tables that follow:

Aug 31, 2024							
Location of Underlying Property	Number of Mortgages	Total 1st Mortgages (Advanced)	Total 2nd Mortgages (Advanced)	Prior Encumbrances	Total Mortgages (Advanced)	Total Mortgages (Approved)	Weighted Average LTV
SURREY	206	\$ 175,113,522	\$ 33,675,744	\$ 78,784,694	\$ 208,789,266	\$ 214,401,484	54.09%
LANGLEY	45	\$ 91,291,000	\$ 3,250,000	\$ 4,099,584	\$ 94,541,000	\$ 95,497,000	47.50%
VANCOUVER	40	\$ 68,521,308	\$ 5,922,000	\$ 5,334,995	\$ 74,443,308	\$ 77,462,000	51.32%
DELTA	31	\$ 29,231,518	\$ 4,559,000	\$ 6,120,466	\$ 33,790,518	\$ 34,742,000	62.18%
RICHMOND	22	\$ 27,900,474	\$ 5,483,000	\$ 10,346,080	\$ 33,383,474	\$ 34,026,000	43.41%
MAPLE RIDGE	18	\$ 26,489,000	\$ 760,000	\$ 1,526,131	\$ 27,249,000	\$ 27,249,000	43.37%
ABBOTSFORD	35	\$ 25,018,415	\$ 1,723,000	\$ 4,740,861	\$ 26,741,415	\$ 27,489,533	52.06%
KELOWNA	17	\$ 22,263,767	\$ 202,000	\$ 919,575	\$ 22,465,767	\$ 23,273,000	52.07%
BURNABY	21	\$ 17,125,000	\$ 3,305,455	\$ 5,731,012	\$ 20,430,455	\$ 20,755,455	55.22%
CHILLIWACK	19	\$ 18,175,806	\$ 1,182,000	\$ 4,188,106	\$ 19,357,806	\$ 20,802,445	63.27%
COQUITLAM	21	\$ 13,621,873	\$ 2,390,000	\$ 5,076,594	\$ 16,011,873	\$ 17,206,000	60.05%
WEST KELOWNA	4	\$ 12,382,156	\$ -	\$ -	\$ 12,382,156	\$ 15,535,000	53.82%
WHITE ROCK	10	\$ 9,811,000	\$ -	\$ -	\$ 9,811,000	\$ 10,331,000	56.26%
VICTORIA	8	\$ 7,041,384	\$ 1,250,000	\$ 300,000	\$ 8,291,384	\$ 8,579,714	59.17%
PORT COQUITLAM	7	\$ 7,183,000	\$ 450,000	\$ 472,787	\$ 7,633,000	\$ 7,633,000	57.54%
MISSION	11	\$ 6,417,000	\$ 873,000	\$ 974,975	\$ 7,290,000	\$ 7,290,000	49.67%
NEW WESTMINSTER	9	\$ 6,813,000	\$ -	\$ -	\$ 6,813,000	\$ 6,813,000	58.98%
NORTH VANCOUVER	7	\$ 5,367,000	\$ 687,000	\$ 1,540,878	\$ 6,054,000	\$ 6,154,000	60.53%
LANGFORD	5	\$ 5,611,538	\$ 195,000	\$ 879,000	\$ 5,806,538	\$ 6,310,000	54.55%
SQUAMISH	8	\$ 5,029,041	\$ 500,000	\$ 270,360	\$ 5,529,041	\$ 5,529,041	47.84%
WEST VANCOUVER	2	\$ 900,000	\$ 1,200,000	\$ 900,000	\$ 2,100,000	\$ 2,100,000	57.18%
BC OTHERS	15	\$ 9,243,000	\$ -	\$ -	\$ 9,243,000	\$ 9,953,000	46.15%
BC Total	561	\$ 590,549,803	\$ 67,607,198	\$ 132,206,097	\$ 658,157,001	\$ 679,131,672	52.60%
ON Total	16	\$ 5,206,000	\$ 3,829,000	\$ 6,189,718	\$ 9,035,000	\$ 9,035,000	59.07%
AB Total	4	\$ 2,404,000	\$ -	\$ -	\$ 2,404,000	\$ 2,404,000	63.58%
Total	581	598,159,803	71,436,198	138,395,815	669,596,001	690,570,672	52.73%

Notes:

- (1) LTV is the acronym for "Loan to Value". The LTV of any specific mortgage is equal to the sum of the Company's approved mortgages plus any prior mortgages divided by the value the property. The LTV calculations in the above table were completed at the time the mortgages were originally funded. Thus, the above calculations are not an exact indicator of the actual LTV(s) as of August 31, 2024 as the property prices and/or mortgage values may have changed since the time the mortgage was originally funded.
- (2) As at August 31, 2024, 98.3% of the outstanding principal of the mortgages funded is attributable to properties located in British Columbia, 1.3% of the outstanding principal of the mortgages funded is attributable to properties located in Ontario, and 0.4% of the outstanding principal of the mortgages funded is attributable to properties located in Alberta.

Property Type	Mortgages with Payments More than 90 Days Overdue	Advanced Principal Amounts	% of Total Advanced Principal Amounts ⁽¹⁾
Commercial	0	\$0	0.00%
Residential	9	\$26,056,147	3.89%
Total	9	\$26,056,147	3.89%

Notes:

- (1) Calculated based on a total advanced principal amount of mortgages of \$669,596,001 as at August 31, 2024.

Property Type	Mortgages Maturing in less than One Year	Advanced Principal Amounts	% of Total Advanced Principal Amounts ⁽¹⁾
Commercial	40	\$74,396,675	11.11%
Residential	462	\$469,923,993	70.18%
Total	502	\$544,320,669	81.29%

Notes:

- (1) Calculated based on a total advanced principal amount of mortgages of \$669,596,001 as at August 31, 2024.

Administrator

To achieve its objectives, the Company will benefit from the Administrator's expertise and experience with respect to residential and commercial real estate investments.

The Administrator provides all mortgage administration and other ancillary services required by the Company and is responsible for execution of the Company's investment strategy, including processing and administering of mortgage loans on behalf of the Company, providing day to day administrative services, providing monthly reports on the operation of the Company, preparing accounting information for the auditors of the Company and providing marketing and business development assistance to the Company.

The Administrator was incorporated under the laws of the Province of British Columbia on July 22, 2011 under incorporation number BC0916179. The head office and principal business address of the Administrator is Suite 316 - 5455 152nd Street, Surrey, British Columbia. The registered office of the Administrator is 13401 - 108th Avenue, Suite 1800, Surrey, BC, V3T 5T3. The Administrator has two voting shareholders, PHL Management Corp. and Copper Island Investments Inc. Parminder Purewall and Steven Ponte are Directors of the Company and shareholders of PHL Management Corp. and Copper Island Investments Inc., respectively. Parminder Purewall is the sole holder of the voting shares of the parent company of PHL Management Corp. Steven Ponte is the sole shareholder of Copper Island Investments Inc.

The Administrator also provides mortgage administration and other ancillary services to Oakhill Lending Corp. ("OLC"), which is a MIC and an affiliate of the Company. As a result of the different investment strategies of OLC and the Company, however, it is intended that OLC's investment strategy will complement, and not compete with, that of the Company in respect of mortgage investment opportunities. See "Risk Factors – Conflicts of Interest".

Directors, officers and employees of the Administrator, either directly or indirectly, may, from time to time, own Class A Shares directly or indirectly through family members and/or associated entities.

Principals of the Administrator***Parminder Purewall – Chairman & Founder of the Administrator***

Mr. Purewall, who established the Administrator, has been a licensed mortgage broker since 2004 and has worked in real estate development and financing for over 20 years. He co-manages the Company while serving on the Lending Committee. He is also a Director of the Company.

Prior to establishing the Administrator, Mr. Purewall worked in various roles with TD Commercial Bank, specializing in real estate and commercial lending. He also worked with the Lanyard Group, a real estate investment banking and investment firm.

Mr. Purewall earned a Bachelor of Business Administration degree from Simon Fraser University with a focus on finance and marketing. He also holds the Chartered Financial Analyst designation.

Steven Ponte – Chief Executive Officer of the Administrator

Mr. Ponte, who co-manages the Administrator and serves on the Lending Committee, provides over 15 years of combined financing, construction and development experience. Prior to joining the Administrator,

he held various senior roles with TD Commercial Bank, focusing on their large commercial business segment.

Mr. Ponte serves on the board of directors of the Canadian Alternative Mortgage Lenders Association (CAMLA), whose membership includes some of Canada's largest and most reputable alternative lenders.

Mr. Ponte holds a Bachelor of Business Administration degree from Simon Fraser University with a focus on finance and marketing.

Selling Agents

The Company intends to sell Class A Shares through PHL Financial as its selling agent, as well as through third party registered dealers who from time to time are retained by the Administrator. The selling agents are responsible for liaising with Subscribers during the course of the Offering, including distributing this Offering Memorandum and Subscription Agreements to prospective investors and coordinating and processing subscriptions for Class A Shares.

PHL Financial is a registered exempt market dealer in the Provinces of British Columbia, Alberta, Ontario, Saskatchewan, Manitoba, New Brunswick, Prince Edward Island, Nova Scotia, and Newfoundland and Labrador, as described below. Effective February 18, 2020, PHL Financial entered into a Dealer Services Agreement with the Company and the Administrator (as manager of the Company) whereby the Administrator and the Company engaged PHL Financial to act as sales agent to distribute the Class A Shares. See "Material Agreements – Dealer Services Agreement".

No fees, commissions or other compensation is payable by the Company to PHL Financial as selling agent. PHL Financial will receive from the Administrator an annual fee for its services, as outlined under the heading "Compensation Paid to Sellers and Finders". The Administrator will also reimburse PHL Financial for all operating and overhead expenses, and any reasonable and necessary out-of-pocket disbursements incurred by PHL Financial in connection with the Offering.

No fees, commissions or other compensation is payable by the Company or the Administrator to any authorized third party registered dealer acting as a selling agent of the Company.

PHL Financial also acts as sales agent in respect of offerings of securities by OLC, which is an affiliate of the Company and a MIC also managed by the Administrator. However, PHL Financial has agreed to use commercially reasonable efforts to perform its duties and responsibilities under the Dealer Services Agreement and in compliance with applicable securities laws.

PHL Financial was incorporated under the laws of the Province of British Columbia on November 9, 2018 under incorporation number BC1186255. The head office and principal business address of PHL Financial is Suite 316 – 5455 152nd Street, Surrey, British Columbia. The registered office of PHL Financial is 925 West Georgia Street, Suite 1600, Vancouver, BC V6C 3L2. PHL Financial has common ownership with the Administrator and is not a wholly-owned subsidiary of the Administrator. The officers and directors of PHL Financial are also officers or directors of the Company and the Administrator. See "Risk Factors – Conflicts of Interest".

2.3 Development of Business

The Company was incorporated on November 16, 2006 and commenced operations in May 2007. Since that time, the Company has been qualified as a MIC under the Tax Act and has been solely engaged in raising capital for investment in Mortgages. The Administrator and its principals have significant

experience in residential and commercial real estate, investment analysis and property management. See "The Business – Administrator".

The Company has developed its business steadily since 2007 and expects that demand for alternative mortgage financing should remain high as “traditional” lenders such as banks, credit unions and trust companies have currently tightened up their lending policies. The result of this reduced lending capacity by the banks has been an increase in the amount and quality of mortgage applications made to the Company as borrowers are forced to seek financing from sources other than traditional lenders, and has resulted in the increased loan opportunities for the Company in respect of credit-worthy borrowers. Increased applications have allowed the Company to be very selective with regards to the loans that it approves. The Company continues to restrict its lending area only to those locations that exhibit long term stability, growth and liquidity.

Furthermore, due to the volatility in equity markets over the past several years many investors are looking for investments that offer stable returns from year to year with similar yields to traditional equities. The Company is positioned in the market as it has been able to offer and continues to offer an investment secured by real estate and has shown relatively low volatility in returns year over year while yielding returns similar to traditional equity investments.

The combination of increased mortgage applications and increased investor interest and participation has led to solid growth in terms of new investor deposits and mortgage receivables over recent years. The Company expects tighter conditions in the credit markets to persist for several years into the future and thus expects steady growth in terms of new investor deposits and mortgage receivables.

In the last 12 months, in addition to tightening of mortgage lending, generally, the Company has had to cope with numerous external forces including high interest rates, general macroeconomic headwinds to the economy and general uncertainty in respect of monetary and fiscal policy developments. The Company has coped with these external factors using a number of methods including reducing its use of its Credit Facilities as interest rates were being raised, before once again using its Credit Facilities once rates had begun to stabilize. Through the Company’s stringent underwriting and Lending Committee review process, the Company has protected investor capital by increasing the overall percentage of first position mortgages the Company holds, while decreasing the LTV of those positions.

The Company has a Loan Agreement with the Lenders, last amended and restated on February 3, 2025, in respect of a senior secured revolving facility in the amount of \$310,000,000 and a senior secured swingline facility in the amount of \$25,000,000 granted to the Company. For additional details regarding the Loan Agreement, see "Material Agreements – Loan Agreement".

2.4 Long Term Objectives

Subsequent to 12-month period following the date of this Offering Memorandum, the objectives of the Company are to provide Class A Shareholders with consistent returns while preserving capital by maintaining a diversified portfolio of mortgage investments. See "The Business".

2.5 Short Term Objectives and How We Intend to Achieve Them

- (a) During the next 12 months, the Company intends to invest the proceeds of the Offering in the manner prescribed in this Offering Memorandum.
- (b) It is the intention of the Company and the Administrator that the proceeds of the Offering will be invested as quickly as is reasonably possible pursuant to the mortgage investment criteria in the Tax Act to raise further equity capital and optimize returns (as described in

"The Business"), and continue paying quarterly dividends to the Class A Shareholders. The Company intends to meet the following objectives for the next 12 months as follows:

Actions to be taken	Target completion date or, if not known, number of months to complete	Cost to complete
Invest net proceeds from Offering in compliance with the Tax Act.	Since the Company has an ongoing investment program, there is no target completion date for its business plan.	Our costs to carry out our investment program generally consist of administrative costs and Administration Fees.

2.6 Material Agreements

The following agreements are material to this Offering and to the Company:

Administrative and Services Agreement

The following is a summary of the material provisions of the Administrative and Services Agreement, which does not purport to be complete, and at all times is subject to the language of the Administrative and Services Agreement.

The Company does not have and does not expect to have any employees, and therefore, all mortgage administration and other ancillary services will be performed by the Administrator, which will provide ongoing mortgage administration and other ancillary services relating to the Company's business pursuant to an Administrative and Services Agreement between the Company and the Administrator dated February 16, 2016, as amended and restated effective as of February 18, 2020. The Administrator is responsible for processing and administering mortgage loans on behalf of the Company and handling the day-to-day administrative services for the Company's operations. The Administrator is an affiliate of the Company.

Pursuant to the Administrative and Services Agreement, the Administrator will be paid an annual Administration Fee of up to 1.5% of the aggregate outstanding balance of the total assets of the Company, with such Administration Fee being calculated and payable monthly before the 15th day of the following month upon approval of the Directors of the Company.

The Administrator will provide mortgage administration and other ancillary services to the Company with such services to be rendered immediately and competently and with professional skill and acumen.

The Administrator is required to and shall:

- (a) process and administer mortgage loans on behalf of the Company within parameters from time to time approved by the Directors;
- (b) undertake and be responsible for the day-to-day administration of the Company;
- (c) provide financial services to the Company including administering mortgages, general security agreements and other forms of security of the Company;
- (d) provide monthly reports on the operation of the Company to the Directors;

- (e) communicate regularly with mortgage brokers engaged in business with the Company and answer any such mortgage broker queries;
- (f) prepare accounting information for the auditors of the Company;
- (g) undertake any accounting task which shall reduce the accounting fees of the auditor;
- (h) maintain the business premises of the Company for the conduct of its business; and
- (i) perform other assignments related to the business and affairs of the Company as directed by its Directors.

The Administrator shall furnish itself with all necessary administrative services including provision of office space, clerical staff and maintenance of books and records to the extent required to perform the duties and services set forth in the Administrative and Services Agreement.

In exercising its powers and discharging its duties under the Administrative and Services Agreement, the Administrator must carry out its duties fairly, honestly and in the best interests of the Company and must exercise the degree of care, diligence and skill that a reasonably prudent person experienced in the business of providing mortgage administration and ancillary services would exercise in comparable circumstances. The Administrator is not liable to the Company for any loss caused by the Administrator in carrying out its duties under the Administrative and Services Agreement unless the loss resulted from the gross negligence, willful misconduct or dishonesty of the Administrator, its officers, employees or agents in the performance of its duties. The Company has agreed, under the terms of the Administrative and Services Agreement, to indemnify and save the Administrator harmless in the event that the Administrator suffers a loss of any nature whatsoever in connection with the performance of its duties under the Administrative and Services Agreement, except where such loss resulted from the Administrator exceeding its authority pursuant to the Administrative and Services Agreement, or from the negligence, willful misconduct or dishonesty of the Administrator or its officers, employees or agents.

The Company will reimburse the Administrator for all reasonable and necessary out-of-pocket disbursements excluding wages, office space and maintenance of books and records incurred by the Administrator in connection with the administration of the business of the Company.

The appointment of the Administrator shall be for a five-year period and shall renew automatically for consecutive five-year periods unless the Administrative and Services Agreement is otherwise terminated.

The Company may terminate the Administrative and Services Agreement:

- (a) if the Administrator makes an assignment for the benefit of creditors or commences any action of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada);
- (b) if the Administrator assigns or purports to assign the Administrative and Services Agreement or any rights accruing thereunder to any person who is not an affiliate, corporation or partnership which is directly or indirectly controlled by a shareholder or its trustees or directors of the Administrator without the prior written consent of the Company;
- (c) if the Administrator commits a breach or default under the Administrative and Services Agreement provided that such breach or default does not relate to any payment of monies to be paid by the Administrator to the Company, and the Administrator has not cured such breach or default within thirty (30) days after receiving written notice from the Company stipulating the breach or default;

(d) if the Administrator commits a breach or default under the Administrative and Services Agreement related to the payment of monies to be paid by the Administrator to the Company, and the Administrator has not cured such breach or default within fifteen (15) days after receiving written notice from the Company stipulating the breach or default; or

(e) by mutual consent in writing of the Company and the Administrator.

The Administrator may terminate the Administrative and Services Agreement:

(a) if the Company makes an assignment for the benefit of creditors or commences any action of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada);

(b) if the Company assigns or purports to assign the Administrative and Services Agreement or any rights accruing thereunder without the prior written consent of the Administrator;

(c) if the Company commits a breach or default under the Administrative and Services Agreement provided that such breach or default does not relate to any payment of monies to be paid by the Company to the Administrator, and the Company has not cured such breach or default within thirty (30) days after receiving written notice from the Administrator stipulating the breach or default;

(d) if the Company commits a breach or default under the Administrative and Services Agreement related to any payment of monies to be paid by the Company to the Administrator, and the Company has not cured such breach or default within fifteen (15) days after receiving written notice from the Administrator stipulating the breach or default;

(e) at any time during the term of the Administrative and Services Agreement if the Administrator gives the Company one year's prior written notice of its intention to terminate the Administrative and Services Agreement; or

(f) by mutual consent in writing of the Company and the Administrator.

In the event of termination of the Administrative and Services Agreement, the Administrative and Services Agreement and any agency created thereby shall terminate and be of no further force or effect and all rights or obligations of the Company and the Administrator shall cease. In addition, in the event of termination of the Administrative and Services Agreement, the Administrator shall return and deliver to the Company (or its authorized agent) all trust monies of the Company and all other funds held by it in respect of all mortgages serviced thereunder and all documents, records, tax receipts, insurance policies, appraisals, correspondence, files and other documents in its possession pertaining to the mortgages serviced thereunder.

Dealer Services Agreement

The following is a summary of the material provisions of the Dealer Services Agreement, which does not purport to be complete, and at all times is subject to the language of the Dealer Services Agreement.

The Company entered into a Dealer Services Agreement effective February 18, 2020, as amended effective March 19, 2021, by and among the Company, the Administrator (as the manager of the Company) and PHL Financial. The Company is a "connected issuer" and a "related issuer" of PHL Financial, as such terms are defined in NI 33-105. The Company has determined that it is a connected issuer and a related issuer of PHL Financial by virtue of PHL Financial's role as an exempt market dealer engaged to sell the Class A Shares offered hereby and based on the fact that the Company and PHL Financial have common securityholders,

directors and officers. In addition, PHL Financial is considered a "captive dealer" as defined by CSA Staff Notice 31-343 because it solely or primarily distributes securities of related or connected issuers. See "Risk Factors – Conflicts of Interest".

Under the Dealer Services Agreement, PHL Financial agrees to use its commercially reasonable efforts to sell securities of the Company, as applicable, on a continuous, private placement basis to qualified purchasers in jurisdictions in which PHL Financial is a registered exempt market dealer.

For PHL Financial's services, PHL Financial will receive from the Administrator an annual administration fee as outlined under the heading "Compensation Paid to Sellers and Finders". Additionally, the Administrator will, at its own cost and at no cost to PHL Financial, allocate a portion of its offices for use by PHL Financial, and provide PHL Financial with accounting and administrative support and all office furnishings, systems, equipment, communication and IT support reasonably required by PHL Financial, in the performance of the services provided under the Dealer Services Agreement.

PHL Financial may, upon receiving approval from the Company or Administrator, retain as sub-agents other registered dealers and may receive subscriptions for Class A Shares offered hereby from persons arranged by such other registered dealers. The fees payable to any such sub-agents will be paid by PHL Financial or the applicable investors.

The Dealer Services Agreement may be terminated: (a) by the written agreement of the parties; (b) by PHL Financial immediately upon written notice to the Administrator and the Company in the event the Administrator or the Company is in breach of, default under or non-compliance with any material covenant, representation, warranty, term or condition of the Dealer Services Agreement; and (c) by the Administrator or the Company, individually or collectively, (i) immediately upon written notice to PHL Financial in the event PHL Financial is in breach of, default under or non-compliance with any material covenant, representation, warranty, term or condition of the Dealer Services Agreement, or (ii) with 30 days' prior written notice to PHL Financial. Additionally, the Dealer Services Agreement will terminate immediately in the event PHL Financial becomes prohibited for any reason from selling or distributing securities in any jurisdiction in which it is registered.

Since PHL Financial is indirectly controlled by Directors and officers of the Company, who are also directors and officers of PHL Financial, PHL Financial is considered to be a related party to the Company.

Loan Agreement

The following is a summary of the material provisions of the Loan Agreement, which does not purport to be complete, and at all times is subject to the language of the Loan Agreement as at the date hereof.

Pursuant to the Loan Agreement, the Company has access to advances under (a) a \$310,000,000 secured revolving facility at an interest rate of prime plus 0.75% per annum and under which facility Canadian Overnight Repo Rate Average ("CORRA") advances may be issued at an interest rate equal to the term CORRA Adjustment for an Interest Period of a duration of (i) a one-month percentage equal to 0.29547% per annum (29.547 basis points), and (ii) a percentage equal to three-months, 0.32138% per annum (32.138 basis points) plus 2.20% per annum and (b) a \$25,000,000 swingline facility at an interest rate of prime plus 0.75% per annum, at the date of this Offering Memorandum. The amount of credit available, through the Credit Facilities, is based on margined amounts from the Company's underlying Invested Mortgage Portfolio. The main purpose of the Credit Facilities is to assist the Company to better manage the timing difference between the Company's cash flows in order to maintain efficient capital deployment through new capital raises, borrower payouts/paydowns, redemptions and new Mortgage investments, in addition to increasing returns through leverage.

Additional provisions of the Loan Agreement include the following:

The Company may at any time, from time to time, request an increase to the principal amount of the revolving facility provided that the amount of each such increase shall be in a minimum amount of \$25,000,000 and the aggregate principal amount of all increases shall not exceed \$50,000,000.

Repayment of outstanding balances of the Credit Facilities is due on the maturity date (being November 2, 2025, as it may be extended pursuant to the terms of the Loan Agreement), and payment of interest will be due monthly.

Mandatory repayment of the outstanding principal amount of the Credit Facilities will be required if the Company sells or disposes any of its property and the net cash proceeds of such sale or disposition are not reinvested in substantially the same property.

The Company is restricted from assigning or encumbering its rights and obligations under the Credit Facilities or the Loan Agreement without the prior written consent of the Agent and each Lender.

The Company is bound to certain financial covenants requiring the Company to maintain:

- (a) an interest coverage ratio of not less than 4.00:1.00, tested at certain intervals identified in the Loan Agreement;
- (b) a tangible net worth of not less than the aggregate total of (i) \$450,000,000 and (ii) 80% of the then-current Net Preferred Share Issuance Amount, tested at certain intervals identified in the Loan Agreement; and
- (c) a debt to tangible worth ratio of not greater than 0.60:1.00, tested at certain intervals identified in the Loan Agreement.

The Credit Facilities are secured by (i) a general security agreement creating a security interest in all current and future personal property of the Company and a floating charge over its real property, (ii) an amended and restated general assignment of mortgages, (iii) an amended and restated assignment of all-risk insurance; (iv) an amended and restated assignment of the Administrative and Services Agreement, (v) an assignment of certain material contracts, including the Dealer Services Agreement and (vi) an assignment of mortgage payments.

The Company provides certain customary indemnities to the Agent and the Lenders and certain related parties.

Copies of all contracts referred to above may be inspected during normal business hours at the principal office of the Administrator, Suite 316-5455 152nd Street, Surrey, British Columbia, V3S 5A5.

2.7 Related Party Transactions

From time to time, the Company participates in syndicated mortgages as a lender with OLC, a MIC and an affiliate and related party of the Company (see “The Business”). Appendix A in Item 13 sets out more information on all such related party transactions entered into during the fiscal year ended August 31, 2024.

ITEM 3

INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 Compensation and Securities Held

The following table provides information about each Director, officer and promoter of the Company, each person that has beneficial ownership of, or direct or indirect control over, or a combination of beneficial ownership and direct or indirect control over, 10% or more of any class of voting securities of the Company, and any other related party that received compensation in the most recently completed financial year or is expected by the Company to receive compensation in the current financial year:

Full legal name and place of residence	Positions held / relationship to the Company and the date of obtaining that position / relationship	Compensation paid by the Company or related party (i) in the most recently completed financial year and (ii) compensation expected to be paid in the current financial year	Number, type and percentage of securities of the Company held after completion of minimum Offering⁽¹⁾
Parminder Purewall ⁽²⁾ Surrey, British Columbia	Chairman and Founder (since December 13, 2023) & Director (since November 16, 2006)	(i) nil (ii) nil	1 Common Share (9.1%) 155,773 Class A Shares (0.03%)
Harjit Grewal Surrey, British Columbia	Director (since January 25, 2007)	(i) nil (ii) nil	1 Common Share (9.1%) nil Class A Shares (0%)
Sunjeev Bath ⁽³⁾ Langley, British Columbia	Director (since January 25, 2007)	(i) nil (ii) nil	1 Common Share (9.1%) 8,332,759 Class A Shares (1.79%)

Full legal name and place of residence	Positions held / relationship to the Company and the date of obtaining that position / relationship	Compensation paid by the Company or related party (i) in the most recently completed financial year and (ii) compensation expected to be paid in the current financial year	Number, type and percentage of securities of the Company held after completion of minimum Offering⁽¹⁾
Steven Ponte ⁽⁴⁾ Langley, British Columbia	CEO (since December 13, 2023) & Director (since January 25, 2007)	(i) nil (ii) nil	1 Common Share (9.1%) 537,275 Class A Shares (0.14%)
John Tilstra Langley, British Columbia	Director (since January 4, 2012)	(i) nil (ii) nil	1 Common Share (9.1%) 1,236,764 Class A Shares (0.46%)
PHL Capital Corp. ⁽⁵⁾ Surrey, British Columbia	Administrator (since August 8, 2011)	(i) \$8,850,960 (ii) nil	Nil
PHL Financial Group Ltd. ⁽⁶⁾ Surrey, British Columbia	Selling Agent (since February 18, 2020)	(i) \$613,000 ⁽⁷⁾ (ii) \$661,000 ⁽⁷⁾	Nil

Notes:

- (1) Assuming no Class A Shares are issued under the Offering as there is no minimum or maximum Offering.
- (2) Parminder Purewall is the Chairman and Founder and a director of the Administrator and a director of PHL Financial. Mr. Purewall is also a principal of PHL Management Corp. (a private company which is a shareholder of the Administrator and PHL Financial).
- (3) Sunjeev Bath is a principal of Bath Investments Ltd., a British Columbia company, which holds 7,500,000 Class A Shares of the Company as at the date of this Offering Memorandum.
- (4) Steven Ponte is the Chief Executive Officer and a director of the Administrator, and the President, Chief Executive Officer, Ultimate Designated Person and a director of PHL Financial. Mr. Ponte is also a principal of Copper Island Investments Inc. (a private company which is a shareholder of the Administrator and PHL Financial).
- (5) PHL Capital Corp. is controlled by Messrs. Purewall and Ponte.
- (6) PHL Financial is controlled by Messrs. Purewall and Ponte. No commissions are paid on the sale of Class A Shares by the Company to PHL Financial. PHL Financial is paid by the Administrator an annual administration fee, payable monthly in advance, as described under "Compensation Paid to Sellers and Finders".
- (7) As described under "Compensation Paid to Sellers and Finders", PHL Financial is compensated by way of an annual administration fee paid by the Administrator, which is set based on the calendar year. For the 2021 calendar year, this fee was set at \$396,000; for the 2022 calendar year, this fee was set at \$584,000; for the 2023 calendar year, this fee was set at \$796,000; for the 2024 calendar year, this fee was set at \$796,000; and for the 2025 calendar year, this fee is estimated at \$796,000, in each case, subject to proration or adjustment as applicable.

The Company has granted an indemnity to each of the Directors for any claims made against them in their capacity as a Director of the Company, provided that such claims are not the result of negligence or wilful misconduct on the part of the Director.

3.2 Management Experience

Senior Management

The senior management of the Company have a broad background of investment and real estate experience which will be brought to bear on the activities undertaken by the Company. The following table discloses the principal occupations and related experience of the Directors and executive officers of the Company for the past five years.

Full Legal Name	Principal Occupation and Description of Experience associated with the Occupation
Parminder Purewall	<i>Chairman & Founder of the Administrator</i>
<p>Mr. Purewall, Chairman and Founder of the Administrator, has been a licensed mortgage broker since 2004 and has worked in real estate development and financing for over 20 years. Mr. Purewall is a Director of the Company and serves on the Lending Committee.</p> <p>Prior to establishing the Administrator, Mr. Purewall worked in various roles with TD Commercial Bank, specializing in real estate and commercial lending. He also worked with the Lanyard Group, a real estate investment banking and investment firm.</p> <p>Mr. Purewall earned a Bachelor of Business Administration degree from Simon Fraser University with a focus on finance and marketing. He also holds the Chartered Financial Analyst designation.</p>	
Steven Ponte	<i>Chief Executive Officer of the Administrator</i>
<p>Mr. Ponte, who is the Chief Executive Officer of the Administrator and serves on the Lending Committee, provides over 15 years of combined financing, construction and development experience. Prior to joining the Administrator, he held various senior roles with TD Commercial Bank, focusing on their large commercial business segment.</p> <p>Mr. Ponte serves on the board of directors of the BC MIC Managers Association (BCMMA), whose membership includes some of British Columbia's largest and most reputable MICs. He also serves on the board of directors for the Canadian Mortgage Alternative Lenders Association (CAMLA), which supports the growth of companies that are in the business of alternative mortgage lending across Canada.</p> <p>Mr. Ponte holds a Bachelor of Business Administration degree from Simon Fraser University with a focus on finance and marketing.</p>	

Harjit Grewal	<i>Accountant</i>
<p>Mr. Grewal worked at PricewaterhouseCoopers for five years before launching his own accounting firm, Grewal & Co. Chartered Accountants, in 2003. Mr. Grewal is one of the owners and part of the management team of Allied Insurance Services, an insurance business with several locations in Metro Vancouver. He also has extensive experience in real estate investments. Mr. Grewal holds a Bachelor of Business Administration (BBA) from Simon Fraser University with a concentration in Accounting. He has also obtained the Chartered Accountant (CA) designation.</p> <p>Mr. Grewal is on the Lending Committee of the Company.</p>	
Sunjeev Bath	<i>Businessperson</i>
<p>Mr. Bath worked as a Financial Analyst before founding Western Rugged Tools, a Canadian based manufacturer and distributor of tools and related products in 2002. He is a director and principal of Surrey Cedar and is actively involved in real estate investment and management. Mr. Bath holds a Bachelor of Business Administration (BBA) from Simon Fraser University with a concentration in Finance and Marketing. He has also obtained the Chartered Financial Analyst designation.</p> <p>Mr. Bath is on the Lending Committee of the Company.</p>	
John Tilstra	<i>Businessperson</i>
<p>Mr. Tilstra is the Chief Executive Officer of Wesmont, which focuses on commercial and residential land development and project opportunities. Mr. Tilstra has over 35 years experience in land development and building. Mr. Tilstra was the founder of Centra Construction Group Ltd., a window manufacturer and supplier with operations throughout the Province of British Columbia. He also serves on the board for OLC, Nightshift Street Ministries and Wesmont Foundation.</p>	

3.3 Advisory Board

The Company has appointed an Advisory Board comprised of the existing Directors and seven additional individuals from various professional backgrounds, including business management, residential and commercial real estate, banking and finance, construction and development, and real estate/commercial law.

The Advisory Board generally provides ongoing guidance to the Directors on issues of strategy, management, legal matters, processes, conflict resolution, and projections of real estate market conditions.

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

Other than as disclosed herein, there are no penalties, sanctions, declarations of bankruptcy, voluntary assignments in bankruptcy, proposals under any bankruptcy or insolvency legislation, proceedings, arrangements or compromises with creditors, or appointments of a receiver, receiver manager or trustee to hold assets, that have occurred during the last ten years, or an order restricting trading in securities (not including an order that was in effect for less than 30 consecutive days) during the last ten years against or in connection with any of the directors, executive officers or control persons of the Company or the

Administrator or any issuer of which any director, executive officer or control person of the Company or the Administrator was a director, executive officer or control person at the time.

Further, none of the Company or any of the directors, executive officers or control persons of the Company or the Administrator has ever pled guilty to or been found guilty of any of the following: (a) summary conviction or indictable offence under the Criminal Code (Canada); (b) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction; (c) a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory of the United States of America; or (d) an offence under the criminal legislation of any other foreign jurisdiction.

3.5 Certain Loans

The Company presently has no outstanding loans or debentures due to or from the Directors, management, Administrator, PHL Financial or principal holders of the Company or any other related party of the Company.

ITEM 4

CAPITAL STRUCTURE

4.1 Securities Except for Debt Securities

The following table provides information about the outstanding securities of the Company:

Description of Security	Number authorized to be issued	Price per security	Number outstanding as at Feb 1, 2025	Number outstanding after minimum Offering
Voting Common Shares ⁽¹⁾	Unlimited	\$1.00	11	11
Class A Shares ⁽²⁾	Unlimited	\$1.00	618,901,139 ⁽³⁾	618,901,139 ⁽⁴⁾

Notes:

- (1) The common shares are voting but non-participating. The issued common shares are not subject to calls, assessments, pre-emptive rights or conversion rights. The common shares are redeemable in certain circumstances in accordance with the Company's articles. There are no provisions attached to the common shares for surrender, sinking funds or purchase funds. There are 11 holders of the common shares of the Company which include Parminder Purewall, Harjit Grewal, Sunjeev Bath, Steven Ponte and John Tilstra who each hold one common share of the Company. Only the holders of common shares are entitled to vote in respect of each common share held at all meetings of the shareholders of the Company.
- (2) Complete details of the attributes and characteristics of the Class A Shares are set forth under the heading "Terms of Securities".
- (3) Class A Shares will be issued at a price of \$1.00 per Class A Share.
- (4) Assuming a minimum Offering of nil Class A Shares. There is no maximum Offering.

4.2 Long Term Debt

The Company presently has no long-term debt. The Company does have the Credit Facilities with the Lenders. See "Material Agreements – Loan Agreement".

4.3 Prior Sales

Within the last 12 months, the Company has issued the following Class A Shares or securities convertible or exchangeable into Class A Shares:

<u>Date of issuance</u>	<u>Type of security issued</u>	<u>Number of securities issued⁽¹⁾</u>	<u>Price per security</u>	<u>Total funds received</u>
February 1, 2024	Class A Shares	7,235,612	\$1.00	\$7,235,612
February 19, 2024	Class A Shares	2,000,000	\$1.00	\$2,000,000
March 1, 2024	Class A Shares	14,726,533	\$1.00	\$14,726,533
March 11, 2024	Class A Shares	1,527,717	\$1.00	\$1,527,717
April 1, 2024	Class A Shares	5,641,038	\$1.00	\$5,641,038
May 1, 2024	Class A Shares	6,499,879	\$1.00	\$6,499,879
June 1, 2024	Class A Shares	10,157,999	\$1.00	\$10,157,999
July 1, 2024	Class A Shares	5,424,145	\$1.00	\$5,424,145
August 1, 2024	Class A Shares	17,118,553	\$1.00	\$17,118,553
August 15, 2024	Class A Shares	1,850,000	\$1.00	\$1,850,000
September 1, 2024	Class A Shares	17,305,824	\$1.00	\$17,305,824
September 15, 2024	Class A Shares	1,000,000	\$1.00	\$1,000,000
October 1, 2024	Class A Shares	4,876,135	\$1.00	\$4,876,135
October 17, 2024	Class A Shares	18,000,000	\$1.00	\$18,000,000
November 1, 2024	Class A Shares	7,679,050	\$1.00	\$7,679,050
December 1, 2024	Class A Shares	13,677,545	\$1.00	\$13,677,545
December 15, 2024	Class A Shares	7,092,994	\$1.00	\$7,092,994
January 1, 2025	Class A Shares	2,323,082	\$1.00	\$2,323,082
January 15, 2025	Class A Shares	1,093,168	\$1.00	\$1,093,168
February 1, 2025	Class A Shares	12,253,762	\$1.00	\$12,253,762

Notes:

- (1) The Company issued 34,779,856 Class A Shares as a re-investment of \$34,779,856 dividend funds during the fiscal year ended August 31, 2024.

ITEM 5**SECURITIES OFFERED****5.1 Terms of Securities**

The following is a summary of the material rights and restrictions attaching to the Class A Shares, which does not purport to be complete, and at all times is subject to the language of the Company's Articles:

Voting

Save in respect of such matters as are by law expressly required to be voted upon by the holders of Class A Shares, the holders of Class A Shares shall not be entitled to receive notice of or to attend any general meeting of shareholders of the Company, and if a holder of a Class A Share is present at a general meeting of shareholders of the Company, he/she/it shall not be entitled to vote at meetings of holders of common shares of the Company.

Each Class A Share and fractions thereof will be issued only as fully paid and non-assessable with a par value of \$1.00. There will be no limit to the number of Class A Shares that may be issued, subject to any determination to the contrary made by the Company.

Dividend Entitlement

Class A Shareholders will be entitled to receive dividends in respect of Class A Shares owned at the end of each fiscal quarter. Dividends will be paid within 30 days of each fiscal quarter end. The quarterly dividend at the Company's fiscal year end will be paid within 90 days of the fiscal year end. Dividends may be taken as cash or reinvested as additional Class A Shares pursuant to the Company's Dividend Reinvestment Plan (the "DRIP"). Dividends reinvested as additional Class A Shares will also qualify for future dividend entitlement. See "Securities Offered – Terms of Securities – Dividend Reinvestment Plan".

The Class A Shares shall rank in priority to the common shares of the Company in respect of the payment of dividends.

The Directors of the Company shall, during each and every fiscal year of the Company within 90 days of the end of the fiscal year of the Company, declare and pay a taxable dividend or dividends in an amount which according to their best estimate they determine to equal the maximum amount deductible in computing the income of the Company pursuant to clause 130.1(1)(a)(i) of the Tax Act, and the Directors shall during the period commencing 90 days after the said fiscal year declare and pay a capital gain dividend or dividends in an amount which according to their best estimate they determine to equal twice the amount which, subject to election pursuant to section 130.1(4) of the Tax Act, is deductible pursuant to clause 130.1(1)(a)(ii) of the Tax Act (or such therefor providing for the aforementioned deduction of dividends in the calculation of the income of a MIC); provided that the Directors may, in settling the amount of such dividends reduce such dividends by any amount which they deem necessary to provide for reserves, liabilities and other contingencies or alternatively so as to ensure that the dividends are payable only out of funds properly available from the payment of dividends.

For greater certainty, the Articles of the Company declare that the Company must 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.

The holders of Class A Shares shall in each year at the discretion of the Directors of the Company but always in preference and priority to any payment of dividends on the common shares of the Company, be entitled, out of any or all profits or surpluses available for dividends, to non-cumulative dividends up to the

amount which pursuant to clause 130.1(1)(a)(i) of the Tax Act is deductible in computing the Company's income for the year and up to twice the amount which pursuant to clause 130.1(1)(a)(ii) is deductible in computing the Company's income for the year.

Mandatory Redemption on Death of a Shareholder Where No Spouse Survives

Upon the death of a Class A Shareholder if no spouse survives, the Company shall, within 90 days after the end of the fiscal year of the Company in which such death occurred, and subject to the provisions of the *Business Corporations Act* (British Columbia), redeem all the Class A Shares owned by such shareholder and by its Eligible Owner at the date of his/her/its death, by paying to the holder the par value of such Class A Shares owned by that holder.

Upon payment in full of the sum of money referred to in the paragraph above being made by the Company, the Class A Shares owned by the estate of the deceased shareholder or held by the Eligible Owner of the deceased shareholder, shall be redeemed and the certificate representing such shares shall be cancelled.

Redemption by the Shareholder

Class A Shares are redeemable by a shareholder, subject to the provisions of the *Business Corporations Act* (British Columbia) and the Company's Articles, provided that the Class A Shareholder or its Eligible Owner gives the Company irrevocable written notice (the "Redemption Notice") that the shareholder wishes to redeem any or all of the Class A Shares held by such shareholder, which notice shall be sent by registered mail or delivered to the registered office of the Company and such notice is received 90 days before its fiscal year end in any calendar year (such date known as the "withdrawal date"). The Company shall within 90 days after the withdrawal date, purchase the subject shares at the then book value plus any dividends declared but unpaid by the Company, plus interest for the relevant period prior to the date of payment at the interest rate equivalent to the prime interest rate of the Bank of Canada on the withdrawal date (the "Redemption Amount"). The Company will use its commercially reasonable best efforts to honour all Redemption Notices received 30 days prior to any quarter end and purchase the subject shares for the Redemption Amount on the first day following the quarter end.

A redemption in accordance with the provisions above shall only be effected by the Company if the Company is not insolvent at the time that the redemption is to be effected and if the redemption would not render the Company insolvent and if such redemption does not affect the Company's status as a MIC pursuant to the provisions of the Tax Act. The redemption provisions above do not apply if the Redemption Notice does not set out all the Class A Shares owned by the shareholder or its Eligible Owner. A valid Redemption Notice may not be withdrawn and a shareholder who is a Director of the Company and who gives a Redemption Notice to the Company shall be deemed to have resigned as a Director of the Company on the date such Redemption Notice is received by the Company.

Upon payment in full of the Redemption Amount being made by the Company, the Class A Shares specified in the Redemption Notice shall be redeemed and the certificate representing such Class A Shares shall be cancelled. If only a part of the Class A Shares represented by any certificate be redeemed, a new certificate for the balance of Class A Shares shall be issued at the expense of the holder. From and after the date of delivery of the Redemption Notice, the holder of the Class A Shares specified for redemption in the Redemption Notice shall continue to be entitled to dividends and shall continue to be entitled to any other rights in respect of such shares until payment in full of the Redemption Amount, at which time all rights in respect of such Class A Shares shall become null and void. If payment in full of the Redemption Amount shall not be made by the Company, the rights of the holder of such Class A Shares shall remain unimpaired.

The Company may enter into a side letter or other similar agreement with a particular Subscriber in connection with its subscription for Class A Shares, which has the effect of limiting such Subscriber's

redemption rights in a manner which is more restrictive to such Subscriber than those described herein and applicable to other Subscribers or Class A Shareholders.

Subscribers acknowledge that the Board of Directors of the Company has the authority under the *Business Corporations Act* (British Columbia) and the Company's Articles to determine, in exercising their fiduciary duties owed to the Company, the order in which validly tendered Redemption Notices will be processed (i.e.: whether *pro rata* based on all then validly tendered Redemption Notices or on a first in/first out basis, and subject to such limitations as the Directors may determine are necessary or appropriate). Without limiting the generality of the foregoing, when determining the order of priority for purchase by the Company or the manner of such purchase, the Directors may consider any factors they deem necessary or appropriate, including, without limitation, the Company's other financial obligations.

Priority on Liquidation or Winding Up

The holders of Class A Shares shall, on a winding up or liquidation of the Company, be entitled to receive a sum equal to the par value of each Class A Share held together with all dividends declared and unpaid thereon in priority to any distribution to the holders of any other shares in the capital of the Company. Once such prior distribution to the holders of the Class A Shares and once a distribution equal to the par value of each common share issued and outstanding has been made to the holders of the common shares in accordance with the Company's Articles, the holders of the Class A Shares shall be entitled to participate equally with the holders of the common shares in any further distributions of the assets of the Company pro rata in accordance with the number of Class A Shares held.

Restrictions on Transfer

Except as where necessary to comply with the Company's Articles, no Class A Share may be transferred without the previous consent of the Directors of the Company expressed by a resolution of the Company's board of Directors and the Directors may at any time in their absolute discretion decline to register any proposed transfer and shall not be required to disclose their reasons therefor.

The foregoing paragraph shall not apply in respect of any transfer or transfers by any Person of his/her Class A Shares to an Eligible Owner or the Eligible Owner of a Person's spouse or the transfer of Class A Shares held by his/her Eligible Owner to the Eligible Owner of his/her spouse and no transfer of Class A Shares will be authorized unless the shareholder's common shares of the Company, if any, have been issued, are transferred to or redeemed by the Company.

The Directors of the Company 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 transfer, allotment, issue, sale, purchase or redemption, no one shareholder of the Company would hold more than 25% of the issued Class A Shares in the capital stock of the Company and the number of Class A Shareholders of the Company would not be reduced to less than 20, except that for the purpose of computing the number of shareholders of the Company only issued Class A Shares shall be counted and that nothing in Article 26.5 of the Company's Articles shall prevent the Directors from giving their consent or approval to any transfer, allotment, issue, sale, purchase or redemption of shares which would not have the effect in the opinion of the Directors of disqualifying the Company as a MIC under the Tax Act or amendments thereto.

Dividend Reinvestment Plan

The Company has adopted a DRIP under which holders of Class A Shares may elect to reinvest cash dividends received from such Class A Shares to purchase additional Class A Shares ("Dividend Shares") at a price of \$1.00 per share. All registered holders of Class A Shares are eligible to become participants of the DRIP by making a selection under the shareholder information form completed at the time of their initial subscription for Class A Shares or by requesting an enrollment form at any time by contacting the

Company, which enrollment form must be received by the Company at least two business days before a "dividend record date" (which generally occurs on or about the first day of September, December, March and June).

The declaration of dividends is subject to approval by the Company's Directors. At each "dividend payment date" (which generally falls on the last day of November, December, March and June), a participating holder of Class A Shares will be credited with the number of Class A Shares equal to the cash dividend payment divided by a price of \$1.00 per share. Any fractional shares in the DRIP will be held in the DRIP for the benefit of the participant until the next dividend payment date on which a whole share may be purchased. All dividends paid on Class A Shares acquired under the DRIP will be automatically reinvested in additional Class A Shares on each subsequent dividend payment date, in accordance with the terms of the DRIP.

The Company operates a direct registration system that allows its shares to be owned, reported and transferred electronically without using a physical share certificate, therefore no physical share certificates will be issued in respect of Dividend Shares.

Pursuant to the DRIP, the Company has the power to make rules and regulations respecting the administration of the DRIP, the establishment of Internet-based or other electronic mechanisms for enrollment in the DRIP, the communication of information concerning the DRIP and any other aspects of the DRIP. The Company reserves the right to regulate and interpret the DRIP as the Company deems necessary or desirable, and to amend, suspend or terminate the DRIP at any time, in its sole discretion and without providing reasons (in which case the Company will provide all participants with written notice of such amendment, suspension or termination). If the DRIP is terminated, the Company will provide all participants with certificates registered in their name for all Dividend Shares, together with the cash from the sale of any fractions of Dividend Shares. If the DRIP is suspended, subsequent dividends on Dividend Shares will be paid in cash.

A shareholder may terminate participation in the DRIP at any time by written notice to the Company. If such notice is received at least 30 days before a dividend record date, the termination will be effective for the applicable record date, and will otherwise become effective after the next dividend payment date.

DRIP participants whose Class A Shares are registered in a name other than their own (under a deferred income plan or otherwise) may withdraw from the DRIP by making appropriate arrangements with the person who holds such shares to withdraw from the DRIP on their behalf.

5.2 Subscription Procedure

The minimum initial investment in the Company is \$25,000. The minimum subsequent investment in the Company for existing Class A Shareholders holding at least 25,000 Class A Shares is \$5,000. The Company reserves the right to change the minimum amount at any time.

Subscribers may purchase Class A Shares from the Company through PHL Financial, as its selling agent in those jurisdictions in which PHL Financial is registered as an exempt market dealer, without charge to the Subscriber, or through third party registered dealers who from time to time are retained by the Administrator. Orders may be sent to PHL Financial at its principal office or, if applicable, to the authorized third party registered dealer at its specified address, or to such other address as specified by the Administrator by courier or telecommunication facilities. The Company will schedule closings monthly on the first day of each month or such other times as decided by the Company (each, a "Closing").

The subscription price is payable upon subscription pursuant to the terms of the applicable subscription agreement(s), by certified cheque, bank draft or electronic transfer, payable to "MortEq Lending Corp."

(including electronic funds transfer via the FundSERV network, if applicable). No financing of the subscription price will be provided by the Company or the Administrator.

Investor qualifications differ depending on the province of residence of the Subscriber. A brief summary of the applicable qualifications as at the date of this Offering Memorandum is set out below and under the heading "Subscription Procedure – Qualified Investors". The summary below is for reference only and is qualified by the terms of applicable securities legislation and the terms of the Subscription Agreement in the form prescribed by the Company from time to time (the "Subscription Agreement").

Each prospective and qualified investor who is a Canadian resident and desires to subscribe for Class A Shares must be resident in British Columbia, Alberta, Ontario, Saskatchewan, Manitoba, New Brunswick, Prince Edward Island, Nova Scotia or Newfoundland and Labrador, and must:

- (a) complete and sign the form of Subscription Agreement prescribed by the Company from time to time specifying the number and class of the Class A Shares being subscribed for, and all applicable schedules or appendices attached thereto, including all applicable risk acknowledgement forms and appendices attached thereto, in the prescribed form. The Company reserves the right to use different forms of Subscription Agreements for different investors;
- (b) deliver payment of the subscription price for the Class A Shares subscribed for to PHL Financial or the authorized third party registered dealer, as applicable, by certified cheque, bank draft or other electronic transfer (including electronic funds transfer via the FundSERV network, if applicable) satisfactory to the Company and PHL Financial or the authorized third party registered dealer, as applicable; and
- (c) deliver to PHL Financial or the authorized third party registered dealer, as applicable, the Subscription Agreement and all applicable schedules and appendices attached thereto, including all applicable risk acknowledgement forms and appendices attached thereto, and any other forms, declarations and documents as may be required by the Company, PHL Financial or the authorized third party registered dealer, as applicable, to complete the subscription.

Subscriptions will be received subject to prior sale and acceptance of the investor's subscription, in whole or in part (subject to compliance with applicable securities laws), by the Company.

The aforementioned cash amounts, Subscription Agreements and other documents will be held in trust and released upon Closing. The subscription amount will be held in trust until midnight on the second business day after the investor signs a Subscription Agreement. Closings will occur on a continuous basis.

Acceptance of Subscriptions

Subscriptions received are subject to rejection or allotment in whole or in part by the Company. The selling agent, on behalf of the Company, reserves the right to close the subscription books at any time without notice. Confirmation of the acceptance of a subscription will be forwarded by PHL Financial or the authorized third party registered dealer, as applicable, to the Subscriber. The Company is not obligated to accept any subscriptions, and will reject any subscription which the Company considers to be not in compliance with applicable securities laws and regulations. If any subscription is rejected, PHL Financial or the authorized third party registered dealer, as applicable, will notify the investor and will return to the investor the subscription funds comprising such subscription, without interest.

An investor who subscribes for Class A Shares by executing and delivering a Subscription Agreement will become a Class A Shareholder after the Company accepts such subscription and the Company has received the subscription amount.

Qualified Investors

The Company is offering for sale, through PHL Financial as the Company's selling agent in those jurisdictions in which PHL Financial is registered as an exempt market dealer, and through authorized third party registered dealers, Class A Shares on a continuous basis. The Class A Shares are being offered for sale pursuant to the Offering in the Provinces of British Columbia, Alberta, Ontario, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador, by way of private placement.

The Offering is being conducted pursuant to the exemptions from the prospectus requirements afforded by Sections 2.3, 2.5, 2.9, and/or 2.10 of NI 45-106 and Section 73.3 of the OSA, as follows:

- The exemption pursuant to Section 2.3 of NI 45-106 is available for distributions to Subscribers resident in or otherwise subject to the securities laws of British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Prince Edward Island, Nova Scotia, or Newfoundland and Labrador purchasing as principal, who are "accredited investors" as defined in NI 45-106 and who duly complete and sign two copies of a risk acknowledgement (Form 45-106F9) in the prescribed form, if and as applicable.
- The exemption pursuant to Section 73.3 of the OSA is available for distributions to Subscribers resident in or otherwise subject to the securities laws of Ontario, purchasing as principal, who are "accredited investors" as defined in Subsection 73.3(1) of the OSA and who duly complete and sign two copies of a risk acknowledgement (Form 45-106F9) in the prescribed form, if and as applicable.
- The exemption pursuant to Section 2.5 of NI 45-106 is available for distributions to any Subscriber resident in or otherwise subject to the securities laws of Alberta or British Columbia, purchasing as principal, who qualifies as "family, a friend or a business associate" in accordance with the requirements of NI 45-106.
- The exemption pursuant to Section 2.9(1) of NI 45-106 is available for distributions to Subscribers resident in or otherwise subject to the securities laws of British Columbia or Newfoundland and Labrador, purchasing as principal, who receive this Offering Memorandum prior to signing the Subscription Agreement and who duly complete and sign two copies of a risk acknowledgement (Form 45-106F4) in the prescribed form.
- The exemption pursuant to Section 2.9(2) of NI 45-106 is available for distributions to Subscribers resident in or otherwise subject to the securities laws of Manitoba or Prince Edward Island, purchasing as principal, who receive this Offering Memorandum prior to signing a Subscription Agreement and who duly complete and sign two copies of a risk acknowledgement (Form 45-106F4) in the prescribed form and, if the Subscriber is not an "eligible investor" (as defined in NI 45-106), the acquisition cost to the Subscriber of the Class A Shares being subscribed for under the Subscription Agreement does not exceed \$10,000.
- The exemption pursuant to Section 2.9(2.1) of NI 45-106 is available for distributions to Subscribers resident in or otherwise subject to the securities laws of Alberta, Saskatchewan, Ontario, New Brunswick, or Nova Scotia, purchasing as principal, who receive this Offering Memorandum prior to signing the Subscription Agreement and who duly complete and sign two copies of a risk acknowledgement (Form 45-106F4) in the prescribed form, and if the Subscriber is an individual, who signs two copies of Appendix I and Appendix II attached to the risk acknowledgement form (Form 45-106F4), and whose acquisition cost of all securities acquired in reliance on the exemption from the prospectus requirement afforded by section 2.9 of NI 45-106 in the preceding 12-month period (together with the acquisition cost to the

Subscriber of the Class A Shares being subscribed for under the Subscription Agreement) does not exceed the following amounts:

- (a) in the case of a Subscriber that is not an "eligible investor", \$10,000;
- (b) in the case of an investor that is an "eligible investor", \$30,000; and
- (c) in the case of an investor 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 such investment limits do not apply to a Subscriber who is an "eligible investor" by virtue of being an "accredited investor" or a person described in Section 2.5(1) of NI 45-106.

- The exemption pursuant to Section 2.10 of NI 45-106 is available for distributions to Subscribers resident in or otherwise subject to the securities laws of British Columbia, Alberta, Ontario, Saskatchewan, Manitoba, New Brunswick, Prince Edward Island, Nova Scotia, or Newfoundland and Labrador, purchasing as principal, who are not individuals and who are acquiring Class A Shares with an acquisition cost to the Subscriber of not less than \$150,000 paid in cash at the time of Closing.

The foregoing exemptions relieve the Company from the provisions of the applicable securities laws of the Provinces of British Columbia, Alberta, Ontario, Saskatchewan, Manitoba, New Brunswick, Prince Edward Island, Nova Scotia, and Newfoundland and Labrador which otherwise would require the Company to file and obtain a receipt for a prospectus. Accordingly, prospective investors for Class A Shares will not receive the benefits associated with a subscription for securities issued pursuant to a filed prospectus, including the review of material by securities regulatory authorities.

Trading and Resale Restrictions

This offering of Class A Shares is made only on a private placement basis to investors who are eligible to purchase on an exempt basis under, and subject to compliance with, applicable securities laws. **There is no market for the Class A Shares. The transferability of the Class A Shares will also be subject to resale restrictions under applicable securities laws.** The Company will be entitled to require and may require, as a condition of allowing any transfer of any Class A Share, the transferor or transferee, at their expense, to furnish to the Company evidence satisfactory to it in form and substance (which may include an opinion of counsel satisfactory to the Company) in order to establish that such transfer will not constitute a violation of the securities laws of any jurisdiction whose securities laws are applicable thereto.

The Company is not a reporting issuer in any of the provinces of Canada and does not intend to become a reporting issuer in any province of Canada. The Class A Shares will be subject to resale restrictions under applicable securities laws which restrict the transfer of Class A Shares. Notwithstanding such resale restrictions, and subject to approval by the Company, investors will be able to transfer Class A Shares to another person pursuant to another exemption from the prospectus requirements of applicable securities laws, or pursuant to an order permitting such trade granted by applicable securities regulatory authorities.

This Offering Memorandum and all subscription documents should be reviewed by prospective Subscribers and their professional advisers prior to subscribing for Class A Shares.

ITEM 6**REPURCHASE REQUESTS**

Within the last two recently completed financial years, the Company has redeemed the following Class A Shares or securities convertible or exchangeable into Class A Shares:

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 A Shares	August 31, 2024	29,400,920	71,654,781	78,334,592	\$1.00	Credit Facilities	22,721,109
Class A Shares	August 31, 2023	19,640,488	77,181,787	67,421,355	\$1.00	Credit Facilities	29,400,920

For the period of September 1, 2024 to January 31, 2025, the Company has redeemed the following Class A Shares or securities convertible or exchangeable into Class A Shares:

Description of security	Beginning and end dates of the period	Number of securities with outstanding repurchase requests on the first day of the period	Number of securities for which investors made repurchase requests during the period	Number of securities repurchased during the period	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 period
Class A Shares	September 1, 2024 to January 31, 2025	29,400,920	59,089,171	55,677,797	\$1.00	Credit Facilities	26,132,483

ITEM 7**INCOME TAX CONSEQUENCES AND ELIGIBILITY FOR INVESTMENT****7.1 Caution**

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

7.2 Income Tax Consequences

The following is a summary of the principal Canadian federal income tax consequences of acquiring, holding and disposing of the Class A Shares by a Subscriber who, at all relevant times and for purposes of the Tax Act, is a resident solely of Canada, deals with the Company at arm's length, is not affiliated with the Company, and acquires and holds the Class A Shares as capital property (a "Holder"). This summary, which has been reviewed and approved for the current circumstances by Lawson Lundell LLP, only addresses Holders who meet all of the foregoing requirements. This summary is not applicable to any Holder of Class A Shares (i) that is a "financial institution" or a "specified financial institution" for the purposes of the Tax Act, (ii) an interest in which is a "tax shelter investment" for the purposes of the Tax Act, or (iii) that reports its Canadian tax results in a "functional currency" (which excludes Canadian dollars).

This summary is based upon the facts set out in this Offering Memorandum, the current provisions of the Tax Act and the regulations thereunder, all specific proposals (the "Tax Proposals") to amend the Tax Act or the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, and our understanding of the current published administrative practices of the Canada Revenue Agency. This summary assumes that the Tax Proposals will be enacted as currently proposed, although no assurance in this regard can be provided. The summary does not take into account or anticipate any other changes in law, whether by way of legislative, governmental or judicial action and does not take into account tax legislation or considerations of any province, territory or foreign jurisdiction.

The summary contained in this section is of a general nature only and is not exhaustive of all possible Canadian federal income tax consequences. It is not intended to be, and should not be interpreted as, legal or tax advice to any particular Subscriber. You should consult with your own tax advisor regarding the income tax consequences to you of acquiring, holding and disposing of the Class A Shares including the application and effect of the income and other tax laws of any country, province, state or local tax authority. The discussion below is qualified accordingly.

This summary is based on the assumption that the Company meets and will meet on a continuous basis certain conditions which are imposed by the Tax Act on the Company in order for the Company to qualify as a MIC thereunder. These conditions will generally be satisfied if all of the following conditions are met throughout a taxation year of the Company:

- (a) the Company was a Canadian corporation as defined in the Tax Act;
- (b) the Company's only undertaking was the investing of funds and it did not manage or develop any real or immovable property;
- (c) none of the property of the Company consisted of debts owing to the Company secured on real or immovable property situated outside Canada, debts owing to the Company by non-resident persons unless such debts were secured on real or immovable property situated in Canada, shares

of the capital stock of corporations not resident in Canada, or real or immovable property situated outside of Canada or any leasehold interest in such property;

(d) the Company had at least 20 shareholders, and no one shareholder (together with any "related person", as such phrase is understood in section 251 of the Tax Act and as modified in subparagraph 130.1(6)(d)(iv) of the Tax Act, of such shareholder) at any time in the year owned, directly or indirectly, more than 25% of the issued shares of any class of the Company or was otherwise a "specified shareholder" for purposes of the Tax Act, also taking into account certain applicable rules for the purposes of counting shareholders of a MIC that are registered pension plans or deferred profit sharing plans for purposes of the Tax Act;

(e) all holders of preferred shares of the Company had the right, after payment to them of their preferred dividends and payment of dividends in a like amount per share to the holders of any common shares of the Company, to participate *pari passu* (equally) with the holders of the common shares in any further payment of dividends;

(f) the cost amount of the Company's property consisting of debts secured (whether by mortgages, hypothecs, or in any other manner) on houses or on property included within a housing project (as those terms are defined in the *National Housing Act* (Canada)), together with cash on hand and deposits with a bank or any other corporation whose deposits are insured by the Canada Deposit Insurance Corporation, the Régie de l'assurance-dépôts du Québec, or with a credit union (collectively, the "Qualifying Property"), was at least 50% of the cost amount to it of all of its property;

(g) the cost amount of real or immovable property (including leasehold interests therein but excluding real property acquired as a consequence of foreclosure or default on a mortgage, hypothec or agreement of sale of real property held by the Company) owned by the Company did not exceed 25% of the cost amount to it of all of its property;

(h) where at any time in the year the cost amount to the Company of its Qualifying Property as defined in (f) above was less than two-thirds of the cost amount to it of all of its property, the Company's liabilities did not exceed three times the amount by which the cost amount to it of all of its property exceeded its liabilities; and

(i) where (h) above did not apply, in that the cost amount of its Qualifying Property was equal to or was greater than two-thirds of the cost amount of all the Company's property, the Company's liabilities did not exceed five times the amount by which the cost amount to it of all its property exceeded its liabilities.

It is intended, and this summary assumes, that these requirements will be satisfied on a continuous basis and that the Company will qualify as a MIC for purposes of the Tax Act at all relevant times. If the Company were not to qualify as a MIC at any relevant time, the income tax consequences would be materially different from (and generally adverse compared to) those described below. Tax considerations applicable where the Company does not so qualify as a MIC at any particular time are not discussed in this summary or elsewhere in the Offering Memorandum.

Taxation of the Company

Provided that the Company qualifies as a MIC throughout a taxation year, the Company will, in computing its taxable income, generally be entitled to deduct the full amount of all taxable dividends (other than capital gains dividends) which it pays during the year or within 90 days after the end of the year to the extent that such dividends were not deductible by the Company in computing its income for the preceding year. In addition, a corporation that qualifies as a MIC throughout a taxation year may declare a capital gains

dividend in an amount equal to the gross amount of its capital gains and, by making an election in prescribed manner, is entitled to deduct one-half of such dividend from its taxable income.

The Company will be subject to Part I income tax at the same rate that a Canadian public corporation would be subject to. However, at this time the Company believes that it qualifies and will continue to qualify as a MIC, and intends to declare dividends to the extent necessary to reduce its taxable income each year to nil so that it has no tax payable under Part I of the Tax Act, and intends to elect to have dividends to be capital dividends to the maximum extent allowable.

Taxation of the Holders of Class A Shares

Provided that the Company qualifies as a MIC, dividends (other than capital gains dividends) which are paid by the Company on the Class A Shares will be included in Holders' incomes as bond interest, and capital gains dividends will be treated as realized capital gains of Holders and will be subject to the general rules relating to the taxation of capital gains. **AS THE DIVIDENDS (OTHER THAN CAPITAL GAINS DIVIDENDS) ARE TAXED AS BOND INTEREST, THE NORMAL GROSS UP AND DIVIDEND TAX CREDIT RULES WILL NOT APPLY TO DIVIDENDS PAID BY THE COMPANY TO AN INDIVIDUAL AND TRUSTS ON CLASS A SHARES, AND HOLDERS THAT ARE CORPORATIONS WILL NOT BE ENTITLED TO DEDUCT THE AMOUNT OF DIVIDENDS PAID BY THE COMPANY IN COMPUTING TAXABLE INCOME UNDER SECTION 112 OF THE TAX ACT.**

The cost to a Holder of Class A Shares acquired pursuant to this Offering will equal the purchase price of the Class A Shares plus the amount of any other reasonable costs incurred in connection therewith. Subject to some exceptions, this cost will be averaged with the cost of all other Class A Shares held by the Holder to determine the adjusted cost base of each Class A Share.

A disposition or a deemed disposition of Class A Shares (other than to the Company) will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition of the Class A Shares exceed (or are exceeded by) the adjusted cost base of the Class A Shares and the disposition costs. Amounts paid by the Company on the redemption or acquisition by it of a Class A Share, up to the paid-up capital thereof, will be treated as proceeds of disposition. Any amount paid by the Company on the redemption or acquisition of a Class A Share which is in excess of the paid-up capital of such Class A Share will be deemed to be a dividend and will be included in the income of a holder of Class A Shares, in accordance with the rules relating to the receipt of dividends described above.

In general, one-half of any capital gain realized by a Holder (including capital gains deemed to be realized as a result of a receipt of a capital gains dividend) will be included in the Holder's income under the Tax Act as a taxable capital gain. Subject to certain specific rules in the Tax Act, one-half of any capital loss realized in a taxation year is to be deducted against any taxable capital gains realized by the Holder in such year and, to the extent not so deductible, may generally be carried back three tax years or forward indefinitely and deducted against taxable capital gains realized in such tax years.

The taxable capital gains realized by a Holder that is an individual (a natural person or most forms of trusts) may give rise to alternative minimum tax depending upon the Holder's circumstances. A Holder that is a "Canadian-controlled private corporation" or a "substantive CCPC" (each as defined in the Tax Act) may be liable to pay an additional tax (refundable in certain circumstances) of 10²/₃% on certain investment income, including amounts in respect of interest and taxable capital gains. Furthermore, the receipt by a "Canadian-controlled private corporation" of investment income, including amounts in respect of interest and taxable capital gains, can reduce the amount of the corporation or an associated corporation's business limit, as that phrase is understood in subsection 125(7) of the Tax Act, in the following year that is taxed at the lower rate of corporate tax described in subsection 125(1.1) of the Tax Act where the investment income earned by the corporation in the year exceeds \$50,000.

7.3 Eligibility for Investment

The Class A Shares will be qualified investments under the Tax Act for a trust governed by a Registered Retirement Savings Plan ("RRSP"), Registered Educational Savings Plan ("RESP"), Registered Disability Savings Plan ("RDSP"), Registered Retirement Income Fund ("RRIF"), a Tax Free Saving Account ("TFSA"), First Home Savings Account ("FHSA") (collectively, the "Registered Plans") or Deferred Profit Sharing Plan (together with the Registered Plans, the "Plans") provided that the Company qualifies as a MIC under the Tax Act and further provided that throughout 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, a subscriber under, or holder of, the Plan, or of any other person who does not deal at arm's length with that person. Adverse tax consequences, not discussed herein, would generally result if the Company at any time fails to qualify as a MIC or its shares otherwise fail to constitute qualified investment for Plans.

Notwithstanding that the Class A Shares may be a qualified investment for the Registered Plans, the holder of a TFSA, RDSP or FHSA, the annuitant of an RRSP or RRIF, or subscriber of a RESP, as the case may be, which acquires Class A Shares will be subject to a penalty tax under the Tax Act if such Class A Shares are a "prohibited investment" (within the meaning of the Tax Act) for the particular Registered Plan. The Class A Shares will generally be a prohibited investment for a Registered Plan if the holder of the TFSA, RDSP or FHSA, annuitant of the RRSP or RRIF, or subscriber of the RESP as applicable, (i) does not deal at arm's length with the Company for purposes of the Tax Act or (ii) has a "significant interest" (within the meaning of the Tax Act) in the Company. Generally, a holder, annuitant or subscriber, as the case may be, will not have a significant interest in the Company unless the holder, annuitant or subscriber, as the case may be, owns directly or indirectly, 10% or more of the issued shares of any class of the capital stock of the Company (or of any related corporation), either alone or together with persons with which the holder, annuitant or subscriber, as the case may be, does not deal at arm's length. In addition, the Class A Shares will not be prohibited investments if they are "excluded property" as defined in the Tax Act, in respect of the particular Registered Plan.

Holders and annuitants should consult their own tax advisors to ensure that the Class A Shares would not be a prohibited investment for a trust governed by a Registered Plan in their particular circumstances.

ITEM 8

COMPENSATION PAID TO SELLERS AND FINDERS

The Company plans to sell the Class A Shares through PHL Financial and through third party registered dealers who from time to time are retained by the Administrator. No fee, commission or other acquisition charge is payable by the Company to PHL Financial in respect of orders to purchase Class A Shares of the Company. No fee, commission or other compensation will be paid by the Company or the Administrator to any third party registered representative or dealer. Therefore, Subscribers who purchase Class A Shares distributed through an authorized third party registered dealer would only pay fees charged by the third party registered dealer for their investment advice and other services.

For PHL Financial's services, the Administrator (as manager of the Company) will pay to PHL Financial an annual administration fee (the "Dealer Services Fee"), payable monthly in advance. The Dealer Services Fee will: (i) be set annually; (ii) be subject to proration for any period during the term of the Dealer Services Agreement less than one full calendar year; and (iii) be subject to adjustment as necessary to satisfy the amount of certain specified expenses incurred by PHL Financial in connection with performing the services provided under the Dealer Services Agreement. The Dealer Services Fee for the 2023 calendar year was \$796,000, subject to proration or adjustment as applicable, and for the 2024 calendar year \$796,000, subject to proration or adjustment as applicable.

No fees are payable on shares issued under the DRIP.

The Company is a "connected issuer" and a "related issuer" of PHL Financial, as such terms are defined in NI 33-105. The Company has determined that it is a connected issuer and a related issuer of PHL Financial by virtue of PHL Financial's role as an exempt market dealer engaged to sell the Class A Shares offered hereby and based on the fact that the Company and PHL Financial have common securityholders, directors and officers. See "Risk Factors – Conflicts of Interest".

ITEM 9

RISK FACTORS

An investment in the Company involves significant risks. In addition to the other information presented in this Offering Memorandum, the following risk factors should be given special consideration when evaluating an investment in any of our securities. The purchase of Class A Shares involves a number of risk factors and is suitable only for Subscribers who are aware of the risks inherent in the real estate industry and who have the ability and willingness to accept the risk of loss of their invested capital and who have no immediate need for liquidity. There is no assurance of any return on a Subscriber's investment. The risk factors outlined below are not a definitive list of all risk factors associated with an investment in the Company.

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

9.1 Investment Risk

Risks that are specific to the Class A Shares being offered under this Offering include the following:

Speculative Investment

An investment in the Class A Shares is speculative. Investment in the Class A Shares should be considered only by investors who are able to make a long term investment and are aware of the risk factors involved in such an investment. You should only invest in the Class A 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 Class A Shares

There is no market through which the Class A Shares may be sold, and the Company does not expect that any market will develop pursuant to this Offering or in the future. Accordingly, an investment in Class A Shares should only be considered by Subscribers who do not require liquidity. The Class A Shares are subject to onerous resale restrictions under applicable securities legislation. See "Resale Restrictions", regarding resale restrictions applicable to the Class A Shares.

Return on Investment

There is no assurance that sufficient revenue will be generated by the Company from which dividends can be declared by the Directors and paid to the Class A Shareholders.

No Guaranteed Dividends

The dividends in which the Class A Shareholders are entitled to participate are not cumulative and will not be paid unless such dividends have been declared by the Directors. The Directors have the sole discretion as to whether or not any such dividends are declared. Therefore, there is no guarantee that dividends payable to Class A Shareholders will be declared.

Prospectus Exemption

The Offering is being made pursuant to exemptions from the prospectus requirements of applicable securities legislation (the "Exemptions"). As a consequence of acquiring the Class A 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 Class A 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.

The Class A Shares are not Insured

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

Redemption Liquidity

The Class A Shares are redeemable, meaning that Subscribers have the right to require the Company to redeem them, upon appropriate advance notice from the Subscriber to the Company. If the Subscriber does not provide the Company with the appropriate notice of redemption, the right of redemption is suspended until an additional time period has elapsed. See "Terms of Securities".

The Company gives no assurance that any Subscriber will be able to redeem any or all of their Class A Shares at any time. Redemption of the Class A Shares is subject to the Company having access to sufficient cash, or other liquid assets, and being in compliance with applicable corporate and securities legislation, and is subject to the terms in the Company's Articles and this Offering Memorandum, all as determined solely by the Company. Redemption of the Class A 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 Subscribers who may require liquidity.

Absence of Voting Rights

The Class A Shares being sold under this Offering do not carry voting rights, and consequently a Subscriber's investment in Class A 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 Class A Shares, potential Subscribers should appreciate that they are relying solely on the good faith, judgment and ability of the directors, officers and employees of the Company and the Administrator to make appropriate decisions with respect to the management of the Company, and that they will be bound by the decisions of the Company's and the Administrator's directors, officers and employees. It would be inappropriate for Subscribers unwilling to rely on these individuals to this extent to purchase Class A Shares.

Lack of Separate Legal Counsel

The Subscribers, as a group, have not been represented by separate counsel. Neither counsel for the Company nor counsel for the Administrator purport to have acted for the Subscribers nor to have conducted any investigation or review on their behalf.

No Regulatory Review of Offering Memorandum

Subscribers under the Offering will not have the benefit of a review of this Offering Memorandum by any regulatory authorities.

9.2 Issuer Risk

Risks that are specific to the Company include the following:

MIC Tax Designation

Under the Company's Articles the Company's Directors are required to use their best efforts to ensure that the Company qualifies as a MIC pursuant to the Tax Act. As well, the Company's Articles of Incorporation grant the Directors the discretion to reject any applications for share dividends or share subscriptions, transfers, redemptions or retractions where, in the view of the Directors, such would not be in the Company's best interests as a MIC under the Tax Act.

There can be no assurance, however, that the Company will be able to meet the Tax Act's mortgage investment 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 Class A 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 Class A Shares would cease to be deductible from the income of the Company for that year and the dividends it pays on the Class A Shares would be subject to the normal gross-up and dividend tax credit rules. In addition, the Class A Shares might cease to be qualified investments for Plans, with adverse tax implications.

Tax Matters and Changes in Legislation

The return on the Class A Shareholders' investment in the Class A Shares is subject to changes in Canadian federal and provincial tax laws, tax proposals, other governmental policies or regulations and governmental, administrative or judicial interpretation of the same. There can be no assurance that tax laws, tax proposals, policies or regulations, or the interpretation thereof, or governmental incentive programs relating to the real estate industry, will not be changed in a manner which will fundamentally alter or adversely affect the tax consequences to Class A Shareholders acquiring, holding or disposing of Class Shares or distributions received by Class A Shareholders.

Dilution

The number of Class A Shares the Company is authorized to issue is unlimited and the Directors have the sole discretion to issue additional Class A Shares. The proceeds of this 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 Class A Shares in order to raise the funds required which will result in a dilution of the interest of the Class A Shareholders in the Company and the income or loss from the Company.

Reliance on the Administrator and PHL Financial

In accordance with the terms of the Administrative and Services Agreement between the Company and the Administrator, the Administrator has significant responsibility for assisting the Company to conduct its affairs. Any inability of the Administrator to perform competently or on a timely basis will negatively affect the Company.

In accordance with the terms of the Dealer Services Agreement, PHL Financial has significant responsibility for assisting the Company in selling the Class A Shares. Any inability of PHL Financial to perform competently or on a timely basis could negatively affect the Company.

Each of the Administrative and Services Agreement and Dealer Services Agreement may be terminated in various circumstances, including by the Administrator or PHL Financial, as applicable, upon the requisite prior written notice to the other parties as provided for in each agreement. There is no assurance that the Administrator or PHL Financial will continue to provide services to the Company.

Cyber Security

The information and technology systems of the Company, the Administrator and PHL Financial may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Company has implemented, and the Administrator and PHL Financial may maintain, various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Company, the Administrator or PHL Financial may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Company's, the Administrator's or PHL Financial's, as applicable, operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the Company's, the Administrator's or PHL Financial's reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance. Furthermore, the Company cannot control the cyber security plans and systems of the Administrator, PHL Financial and service providers.

Key Personnel

The operations of the Company, the Administrator and PHL Financial are highly dependent upon the continued support and participation of their key personnel. There is no certainty that the persons who currently comprise the Directors and officers of the Company or the persons who are currently directors, officers or employees of the Administrator or PHL Financial will continue to be available to the Company for the entire period during which it requires the provision of their services. The loss of their services may materially affect the timing or the ability of the Company to implement its business plan.

The Company's, the Administrator's and PHL Financial's management teams consist of several key personnel. In order to manage the Company, the Administrator or PHL Financial 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 exist, and others may arise, between Subscribers and the directors and officers of the Administrator, PHL Financial and the Company, and their associates and affiliates.

As certain of the Company's Directors and officers are also directors and officers of the Administrator and PHL Financial, and certain of the Company's Directors and officers are also indirect shareholders of each of the Administrator and PHL Financial, there may be conflicts of interest if the interests of these companies are inconsistent. Although the Administrator and PHL Financial will have various obligations to the Company, situations may arise where the interests of the directors, officers, employees and shareholders of the Administrator (being the promoter of the Company) and PHL Financial (being the selling agent of the Company) could conflict with the interests of the Company. Additionally, the employees, directors and officers of the Administrator or PHL Financial may invest their own money in the Company and may, from time to time, have substantial holdings in the Company.

All decisions to be made by the Directors and officers of the Company involving the Company are required by law to be made in accordance with their duties and obligations to act honestly and in good faith with a view to the best interests of the Company. In addition, those Directors and officers are required to declare their interests in, and such Directors are required to refrain from voting on, any matter in which they may have a material conflict of interest. Provided that they so act, interested Directors will not be required to account to the Company for profits earned by such other entities.

There is no assurance that any conflicts of interest that may arise will be resolved in a manner most favourable to Subscribers. Persons considering a purchase of Class A Shares pursuant to this Offering must rely on the judgment and good faith of the directors, officers and employees of the Administrator and the Company in resolving such conflicts of interest as may arise.

Administrator

The Company and its shareholders are dependent in large part upon the experience and good faith of the Administrator. The Administrator is entitled to act in a similar capacity for other companies with investment criteria similar to those of the Company. As such, there is a risk the Administrator will not be able to originate sufficient suitable investment opportunities to keep the Company's funds fully invested.

The Administrator also provides mortgage administration and other ancillary services to OLC, which is a MIC and an affiliate of the Company. As a result of the different investment strategies of OLC and the Company, however, it is intended that the Company's investment strategy will complement, and not compete with, that of OLC in respect of mortgage investment opportunities. Specifically, OLC intends to finance mortgage loans having a higher loan-to-value ratio outside the Company's target investment strategy and intends to finance mortgage investment opportunities behind the Company or third party conventional lenders.

The Administrator has conflicts of interest relating to the Company as a result of the fact that the economic success of the Administrator is tied solely to the management and administration of related parties and its only source of revenue is the Administration Fee from such related parties and which is not tied to the financial performance of such entities.

The Company is entitled to terminate or vary the terms of the Administrative and Services Agreement. Due to the common mind and management of the Company and the Administrator, it may be difficult for some of the Directors of the Company to exercise independent judgment about this and other matters.

PHL Financial

The Company is a "connected issuer" and a "related issuer" of PHL Financial, as such terms are defined in NI 33-105. The Company has determined that it is a connected issuer and a related issuer of PHL Financial by virtue of PHL Financial's role as an exempt market dealer engaged to sell the Class A Shares offered hereby and based on the fact that PHL Financial and the Company have common securityholders, directors and officers. Steven Ponte and Parminder Purewall are directors and officers of the Company, the Administrator and PHL Financial. Mr. Ponte and Mr. Purewall each directly or indirectly hold 9.1% of the voting securities of the Company and 50% of the voting securities of each of the Administrator and PHL Financial. PHL Financial is considered a "captive dealer" as defined by CSA Staff Notice 31-343 because it solely or primarily distributes securities of related or connected issuers.

PHL Financial's relationship with the Company and the Administrator may cause PHL Financial to perform due diligence on the securities offered hereby with a less independent view, and PHL Financial may be considered to have an added incentive to sell the securities offered hereby. The judgement of PHL Financial's dealing representatives, management and supervisory staff may be considered to be affected by these relationships. In light of the conflicts of interest, PHL Financial has adopted policies and procedures for assessing a purchase as suitable for a client and for identifying and responding to conflicts of interest by avoiding, controlling or disclosing conflicts of interest. Additionally, conflicts of interest between PHL Financial and the Company are mitigated in that PHL Financial does not receive a commission for capital raised on behalf of the Company.

PHL Financial also acts as sales agent in respect of offerings of securities by OLC, which is an affiliate of the Company and a MIC also managed by the Administrator. However, PHL Financial has agreed to use commercially reasonable efforts to perform its duties and responsibilities under the Dealer Services Agreement and in compliance with applicable securities laws.

As disclosed in this Offering Memorandum, the subscription proceeds from the Offering will not be applied for the benefit of PHL Financial or its related issuers.

Access to Client Assets

Due to the common mind and management of the Company, the Administrator and PHL Financial, and the fact that certain registered personnel of PHL Financial are authorized signatories of the Administrator and the Company, certain of PHL Financial's registered personnel have access to client assets. Specifically, certain of PHL Financial's registered personnel have access to client cash in the bank accounts of the Company, to the books and records of the Company's securityholders, and to the Company's mortgage investments. Granting PHL Financial access to the Company's shareholders' assets, even in limited circumstances, exposes our shareholders to potential risk of loss: (i) if there is a breakdown in PHL Financial's information technology systems; or (ii) due to fraud, willful or reckless misconduct, negligence, or error of PHL Financial's personnel who have access. To reduce the risk of loss, PHL Financial provides disclosure to clients with respect to such risk and the Administrator and PHL Financial have strict operational controls. In addition, PHL Financial is required under securities laws to insure against the risk of loss from any access PHL Financial may have to your assets.

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 by this Offering and/or future offerings and/or other debt or equity financings the Company may have insufficient funds available to implement its business plan, and Subscribers may receive no return on their Class A 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 Offering will be expended by the Company in investing in residential mortgages, and also anticipates that the net proceeds of the Offering and anticipated cash flow from operating revenues will be sufficient to carry out the 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 assurances that the Company will not require additional financing. The Company has no current arrangements with respect to any other additional financing (other than the Credit Facilities), 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 could 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 Subscribers' participation in the revenues generated through the Company's operations.

9.3 Industry Risk

There are also risks faced by the Company 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 mortgage loans reflect the greater risks involved in making these types of loans as compared to long term conventional mortgage loans. Inherent in these loans are completion risks as well as financing risks. In addition, prospective Subscribers should take note of the following:

General Economic Conditions

As at the date of this Offering Memorandum, Canada, like many countries, is experiencing a period of high inflation and increased interest rates. General economic and market conditions, including factors such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Company's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations) could affect the value of Mortgage investments made by the Company or being considered by the Company. Additionally, the financing available to the Company from lenders on favourable terms could be reduced in disrupted markets, which could result in substantial losses to the Company.

No Guaranteed Returns

Although investments in Mortgages will be carefully chosen by the Company, there is no representation made by the Company that such investments will have a guaranteed return to Class A Shareholders, nor that losses will not be incurred by the Company in respect of such investments. This Offering is not suitable for investors who cannot afford to assume significant risks in connection with their investments.

Priority

Financial charges for other financing funded by conventional third party lenders may rank in priority to the Mortgages registered in favour of or in trust for the Company. Any subordinate financing which may be carried on by the Company is generally considered a higher risk than primary financing. Mortgages will be secured by a charge which is in a first or subsequent-ranking position upon or in the underlying real estate. When a charge on a real property is in a position other than first-ranking on a real property, it is possible for the holder of a prior charge on the real property, if the borrower is in default under the terms of its obligations to such holder, to take a number of actions against the borrower and ultimately against the real property in order to realize the security given for his loan. Such actions may include a foreclosure action, or an action forcing the real property to be sold. A foreclosure action may have the ultimate effect of depriving any person having other than a first-ranking charge the security of the real property. If an action

is taken to sell the real property and sufficient proceeds are not realized from such sale to pay off all creditors who have prior charges on the property, the holder of a subsequent charge may lose his investment or part thereof to the extent of such deficiency, unless he can otherwise recover such deficiency from other property owned by the debtor. In the event of default by the mortgagor under any prior financial charge, the Company may not recover any or all of the monies advanced.

Insurance

The Company's mortgage loans will not usually be insured in whole or in part. As well, there are certain inherent risks in the real estate industry, some of which the Company may not be able to insure against or which the Company may elect not to insure due to the cost of such insurance. The effect of these factors cannot be accurately predicted.

Default

If there is default on a Mortgage it may be necessary for the Company, in order to protect the investment, to engage in foreclosure or sale proceedings and to make further outlays to complete an unfinished project or to maintain prior encumbrances in good standing. In such cases it is possible that the total amount recovered by the Company may be less than the total investment, resulting in loss to the Company. Equity investments in real property may involve fixed costs in respect of mortgage payments, real estate taxes, and maintenance costs, which could adversely affect the Company's income.

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 and operating expenses, and various other factors. The value of a real estate property may ultimately depend on the credit and financial stability of the tenants. 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 residential real property projects under development may be riskier than investments in Mortgages on already constructed residential real property developments.

Composition of the Invested Mortgage Portfolio

The composition of the Company's Invested Mortgage Portfolio may vary widely from time to time and may be concentrated by borrower, type of security, industry or geography, resulting in the Invested Mortgage Portfolio being less diversified than anticipated. A lack of diversification may result in the Company being exposed to economic downturns or other events that have an adverse and disproportionate effect on particular types of security, industry or geography.

The Company May Invest in Second Mortgages

The Company may invest in second mortgages. Second mortgages are generally considered higher risk than first ranking mortgages because it is possible for the holder of the first mortgage to take a number of actions against the borrower and ultimately against the Real Property in order to realize on the security. Such actions may include a foreclosure action, which may have the result of depriving the Company, which holds the second-ranking charge, the security of the Real Property. If upon a sale of the Real Property, there are insufficient proceeds to pay off the holder of the first mortgage, or the full balance of the second mortgage, the Company may lose all or a portion of its investment, unless it is able to otherwise recover such deficiency by other property owned by the debtor.

Renewal of Mortgages

There can be no assurances that any of the Mortgages comprising the Company's Invested Mortgage Portfolio from time to time can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to each Mortgage comprising the Invested 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 Invested Mortgage Portfolio are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such Mortgages will be subject to negotiations between the mortgagors and the mortgagees at the time of renewal.

Borrowing

The Company may from time to time borrow funds to increase the mortgage portfolio and the returns of the portfolio. Borrowings would be secured by mortgages in the Company's portfolio. This could increase the risk of the Company's insolvency.

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, government regulation and tax laws. The Company cannot predict the effect that such factors will have on its operations.

Competition

The earnings of the Company depend on the Company's ability, with the assistance of the Administrator, to locate suitable opportunities for the investment and re-investment of the Company's funds and on the yields available from time to time on mortgages and other investments. The investment industry in which the Company operates is subject to a wide variety of competition from private businesses in Canada and the United States, many of whom have greater financial and technical resources than the Company. Such competition, as well as any future competition, may adversely affect the Company's success in the marketplace. There is no assurance that the Company will be able to successfully maintain its business plan or operate profitably.

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

Potential Liability Under Environmental Protection Legislation

Environmental and ecological legislation and policies have become increasingly important in recent years. Under various laws, as the owner of real estate properties the Company could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on, from or in one or more of the properties. The failure to remove or remediate such substances, if any, may adversely affect the Company's ability to sell such a property or to borrow using a property as collateral.

ITEM 10

REPORTING OBLIGATIONS

The Company is not a "reporting issuer" as that term is defined in applicable securities legislation, nor does it currently intend to become a reporting issuer and therefore obligations of the Company to publicly

disclose documents is limited. However, Class A Shareholders will receive quarterly statements reflecting their investment in the Company and quarterly dividend cheques, if applicable, and will receive yearly T5 tax returns for cash investment income. Additionally, in Alberta, Saskatchewan, Ontario, New Brunswick and Nova Scotia the Company is subject to certain requirements to make reasonably available to investors resident in or otherwise subject to the securities laws of Alberta, Saskatchewan, Ontario, New Brunswick or Nova Scotia who acquire Class A Shares under this Offering Memorandum in reliance on the prospectus exemption afforded by Section 2.9(2.1) of NI 45-106 a copy of the Company's annual financial statements and a notice of the Company disclosing in reasonable detail the use of the proceeds raised by the Company for the most recently completed financial year.

The Company's fiscal year commences September 1 in each year and ends August 31 of the following year. The Company will prepare financial statements for each fiscal year in connection with an annual general meeting to be held as required by the *Business Corporations Act* (British Columbia), and provide them to shareholders within 120 days of the Company's fiscal year end.

Other than as set out above, and except as may be otherwise required under applicable securities laws, Class A Shareholders may not receive any other information regarding the Company's portfolio on an ongoing basis.

ITEM 11

RESALE RESTRICTIONS

In respect of trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, and/or Saskatchewan, 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. In respect of trades 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 intention or plan to proceed with becoming a reporting issuer or filing a prospectus. See "Trading and Resale Restrictions".

ITEM 12

PURCHASERS' RIGHTS

12.1 Statements Regarding 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.

The following summary is subject to the express provisions of the securities legislation of each offering jurisdiction and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions. Subscribers should refer to those provisions for the particulars of these rights or consult with a legal adviser.

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

Two Day Cancellation Right for All Investors

You can cancel your agreement to purchase these securities. To do so, you must send a notice to the Company or the Administrator by midnight on the second business day after you sign the Subscription Agreement to buy the securities.

Statutory and Contractual Rights of Action in the Event of a Misrepresentation

The following summary is subject to the express provisions of the applicable securities legislation, and the regulations, rules and policy statements thereunder. Purchasers should refer to the applicable securities legislation along with the regulations, rules and policy statements thereunder for the complete text of these provisions and should consult with their legal advisor. The statutory rights of action described in this Offering Memorandum are in addition to and without derogation from any other right or remedy that purchasers may have at law.

Securities legislation in certain of the provinces and territories of Canada provides purchasers who acquire these securities pursuant to certain prospectus exemptions with a statutory right of action for damages or rescission in cases where an offering memorandum or any amendment thereto contains a misrepresentation (as defined in the applicable securities legislation). Additionally, with respect to any Subscriber who acquires these securities from the Company pursuant to a prospectus exemption that does not otherwise qualify for a statutory right of action for damages or rescission, the Company has granted a contractual right of action to such Subscriber in their respective Subscription Agreement that is identical to the statutory rights of the jurisdiction in which such Subscriber is resident. These rights, or notice with respect thereto, must be exercised or delivered, as the case may be, by purchasers within the time limits prescribed and are subject to the defences and limitations contained under the applicable securities legislation.

Generally, the term "misrepresentation" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or is necessary in order to make any statement contained therein not misleading in light of the circumstances in which it was made. 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.

Investors in British Columbia

If there is a misrepresentation in this Offering Memorandum, under the *Securities Act* (British Columbia), you are deemed to have relied on the misrepresentation and you have a statutory right to sue:

- (a) the Company to cancel your Subscription Agreement to buy these Securities, or
- (b) for damages against the Company, every person who was a director at the date of this Offering Memorandum, every person whose consent to the disclosure of information in the Offering Memorandum was filed and every other person who signed this Offering Memorandum; provided, however, that if you exercise a right of rescission against the Company under (a), you will have no right to sue the Company for damages.

However, there are various defences to the Company and persons that you have a right to sue. In particular, they have a defence if they prove that the purchaser purchased the Class A Shares with knowledge of the misrepresentation.

In the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security resulting from the misrepresentation. The amount recoverable by a plaintiff in any action for misrepresentation must not exceed the price at which the securities were offered under the Offering Memorandum.

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 Subscription 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 you first had knowledge of the facts giving rise to the cause of action, and (ii) three years after the date of the transaction that gave rise to the cause of action.

Investors in Alberta

If there is a misrepresentation in this Offering Memorandum, under the *Securities Act* (Alberta), you have a statutory right to sue:

- (a) the Company to cancel your Subscription Agreement to buy these Securities, or
- (b) for damages against the Company, every person who was a director at the date of this Offering Memorandum and every other person who signed this Offering Memorandum; provided, however, that if you exercise a right of rescission against the Company under (a), you will have no right to sue any of the aforementioned persons for damages.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences to the Company and persons that you have a right to sue. In particular, they have a defence if they prove that the purchaser purchased the Class A Shares with knowledge of the misrepresentation.

In the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation. In no case will the amount recoverable in any action exceed the price at which the securities were offered under the Offering Memorandum.

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 Subscription 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 you first had knowledge of the facts giving rise to the cause of action, and (ii) three years after the date of the transaction that gave rise to the cause of action.

Investors in Saskatchewan

If there is a misrepresentation in this Offering Memorandum or any amendment thereto, under *The Securities Act, 1988* (Saskatchewan) (“SSA”), you have a statutory right to sue:

- (a) the Company to cancel your Subscription Agreement to buy these securities; or

- (b) for damages against:
 - (i) the Company;
 - (ii) every promoter and director of the Company, as the case may be, at the time this Offering Memorandum or any amendment to it was sent or delivered;
 - (iii) 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;
 - (iv) every person who or company that, in addition to the persons or companies mentioned in (i) to (iii) above, signed this Offering Memorandum or the amendment to this Offering Memorandum; and
 - (v) every person who or company that sells Class A Shares on behalf of the Company or selling security holder under this Offering Memorandum or amendment to this Offering Memorandum;

provided, however, that if you exercise a right of rescission against the Company under (a), you shall have no right of action 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 defences to the Company and persons that you have a right to sue. In particular, they may have a defence if they prove that the purchaser purchased the Class A Shares with knowledge of the misrepresentation.

In the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation. In no case will the amount recoverable in any action exceed the price at which the Securities were offered under the Offering Memorandum.

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 Subscription 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 you first had knowledge of the facts giving rise to the cause of action, and (ii) six years after the date of the transaction that gave rise to the cause of action.

The SSA also provides for similar rights of action for damages and rescission in respect of a misrepresentation in advertising and sales literature disseminated in connection with the Offering.

The SSA also provides that, where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the Class A Shares, the purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the individual who made the verbal statement.

The SSA further provides a purchaser with the right to void the Subscription Agreement and to recover all money and other consideration paid by the purchaser for the Class A Shares if the Class A Shares are sold in contravention of the SSA, the regulations to the SSA or a decision of the Financial and Consumers Affairs Authority of Saskatchewan.

The SSA also provides a right of action for rescission or damages to a purchaser of the Class A Shares to whom this Offering Memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser entered into the Subscription Agreement, if and as required by Section 80.1 of the SSA.

In addition, the SSA provides a purchaser who has received an amendment to this Offering Memorandum delivered in accordance with subsection 80.1(3) of the SSA with a right to withdraw from the Subscription Agreement by delivering a notice to the person who or company that is selling the Class A Shares, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amendment.

Investors in Manitoba

If there is a misrepresentation in this Offering Memorandum, under the *Securities Act* (Manitoba), you are deemed to have relied on the representation and have a statutory right to sue:

- (a) the Company to cancel your Subscription Agreement to buy these securities, or
- (b) for damages against the Company, every person who was a director at the date of this Offering Memorandum and every other person who signed this Offering Memorandum; provided, however, that if you exercise a right of rescission against the Company under (a), you will have no right to sue any of the aforementioned persons for damages.

However, there are various defences to the Company and persons that you have a right to sue. In particular, they have a defence if they prove that the purchaser purchased the Class A Shares with knowledge of the misrepresentation.

In the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation. In no case will the amount recoverable in any action exceed the price at which the securities were offered under the Offering Memorandum.

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 Subscription 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 you first had knowledge of the facts giving rise to the cause of action, and (ii) two years after the date of the transaction that gave rise to the cause of action.

Investors in Ontario

If there is a misrepresentation in this Offering Memorandum, under the OSA, unless you are acquiring Class A Shares pursuant to the "accredited investor" prospectus exemption under section 73.3 of the OSA and are (i) a Canadian financial institution, (ii) a bank listed in Schedule III of the *Bank Act* (Canada), (iii) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or (iv) a subsidiary of any person referred to in paragraphs (i), (ii) or (iii), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary, you have a statutory right to sue:

- (a) the Company to cancel your Subscription Agreement to buy these securities;
- (b) for damages against the Company; provided, however, that if you exercise a right of rescission against the Company under (a), you will have no right to sue for damages.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences to the Company and persons that you have a right to sue. In particular, they have a defence if they prove that the purchaser had knowledge of the misrepresentation when the Class A Shares were purchased.

In the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation. In no case will the amount recoverable in any action exceed the price at which the Securities were offered under the Offering Memorandum.

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 Subscription 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 you first had knowledge of the facts giving rise to the cause of action, and (ii) three years after the date of the transaction that gave rise to the cause of action.

Investors in New Brunswick

If there is a misrepresentation in this Offering Memorandum, under the *Securities Act* (New Brunswick), you have a statutory right to sue:

- (a) the Company to cancel your Subscription Agreement to buy these securities, or
- (b) for damages against the Company, any selling security holder on whose behalf the distribution is made, every person who was a director at the date of this Offering Memorandum and every other person who signed this Offering Memorandum; provided, however, that if you exercise a right of rescission against the Company under (a) you shall have no right of action 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 defences to the Company and persons that you have a right to sue. In particular, they have a defence if they prove that the purchaser purchased the Class A Shares with knowledge of the misrepresentation.

In the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation. In no case will the amount recoverable in any action exceed the price at which the Securities were offered under the Offering Memorandum.

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 Subscription 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 you first had knowledge of the facts giving rise to the cause of action, and (ii) six years after the date of the transaction that gave rise to the cause of action.

Investors in Nova Scotia

If this Offering Memorandum contains a misrepresentation, under the *Securities Act* (Nova Scotia), you are deemed to have relied on that misrepresentation and have a statutory right to sue:

- (a) the Company to cancel your Subscription Agreement to buy these securities, or
- (b) for damages against the Company, any selling security holder on whose behalf the distribution is made, every person who was a director at the date of this Offering Memorandum and every other person who signed this Offering Memorandum; provided, however, that if you exercise a right of rescission against the Company under (a), you will have no right to sue the Company for damages.

However, there are various defences to the Company and persons that you have a right to sue. In particular, they have a defence if they prove that the purchaser purchased the Class A Shares with knowledge of the misrepresentation.

In the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation. In no case will the amount recoverable in any action exceed the price at which the securities were offered under the Offering Memorandum or amendment thereto.

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 Subscription Agreement within the earliest of (i) 180 days after the date of the transaction that gave rise to the cause of action; and (ii) 120 days after the date on which the payment was made for the Class A Shares (or after the date on which initial payment was made for the Class A Shares where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment). You must commence your action for damages within the earliest of (i) 180 days after you first had knowledge of the facts giving rise to the cause of action; (ii) three years after the date of the transaction that gave rise to the cause of action; and (iii) 120 days after the date on which the payment was made for the Class A Shares (or after the date on which initial payment was made for the Class A Shares where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment).

Investors in Prince Edward Island

If there is a misrepresentation in this Offering Memorandum, under the *Securities Act* (Prince Edward Island), you have a statutory right to sue:

- (a) the Company to cancel your Subscription Agreement, or
- (b) for damages against the Company, every person who was a director at the date of this Offering Memorandum and every other person who signed this Offering Memorandum; provided, however, that if you exercise a right of rescission against the Company under (a), you will have no right to sue any of the aforementioned persons for damages.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences to the Company and persons that you have a right to sue. In particular, they have a defence if they prove that the purchaser purchased the Class A Shares with knowledge of the misrepresentation.

In the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation. In no case will the amount recoverable in any action exceed the price at which the securities were offered under the Offering Memorandum.

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 Subscription 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 you first had knowledge of the facts giving rise to the cause of action, and (ii) three years after the date of the transaction that gave rise to the cause of action.

Investors in Newfoundland and Labrador

If there is a misrepresentation in this Offering Memorandum, under the *Securities Act* (Newfoundland and Labrador), you have a statutory right to sue:

- (a) the Company to cancel your Subscription Agreement to buy these securities, or
- (b) for damages against the Company, every person who was a director at the date of this Offering Memorandum and every other person who signed this Offering Memorandum; provided, however, that if you exercise a right of rescission against the Company under (a), you will have no right to sue any of the aforementioned persons for damages.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences to the Company and persons that you have a right to sue. In particular, they have a defence if they prove that the purchaser purchased the Class A Shares with knowledge of the misrepresentation.

In the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation. In no case will the amount recoverable in any action exceed the price at which the securities were offered under the Offering Memorandum.

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 Subscription 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 you first had knowledge of the facts giving rise to the cause of action, and (ii) three years after the date of the transaction that gave rise to the cause of action.

THE FOREGOING SUMMARY IS SUBJECT TO AND QUALIFIED IN ITS ENTIRETY BY THE EXPRESS PROVISIONS OF THE SECURITIES LEGISLATION OF EACH APPLICABLE JURISDICTION AND THE RULES, REGULATIONS AND OTHER INSTRUMENTS THEREUNDER, AND REFERENCE IS MADE TO THE COMPLETE TEXT OF SUCH PROVISIONS. SUCH PROVISIONS MAY CONTAIN LIMITATIONS AND STATUTORY DEFENCES ON WHICH THE COMPANY MAY RELY. THE ENFORCEABILITY OF THESE RIGHTS MAY BE LIMITED.

12.2 Cautionary Statement Regarding Report, Statement or Opinion by Expert

This Offering Memorandum includes an independent auditors' report dated November 4th, 2024 issued by KPMG LLP in respect of the Company's audited annual financial statements as at August 31, 2024. You do not have a statutory right of action against this party for a misrepresentation in the Offering Memorandum. You should consult with a legal adviser for further information.

ITEM 13

APPENDIX A – RELATED PARTY TRANSACTIONS

Description of Asset	Number of Mortgage Loans	Date of Transfer	Legal Name of Seller	Legal Name of Buyer ⁽¹⁾	Amount and Form of Consideration Exchanged in connection with Transfer ⁽²⁾
Mortgage Loan	1	2023-09-05	MortEq Lending Corp.	Oakhill Lending Corp.	\$ 50,000.00

Mortgage Loan	1	2023-09-07	MortEq Lending Corp.	Oakhill Lending Corp.	\$	50,000.00
Mortgage Loan	3	2023-09-08	MortEq Lending Corp.	Oakhill Lending Corp.	\$	250,000.00
Mortgage Loan	1	2023-09-11	MortEq Lending Corp.	Oakhill Lending Corp.	\$	160,000.00
Mortgage Loan	2	2023-09-13	MortEq Lending Corp.	Oakhill Lending Corp.	\$	100,000.00
Mortgage Loan	1	2023-09-14	MortEq Lending Corp.	Oakhill Lending Corp.	\$	55,000.00
Mortgage Loan	2	2023-09-15	MortEq Lending Corp.	Oakhill Lending Corp.	\$	138,000.00
Mortgage Loan	1	2023-09-18	MortEq Lending Corp.	Oakhill Lending Corp.	\$	165,000.00
Mortgage Loan	1	2023-09-20	MortEq Lending Corp.	Oakhill Lending Corp.	\$	50,000.00
Mortgage Loan	1	2023-09-21	MortEq Lending Corp.	Oakhill Lending Corp.	\$	270,000.00
Mortgage Loan	1	2023-09-25	MortEq Lending Corp.	Oakhill Lending Corp.	\$	100,000.00
Mortgage Loan	1	2023-09-27	MortEq Lending Corp.	Oakhill Lending Corp.	\$	3,000,000.00
Mortgage Loan	1	2023-09-29	MortEq Lending Corp.	Oakhill Lending Corp.	\$	1,230,000.00
Mortgage Loan	1	2023-10-04	MortEq Lending Corp.	Oakhill Lending Corp.	\$	165,000.00
Mortgage Loan	1	2023-10-06	MortEq Lending Corp.	Oakhill Lending Corp.	\$	87,000.00
Mortgage Loan	1	2023-10-17	MortEq Lending Corp.	Oakhill Lending Corp.	\$	208,000.00
Mortgage Loan	1	2023-10-20	MortEq Lending Corp.	Oakhill Lending Corp.	\$	160,000.00
Mortgage Loan	1	2023-10-27	MortEq Lending Corp.	Oakhill Lending Corp.	\$	59,000.00
Mortgage Loan	1	2023-10-31	MortEq Lending Corp.	Oakhill Lending Corp.	\$	225,000.00
Mortgage Loan	1	2023-11-08	MortEq Lending Corp.	Oakhill Lending Corp.	\$	123,000.00
Mortgage Loan	1	2023-11-10	MortEq Lending Corp.	Oakhill Lending Corp.	\$	50,000.00
Mortgage Loan	1	2023-11-16	MortEq Lending Corp.	Oakhill Lending Corp.	\$	540,000.00
Mortgage Loan	2	2023-11-17	MortEq Lending Corp.	Oakhill Lending Corp.	\$	490,000.00

Mortgage Loan	1	2023-11-21	MortEq Lending Corp.	Oakhill Lending Corp.	\$	122,000.00
Mortgage Loan	1	2023-11-24	MortEq Lending Corp.	Oakhill Lending Corp.	\$	115,000.00
Mortgage Loan	1	2023-11-29	MortEq Lending Corp.	Oakhill Lending Corp.	\$	317,000.00
Mortgage Loan	3	2023-11-30	MortEq Lending Corp.	Oakhill Lending Corp.	\$	283,000.00
Mortgage Loan	2	2023-12-07	MortEq Lending Corp.	Oakhill Lending Corp.	\$	2,067,000.00
Mortgage Loan	2	2023-12-08	MortEq Lending Corp.	Oakhill Lending Corp.	\$	283,000.00
Mortgage Loan	1	2023-12-12	MortEq Lending Corp.	Oakhill Lending Corp.	\$	224,000.00
Mortgage Loan	4	2023-12-14	MortEq Lending Corp.	Oakhill Lending Corp.	\$	465,000.00
Mortgage Loan	2	2023-12-15	MortEq Lending Corp.	Oakhill Lending Corp.	\$	550,000.00
Mortgage Loan	1	2023-12-18	MortEq Lending Corp.	Oakhill Lending Corp.	\$	53,000.00
Mortgage Loan	3	2023-12-21	MortEq Lending Corp.	Oakhill Lending Corp.	\$	2,135,000.00
Mortgage Loan	2	2024-01-05	MortEq Lending Corp.	Oakhill Lending Corp.	\$	383,000.00
Mortgage Loan	2	2024-01-10	MortEq Lending Corp.	Oakhill Lending Corp.	\$	219,000.00
Mortgage Loan	2	2024-01-12	MortEq Lending Corp.	Oakhill Lending Corp.	\$	1,250,000.00
Mortgage Loan	1	2024-01-15	MortEq Lending Corp.	Oakhill Lending Corp.	\$	1,387,000.00
Mortgage Loan	1	2024-01-16	MortEq Lending Corp.	Oakhill Lending Corp.	\$	60,000.00
Mortgage Loan	1	2024-01-19	MortEq Lending Corp.	Oakhill Lending Corp.	\$	2,131,000.00
Mortgage Loan	1	2024-01-23	MortEq Lending Corp.	Oakhill Lending Corp.	\$	145,000.00
Mortgage Loan	1	2024-01-24	MortEq Lending Corp.	Oakhill Lending Corp.	\$	211,000.00
Mortgage Loan	1	2024-01-25	MortEq Lending Corp.	Oakhill Lending Corp.	\$	50,000.00
Mortgage Loan	1	2024-01-26	MortEq Lending Corp.	Oakhill Lending Corp.	\$	1,000,000.00
Mortgage Loan	2	2024-01-29	MortEq Lending Corp.	Oakhill Lending Corp.	\$	245,000.00

Mortgage Loan	2	2024-01-31	MortEq Lending Corp.	Oakhill Lending Corp.	\$	216,000.00
Mortgage Loan	1	2024-02-02	MortEq Lending Corp.	Oakhill Lending Corp.	\$	52,000.00
Mortgage Loan	1	2024-02-07	MortEq Lending Corp.	Oakhill Lending Corp.	\$	86,000.00
Mortgage Loan	1	2024-02-08	MortEq Lending Corp.	Oakhill Lending Corp.	\$	2,400,000.00
Mortgage Loan	2	2024-02-14	MortEq Lending Corp.	Oakhill Lending Corp.	\$	234,000
Mortgage Loan	4	2024-02-15	MortEq Lending Corp.	Oakhill Lending Corp.	\$	1,137,000
Mortgage Loan	2	2024-02-23	MortEq Lending Corp.	Oakhill Lending Corp.	\$	300,000
Mortgage Loan	2	2024-02-27	MortEq Lending Corp.	Oakhill Lending Corp.	\$	235,000
Mortgage Loan	1	2024-02-28	MortEq Lending Corp.	Oakhill Lending Corp.	\$	1,000,000
Mortgage Loan	3	2024-02-29	MortEq Lending Corp.	Oakhill Lending Corp.	\$	334,000
Mortgage Loan	1	2024-03-01	MortEq Lending Corp.	Oakhill Lending Corp.	\$	176,000
Mortgage Loan	2	2024-03-05	MortEq Lending Corp.	Oakhill Lending Corp.	\$	203,000
Mortgage Loan	1	2024-03-08	MortEq Lending Corp.	Oakhill Lending Corp.	\$	150,000
Mortgage Loan	1	2024-03-11	MortEq Lending Corp.	Oakhill Lending Corp.	\$	3,290,000
Mortgage Loan	1	2024-03-13	MortEq Lending Corp.	Oakhill Lending Corp.	\$	220,000
Mortgage Loan	2	2024-03-15	MortEq Lending Corp.	Oakhill Lending Corp.	\$	132,000
Mortgage Loan	2	2024-03-18	MortEq Lending Corp.	Oakhill Lending Corp.	\$	330,000
Mortgage Loan	1	2024-03-20	MortEq Lending Corp.	Oakhill Lending Corp.	\$	118,000
Mortgage Loan	1	2024-03-25	MortEq Lending Corp.	Oakhill Lending Corp.	\$	120,000
Mortgage Loan	1	2024-03-26	MortEq Lending Corp.	Oakhill Lending Corp.	\$	182,000
Mortgage Loan	1	2024-03-28	MortEq Lending Corp.	Oakhill Lending Corp.	\$	145,000
Mortgage Loan	1	2024-04-05	MortEq Lending Corp.	Oakhill Lending Corp.	\$	105,000

Mortgage Loan	2	2024-04-08	MortEq Lending Corp.	Oakhill Lending Corp.	\$	184,000
Mortgage Loan	1	2024-04-10	MortEq Lending Corp.	Oakhill Lending Corp.	\$	181,000
Mortgage Loan	1	2024-04-11	MortEq Lending Corp.	Oakhill Lending Corp.	\$	300,000
Mortgage Loan	2	2024-04-16	MortEq Lending Corp.	Oakhill Lending Corp.	\$	450,000
Mortgage Loan	2	2024-04-22	MortEq Lending Corp.	Oakhill Lending Corp.	\$	590,000
Mortgage Loan	1	2024-04-25	MortEq Lending Corp.	Oakhill Lending Corp.	\$	100,000
Mortgage Loan	2	2024-04-29	MortEq Lending Corp.	Oakhill Lending Corp.	\$	231,000
Mortgage Loan	2	2024-04-30	MortEq Lending Corp.	Oakhill Lending Corp.	\$	300,000
Mortgage Loan	1	2024-05-02	MortEq Lending Corp.	Oakhill Lending Corp.	\$	83,000
Mortgage Loan	3	2024-05-07	MortEq Lending Corp.	Oakhill Lending Corp.	\$	557,000
Mortgage Loan	1	2024-05-08	MortEq Lending Corp.	Oakhill Lending Corp.	\$	50,000
Mortgage Loan	2	2024-05-09	MortEq Lending Corp.	Oakhill Lending Corp.	\$	385,000
Mortgage Loan	4	2024-05-10	MortEq Lending Corp.	Oakhill Lending Corp.	\$	239,000
Mortgage Loan	1	2024-05-13	MortEq Lending Corp.	Oakhill Lending Corp.	\$	131,000
Mortgage Loan	2	2024-05-15	MortEq Lending Corp.	Oakhill Lending Corp.	\$	225,000
Mortgage Loan	2	2024-05-22	MortEq Lending Corp.	Oakhill Lending Corp.	\$	161,000
Mortgage Loan	1	2024-05-29	MortEq Lending Corp.	Oakhill Lending Corp.	\$	50,000
Mortgage Loan	3	2024-05-30	MortEq Lending Corp.	Oakhill Lending Corp.	\$	795,000
Mortgage Loan	2	2024-05-31	MortEq Lending Corp.	Oakhill Lending Corp.	\$	243,000
Mortgage Loan	1	2024-06-06	MortEq Lending Corp.	Oakhill Lending Corp.	\$	75,000
Mortgage Loan	1	2024-06-13	MortEq Lending Corp.	Oakhill Lending Corp.	\$	175,000
Mortgage Loan	1	2024-06-14	MortEq Lending Corp.	Oakhill Lending Corp.	\$	99,000

Mortgage Loan	2	2024-06-20	MortEq Lending Corp.	Oakhill Lending Corp.	\$	121,000
Mortgage Loan	1	2024-06-21	MortEq Lending Corp.	Oakhill Lending Corp.	\$	50,000
Mortgage Loan	3	2024-06-24	MortEq Lending Corp.	Oakhill Lending Corp.	\$	339,000
Mortgage Loan	2	2024-06-27	MortEq Lending Corp.	Oakhill Lending Corp.	\$	258,000
Mortgage Loan	2	2024-06-28	MortEq Lending Corp.	Oakhill Lending Corp.	\$	275,000
Mortgage Loan	1	2024-07-02	MortEq Lending Corp.	Oakhill Lending Corp.	\$	1,264,000
Mortgage Loan	1	2024-07-05	MortEq Lending Corp.	Oakhill Lending Corp.	\$	100,000
Mortgage Loan	2	2024-07-09	MortEq Lending Corp.	Oakhill Lending Corp.	\$	305,000
Mortgage Loan	1	2024-07-10	MortEq Lending Corp.	Oakhill Lending Corp.	\$	50,000
Mortgage Loan	1	2024-07-12	MortEq Lending Corp.	Oakhill Lending Corp.	\$	113,000
Mortgage Loan	4	2024-07-15	MortEq Lending Corp.	Oakhill Lending Corp.	\$	431,000
Mortgage Loan	1	2024-07-16	MortEq Lending Corp.	Oakhill Lending Corp.	\$	50,000
Mortgage Loan	1	2024-07-17	MortEq Lending Corp.	Oakhill Lending Corp.	\$	76,000
Mortgage Loan	1	2024-07-18	MortEq Lending Corp.	Oakhill Lending Corp.	\$	303,000
Mortgage Loan	1	2024-07-22	MortEq Lending Corp.	Oakhill Lending Corp.	\$	119,000
Mortgage Loan	1	2024-07-24	MortEq Lending Corp.	Oakhill Lending Corp.	\$	175,000
Mortgage Loan	1	2024-07-26	MortEq Lending Corp.	Oakhill Lending Corp.	\$	50,000
Mortgage Loan	1	2024-07-30	MortEq Lending Corp.	Oakhill Lending Corp.	\$	76,000
Mortgage Loan	1	2024-07-31	MortEq Lending Corp.	Oakhill Lending Corp.	\$	50,000
Mortgage Loan	2	2024-08-01	MortEq Lending Corp.	Oakhill Lending Corp.	\$	292,000
Mortgage Loan	2	2024-08-06	MortEq Lending Corp.	Oakhill Lending Corp.	\$	899,000
Mortgage Loan	1	2024-08-07	MortEq Lending Corp.	Oakhill Lending Corp.	\$	100,000

Mortgage Loan	1	2024-08-08	MortEq Lending Corp.	Oakhill Lending Corp.	\$	88,000
Mortgage Loan	1	2024-08-12	MortEq Lending Corp.	Oakhill Lending Corp.	\$	50,000
Mortgage Loan	2	2024-08-14	MortEq Lending Corp.	Oakhill Lending Corp.	\$	128,000
Mortgage Loan	1	2024-08-15	MortEq Lending Corp.	Oakhill Lending Corp.	\$	187,000
Mortgage Loan	1	2024-08-19	MortEq Lending Corp.	Oakhill Lending Corp.	\$	370,000
Mortgage Loan	1	2024-08-20	MortEq Lending Corp.	Oakhill Lending Corp.	\$	82,000
Mortgage Loan	1	2024-08-21	MortEq Lending Corp.	Oakhill Lending Corp.	\$	200,000
Mortgage Loan	1	2024-08-22	MortEq Lending Corp.	Oakhill Lending Corp.	\$	300,000
Mortgage Loan	1	2024-08-26	MortEq Lending Corp.	Oakhill Lending Corp.	\$	113,000
Mortgage Loan	1	2024-08-27	MortEq Lending Corp.	Oakhill Lending Corp.	\$	61,000
Mortgage Loan	1	2024-08-28	MortEq Lending Corp.	Oakhill Lending Corp.	\$	121,000
Mortgage Loan	3	2024-08-29	MortEq Lending Corp.	Oakhill Lending Corp.	\$	1,147,000
Mortgage Loan	2	2024-08-30	MortEq Lending Corp.	Oakhill Lending Corp.	\$	146,000

Notes:

(1) OLC is a MIC and an affiliate of the Company.

(2) There was as no difference between the amount of consideration paid by the Company as the seller and the amount of consideration paid by OLC as the buyer for each Mortgage loan transferred.

ITEM 14

FINANCIAL STATEMENTS

Audited annual financial statements as at August 31, 2024.

ITEM 15**DATE AND CERTIFICATE**

Dated: February 5, 2025

This Offering Memorandum does not contain a misrepresentation.

MORTEQ LENDING CORP.

Per:	<i>"Parminder Purewall"</i>	Per:	<i>"Steven Ponte"</i>
	Name: Parminder Purewall Title: Chairman & Founder		Name: Steven Ponte Title: Chief Executive Officer
Per:	<i>"Harjit Grewal"</i>	Per:	<i>"Sunjeev Bath"</i>
	Name: Harjit Grewal Title: Director		Name: Sunjeev Bath Title: Director

**ON BEHALF OF PHL CAPITAL CORP.
(AS THE PROMOTER OF MORTEQ LENDING CORP.)**

Per:	<i>"Parminder Purewall"</i>	Per:	<i>"Steven Ponte"</i>
	Name: Parminder Purewall Title: Chairman and Founder		Name: Steven Ponte Title: Chief Executive Officer

Financial Statements of

MORTEQ LENDING CORP.

And Independent Auditor's Report thereon

Year ended August 31, 2024



KPMG LLP

PO Box 10426 777 Dunsmuir Street

Vancouver BC V7Y 1K3

Canada

Telephone 604 691 3000

Fax 604 691 3031

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MortEq Lending Corp.

Opinion

We have audited the financial statements of MortEq Lending Corp. (the Entity), which comprise:

- the statement of financial position as at August 31, 2024
- the statement of income and comprehensive income for the year then ended
- the statement of changes in shareholders' equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at August 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting 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 auditor's report.

We are independent of the Entity 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.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in Management's Discussion & Analysis document.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion & Analysis as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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 IFRS Accounting 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity'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 Entity'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 Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
November 4, 2024

MORTEQ LENDING CORP.

Statement of Financial Position

August 31, 2024, with comparative information for 2023

	Notes	2024	2023
Assets			
Cash and cash equivalents		\$ 40,436,345	\$ 418,382
Restricted cash	4	2,830,000	1,455,000
Interest receivable		15,065,409	7,342,714
Mortgages receivable	5	668,211,757	566,982,584
Prepaid expenses and other assets		117,718	117,918
Accounts receivable		849,332	-
		<u>\$ 727,510,561</u>	<u>\$ 576,316,598</u>

Liabilities and Shareholders' Equity

Bank indebtedness	6	\$ 124,928,188	\$ 65,433,573
Accounts payable and accrued liabilities	7	4,908,707	1,771,953
Deposits	4	2,830,000	1,455,000
Unearned revenue		11,016,968	9,790,255
Dividends payable	7, 8	14,376,333	13,501,963
		<u>158,060,196</u>	<u>91,952,744</u>
Redeemable preferred shares	9	569,450,354	484,363,843
		<u>727,510,550</u>	<u>576,316,587</u>
Shareholders' equity:			
Common shares	10	11	11
		<u>\$ 727,510,561</u>	<u>\$ 576,316,598</u>

The accompanying notes form an integral part of these financial statements.

Approved on behalf of the Board:



Director



Director

MORTEQ LENDING CORP.

Statement of Income and Comprehensive Income

Year ended August 31, 2024, with comparative information for 2023

	Notes	2024	2023
Interest income		\$ 68,817,352	\$ 57,343,758
Lender fees and other income		4,231,719	3,938,556
		73,049,071	61,282,314
Expenses:			
Management fees	7	9,882,744	9,097,497
Bank charges and interest		7,997,539	8,075,780
Allowance for credit losses	5	476,039	262,121
Professional fees		560,441	557,990
Other expense		310,345	162,473
		19,227,108	18,155,861
Net income from operations		53,821,963	43,126,453
Dividends to preferred shareholders	7, 8,9	53,821,963	43,126,453
Net income and comprehensive income for the year		\$ -	\$ -

The accompanying notes form an integral part of these financial statements.

MORTEQ LENDING CORP.

Statement of Changes in Shareholders' Equity

Year ended August 31, 2024, with comparative information for 2023

	Common shares	Retained earnings	Total shareholders' equity
Balance, August 31, 2022	\$ 11	\$ -	\$ 11
Net income and comprehensive income for the year	-	-	-
Balance, August 31, 2023	11	-	11
Net income and comprehensive income for the year	-	-	-
Balance, August 31, 2024	\$ 11	\$ -	\$ 11

The accompanying notes form an integral part of these financial statements.

MORTEQ LENDING CORP.

Statement of Cash Flows

Year ended August 31, 2024, with comparative information for 2023

	2024	2023
Cash flows from operating activities:		
Net income and comprehensive income for the year	\$ -	\$ -
Items not involving cash:		
Amortization of share issuance costs	97,240	96,474
Allowance for credit losses	476,038	262,121
Dividends reinvested in redeemable preferred shares	34,779,856	26,015,372
	35,353,134	26,373,967
Change in restricted cash	(1,375,000)	5,217,776
Change in interest receivable	(7,722,695)	(4,642,614)
Change in mortgages receivable	(101,705,211)	78,193,439
Change in prepaid expenses and other assets	200	19,004
Change in accounts receivable	(849,332)	-
Change in accounts payable and accrued liabilities	3,136,754	445,916
Change in deposits	1,375,000	(5,217,776)
Change in unearned revenue	1,226,713	(156,157)
Change in dividends payable	874,370	4,915,086
	(69,686,067)	105,148,641
Cash flows from financing activities:		
Net proceeds from/ (repayment) of line of credit	59,494,615	(131,155,033)
Issuance of redeemable preferred shares	128,629,355	67,256,534
Redemption of redeemable preferred shares	(78,334,592)	(67,421,355)
Share issuance costs	(85,348)	(78,448)
	109,704,030	(131,398,302)
Net increase (decrease) in cash	40,017,963	(26,249,661)
Cash and cash equivalents, beginning of year	418,382	26,668,043
Cash and cash equivalents, end of year	\$ 40,436,345	\$ 418,382

The accompanying notes form an integral part of these financial statements.

MORTEQ LENDING CORP.

Statement of Cash Flows

Year ended August 31, 2024

1. Reporting entity:

MortEq Lending Corp. (the “Company”) was incorporated under the British Columbia Corporations Act on November 16, 2006. The address of the registered office is 316-5455 152 Street, Surrey, British Columbia V3S 5A5.

The Company makes investments and operates its business at all times in such a manner, as set out in note 3(c), to qualify as a mortgage investment corporation (“MIC”) under the provisions of the Income Tax Act (Canada) and, as such, is able to make distributions to its shareholders on a pre-tax basis. The Company derives its earnings from the receipt of mortgage interest and fees associated with the setup, renewal and discharge of mortgages.

These financial statements were authorized for issuance by the Board of Directors of the Company on November 4, 2024.

2. Basis of presentation:

(a) Statement of compliance:

The financial statements have been prepared in accordance with IFRS Accounting Standards. The material accounting policies applied in the preparation of the financial statements are set out in note 3.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency:

The financial statements are expressed in Canadian dollars, which is the Company’s functional currency.

(d) Use of estimates and judgments:

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. These estimates are reviewed periodically on a prospective basis, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

The most significant estimates that the Company is required to make relate to the impairment of mortgages receivable and the measurement of expected credit losses (notes 3(b)(iii) and 5).

MORTEQ LENDING CORP.

Statement of Cash Flows

Year ended August 31, 2024

3. Material accounting policies:

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Effective September 1 2023, the Company adopted amendments to IAS 1 Presentation of Financial Statements, which require the disclosure of 'material' rather than 'significant' accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in this note in certain instances.

(a) Cash and cash equivalents:

Cash and cash equivalents includes components of cash that are readily available, which is subject to an insignificant risk of changes in value. Cash consists of bank balances, including bank overdrafts with balances that fluctuate from being positive to overdrawn, and cash on hand.

(b) Financial instruments:

(i) Classification and measurement of financial assets:

Financial assets are initially recognized when the Company becomes a party to a contract. On initial recognition, the measurement category is determined, based on: (i) the business model under which the asset is held, and (ii) the contractual cash flow characteristics of the instrument.

The returns earned by the Company on its mortgages receivable are interest rates that are set at levels to provide an acceptable profit margin based on the time value of money and credit risk, although other basic lending risks (for example, the location and quality of the underlying collateral) may also be built-in. There are some factors that give rise to variation in the return on the Company's mortgages such as the time value of money, credit risk and other basic lending risks. Interest rates, or the credit spread for variable rate mortgages, are set for the full term of the loan, which is considered solely payments of principal and interest ("SPPI") because the rate is still based on the time value of money and credit risk. The majority of the mortgages receivable can be prepaid after an initial closed period with no/minimal penalty, subject to the borrower providing advance written notice according to the terms of their mortgage so the return therefore represents SPPI. The Company classifies its financial assets between those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and those to be measured at amortized cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

MORTEQ LENDING CORP.

Statement of Cash Flows

Year ended August 31, 2024

3. Material accounting policies (continued):

(b) Financial instruments (continued):

(i) Classification and measurement of financial assets (continued):

Debt instruments are measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL):

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at fair value through other comprehensive income (FVOCI) if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

Cash and mortgages receivables are classified as financial assets at amortized cost, which is consistent with the Company's business model of holding to collect contractual cash flows and the contractual terms giving rise to solely payments of principal and interest.

Mortgages receivable are subsequently measured at amortized cost using the effective interest rate method. The amortized cost is reduced by expected credit losses. Interest income and provision for mortgage losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(ii) Financial liabilities:

Financial liabilities are recognized initially at fair value and are classified as amortized cost or FVTPL. Financial liabilities, defined as bank indebtedness, accounts payable and accrued liabilities, deposits, dividends payable, and redeemable preferred shares have been classified as other financial liabilities, which are accounted for on an amortized cost basis using the effective interest rate method. However, due to the short-term nature of these financial liabilities, other than redeemable preferred shares (note 3(d)), their amortized cost is equivalent to amounts expected to be paid.

MORTEQ LENDING CORP.

Statement of Cash Flows

Year ended August 31, 2024

3. Material accounting policies (continued):

(b) Financial instruments (continued):

(iii) Impairment:

Loan commitments and letters of credit (collectively commitments) and mortgages receivable are assessed for impairment at the end of each reporting period using an expected credit loss (ECL) model. The ECL model uses a three-stage impairment approach based on changes in the credit risk of the commitment or mortgage receivable since initial recognition. The three stages are as follows:

Stage 1: commitments and mortgages receivable on initial recognition and existing assets that have not shown a significant increase in credit risk since initial recognition.

Stage 2: commitments and mortgages receivable that have experienced a significant increase in credit risk since initial recognition and up to the date of approval of the financial statements.

Stage 3: impaired commitments and mortgages receivable for which there is objective evidence of impairment at the date of approval of the financial statements.

Credit quality is assessed at each reporting period and results in commitments and mortgages receivable being moved between stages, as necessary. Significant judgement is required when assessing evidence of credit impairment and estimating expected credit losses. For commitments and mortgages receivable, the Company considers a number of past events, current conditions and forward-looking information when assessing if there has been a significant increase or subsequent decrease in credit risk. There is a presumption in IFRS 9 that credit risk has increased significantly once payments are 30 days past due. However, the Company's historical experience is that mortgages can become 30 days past due, but be brought up to date by the borrower, therefore another additional risk factor also needs to be identified for the mortgage to move to Stage 2. If the mortgage is over 60 days in arrears in terms of interest payments or past maturity date, the mortgage moves to stage 2. For mortgages that are not 60 days past due, a significant increase in credit risk may still be evidenced by the presence of one or more additional risk factors. For all other mortgages receivable, a significant increase in credit risk is considered to have occurred if payments are greater than 60 days past due or if one or more additional risk factors is present.

MORTEQ LENDING CORP.

Statement of Cash Flows

Year ended August 31, 2024

3. Material accounting policies (continued):

(b) Financial instruments (continued):

(iii) Impairment (continued):

- Changes in the financial condition of the borrower;
- Responsiveness of the borrower;
- Other borrower specific information that may be available, without consideration of collateral;
- Current economic conditions: interest rates, housing prices, real estate market statistics and employment statistics; and
- Supportable forward-looking information: macro-economic factors, such as forecast real estate values and interest rate forecasts.

Determining whether there has been a significant increase in credit risk since initial recognition, or a subsequent reduction in credit risk back to the level at initial recognition, requires the exercise of significant judgement. The Company considers a commitment or mortgage receivable to be impaired when there is objective evidence that one or more events have occurred that have an unfavorable impact on estimated future cash flows such that there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest.

The Company considers a commitment or mortgage receivable to be in default if mortgages are in foreclosure (either past due in interest payments or past maturity date) and there has been no cooperation from the borrower. The Company evaluates no correspondence or cooperation from the borrower as a threshold of default. Additionally, when there is tangible evidence that there has been a deterioration of credit quality of the borrower whereby the Company can no longer have reasonable assurance of timely collection of the full principal and interest and if the Company has commenced foreclosure proceedings available under its contractual agreement. Once the loan is in foreclosure; the significant increase in credit risk is classified as stage 3.

The gross carrying amount of mortgages receivable may be written off (either partially or in full) to the extent that there is no reasonable prospect of recovery. This typically occurs when the company assesses that the debtor lacks assets or income streams capable of covering the outstanding amounts. Nevertheless, written-off mortgage receivable may still undergo enforcement actions as part of the company's efforts to collect the outstanding amounts in accordance with established recovery procedures.

MORTEQ LENDING CORP.

Statement of Cash Flows

Year ended August 31, 2024

3. Material accounting policies (continued):

(c) Income taxes:

It is the intention of the Company to qualify as a mortgage investment corporation ("MIC") under section 130.1 of the Income Tax Act (Canada) (the "Tax Act"). A MIC 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 to the extent that those dividends were not deducted previously.

Actual qualification as a MIC will depend upon meeting the various conditions imposed under the Tax Act throughout the year. Management believes that all conditions necessary for qualification as a MIC under the Tax Act have been met in the current and all previous reporting periods. In addition, the Company intends to pay sufficient dividends to its shareholders in the current year and in future years to ensure that it will not be subject to income taxes. Accordingly, no provision for current or deferred income taxes has been made for financial statement purposes.

(d) Redeemable preferred shares:

The Company classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. As such, Class A preferred shares, which are redeemable, are presented as a liability of the Company. These preferred shares are redeemable at a price equal to their original issue amounts plus the amount of dividends declared and unpaid and a pro-rata share of retained earnings at the time the redemption is paid out. Incremental costs directly attributable to the issuance of redeemable preferred shares are recognized as a deduction from the liability and amortized over five years.

(e) Common shares:

Common shares are classified as equity and presented at the value of the shares issued. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

(f) Revenue recognition:

Interest income on mortgage investments is recognized using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the mortgage receivable (or, where appropriate, a shorter period) to the carrying amount of the mortgage receivable. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the mortgage receivable, but not future credit losses.

The calculation of the effective interest method includes all fees and costs paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition of the mortgage receivable.

MORTEQ LENDING CORP.

Statement of Cash Flows

Year ended August 31, 2024

3. Material accounting policies (continued):

(f) Revenue recognition (continued):

Interest income presented in the statement of income and comprehensive income represents interest on mortgages receivable measured at amortized cost, calculated on an effective interest basis.

Other revenue from administration fees relating to the mortgages receivable are recognized when the mortgage agreement is signed and funds are released.

(g) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

4. Restricted cash and deposits:

Restricted cash represents amounts received in advance for purchasers of Class A preferred shares in respect of the September 1, 2024 offering. The corresponding liability of the proceeds received is included in deposits. Subsequent to the reporting date, \$2,830,000 (2023 - \$1,455,000) preferred shares were issued in settlement of the restricted cash.

5. Mortgages receivable:

(a) Mortgages receivable:

	2024	2023
Residential mortgages	\$ 568,203,326	\$ 468,985,724
Commercial mortgages	101,392,674	98,905,065
Allowance for credit losses	(1,384,243)	(908,205)
	<u>\$ 668,211,757</u>	<u>\$ 566,982,584</u>

Total mortgages receivable are carried at the unpaid principal amount. On a regular basis, management reviews the mortgage portfolio, the general real estate market, and the overall economic environment to determine whether it is necessary to record an allowance for mortgage losses.

Conventional first mortgages are loans secured by a first priority mortgage charge with loan-to-value ratios not exceeding 75% when issued. Conventional non-first mortgages are loans with specific charges not registered in first priority and with loan-to-value ratios not exceeding 75%. The portfolio of mortgages receivable earned interest at a weighted average rate of 10.83% (2023 - 10.95%).

MORTEQ LENDING CORP.

Statement of Cash Flows

Year ended August 31, 2024

5. Mortgages receivable (continued):

(a) Mortgages receivable (continued):

As at August 31, 2024, 23 (2023 -22) mortgages with an aggregate principal of \$42,123,554 (2023 - \$62,727,395) were past due.

Principal repayments of past due mortgages based on contractual maturity dates are as follows:

	2024	2023
30 days or less	\$ 5,413,407	\$ 4,941,121
31 to 60 days	5,966,000	33,713,687
60 to 90 days	4,688,000	5,657,000
Over 90 days	26,056,147	18,415,587
	<u>\$ 42,123,554</u>	<u>\$ 62,727,395</u>

As of the date of these financial statements, \$2,498,744 of past due mortgages have been repaid, \$5,096,407 of past due mortgage have been renewed.

As at August 31, 2024, \$33,612,147 (2023 - \$52,199,274) of past due mortgages were included in Stage 3. Subsequent to year end \$1,193,744 of the mortgages in Stage 3 have been repaid.

(b) Provision for mortgage losses:

	2024				Total
	Stage 1	Stage 2	Stage 3	Unadvanced Loans	
Mortgages receivable	\$ 621,182,853	\$ 6,623,000	\$41,790,147	\$ -	\$ 669,596,000
Provisions for mortgage losses	(1,071,983)	(20,385)	(291,875)	-	(1,384,243)
Mortgages receivable	<u>\$ 620,110,870</u>	<u>\$ 6,602,615</u>	<u>\$41,498,272</u>	<u>\$ -</u>	<u>\$ 668,211,757</u>

Continuity of the provision for mortgage losses:

	2024				Total
	Stage 1	Stage 2	Stage 3	Unadvanced Loans	
Balance, September 1, 2023	\$ 903,887	\$ 4,318	\$ -	\$ -	\$ 908,205
Transfers to (from) Stage 1	(45,065)	13,466	31,599	-	-
Transfers to (from) Stage 2	-	-	-	-	-
Transfers to (from) Stage 3	-	-	-	-	-
Net remeasurement	11,919	546	260,276	-	272,741
Mortgage advances	627,470	6,255	-	-	633,725
Mortgage repayments	(426,228)	(4,200)	-	-	(430,428)
Balance, August 31, 2024	<u>\$ 1,071,983</u>	<u>\$ 20,385</u>	<u>\$ 291,875</u>	<u>\$ -</u>	<u>\$ 1,384,243</u>

MORTEQ LENDING CORP.

Statement of Cash Flows

Year ended August 31, 2024

5. Mortgages receivable (continued):

(b) Provision for mortgage losses (continued):

	2023				Total
	Stage 1	Stage 2	Stage 3	Unadvanced Loans	
Mortgages receivable	\$ 512,691,515	\$ 700,000	\$54,499,274	\$ -	\$ 567,890,789
Provisions for mortgage losses	(903,887)	(4,318)	-	-	(908,205)
Mortgages receivable	\$ 511,787,628	\$ 695,682	\$54,499,274	\$ -	\$ 566,982,584

Continuity of the provision for mortgage losses:

	2023				Total
	Stage 1	Stage 2	Stage 3	Unadvanced Loans	
Balance, September 1, 2022	\$ 351,988	\$ -	\$ 286,788	\$ 7,308	\$ 646,084
Transfers to (from) Stage 1	(31,679)	385	31,294	-	-
Transfers to (from) Stage 2	-	-	-	-	-
Transfers to (from) Stage 3	-	-	-	-	-
Net remeasurement	263,412	3,933	(31,294)	(7,308)	228,743
Mortgage advances	516,102	-	-	-	516,102
Mortgage repayments	(195,936)	-	(286,788)	-	(482,724)
Balance, August 31, 2023	\$ 903,887	\$ 4,318	\$ -	\$ -	\$ 908,205

The Stage 3 loans are assessed individually and their current book value (mortgage exposure) is evaluated against the expected current fair market value of the associated property. As at August 31, 2024, credit loss of \$291,875 is anticipated on the Stage 3 loans.

During the year ended August 31, 2024, the Company identified nil (2023 - nil) irrecoverable amounts for which a write-off was necessary.

6. Bank indebtedness:

The Company has an operating line of credit available in the amount of \$300,000,000 (2023 - \$300,000,000) at a rate of prime plus 0.75% (2023 - 0.75%) per annum. Balances outstanding are due on demand. As at August 31, 2024, the balance outstanding on the line of credit was \$124,928,188 (2023 - \$65,433,573).

The operating line of credit is secured by a general security agreement on any current and future property of the Company, a general assignment of interest and principal payments due on mortgages receivable, a general assignment of mortgages receivable and an assignment of creditor and general insurance proceeds. The Company's interest coverage ratio under the agreement may not exceed a ratio of less than 4.00:1.00 at the end of each fiscal year. The Company must also maintain a tangible net worth of no less than the aggregate total of (i) \$415,000,000 and (ii) 80% of the then-current Net Preferred Share Issuance Amount, a debt-to-equity ratio no greater than 0.60:1.00. The Company was in compliance with all debt covenants as at August 31, 2024.

MORTEQ LENDING CORP.

Statement of Cash Flows

Year ended August 31, 2024

7. Related party transactions:

The following transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

- (a) During the year, the Company incurred management fees of \$9,882,744 (2023 - \$9,907,497) to a Company in which two directors, who are also common shareholders, hold a controlling interest. As at August 31, 2024, \$940,568 (2023 - \$873,845) is due to this related Company and is included in accounts payable and accrued liabilities.
- (b) Directors, close-related family members and companies under common control with common shareholders, who own Class A preferred shares in the Company, received \$1,106,302 (2023 - \$894,995) in dividend income during the year. These dividends were paid in the normal course of business consistent with all Class A preferred shares.
- (c) During the year, the Company incurred director fees of \$72,000 (2023 - \$72,000) for one of its independent directors.

There are no commitments or guarantees attributed to the Company from the related parties at August 31, 2024.

8. Dividends:

The Company has declared dividends to the holders of Class A preferred shares, in accordance with the provisions for MICs in the Income Tax Act (Canada), where dividends paid within 90 days from the end of the fiscal period are deductible from the taxable income of the Company. For the preferred shareholders, however, these dividends are taxed as interest income.

During the year, the Company declared dividends of \$53,821,963 (2023 - \$43,126,453), which represents a dividend of \$0.10 per share (2023 - \$0.09 per share) based on a time-weighted average number of shares issued and outstanding. Of these, \$34,779,856 (2023 - \$26,015,372) were reinvested in Class A preferred shares during the year end as at August 31, 2024, \$14,376,333 (2023 - \$13,501,963) is payable to investors.

MORTEQ LENDING CORP.

Statement of Cash Flows

Year ended August 31, 2024

9. Redeemable preferred shares:

The Company has authorized unlimited Class A, non-voting, participating, redeemable preferred shares. At year-end the issued and outstanding shares were \$569,450,354 (2023 - \$484,363,843).

The Class A preferred shares are redeemable at the option of the holder or at the option of the Company at a redemption price equal to \$1 per share, their original issue amount, plus the amount of dividends declared and unpaid and a pro-rata share of retained earnings at the time notice of redemption is received. During the year the following share transactions occurred:

	2024	2023
Opening preferred share liability	\$ 484,363,843	\$ 458,495,266
Subscriptions - cash	128,629,355	67,256,534
Subscriptions - dividend reinvestments	34,779,856	26,015,372
Redemptions	(78,334,592)	(67,421,355)
Adjustment for share issuance costs	11,892	18,026
	<u>\$ 569,450,354</u>	<u>\$ 484,363,843</u>

As at August 31, 2024, \$10,484,116 (2023 - 11,120,073) of the Class A preferred shares are held by related parties of the Company at a cost of \$1 per share.

10. Common shares:

The Company's common shares consists of the following:

Authorized:

Unlimited common shares without par value

	2024	2023
Issued:		
11 common shares	\$ 11	\$ 11

MORTEQ LENDING CORP.

Statement of Cash Flows

Year ended August 31, 2024

11. Financial instruments:

(a) Fair value measurement:

The carrying values of cash, restricted cash, interest receivable, mortgages receivable, accounts receivable, bank indebtedness, accounts payable and accrued liabilities and dividends payable approximate their fair values due to the short-term nature of these instruments.

The Company's financial instruments are measured at fair value on a recurring basis and in periods subsequent to initial recognition are measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Unadjusted market prices in active markets for identical assets and liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The level in the fair value hierarchy within which the fair value is categorized shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

As at August 31, 2024, the Company had no financial instruments measured at fair value (2023 - nil).

(b) Financial risk management:

The Company is exposed to various risks of holding financial instruments. These risks have been categorized as interest rate risk, credit risk and liquidity risk. The following analysis enables users to evaluate the nature and extent of the risks as at August 31, 2024:

(i) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's earnings are subject to fluctuations in interest rate and the degree of volatility of these rates. The Company's interest rate risk exposure arises due to its available operating line of credit. The Company attempts to minimize and monitor its exposure to interest rate risk through quantitative analysis of its net positions of short-term borrowings.

An increase of 50 basis points (0.5%) in interest rates, sustained throughout the year, would increase interest income by \$263,000 for year ended August 31, 2024. A decrease of 50 basis points (0.5%) in interest rates, sustained throughout the year, would decrease interest income by \$9,000 for year ended August 31, 2024.

MORTEQ LENDING CORP.

Statement of Cash Flows

Year ended August 31, 2024

11. Financial instruments (continued):

(b) Financial risk management (continued):

(i) Interest rate risk (continued):

Cash management is based on the Company's cash flow needs in order to optimize its interest income and reduce its interest expense. Mortgages receivable bear a fixed rate or variable rate with a minimum rate of interest until renewal and are held in a mix of long- and short-term maturities to enable the Company to respond to changes in market rates. The line of credit held by the Company bears a variable rate of interest based on the prime rate. Derivative instruments are not used to reduce exposure to interest rate risk.

(ii) Credit risk:

Credit risk is the risk that arises from the possibility that an entity to which the Company provides funding may not be able to repay their financial obligation. Credit risk arises from cash held with financial institutions, as well as credit exposures to clients, including outstanding interest and mortgages receivable. The maximum exposure is equal to the carrying value of the financial assets as at the statements of financial position date. The Company's cash is held with reputable financial institutions and cash balances are insured by the Canada Deposit Insurance Corporation up to the CDIC limits. Interest and mortgages receivable are collateralized by a claim against the title of the underlying properties.

(iii) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash. The Company's objective in managing liquidity risk is to maintain sufficient cash balances in order to meet its operational requirements at any point in time. Based on current assets, operating cash on hand, mortgages receivable within the next fiscal year and available operating line of credit, management believes that sufficient liquidity exists to satisfy current obligations.

12. Capital management:

The Company's objectives when managing capital are to:

- (a) Maintain financial flexibility in order to preserve its ability to meet its financial commitments, including possible obligations;
- (b) Maintain a capital structure that allows it to finance its growth strategy with cash flows from its operations and its debt capacity; and
- (c) Optimize the use of its capital to provide an appropriate return on investment to its shareholders and to maintain sufficient liquidity in the Company to distribute dividends to shareholders quarterly throughout the fiscal year and within 90 days thereafter to reduce its taxable income to a negligible amount.

MORTEQ LENDING CORP.

Statement of Cash Flows

Year ended August 31, 2024

12. Capital management (continued):

The Company defines capital as the sum of its assets, net of its current liabilities, which approximates the sum of shareholders' equity and redeemable preferred shares.

The Company's financial strategy is developed and adapted on the basis of market conditions to maintain a flexible capital structure consistent with the objectives stated above and to respond to the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may refinance an existing debt, take out new borrowings, repurchase preferred shares for cancellation pursuant to normal course issuer bids or issue new preferred shares.

The Company's financial strategy and objectives are reviewed annually.