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OFFERING MEMORANDUM



LIAHONA MORTGAGE INVESTMENT CORP.

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

DATE: May 15, 2023

THE ISSUER: LIAHONA MORTGAGE INVESTMENT CORP. (the “**Issuer**” or the “**Corporation**”)

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

Head Office: 301 Bryne Drive, Unit 9, Barrie, Ontario L4N 8V4
Tel: 705-725-8252
Email: investorrelations@liahona.ca

CURRENTLY LISTED OR QUOTED: **No. The Preference Shares (as defined below) do not trade on any exchange or market.**

REPORTING ISSUER: No.

THE OFFERING:

SECURITIES OFFERED: Up to 250,000,000 Class A Preference Shares (“**Preference Shares**”) of the Corporation.

PRICE PER SECURITY: \$1.00 per Preference Share.

TARGET YIELD: 6.00% per annum for Preference Shares. See Section 5.1, “Terms of Securities - Rights Attaching to the Preference Shares - Dividend Policy”.

MINIMUM/MAXIMUM OFFERING: The maximum offering is \$250,000,000 (250,000,000 Preference Shares). **There is no minimum. You may be the only purchaser.**

MINIMUM SUBSCRIPTION AMOUNT: \$10,000 (10,000 Preference Shares) or such lesser amount as determined in the sole discretion of the Manager (as defined below).

PAYMENT TERMS: Bank draft, certified cheque or wire transfer payable to the Corporation or any other manner of payment acceptable to the Issuer. Each transaction to complete the sale of Preference Shares is a “**Closing**”.

PROPOSED CLOSING DATES: Preference Shares are being offered on a continuous basis subject to a maximum offering size of \$250,000,000 (250,000,000 Preference Shares). The first Closing under this

Offering Memorandum is expected to occur on or about June 1, 2023. Thereafter, the Corporation completes Closings from time to time as subscriptions are received. It is expected that all accepted subscriptions will be effective on the first business day of each month and settled within three (3) business days.

OFFERING JURISDICTIONS:

Preference Shares are being offered to investors resident in, or otherwise subject to the laws of each of the Provinces and Territories of Canada.

INCOME TAX CONSEQUENCES:

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

INSUFFICIENT FUNDS:

Funds available under the offering may not be sufficient to accomplish the proposed objectives. See Section 2.6, “Insufficient Proceeds”.

THE MANAGER:

The Corporation has retained Liahona Capital Inc. (the “**Manager**”) as the manager of the Corporation pursuant to the terms of a management agreement dated May 20, 2021 (the “**Management Agreement**”) between the Corporation and the Manager. Pursuant to the terms of the Management Agreement, the Manager is responsible for directing the affairs and managing the business of the Corporation and retains responsibility for the management of the Corporation’s portfolio, providing investment analysis and recommendations and for making brokerage arrangements in conformance with the Corporation’s investment strategies, operating restrictions and operating policies as set forth in this Offering Memorandum. The Manager makes available to the Corporation for purchase mortgages or interests in mortgages as and when they become available and has the exclusive right to provide the Corporation with these mortgage investments. See Section 2.2, “The Business - The Manager - Liahona Capital Inc.”.

MANAGER FEE:

For providing its services, the Manager is entitled to receive a management fee from the Corporation (the “**Manager Fee**”) of up to 3.00% per annum of the gross assets of the Corporation, calculated on a simple average monthly basis (i.e., opening mortgage portfolio balance plus closing portfolio balance divided by two), aggregated and paid monthly in arrears, plus applicable taxes. The Manager may in its discretion waive and/or defer in whole or in part the Manager Fee. All or a portion of the Manager Fee is subject to reimbursement. See Section 2.7, “Material Contracts - Management Fees and Expenses”.

COMPENSATION PAID TO SELLERS AND FINDERS:

Pursuant to the terms of the Management Agreement, the Manager, an exempt market dealer registered in the Provinces of Alberta and Ontario has agreed, among other things, to assist the Corporation in marketing, arranging and facilitating the completion of sales of Preference Shares in the Provinces of Alberta and Ontario. The Manager may retain and engage registered agents, securities dealers and brokers in the performance of its obligations, but all such engagements and retainers are entered into by the Manager as principal for its own account, and not as agent for the Corporation. No commissions or fees are payable by the Corporation to such agents, securities dealers or brokers. Except for the Manager Fee, the Corporation will not pay, or be required to pay, to the Manager, or agents, securities dealers or brokers retained and engaged by the Manager, any sales commission, a trailing commission or other compensation with respect to the distribution and sale of Preference Shares. Pursuant to the terms of the Management Agreement, the Manager is also entitled to be reimbursed for reasonable expenses incurred in connection with the Offering. See Item 8, “Compensation Paid to Sellers and Finders.”

The Corporation is a related and connected issuer of Liahona Capital Inc. by virtue of their common influential securityholders and directors and officers, and by virtue of the role of Liahona Capital Inc. in providing management, mortgage administration and dealer services to the Corporation and its compensation thereby. See Item 8, “Compensation Paid to Sellers and Finders - Conflicts of Interest”.

RESALE RESTRICTIONS: You will be restricted from selling your securities for an indefinite period. See Item 11, “Resale Restrictions”. In addition, no Preference Shares shall be transferred without the consent of the majority of the Board of Directors. Requests to transfer shares of the Corporation will be acceded to by the directors of the Corporation provided that the requested transfer of shares does not impair the Corporation’s status as a MIC or contravene any law, rule, policy or regulation prescribed by any applicable securities commission or the provisions of the *Business Corporations Act* (Ontario) or any other applicable laws.

PAYMENTS TO RELATED PARTY: Some of your investment may be paid to a related party of the Issuer. See Section 1.2, “Use of Available Funds”.

CERTAIN RELATED PARTY TRANSACTIONS: This Offering Memorandum contains disclosure with respect to one or more transactions between the Corporation and a related party. See Section 2.8, “Related Party Transactions”.

CONDITIONS ON REDEMPTIONS: **You will have a right to require the Corporation to redeem the Preference Shares from you but this right is qualified by certain restrictions and fees as summarized below and as set forth in greater detail in Section 5.1, “Terms of Securities - Rights Attaching to the Preference Shares - Redemption at the Option of the Holder”. As a result, you might not receive the amount of proceeds that you want.**

Holders of Preference Shares are entitled to exercise their redemption rights monthly, subject applicable early redemption penalty fees as well as the rights of the Corporation to deny, suspend or delay redemptions as described in Section 5.1, “Terms of Securities - Rights Attaching to the Preference Shares - Redemption at the Option of the Holder”. Preference Shares requested for redemption that have been issued and outstanding for less than 12 months are subject to the following early redemption penalty fees:

(i) 3.00% of the original purchase price of such Preference Shares held for less than six (6) months at the Redemption Date; and

(ii) 1.50% of the original purchase price of such Preference Shares held for less than 12 months at the Redemption Date.

In certain circumstances, as determined by the Board of Directors, in its sole discretion, the abovementioned fees may be waived, in whole or in part. See Section 5.1, “Terms of Securities - Rights Attaching to the Preference Shares - Redemption at the Option of the Holder”.

PURCHASER’S RIGHTS: You have two (2) business days to cancel your agreement to purchase the Preference Shares. If there is a misrepresentation in this Offering Memorandum, you have the right to sue for damages or to cancel the agreement. See Item 12, “Purchaser’s Rights”.

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

GENERAL DISCLAIMERS

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

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

FORWARD LOOKING STATEMENTS

This Offering Memorandum contains certain statements or disclosures that may constitute forward-looking information under applicable securities laws. Forward-looking statements may be identified by the use of words like “believes”, “intends”, “expects”, “may”, “will”, “should”, or “anticipates”, or the negative equivalents of those words or comparable terminology, and by discussions of strategies that involve risks and uncertainties. All forward-looking statements are based on the Corporation’s current beliefs as well as assumptions made by and information currently available to the Corporation and relate to, among other things, anticipated financial performance; business prospects; strategies; the nature of the Corporation’s operations; sources of income; forecasts of capital expenditures and the sources of the financing thereof; expectations regarding the ability of the Corporation to raise capital; the Corporation’s business outlook; plans and objectives for future operations; forecast business results; and anticipated financial performance.

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

Any statement contained in any OM marketing materials incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Offering Memorandum to the extent that a statement contained herein or in any other subsequently delivered Offering Memorandum which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the OM marketing materials that it modifies or supersedes. The making of a modifying or superseding statement shall not be

deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum.

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

CURRENCY

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

SCHEDULE

The following Schedule is attached to and forms a part of this Offering Memorandum:

Schedule “A” – Subscription Agreement

INTERPRETATION

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

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

GLOSSARY OF TERMS

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

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

“**Corporation**” means Liahona Mortgage Investment Corp.

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

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

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

“**LIF**” means a “life income fund” as defined under the Tax Act.

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

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

“**Manager**” means Liahona Capital Inc.

“**Manager Fee**” has the meaning set forth in Section 2.7, “Material Contracts - Management Fees and Expenses”.

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

“**Offering**” means the offering of Preference Shares in the capital of the Corporation pursuant to this Offering Memorandum.

“**Preference Shares**” means the Class A Preference Shares of the Corporation.

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

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

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

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

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

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

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

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

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

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PURPOSE OF THE OFFERING

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

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

ITEM 1: USE OF AVAILABLE FUNDS

1.1 Funds

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

		Assuming Maximum Offering⁽¹⁾
A	Amount to be raised by this Offering ⁽²⁾	\$250,000,000
B	Selling commissions and fees ⁽³⁾	(\$Nil)
C	Estimated Offering costs (e.g., legal, accounting, audit, etc.) ⁽⁴⁾	(\$50,000)
D	Available funds: D = A – (B + C)	\$249,950,000
E	Additional sources of funding required (available) ⁽⁵⁾	\$4,000,000
F	Working capital deficiency ⁽⁶⁾	\$Nil
G	Total: G = (D+E) - F	\$253,950,000

Notes:

1. The maximum offering size is \$250,000,000 (250,000,000 Preference Shares.)
2. After the first Closing under this Offering Memorandum, the Corporation will complete Closings from time to time as subscriptions are received and accepted. It is expected that all accepted subscriptions will be effective on the first business day of each month and settled within three (3) business days.
3. This amount excludes the Manager Fee and assumes that no agents, securities dealers, brokers or other eligible persons, other than the Manager, will be retained and engaged by the Corporation to act as placement agent or otherwise receive any sales commission, a trailing commission or other compensation with respect to the distribution and sale of Preference Shares in connection with the Offering. See Section 2.7, “Material Contracts - Management Fees and Expenses” and Item 8, “Compensation Paid to Sellers and Finders”.
4. Offering costs as shown are estimated expenses (currently estimated to be \$50,000 for the current year of operations) relating to or incidental to the issue, sale and delivery of the Preference Shares pursuant to this Offering, including fees and disbursements of legal counsel and accountants, printing and other administrative costs associated with marketing the Preference Shares pursuant to this Offering Memorandum and the reasonable out of pocket expenses (including applicable taxes) of the Corporation in connection with such issue, sale and delivery.
5. On May 26, 2016, the Corporation entered into an amended and restated loan agreement with a Canadian chartered bank, as amended by an amending agreement dated May 22, 2020 and as further amended by an amending agreement dated August 1, 2022, for a \$4,000,000 revolving line of credit. See Section 4.2, “Long-Term Debt”.
6. As at the date of this Offering Memorandum.

From the date of its inception on December 22, 2006 to March 31, 2023, the Corporation raised gross proceeds of \$68,792,098, including \$16,992,934 reinvested through the Corporation’s dividend reinvestment plan. Over this same period, there were redemptions totaling \$32,738,143, resulting in net proceeds to the Corporation of \$36,053,955. See Section 4.3, “Prior Sales”.

As at March 31, 2023, 80 individual mortgages are held by the Corporation, the total assets under administration is \$50,293,874, and the Corporation’s portfolio of mortgages has an average loan size of \$628,673 and an average loan-to-value of 68.37%. See Section 2.3 “Development of the Business - Mortgage Portfolio”.

1.2 Use of Available Funds

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

Description of intended use of available funds proceeds listed in order of priority	Assuming maximum offering
Investment in mortgages, payment of redemption requests, other permitted investments, and related administrative expenses (including any Manager Fee payable to the Manager) as further described under Item 2, “Business of the Corporation and Other Information and Transactions”. ⁽¹⁾	\$253,950,000

Note:

1. The Corporation may from time to time invest in mortgages using advances under the Corporation’s credit facility if necessary. See Section 4.2, “Long-Term Debt”.

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

2.1 Structure

The Corporation was incorporated under the *Business Corporations Act* (Ontario) on December 22, 2006, was formed to carry on the business of a “mortgage investment corporation” (“MIC”) as defined under the Tax Act, and commenced operations on December 22, 2006. The Corporation invests in relatively low risk, high yield mortgage opportunities. A MIC is a flow-through vehicle for tax purposes. The Tax Act effectively treats a corporation that qualifies as a MIC as a flow-through entity so that a shareholder of a MIC is put in a similar position from an income tax perspective as if the investments made by the MIC had been made directly by the shareholder.

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

The head office and the registered office of the Corporation are located at 301 Bryne Drive, Unit 9, Barrie, Ontario L4N 8V4.

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

2.2 The Business

General

The Corporation was formed to carry on the business of a “mortgage investment corporation” for purposes of the Tax Act (See Item 7, “Income Tax Consequences and Registered Plan Eligibility” for the requirement of a MIC under the Tax Act). As such, its business consists in the lending of money, principally to individuals, for the purpose of acquiring, developing, maintaining or upgrading primarily residential real estate, against the security of a mortgage granted on such property. The Corporation conducts its mortgage lending activities on properties located in Ontario and in other provinces where opportunities arise.

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

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

The Corporation intends to pay out as dividends its net income and net realized capital gains every year in adequate amounts to reduce its income tax liability under Part I of the Tax Act to nil and in that regard, it targets certain annualized yields. Amounts for dividend distributions will not be paid from the proceeds of the Offering. The Corporation intends to declare quarterly dividends to holders of Preference Shares of record on the last business day of each quarter and to pay such dividends on or before the last business day of the following month. See Section 5.1, "Terms of Securities - Rights Attaching to the Preference Shares - Dividend Policy."

The Manager - Liahona Capital Inc.

The Corporation has entered into a management agreement (the "**Management Agreement**") with Liahona Capital Inc. (the "**Manager**") on May 20, 2021 pursuant to which the Manager has agreed to service the Corporation's mortgage portfolio, including sourcing, negotiating, and underwriting mortgages, as well as act as a non-exclusive placement agent to assist the Corporation with the Offering. Mortgage transactions for the Corporation are sourced by the Manager from licensed mortgage brokers. The Manager is a registrant and a licensee in good standing under the *Mortgage Brokerages, Lenders and Administrators Act, 2006*, operating under Mortgage Administrator License No. 12989. See Section 2.7, "Material Contracts - Management Agreement."

The directors and senior officers of the Manager are Cory Clapperton, Robert Chaggares and Aaron Rumley, two of whom are also common shareholders, directors and senior officers of the Corporation. Each of Robert Chaggares and Aaron Rumley also indirectly holds a 38.24% voting equity interest, and collectively with their respective spouses holds a 49.29% voting equity interest, in the Manager by virtue of its interest in Liahona Administration Inc., the parent of the Manager. The Manager will not receive any benefits, directly or indirectly from the issuance to investors of the Preference Shares pursuant to this Offering, other than as described in this Offering Memorandum including as described below under "Management Fees and Expenses".

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

Responsibilities of the Manager

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

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

the Manager shall be required to comply with and observe such change immediately upon such change becoming effective.

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

- a. to enter into agreements for the underwriting, pricing, negotiation, acquisition, administration, enforcement, collection, financial reporting and general administration relating to the mortgages and/or interests in mortgages and related rights and all ancillary agreements in connection therewith, and to sell, transfer, exchange, convey, or otherwise deal with or dispose of all or any part of the Corporation's mortgages and/or interests in mortgages and related rights at such times, in such manner and on such terms as the Manager deems appropriate subject to adhering to the Corporation's strategies, restrictions and policies as set forth in this Offering Memorandum. Specifically, the Manager will be required, among other things, to:
 1. use its reasonable commercial efforts to acquire investment opportunities consistent with the Corporation's investment guidelines and objectives;
 2. underwrite mortgage applications and retain relevant information, including the terms and conditions of the acquired mortgage investments;
 3. service and administer those investments acquired by the Corporation, including monitoring the status and progress of such investments, maintaining records and accounts in respect of each investment, accounting for all amounts received on account of the Corporation's interest in an investment, and on a monthly basis preparing a monthly statement of account in respect of all investments in which the Corporation has an interest;
 4. investigate, select and conduct relations with consultants, borrowers, lenders, mortgagors and other mortgage and investment participants, accountants, originators or brokers, correspondents and mortgage managers, technical advisers, lawyers, underwriters, brokers and dealers, corporate fiduciaries, escrow agents, depositories, custodians, agents for collection, insurers, insurance agents, banks, investors, builders and developers;
 5. employ, retain and supervise such persons and the services performed or to be performed by such persons in connection with the Corporation's investments and to substitute any such party or itself for any other such party or for itself;
 6. manage the collection, handling, prosecuting and settling of any claims the Corporation may have with respect to its investments, including foreclosing and otherwise enforcing mortgages and other liens and security interests securing the Corporation's investments;
 7. act on the Corporation's behalf in connection with acquisitions or dispositions of investments, the execution of deeds, mortgages or other instruments in writing for or on the Corporation's behalf and the handling, prosecuting and settling of any claims relating to the Corporation's investments including the foreclosure or other enforcement of any mortgage, lien or other security interest securing the Corporation's investments;
 8. deliver portfolio reports with respect to the Corporation's investments and provide any other information or documentation relating to such investments as may be reasonably requested or as may be required in accordance with the Offering Memorandum or the Management Agreement; and
 9. generally perform such other acts as are required for purposes of the administration of the Corporation's investments;

- b. to enter into agreements for the management and administration of the Corporation's mortgages and/or interests in mortgages and related rights and to otherwise oversee the day-to-day mortgage investment and the mortgage administrative activities of the business of the Corporation;
- c. to incur all reasonable expenditures;
- d. to employ and dismiss from employment any and all agents, independent contractors, managers, brokers, solicitors and accountants;
- e. to open bank accounts for the Corporation, to designate and from time to time change the signatories to such accounts;
- f. to attend to all matters relating to the sale of Preference Shares in accordance with the *Securities Act* (Ontario) and any other applicable securities legislation, law or policy including without limitation: (A) arranging, and facilitating the completion of, the sale of Preference Shares or any other equity shares of the Corporation through exempt market dealers or other registrants; (B) overseeing investor relations and liaising with and instructing exempt market dealers or other registrants engaged to sell Preference Shares or any other equity shares of the Corporation; (C) acting as transfer agent and registrar for the Preference Shares or any other equity shares of the Corporation; and (D) reviewing and reporting to the holders of Preference Shares or any other equity shares of the Corporation with respect to the financial statements and other information of the Corporation in accordance with the reporting obligations imposed upon the Corporation pursuant to this Offering Memorandum or otherwise under applicable legislation, law or policy;
- g. subject to adhering to the Corporation's investment strategies, operating restrictions and investment policies as set forth in this Offering Memorandum, to invest funds not immediately required for the operations of the Corporation in cash deposited with a Canadian chartered bank or in short term deposits, savings accounts or government guaranteed income certificates or treasury bills and to make recommendations to the Corporation to consider distributions of excess cash to holders of Preference Shares to the extent the Corporation is retaining too much cash on hand;
- h. to submit the Corporation to binding arbitration with respect to any matters pertaining to the assets and undertakings of the Corporation;
- i. to defend on behalf of the Corporation any and all actions and other proceedings brought against the Corporation or its assets and undertakings and to, in its sole discretion, settle on such terms as it deems advisable all such actions, and to consent to a judgment against the Corporation, provided that the effect of the consent would not be to materially or financially affect the business, assets or operations of the Corporation; and
- j. to execute, acknowledge and deliver any and all instruments to effectuate any and all of the foregoing.

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

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

The Manager has agreed to arrange, and facilitate the completion of, the sale of the Preference Shares or any other equity shares of the Corporation. In relation to the foregoing, the Manager shall comply with and observe all laws that apply to

the Corporation, its investments and its securities, and may obtain opinions from counsel as it deems necessary in connection with such compliance. The Manager may retain and engage registered agents, securities dealers and brokers in the performance of its obligations, but all such engagements and retainers are entered into by the Manager as principal for its own account, and not as agent for the Corporation. No commissions or fees are payable by the Corporation to such agents, securities dealers or brokers.

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

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

Investment Strategies

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

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

The Corporation may invest in either residential mortgages (i.e., mortgages that are principally secured by mortgage registrations on residential property titles) or commercial mortgages (i.e., mortgages that are principally secured by multi-family housing projects, residential land developments, mixed-use properties and income-producing properties that have retail, commercial, service, office and/or industrial uses) though the majority of its investments will be in residential mortgages.

The Corporation, through the Manager, invests primarily in first and second mortgages and such mortgages will typically fall into the following major loan categories:

- (a) *Standard First or Second Mortgage Loans* – These are either conventional (80% loan to value ratio) or high ratio first or second mortgage loans. High ratio mortgage loans will not exceed 85% of the appraised value at the time of the loan; provided however in limited cases, at the discretion of the Board of Directors, the loan to value may exceed 85%. These loans would typically be advanced to borrowers with strong credit and provable income to assist with the purchase or refinancing of a property. It is expected that the majority of the Corporation's investments will be in first and second mortgage loans.
- (b) *Equity Loans* – These loans are advanced to bridge the gap between the equity which is provided by a developer or purchaser and the amount available through conventional financing in the development or purchase of residential, commercial or industrial properties. These can also be "equity take-out" mortgages where an existing owner has built up equity in a property and wishes to extract cash funds by way of mortgaging that equity. Because of the typically higher risk, potential returns are significantly higher than conventional mortgage returns. Additional revenue is often realized through bonus payments, set up fees, etc. By their very nature, these are generally second or third position mortgage loans (i.e., loans secured by mortgages against title to land that rank second or third in priority behind other, usually conventional, loan facilities).

- (c) *Construction Loans* – These loans are advanced to finance the construction and development of residential and/or commercial properties. The loans are higher risk than loans on completed buildings. The loan to value of these types of loans will not exceed 75%.
- (d) *Improvement Loans* – These loans are advanced to finance completed or substantially completed buildings that will benefit by the property’s redevelopment, renovation, additions, etc. Typically, the funds are used to improve a property so that the overall value is substantively increased, its usability is enhanced, and/or its potential for increased revenue can be realized. While construction risk is substantially eliminated, the success of these projects is subject to market conditions.

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

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

Loans generally may not exceed twelve months. Interest is often set at a fixed rate or at a floating rate based on a margin over the prime lending rate of the Corporation’s bank, sometimes with a minimum specified rate. Loan to value, borrower credit history, borrower assets and liabilities, repayment ability of the borrowers (including confirmation of sufficient income and/or cash flow), job stability and marketability of the property and other factors are also part of the underwriting guidelines in setting the appropriate interest rate. Further, mortgage loans will not be advanced unless the underlying real estate securing the mortgage loan is sufficient to effect full repayment of principal in the event of default. The Corporation may share part of a mortgage investment with other lenders acceptable to the Corporation. By limiting its participation in large individual investments, the Corporation will have the benefits of increased portfolio diversification. It will also enable the Corporation to participate in the financing of larger real estate projects than would otherwise be possible.

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

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

Operating Restrictions

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

- (a) subject to clause (n) of “Investment Policies” below, the Corporation will not invest in securities, guaranteed investment certificates or treasury bills unless such securities, guaranteed investment certificates or treasury bills

- are issued by an arm's-length party and are pledged as collateral in connection with mortgage investments or obtained by realizing on such collateral;
- (b) the Corporation will not invest for the purposes of exercising control over management of any company or other entity;
 - (c) the Corporation will not guarantee the securities or obligations of any person;
 - (d) except for any obligations owing under the Management Agreement, the Corporation will not enter into any transaction (i) between the Corporation and any person not dealing at arm's length with the Corporation or the Manager or their respective directors, officers, employees or shareholders or (ii) for the benefit of any person not dealing at arm's length with the Corporation or the Manager or any of their respective directors, officers, employees or shareholders;
 - (e) the Corporation will not make any loan or investment which does not meet the "Canadian content" requirements of paragraph 130.1(6)(c) of the Tax Act;
 - (f) the Corporation will not engage in derivative transactions for any purpose;
 - (g) the Corporation will not lend money on the security of a mortgage unless an independent appraisal by a qualified appraiser of the real estate which is the primary collateral for the loan has been obtained;
 - (h) the Corporation will not develop or manage any real property;
 - (i) the cost amount to the Corporation of any real property of the Corporation, including any leasehold interests in such property (except real property acquired by foreclosure or other enforcement of its rights as mortgagee) shall not exceed 25% of the cost amount to it of all of its property; and
 - (j) the Corporation will not otherwise conduct its business in a manner that would cause the Corporation to fail to qualify as a MIC under the Tax Act or that would result in the Preference Shares not being a "qualified investment" for RRSPs, RRIFs, RESPs, TFSA, DPSPs, LIRAs, LRIF, LIFs or RDSPs under the Tax Act (see Item 7, "Income Tax Consequences and Registered Plan Eligibility").

Investment Policies

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

- (a) the Corporation's only undertaking will be to invest the Corporation's funds in accordance with its investment strategies and policies and operating restrictions contained in this Offering Memorandum, as may be amended from time to time as set forth below under "Changes to Investment Strategies, Operating Restrictions and Investment Policies";
- (b) the Corporation will make loans in amounts up to 85% of the fair market value of the mortgaged property, unless special circumstances warrant exceeding that threshold; fair market value will be primarily based on the most recent sales comparison as determined by an independent professional appraiser who possesses either a Canadian Residential Appraiser (CRA) or Accredited Appraiser Canadian Institute (AACI) designation;
- (c) the Corporation may from time to time engage in bridge financing activities including the financing of new home construction;
- (d) up to 30% of the Corporation's mortgage investments may be held in commercial mortgages (i.e., means mortgages that are principally secured by multi-family housing projects, residential land developments, mixed-use properties and income-producing properties that have retail, commercial, service, office and/or industrial uses);

- (e) the Corporation may buy or sell mortgages in the secondary market, or hold a fractional interest in a mortgage, or participate in mortgage syndications but only in limited circumstances and subject to approval by the Board of Directors;
- (f) the Corporation will obtain a Phase I environmental audit where there is a reasonable possibility of environmental contamination that might impact the value and marketability of the property;
- (g) the Corporation will obtain title insurance in respect of real property provided as security for a mortgage loan in such amounts and on such terms as the Manager considers appropriate or, in the alternative, will obtain a favourable title opinion from a solicitor;
- (h) the Corporation shall at all times have policies and procedures in place to verify the identity of prospective borrowers in order to reduce the Corporation's exposure to the risks of mortgage fraud and money laundering activities;
- (i) the Manager enacts measures to pursue any defaults by borrowers in a fashion and manner deemed appropriate by the Manager based on the circumstances of such loans;
- (j) mortgages in which the Corporation invests may contain clauses permitting the mortgagor, when not in default, to renew the mortgage for additional terms at the sole discretion of the Manager and not the borrower;
- (k) all mortgages will, following funding, be registered, subject to regulatory compliance, on title to the subject property in the name of any of the Corporation, the Manager, their respective affiliates or a nominee for the Corporation or the Manager;
- (l) the Manager shall apply known and established procedures in the evaluation of mortgage opportunities being made available to the Corporation;
- (m) the Corporation targets holding a cash or near cash position no greater than the lesser of: (i) approximately 10% of its total assets or (ii) \$3 million; and
- (n) to the extent that the Corporation's funds are not invested in mortgages from time to time, they will be held in cash deposited with a Canadian chartered bank or will be invested by the Manager on the Corporation's behalf in short term deposits, savings accounts or government guaranteed income certificates or treasury bills so as to maintain a level of working capital for the Corporation's ongoing operations considered acceptable by the Board of Directors.

Changes to Investment Strategies, Operating Restrictions and Investment Policies

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

Management Fees and Expenses

See Section 2.7, "Material Contracts - Management Fees and Expenses".

The Board of Directors

The Board of Directors currently consists of two (2) directors, both of whom also constitute the board of directors of the Manager. The Board of Directors may in its discretion but acting in the best interests of the Corporation make any amendments, modifications or other changes to the investment strategies, operating restrictions and investment policies of the Corporation set forth herein. The Board of Directors may from time to time, in its sole discretion but acting in the best interests of the Corporation, reject a particular mortgage recommended by the Manager. Please refer to “Conflicts of Interest” below and to Section 9.2(c), “Potential Conflicts of Interest” for risks associated with potential conflicts of interest. In addition to the professional qualifications and experience they have individually, the Board of Directors receives on-going education on corporate governance.

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

Conflicts of Interest

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

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

2.3 Development of Business

The Corporation was incorporated on December 22, 2006 and commenced operations on the same date. The Corporation's business is primarily limited to investing the net proceeds of this Offering in mortgages in accordance with the strategies, policies and guidelines set out above under Section 2.2, “Our Business”.

The success of the Corporation is dependent, to a large part, on the experience and good faith of the Manager. See Section 2.2, “The Business - The Manager - Liahona Capital Inc.”.

The Corporation has declared and paid dividends either annually or quarterly since inception. Further, since inception, dividends have been paid out of the net income received in each financial year, and none of such distributions have been funded by sources such as loans, share issuances or any credit facility. It is the intention of the Corporation to continue to

pay dividends on a quarterly basis. Amounts for operating expenses, management fees and dividend distributions are not paid from the proceeds of the Offering. Since the Corporation is operational and profitable, these amounts have been, and expected to continue to be paid out of the current mortgage portfolio income.

For the fiscal year ended December 31, 2022 and for the period commencing January 1, 2023 and ending March 31, 2023, the Corporation delivered an average annualized dividend yield (net of all fees and expenses of the Corporation) to holder of Preference Shares of 6.56% and 7.61%, respectively.

The Corporation will from time to time determine target yields with respect to the Preference Shares. As at the date of this Offering Memorandum, the Corporation is targeting declaring dividends of approximately \$0.015 per Preference Share per quarter (\$0.06 per annum representing an annual dividend of 6.00% based on the \$1.00 issue price).

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

Recent Material Developments

On August 1, 2022, the terms of a certain loan agreement between the Corporation and a Canadian chartered bank respecting a revolving line of credit was amended to increase the total amount available to be drawn under the facility from \$2,000,000 to \$4,000,000. See Section 4.2, "Long-Term Debt".

Mortgage Portfolio

As at March 31, 2023, 80 individual mortgages are held by the Corporation, the total assets under administration is \$50,293,874, and the Corporation's portfolio of mortgages has an average loan size of \$628,673 and an average loan-to-value ratio of 68.37%. Further, as at March 31, 2023, with respect to the mortgages in the Corporation's mortgage portfolio:

- (a) the average of the interest rates payable under the mortgages, weighted by the principal amount of the mortgages, is 8.55%;
- (b) the average of the terms to maturity of the mortgages, weighted by the principal amount of the mortgages, is 3.18 months;
- (c) the average loan-to-value of the mortgages (calculated for each mortgage by dividing the total principal amount of the Corporation's mortgage and all other loans ranking in equal or greater priority to the Corporation's mortgage by the fair market value of the property), weighted by the principal amount of each mortgage, is 68.37%;
- (d) a total principal amount of \$45,965,416 (being 91.39% of the total principal amount of all mortgages in the Corporation's mortgage portfolio) rank in first priority and a total principal amount of \$4,328,458 (being 8.61% of the total principal amount of all mortgages in the Corporation's mortgage portfolio) rank in second priority;

- (e) 80 mortgages with a total principal amount of \$50,293,874 (being 100.00% of the total principal amount of all mortgages in the Corporation's mortgage portfolio) are attributable to properties located in Ontario;
- (f) 80 mortgages with a total principal amount of \$50,293,874 (being 100.00% of the total principal amount of all mortgages in the Corporation's mortgage portfolio) are attributable to residential mortgages;
- (g) 78 mortgages with a total principal amount of \$49,926,034 (being 99.27% of the total principal amount of all mortgages in the Corporation's mortgage portfolio) will mature in less than one (1) year;
- (h) no mortgages have payments more than 90 days overdue or have impaired value;¹ and
- (i) the average credit score of borrowers, weighted by the principal amount of the mortgages, is 734.50.

Portfolio Performance

For the ten (10) most recently completed financial years of the Corporation, average annualized dividend yields (net of all fees and expenses) were delivered to holders of Preference Shares as follows:

Financial Year Ended	Average Annualized Yield (Net of All Fees and Expenses)	Target Yield
December 31, 2013	8.03%	6.00%
December 31, 2014	8.41%	6.00%
December 31, 2015	8.11%	6.00%
December 31, 2016	7.50%	6.00%
December 31, 2017	5.98%	6.00%
December 31, 2018	6.66%	6.00%
December 31, 2019	6.10%	6.00%
December 31, 2020	5.22%	6.00%
December 31, 2021	5.50%	6.00%
December 31, 2022	6.56%	6.00%

Note:

1. In respect of a given financial year, the average annualized yield (net of all fees and expenses) for the Preference Shares is calculated by dividing the Corporation's net income during the relevant financial year by the net assets of the Preference Shares outstanding for that financial year, expressed as a percentage.

2.4 Long-Term Objectives

The Corporation's long term objective is to provide its shareholders with sustainable income while preserving capital for distribution or re-investment. The Corporation will seek to achieve this principal investment objective by investing in

¹ As at March 31, 2023, there are two (2) claims commenced by the Corporation against former borrowers. The first claim is for an amount of approximately \$1.19 million and relates to a default by the borrower on a second mortgage loan provided by the Corporation for a residential property located in Ottawa, Ontario. Following the borrower's default, the property was placed into receivership and subsequently sold with the proceeds being used to pay off all amounts owing to the first mortgagee but resulting in a shortfall of approximately \$1.19 million owing to the Corporation as a second mortgagee. Accordingly, the Corporation commenced proceedings for the shortfall and management of the Corporation reasonably expects to recover a significant amount, if not all, of the shortfall. The second claim is for an amount of approximately \$1.72 million and relates to a default by the borrower on a first mortgage loan provided by the Corporation for a residential property located in Kettleby, Ontario. The first mortgage loan was not renewed at the end of its term and the borrower failed to pay the principal and interest outstanding at that time. The Corporation commenced power of sale proceedings but was unable to recover the full amount owing from the proceeds of the sale of the mortgaged property. The Corporation is currently working with its legal advisors to determine the best course of action for collecting the shortfall of approximately \$1.72 million, which may entail enforcing on certain guarantees provided in connection with the first mortgage loan.

mortgages using the funds raised pursuant to this Offering and any debt that may be provided by Canadian chartered banks or alternative lenders. The Corporation invests primarily in first and second mortgages which are secured by the respective mortgagor’s equity in primarily residential real property in accordance with the strategies, policies and guidelines set out above under Section 2.2, “The Business”. The Corporation anticipates continuing to raise funds under this Offering for the foreseeable future and investing all available net proceeds raised in mortgages as opportunities arise for such investment. The Corporation will reinvest in mortgages with the Corporation’s income received upon the mortgages becoming due. The costs related to the investment and reinvestment in mortgages is nominal and is not considered to be material. The Corporation’s income will primarily consist of interest received on the loans secured by the mortgages, less any fees payable or paid, or any expenses reimbursable, to the Manager as disclosed herein and interest and fees payable with respect to any debt facilities employed to fund a portion of the Corporation’s mortgage assets.

2.5 Short Term Objectives

The Offering Memorandum form requires the following table to be completed with respect to the Corporation’s objectives over the next twelve (12) months.

Actions to be taken	Target completion date or, if not known, number of months to complete	Cost to complete
Raising of funds under the Offering and investing available funds in mortgage investments in accordance with the policies and guidelines set out herein	Ongoing throughout the next 12 months	The costs of a maximum Offering which are estimated to be \$50,000.

2.6 Insufficient Proceeds

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

2.7 Material Contracts

Management Agreement

The Manager has agreed to service the Corporation’s mortgage portfolio, including sourcing, negotiating, and underwriting mortgages. The Corporation does not actively employ resources to actively seek or originate mortgages for investment, but instead relies on the expertise of the Manager for a regular flow of investment opportunities. In providing mortgage investment services, the Manager shall adhere to the Corporation’s investment strategies, operating restrictions, operating policies and investment policies as set forth herein. See Section 2.2, “The Business”.

The following summarizes the terms of the Management Agreement.

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

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

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

Management Fees and Expenses

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

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

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

The Corporation and/or Manager may in certain circumstances charge borrowers the following fees: lenders' fees, commitment fees, referral fees, extension fees, renewal fees, NSF fees, administration fees and similar fees to borrowers with respect to any mortgage loan. Such fees shall be allocated between the Corporation and the Manager as reasonably determined from time to time by the Manager.

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

The Manager shall be reimbursed by the Corporation for all expenses incurred by the Manager on behalf of the Corporation, except any costs and expenses incurred by the Manager applicable to its operations, including salaries and employee expenses, office rent and equipment.

For the fiscal years ended December 31, 2021 and December 31, 2022, the Manager was paid an aggregate of \$862,751 and \$1,265,805, respectively.

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

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

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

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

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

The liability of the Corporation pursuant to the Management Agreement has been limited such that the Manager agrees that it shall only look to the Corporation's property and assets for satisfaction of any claims arising out of or in connection with such agreement. Also, except as otherwise provided in the Management Agreement, or for any material breach or default of the obligations of the Manager thereunder, neither the Manager, nor any of its directors, officers, employees, consultants or agents shall be subject to any liability whatsoever, in tort, contract, or otherwise, in connection with the affairs of the Corporation, including, without limitation, in respect of any loss or diminution in value of any of the Corporation's property or assets. The Corporation shall be solely liable therefor and resort shall be had solely to the Corporation's property or assets for the payment or performance thereof.

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

2.8 Related Party Transactions

The Manager is a related party of the Corporation and pursuant to the Management Agreement, for providing its services, it is entitled to receive a Manager Fee. The Manager is also entitled to be reimbursed by the Corporation for certain

expenses and to be indemnified by it under certain circumstances. Additionally, lenders' fees, commitment fees, referral fees, extension fees, renewal fees, NSF fees, administration fees and similar fees charged to borrowers with respect to any mortgage loan shall be allocated between the Corporation and the Manager as reasonably determined from time to time by the Manager. See Section 2.7, "Material Contracts - Management Fees and Expenses".

ITEM 3: COMPENSATION AND SECURITY HOLDINGS OF CERTAIN PARTIES

3.1 Compensation and Securities Held

The following table sets out information as at the date of this Offering Memorandum about each director and officer of the Corporation and the Manager and each person who directly or indirectly beneficially owns or controls 10% or more of any class of voting securities of the Corporation (a "Principal Holder").

Full legal name and place of residence or, if not an individual, jurisdiction of organization	Positions held and the date of obtaining that position or relationship to the Corporation and/or the Manager	Compensation paid by the Corporation in the most recently completed financial year and the compensation anticipated to be paid in the current financial year ⁽³⁾	Number, type and percentage of securities of the Corporation held as at the date of this Offering Memorandum ⁽¹⁾⁽²⁾	Number, type and percentage of securities of the Corporation held after completion of maximum offering ⁽¹⁾⁽²⁾
Robert Chaggares Queensville, Ontario	Director, President and Principal Holder of the Corporation since December 22, 2006; Director and Treasurer of the Manager	\$Nil - FY '22 \$Nil - FY '23	250,000 Common Shares (25% of all outstanding Common Shares) 898,596 Preference Shares (1.63% of all outstanding Preference Shares)	250,000 Common Shares (25% of all outstanding Common Shares) 898,596 Preference Shares (0.36% of all outstanding Preference Shares)
Aaron Rumley Barrie, Ontario	Director, Treasurer and Principal Holder of the Corporation since December 22, 2006; Secretary of the Corporation since December 15, 2017; Director and Secretary of the Manager	\$Nil - FY '22 \$Nil - FY '23	250,000 Common Shares (25% of all outstanding Common Shares) 172,683 Preference Shares (0.31% of all outstanding Preference Shares)	250,000 Common Shares (25% of all outstanding Common Shares) 172,683 Preference Shares (0.07% of all outstanding Preference Shares)
Cory Clapperton Barrie, Ontario	Ultimate Designated Person of the Manager since March 15, 2023, Chief Compliance Officer of the Manager since October 13, 2018, Dealing Representative of the Manager since October 13, 2018 and Managing Director of the Manager since November 30, 2022	\$Nil - FY '22 \$Nil - FY '23	136,760 Preference Shares (0.25% of all outstanding Preference Shares)	136,760 Preference Shares (0.05% of all outstanding Preference Shares)

Notes:

1. The information as to securities beneficially owned as at the date of this Offering Memorandum has been furnished by the respective directors and officers.
2. Directors and/or officers of the Corporation may acquire Preference Shares pursuant to the Offering. In this connection, as at the date of this Offering Memorandum, Robert Chaggares personally holds 134,104 Preference Shares and beneficially holds 764,492 Preference Shares through his professional corporation. Additionally, Aaron Rumley beneficially holds all of his Preference Shares through his professional corporation but does not hold any Preference Shares personally.
3. The directors and officers of the Corporation do not receive compensation in their capacity as directors or officers.

3.2 Management Experience

The following table sets out the principal occupations of the directors and senior officers of the Corporation and the Manager over the past five (5) years, and their relevant experience in businesses similar to that of the Corporation and/or the Manager.

Name	Principal Occupation and Related Experience
Robert Chaggares	<p>Director and President of the Corporation. Director and Treasurer of the Manager.</p> <p>Specializing in accounting and economics, Robert graduated from the University of Toronto’s Bachelor of Commerce program with Distinction and began his career in public accounting with Ernst & Young LLP’s Toronto office. He is designated as a Chartered Accountant, is a Certified Financial Planner and is registered as a dealing representative. As one of the co-founders of the Corporation, Robert has been involved in the operation of the Corporation since inception. Outside of his career, Robert is actively involved in their community in East Gwillimbury and has served a board member of various not-for-profit organizations.</p>
Aaron Rumley	<p>Director and Secretary-Treasurer of the Corporation. Director and Secretary of the Manager.</p> <p>Aaron received his Bachelors and Masters in accounting from a top-ranked accounting school in the western United States. He is designated as a Chartered Professional Accountant, is a Certified Fraud Examiner and is licensed to practice as a Certified Public Accountant in the United States. Aaron’s accounting career began with KPMG LLP, providing financial accounting and taxation services to international and domestic clients. Following his time at KPMG, he worked in various management positions for several publicly traded U.S. companies before returning to Canada in 2003 to work in the public accounting sector. Aaron is currently a partner at Rumley Holmes LLP, Chartered Professional Accountants. He is also registered as a dealing representative and is actively involved in the Barrie community, serving on several not-for-profit boards.</p>
Cory Clapperton	<p>Ultimate Designated Person, Chief Compliance Officer, Dealing Representative and Managing Director of the Manager.</p> <p>Cory graduated with distinction from York University in 1995, specializing in political science, labour relations and economics. He began his career with Royal Bank of Canada in 1996 as a licensed investment representative where he acquired extensive securities and banking experience. He later transitioned into the compliance world as a corporate auditor for Royal Bank of Canada, Bank of Montreal, Canadian Imperial Bank of Commerce and Bank of America Merrill Lynch. Cory brings a vast amount of knowledge to the Manager in the areas of audit, compliance and anti-money laundering. He has been the chief compliance officer of the Manager since 2018 and was appointed the managing director in November 2022. Cory and his family enjoy travelling, camping and spending time with loved ones.</p>

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

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

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

Settlement Agreement with the Ontario Securities Commission

In August 2014, the Manager voluntarily submitted an application to the Ontario Securities Commission for registration as an exempt market dealer. The principals of the Manager initiated this process because they believed that shares of the

Corporation could no longer be sold to friends, family and business associates of the principals' accounting practices without registration. Prior to beginning the application process to be registered as an exempt market dealer, the Corporation operated under the belief that the issuance of shares by it to friends, family and business associates of the principals' accounting practices qualified for the 'private issuer' exemption and therefore did not require facilitation by a registered exempt market dealer. Towards the end of 2013, it came to the attention of the principals of the Corporation that they should further investigate the possible need to sell its shares through a registered exempt market dealer. Shortly thereafter, the Manager was formed and the application process to become registered commenced. At no point prior to the Manager's registration as an exempt market dealer were the shares of the Corporation marketed in any way to the general public. The Ontario Securities Commission approved the Manager's exempt market dealer application on February 24, 2016. Prior to that approval, on February 12, 2016, the Corporation and each of Liahona Administration Inc., an entity that previously provided certain management and administration functions to the Corporation, Robert Chaggares (President and Director of the Corporation and a Principal Holder), Aaron Rumley (Secretary-Treasurer and Director of the Corporation and a Principal Holder) and Robert C. Rumley (former director and officer) (collectively, the "Respondents") reached a settlement agreement (the "Settlement Agreement") with the staff of the Ontario Securities Commission in connection with the Respondents engaging in the business of trading without being registered, distributing securities in certain circumstances where no prospectus exemption was available, failing to file certain required exempt distribution reports and failing to pay certain activity fees. The Settlement Agreement approved by order of the Ontario Securities Commission on February 18, 2016. An administrative penalty of \$50,000 as well as the costs of the proceedings in the amount of \$45,000 and late filing fees in the amount of \$30,200 were ordered to be paid by the Respondents, all of which have been paid. The Ontario Securities Commission issued an order approving the Settlement Agreement on February 18, 2016.

Staff of the Ontario Securities Commission conceded in the Settlement Agreement that the Respondents voluntarily reported their conduct, fully cooperated with staff and found no evidence of any dishonest or deceptive conduct.

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

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

Settlement Agreement with the Ontario Securities Commission

The Manager and certain of its dealing representatives, namely Robert Chaggares (President and Director of the Corporation and a Principal Holder), Aaron Rumley (Secretary-Treasurer and Director of the Corporation and a Principal Holder) and Robert C. Rumley (former director and officer of the Corporation) were subject to certain terms and conditions relating to registration which restricted each of them from acting on behalf of any person in connection with trading or advising on any proprietary products of the Manager who is a member of the Barrie Ward or Newmarket Ward of the Church of Jesus Christ of Latter-Day Saints or that members' spouse, parent, brother, sister, grandparent or child, unless such person was a client of the Manager prior to August 10, 2018. The reason for the restriction emanated from concerns of staff of the Ontario Securities Commission that the nature of the activity may place the Manager and its dealing representatives in a position of potential influence over clients met through this activity. The restriction was lifted by the Ontario Securities Commission on June 8, 2022.

3.4 Certain Loans

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

ITEM 4: CAPITAL STRUCTURE

4.1 Securities Except for Debt Securities

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

Description of Security	Number Authorized to be Issued	Number Outstanding as at the date of this Offering Memorandum	Number Outstanding After Maximum Offering
Common Shares ⁽¹⁾	Unlimited	1,000,000 ⁽²⁾	1,000,000
Preference Shares ⁽³⁾	Unlimited	54,838,405	250,000,000

Notes:

1. The holders of the common shares are entitled to one vote for each common share held at all meetings of shareholders of the Corporation, other than meetings at which only the holders of another class or series of shares are entitled to vote separately as a class or series. The holders of common shares shall not be entitled to any dividends. The holders of the common shares shall be entitled, subject to the prior rights of the holders of the Preference Shares, to receive the remaining property of the Corporation in the event of any distribution of assets of the Corporation among its shareholders arising on the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs.
2. As of the date of this Offering Memorandum, the Corporation has an aggregate of 1,000,000 fully paid common shares issued and outstanding. The Principal Holders of the Corporation are Robert Chaggares and Aaron Rumley, each of whom hold 250,000 common shares. The Corporation and each holder of common shares (including the Principal Holders) are party to a shareholders' agreement effective as of March 31, 2022 setting forth the manner in which certain affairs of the Corporation shall be conducted and governing certain matters related to the common shareholdings.
3. See Section 5.1, "Terms of Securities - Rights Attaching to the Preference Shares" for description of the rights attaching to the Preference Shares.

4.2 Long-Term Debt

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

On May 26, 2016, the Corporation entered into an amended and restated loan agreement with a Canadian chartered bank, as amended by an amending agreement dated May 22, 2020, and as further amended by an amending agreement dated August 1, 2022, (collectively the "**Loan Agreement**") for a \$4,000,000 revolving line of credit. Advances made under the facility are limited to 30% of good mortgage receivables (as defined in the Loan Agreement) less prior ranking claims and bears interest at the bank's prime rate plus 1.25% per annum. The borrowing limit is determined monthly based on the amount of good mortgage receivables (as defined in the Loan Agreement). The facility is repayable on demand and is secured by, among other things, a general security agreement over the Corporation's mortgages and other assets and an undertaking by the Corporation to provide the bank upon request with a first and specific assignment of present and future residential mortgages held by the Corporation. As at the date of this Offering Memorandum, there is no amount outstanding under the Loan Agreement.

4.3 Prior Sales

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

Month of Transaction	Subscriptions			Dividend Reinvestment		
	No. of Preference Shares	Price per Security	Total Funds Received	No. of Preference Shares	Price per Security	Total Funds Received
April 2022	1,742,273	\$1.00	\$1,742,273	159,736	\$1.00	\$159,736
May 2022	581,404	\$1.00	\$581,404	nil	N/A	nil
June 2022	333,231	\$1.00	\$333,231	nil	N/A	nil
July 2022	4,620,305	\$1.00	\$4,620,305	346,202	\$1.00	\$346,202
August 2022	53,225	\$1.00	\$53,225	nil	N/A	nil
September 2022	184,077	\$1.00	\$184,077	nil	N/A	nil
October 2022	1,503,606	\$1.00	\$1,503,606	243,461	\$1.00	\$243,461
November 2022	13,225	\$1.00	\$13,225	nil	N/A	nil
December 2022	738,225	\$1.00	\$738,225	nil	N/A	nil
January 2023	1,245,325	\$1.00	\$1,245,325	757,829	\$1.00	\$757,829
February 2023	504,952	\$1.00	\$504,952	nil	N/A	nil
March 2023	2,574,949	\$1.00	\$2,574,949	nil	N/A	nil
April 2023	599,594	\$1.00	\$599,594	585,408	\$1.00	\$585,408
May 1, 2023 to May 15, 2023	1,026,981	\$1.00	\$1,026,981	nil	N/A	nil

ITEM 5: SECURITIES OFFERED

5.1 Terms of Securities

Rights Attaching to the Preference Shares

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

Non-Voting

Except as provided by applicable law, the holders of Preference Shares shall not be entitled as such to receive notice of or to attend any meeting of the shareholders of the Corporation and shall not be entitled to vote at any such meeting, provided that holders of Preference Shares shall be entitled to notice of any meeting of the shareholders called for the purpose of amending the Corporation's articles to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Preference Shares or to create preference shares ranking in priority to or on a parity with the Preference Shares. Any such amendment of the Corporation's articles shall be, in addition to authorization by a special resolution, be authorized by at least two-thirds (2/3) of the votes cast at a meeting of the holders of the Preference Shares duly called for that purpose.

No Conversion or Pre-Emptive Rights.

The Preference Shares are not convertible into any securities of the Corporation and have no pre-emptive privileges.

Redemption at the Option of the Holder

The *Business Corporations Act* (Ontario) (the "OBCA") does not permit the Corporation to make any payment to purchase or redeem Preference Shares issued by it if there are reasonable grounds for believing that: (a) the Corporation is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the

Corporation's assets would after the payment be less than the aggregate of (i) its liabilities; and (ii) the amount that would be required to pay the holders of shares that have a right to be paid, on a redemption or in a liquidation, rateably with or prior to the holders of the Preference Shares.

Subject however to the provisions of the OBCA and applicable securities laws, any holder of Preference Shares shall be entitled to request that the Corporation redeem the whole or any part of the Preference Shares registered in the name of such holder on the books of the Corporation by tendering to the Corporation at its registered office a share certificate or certificates representing the Preference Shares which the registered holder desires to have the Corporation redeem, together with a notice in writing ("**Redemption Notice**") specifying:

- (i) that the registered holder desires to have all, or if not all, a specified number of, the Preference Shares represented by such certificate or certificates redeemed by the Corporation; and
- (ii) the Redemption Date (as defined below), which day must be a business day, on which such Preference Shares are to be redeemed.

The Redemption Notice must specify a redemption date that is not less than 180 days after the date such Redemption Notice is delivered to the Corporation (the "**Redemption Date**"). Upon receipt of the share certificate or certificates representing the Preference Shares which the registered holder thereof desires to have the Corporation redeem, together with the Redemption Notice, the Corporation shall, subject to applicable law and to the rights, privileges, restrictions and conditions attaching to the shares of any class of Corporation ranking prior to the Preference Shares, redeem on or at the discretion of the Board of Directors before the Redemption Date such Preference Shares by paying to such registered holder an amount equal to the stated capital value of the Preference Shares held by such registered holder together with all dividends declared thereon and unpaid (the "**Redemption Price**").

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

Since inception, the Corporation has honoured all redemption requests in full at a price equal to the subscription price therefor. The Corporation has not suspended, deferred or rejected any redemption requests since inception. All redemption requests have been paid, and will be paid, using cash on hand. The Corporation expects redemptions to continue approximately as they have historically since inception and does not expect that such redemptions will cause any adverse effect on its operations or the payment of dividends.

Current Redemption Policy

Notwithstanding the articles of the Corporation, the Corporation has adopted a redemption policy pursuant to which the directors of the Corporation may, at any time and in their sole discretion, including after the Corporation has received a Redemption Notice from a holder of Preference Shares, suspend in whole or in part the foregoing right of holders to obligate the Corporation to redeem their Preference Shares if in their reasonable opinion, the payments to be made by the Corporation on the exercise by the holders of such rights would be materially prejudicial to the interests of the Corporation as a whole.

Further, under this policy, the Redemption Price for Preference Shares tendered for redemption pursuant to a Redemption Notice will be reduced:

- (i) by 3.00% of the original purchase price of such Preference Shares held for less than six (6) months at the Redemption Date; and

- (ii) by 1.50% of the original purchase price of such Preference Shares held for less than twelve (12) months but greater than six (6) months at the Redemption Date.

In special circumstances, including those deemed by the Board of Directors to relate to personal hardship for a redeeming shareholder of Preference Shares, the Board of Directors may authorize the waiver of all or any portion of the early redemption fees otherwise required to be imposed.

Redemption by the Corporation

Subject to the provisions of the OBCA, the Corporation may, at its option, redeem all or, from time to time, any part of the outstanding Preference Shares on payment to the holders thereof for each Preference Share to be redeemed an amount equal to the Redemption Price. Before redeeming any Preference Shares, the Corporation shall provide to each person who is a registered holder of the Preference Shares to be redeemed, notice of the intention of the Corporation to redeem such shares (a “**Corporation Redemption Notice**”) at least 30 days prior to the intended date of redemption (the “**Corporation Redemption Date**”). On or at the discretion of the Board before the Corporation Redemption Date, the Corporation shall pay the Redemption Price to the registered holders of the Preference Shares to be redeemed in such manner as provided in the Corporation Redemption Notice.

Once payment of the Redemption Price is made as set forth above, such Preference Shares shall be redeemed as at the Corporation Redemption Date and from and after the Corporation Redemption Date such shares shall cease to be entitled to dividends and the holder thereof shall not be entitled to exercise any of the rights of a holder of Preference Shares in respect thereof.

Purchase for Cancellation

The Corporation may at any time and from time to time purchase for cancellation the whole or any part of the Preference Shares at the lowest price at which, in the opinion of the Board of Directors, such shares are obtainable including all dividends declared thereon and unpaid.

Priority on a Liquidation Distribution

In the event of a distribution of assets of the Corporation among its shareholders arising on the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, the holders of Preference Shares shall be entitled to receive, before any distribution of any part of the assets of the Corporation to the holders of common shares or any other shares ranking junior to the Preference Shares, an amount equal to the stated capital value of the Preference Shares held by them respectively, together with all dividends declared thereon and unpaid and after payment of such amounts so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Corporation.

Dividend Entitlement

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

The directors may, in their discretion, declare dividends on the Preference Shares without at the same time declaring dividends on any other class of shares of the Corporation.

Dividend Policy

As a MIC, the Corporation is permitted to deduct dividends that it pays from net income. As a result, the Corporation intends to pay out as dividends its net income and net realized capital gains every year in sufficient amounts to reduce its income tax liability under Part I of the Tax Act to nil and in that regard, it targets certain annualized yields as discussed below. Amounts for dividend distributions will not be paid from the proceeds of the Offering. The Corporation intends to declare quarterly dividends to holders of Preference Shares of record on the last business day of each quarter and to pay such dividends on or before the last business day of the following month. Notwithstanding the foregoing, the Corporation has the right to determine a record date that is other than the last business day of each quarter.

The Corporation has declared and paid dividends either annually or quarterly since inception. Further, since inception, dividends have been paid out of the net income received in each financial year, and none of such distributions have been funded by sources such as loans, share issuances or any credit facility. It is the intention of the Corporation to continue to pay dividends on a quarterly basis. Amounts for operating expenses, management fees and dividend distributions are not paid from the proceeds of the Offering. Since the Corporation is operational and profitable, these amounts have been, and expected to continue to be paid out of the current mortgage portfolio income.

The Corporation will from time to time determine target yields with respect to the Preference Shares. As at the date of this Offering Memorandum, the Corporation is targeting declaring dividends of approximately \$0.015 per Preference Share per quarter (\$0.06 per annum representing an annual dividend of 6.00% based on the \$1.00 issue price).

As indicated in Section 2.7, “Material Contracts - Management Fees and Expenses”, for providing its services, the Manager is entitled to a Manager Fee of up to 3.00% per annum of the gross assets of the Corporation, calculated on a simple average monthly balance basis (i.e., opening mortgage portfolio balance plus closing portfolio balance divided by two), aggregated and paid monthly in arrears, plus applicable taxes. The Manager Fee is charged to the Corporation monthly in arrears and the Manager will provide the Corporation with an invoice at the end of each month.

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

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

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

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

Dividend Reinvestment Plan

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

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

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

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

Participation in the DRIP may be terminated by a Shareholder at any time by giving written notice to the Corporation. If written notice terminating participation in the DRIP is not received by the Corporation at least five (5) business days before the end of the Investment Period, the requested action will not be taken until after such Investment Period.

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

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

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

Constraints on Transferability

Requests to transfer shares of the Corporation will be acceded to by the Board of Directors provided that the requested transfer of shares does not impair the Corporation’s status as a MIC or contravene any law, rule, policy or regulation prescribed by any applicable securities commission or the provisions of the *Business Corporations Act* (Ontario) or any other applicable laws.

Paragraph 130.1(6)(d) of the Tax Act stipulates that to qualify as a MIC, a corporation must have at least twenty shareholders and no one shareholder may be a Specified Shareholder (defined below) of the corporation. A Specified Shareholder, as defined in the Tax Act, would include a taxpayer who, alone or together with any person related to the taxpayer, owns, directly or indirectly, more than 25% of the issued shares of any class of the capital stock of the Corporation (a “**Specified Shareholder**”). The Tax Act states that a trust governed by a registered pension plan or a deferred profit sharing plan is counted as four shareholders for purposes of determining the number of shareholders and one shareholder for purposes of determining if a shareholder is a Specified Shareholder. The Board of Directors intend to refuse registration of an allotment or any transfer of shares which would result in the Corporation ceasing to meet the qualifications of a MIC.

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

5.2 Subscription Qualification

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

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

Accredited Investor Exemption and Self-Certified Investor Exemption

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

Offering Memorandum Exemption

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

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

In Alberta, New Brunswick, Nova Scotia, Ontario and Saskatchewan, an investor may purchase Preference Shares if, before or at the time the investor signs the Subscription Agreement, the investor purchases as principal, the investor receives this Offering Memorandum, the investor completes and signs the Risk Acknowledgment Form 45-106F4 which accompanies the Subscription Agreement and delivers it to the Corporation and: (i) in the case of an investor that is an individual but is not an “eligible investor”, he or she has not exceeded the investment limit of \$10,000 in all offering

memorandum exemption investments made in the previous 12 months after taking into account his or her investment in Preference Shares pursuant to the Subscription Agreement; or (ii) in the case of an investor that is an individual and fits within one of the categories of “eligible investor” (see paragraph below), he or she has not exceeded the investment limit of \$30,000 in all offering memorandum exemption investments made in the previous 12 months after taking into account his or her investment in Preference Shares pursuant to the Subscription Agreement; or (iii) in the case of an investor that is an individual and fits within one of the categories of “eligible investor” and that received advice from a portfolio manager, investment dealer or exempt market dealer that his or her investment in Preference Shares pursuant to the Subscription Agreement is suitable, he or she has not exceeded the investment limit of \$100,000 in all offering memorandum exemption investments in Preference Shares pursuant to the Subscription Agreement. The investment limits above do not apply to investors that are not individuals, whether eligible or non-eligible, accredited investors or a person described in subsection 2.5(1) of NI 45-106.

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

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

5.3 Subscription Procedure

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

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

- (a) completed and executed Subscription Agreement in the form provided with this Offering Memorandum;
- (b) a bank draft, certified cheque or wire transfer payable to the Corporation in the amount of the subscription price for the Preference Shares; and
- (c) in the case of an investor that is relying on the offering memorandum exemption to purchase Preference Shares:
 - a. a completed and executed Form 45-106F4 – Risk Acknowledgement;
 - b. if required, a completed and executed Schedule 1 to Form 45-106F4;
 - c. if required, a completed and executed Schedule 2 to Form 45-106F4; and
 - d. if required, a completed and executed Certificate of Eligible Investor; or
- (d) in the case of an investor that is relying on the accredited investor exemption to purchase Preference Shares, a completed and executed Certificate of Accredited Investor and, if required, a completed and

executed Form 45-106F9 – Risk Acknowledgement for Individual Accredited Investors appended to the Certificate of Accredited Investor; or

- (e) in the case of an investor that is relying on the self-certified investor exemption to purchase Preference Shares, a completed and executed Certificate of Self-Certified Investor and a Confirmation of Qualifying Criteria and an Acknowledgement of Risk appended to the Certificate of Self-Certified Investor.

Preference Shares are being offered on a continuous basis subject to a maximum offering size of \$250,000,000 (250,000,000 Preference Shares). The minimum subscription amount is \$10,000 (10,000 Preference Shares) or such lesser amount as determined in the sole discretion of the Manager. The first Closing under this Offering Memorandum is expected to occur on or about June 1, 2023. Thereafter, the Corporation completes Closings from time to time as subscriptions are received. It is expected that all accepted subscriptions will be effective on the first business day of each month and settled within three (3) business days.

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

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

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

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

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

5.4 Proceeds of Crime (Money Laundering) Legislation

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

ITEM 6: REDEMPTION REQUESTS

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

Date of end of financial year	Number of securities with outstanding retraction requests on the first day of the year	Number of securities for which investors made retraction requests during the year	Number of securities retracted during the year	Average price paid for each retracted security	Source of funds used to complete the retractions	Number of securities with outstanding retraction requests on the last day of the year
December 31, 2021	nil	5,327,176	5,327,176	\$1.00	cash on hand	nil
December 31, 2022	nil	4,505,876	4,505,876	\$1.00	cash on hand	nil

For the period commencing on January 1, 2023 and ending May 15, 2023, Preference Shares have been redeemed as described in the table below.

Beginning and end dates of the period	Number of securities with outstanding retraction requests on the first day of the period	Number of securities for which investors made retraction requests during the period	Number of securities retracted during the period	Average price paid for each retracted security	Source of funds used to complete the retractions	Number of securities with outstanding retraction requests on the last day of the period
January 1, 2023 to May 15, 2023	nil	1,294,007	1,294,007	\$1.00	cash on hand	nil

Since inception, the Corporation has honoured all redemption requests in full at a price equal to the subscription price therefor. The Corporation has not suspended, deferred or rejected any redemption requests since inception. All redemption requests have been paid, and will be paid, using cash on hand. The Corporation expects redemptions to continue approximately as they have historically since inception and does not expect that such redemptions will cause any adverse effect on its operations or the payment of dividends.

ITEM 7: INCOME TAX CONSEQUENCES AND REGISTERED PLAN ELIGIBILITY

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

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

This summary is based upon the facts set out in this Offering Memorandum, the current provisions of the Tax Act and the regulations thereunder, all specific proposals (the "Tax Proposals") to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and the current published

administrative practices of the Canada Revenue Agency (“CRA”). This summary assumes that the Tax Proposals will be enacted as currently proposed but does not take into account or anticipate any other changes in law whether by legislative, governmental or judicial action and does not take into account tax legislation or considerations of any province, territory or foreign jurisdiction.

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

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

- (a) the Corporation is a Canadian corporation as defined in the Tax Act;
- (b) the Corporation’s only undertaking was the investing of funds, and it did not manage or develop any real property;
- (c) no debts were owing to the Corporation by non-residents of Canada, except any such debts that were secured on real property situated in Canada;
- (d) the Corporation did not own shares of corporations not resident in Canada;
- (e) the Corporation did not hold real property situated outside of Canada;
- (f) no debts were owing to the Corporation that were secured on real property situated outside of Canada;
- (g) the cost amount of the Corporation’s property consisting of mortgages on “houses” or on property included within a “housing project” (as those terms are defined in section 2 of the *National Housing Act* (Canada)), deposits with a bank or other corporations whose deposits are insured by the Canada Deposit Insurance Corporation or a credit union, together with cash on hand (collectively, the “**Qualifying Property**”), was at least 50% of the cost amount to it of all of its property;
- (h) the cost amount of real property (including leasehold interests therein but excluding real property acquired as a consequence of foreclosure or defaults on a mortgage held by the Corporation) owned by the Corporation did not exceed 25% of the cost amount to it of all of its property;
- (i) the Corporation had 20 or more shareholders and no person would have held more than 25% of the issued shares of the capital stock of the Corporation or been a specified shareholder (as such term is defined in subsection 130.1(6) of the Tax Act) of the Corporation;
- (j) holders of any Preference shares had a right, after payment of their dividends, and payment of dividends in a like amount per share to the holders of common shares, to participate *pari passu* with the holders of common shares in any further payment of dividends; and
- (k) where at any time in the year (or at the end of the year, as the case may be) the cost amount to it of its Qualifying Property was less than 2/3 of the cost amount to it of all of its property, the Corporation’s liabilities did not exceed three times the amount by which the cost amount to it of all of its property exceeded its liabilities, or, where throughout the taxation year (or at the end of the year, as the case may be) the cost amount to it of its Qualifying Property equaled or exceeded 2/3 of the cost amount of all of its property, the Corporation’s liabilities did not exceed five times the amount by which the cost amount to it of all of its property exceeded its liabilities.

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

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

Taxation of the Corporation

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

Taxation of holders

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

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

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

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

over capital gains in the year of disposition may generally be deducted against capital gains in the three preceding taxation years or in any subsequent taxation year, subject to the more specific rules contained in the Tax Act.

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

Interest on Amounts Borrowed to Purchase Preference Shares

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

Eligibility for Investment by Registered Plans

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

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

Prohibited Investment for Registered Plans

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

ITEM 8: COMPENSATION PAID TO SELLERS AND FINDERS

The decision to distribute the Preference Shares and the determination of the structure and pricing and other terms and conditions of the Offering have been and will continue being made by the Corporation. The Corporation may from time to time enter into agency or sub-agency agreements with appropriate parties in respect of the Offering, which would be anticipated to contain terms and conditions that are customary in respect of offerings of the nature of the Offering.

Pursuant to the terms of the Management Agreement, the Manager, an exempt market dealer registered in the Provinces of Alberta and Ontario, has agreed, among other things, to assist the Corporation in marketing, arranging and facilitating the completion of sales of Preference Shares in the Province of Alberta and Ontario. The Manager may retain and engage registered agents, securities dealers and brokers in the performance of its obligations, but all such engagements and retainers are entered into by the Manager as principal for its own account, and not as agent for the Corporation. No commissions or fees are payable by the Corporation to such agents, securities dealers or brokers. Except for the Manager Fee, the Corporation will not pay, or be required to pay, to the Manager, or agents, securities or brokers retained and engaged by the Manager, any sales commission, a trailing commission or other compensation with respect to the distribution and sale of Preference Shares. Pursuant to the terms of the Management Agreement, the Manager is also entitled to be reimbursed for reasonable expenses incurred in connection with the Offering.

The Corporation is a related and connected issuer of Liahona Capital Inc. by virtue of their common influential securityholders and directors and officers, and by virtue of the role of Liahona Capital Inc. in providing management, mortgage administration and dealer services to the Corporation and its compensation thereby. See “Conflicts of Interest” below.

Notwithstanding the foregoing, where permitted by securities legislation of an offering jurisdiction, the Corporation may pay: (a) a commission to any agent or sub-agent that is (i) an exempt market dealer registered under applicable securities laws in an offering jurisdiction; (ii) a member of the Investment Industry Regulatory Organization of Canada; or (iii) otherwise exempt from registration requirements under applicable securities laws in the offering jurisdictions; or (b) a referral fee to any finder who refers investors in such offering jurisdiction that results in a sale of Preference Shares under this Offering. Any agents or sub-agents appointed by the Corporation to offer Preference Shares for sale under the Offering may also be reimbursed for reasonable expenses incurred in connection with the Offering.

Agents, securities dealers and brokers may charge their clients additional fees and commissions to purchase or sell Preference Shares.

Applicable securities laws require securities dealers and advisers, when they trade in or advise with respect to their own securities or securities of certain other issuers to which they, or certain other parties related to them, are related or connected, to do so only in accordance with particular disclosure and other rules. These rules require dealers and advisers, prior to trading with their customers or clients, to inform them of the relevant relationships and connections with the issuer of the securities. Clients and customers should refer to the applicable provisions of these securities laws for the particulars of these rules and their rights or consult with a legal adviser.

Conflicts of Interest

The Corporation is a related issuer of Liahona Capital Inc. by virtue of common influential securityholders. Each of Robert Chaggares and Aaron Rumley hold 25% of the voting securities of the Corporation and indirectly holds a 38.24% voting equity interest, and collectively with their respective spouse holds a 49.29% voting equity interest, in the Manager by virtue of its interest in Liahona Administration Inc., the parent of the Manager.

The Corporation is a connected issuer of Liahona Capital Inc. in that each of Robert Chaggares and Aaron Rumley is a director and senior officer of the Corporation and Liahona Capital Inc. The Corporation is also a connected issuer of Liahona Capital Inc. by virtue of the Manager’s role in providing management, mortgage administration and dealer services to the Corporation.

None of the proceeds of the issuance of Preference Shares will be applied for the benefit of Liahona Capital Inc. Nevertheless, for its services as the Manager, Liahona Capital Inc. is entitled to the Manager Fee and for reimbursement of expenses properly attributable to the Corporation and to be indemnified by the Corporation under certain circumstances. See Section 2.7, “Material Contracts”.

ITEM 9: RISK FACTORS

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

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

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

9.1 Investment Risk

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

- (a) ***Absence of Market for Preference Shares*** – There is no public market for the Preference Shares. The Preference Shares are not listed on a stock market or quoted on any public market in Canada or elsewhere.
- (b) ***Redemption Liquidity*** – Shareholders have the right to require the Corporation to redeem the Preference Shares upon appropriate notice from the Shareholder to the Corporation with the guidelines set forth in Section 5.1, “Terms of Securities - Rights Attaching to the Preference Shares - Redemption at the Option of the Holder”. The Corporation provides no assurance that any Shareholder will be able to affect the redemption of any or all of their Preference Shares at any time. Redemption of the Preference Shares is subject to the Corporation having access to sufficient excess cash, or other liquid assets, and being in compliance with the applicable corporate, tax and securities legislation.
- (c) ***No Guarantees*** – There is no assurance that the Corporation will be able to pay dividends at levels targeted by the Corporation or at all. The funds available for distribution to the Shareholders will vary according to many factors, notably the interest and principal payments received in respect of mortgage loans held by the Corporation and the rate of return on the Corporation's cash balances. Although mortgage loans made by the Corporation are carefully selected by the Manager, there can be no assurance that such loans will have a guaranteed rate of return to investors or that losses will not be suffered on one or more loans. Moreover, at any point in time, the interest rates being charged for mortgages are reflective of the general level of interest rates and, as interest rates fluctuate, it is expected that the aggregate yield on mortgage investments will also change. In the event that additional security is given by the borrower or that a third party guarantees the mortgagor's obligations, there is no assurance that such additional security or guarantee will be sufficient to make the Corporation whole if and when resort is to be had thereto.
- (d) ***Lack of Separate Legal Counsel*** – The Investors, as a group, have not been represented by separate counsel. Neither counsel for the Corporation nor counsel for the Manager purports to have acted for the Investors or to have conducted any investigation or review on their behalf.
- (e) ***Leverage by the Corporation*** – The Corporation may from time to time borrow under loans with Canadian chartered banks and others. See Section 2.2, “The Business - Investment Strategies”. As at the date of this Offering Memorandum, the Corporation maintains a line of credit with a certain Canadian chartered bank. See Section 4.2, “Long Term Debt”. The obligations under such loans may be secured, and while the addition of leverage has the potential to enhance returns, it also involves additional risks. For example, due

to the varying loan maturities and constant fluctuations in interest rates, there is no assurance that the interest received by the Corporation on its mortgage investments will always exceed the interest the Corporation pays on loans that it may have previously taken out to finance mortgage investments. Therefore, there can be no assurance that the leveraging employed by the Corporation will enhance returns, and to the extent that secured lenders realize on their respective collateral, they will have right to receive distributions in priority to the Shareholders in addition to the right to seize mortgage assets pursuant to security agreements with the Corporation.

9.2 Corporation Risk

Risks that are specific to the Corporation include the following:

- (a) ***MIC Tax Designation*** - The Corporation intends to use reasonable commercial efforts to ensure that the Corporation qualifies as a MIC pursuant to the Tax Act. As well, the Board of Directors has the discretion to reject any applications for stock dividends or share subscriptions, transfers or redemptions. **There can be no assurance, however, that the Corporation will be able to meet the Tax Act's MIC qualifications at all material times.** As an entity qualified as a MIC, the Corporation may deduct taxable dividends it pays from its income, and the normal gross-up and dividend tax credit rules will not apply to dividends paid by the Corporation on the Preference Shares. Rather, the dividends will be taxable in the hands of the Shareholders as if they had received an interest payment. If for any reason the Corporation fails to maintain its MIC qualification in a particular year, the dividends paid by the Corporation on the Preference Shares would cease to be deductible from the income of the Corporation for that year and the dividends it pays on the Preference Shares would be subject to the normal gross-up and dividend tax credit rules. In addition, the Preference Shares might cease to be qualified investments for trusts governed by Registered Plans with the effect that a penalty tax would be payable by the Subscriber.
- (b) ***Reliance on Third Parties*** - In assessing the risk of an investment in the Corporation, potential investors should be aware that they will be relying on the good faith, experience and judgment of certain staff of the Manager. Should these staff be unable or unwilling to continue their employment with the Manager, this could have an adverse effect on the Corporation's business, financial condition and results of its operations, which in turn may adversely affect the Corporation's ability to perform its obligations and its ability to maintain dividends on the Preference Shares at a consistent and desirable level. The competition for such key qualified personnel is intense and there can be no assurance of success in attracting, retaining, or motivating such individuals. Failure in this regard would likely have a material adverse effect on the Corporation's business, financial condition and results of operations which in turn may adversely affect the Corporation's ability to perform its obligations and its ability to maintain dividends on the Preference Shares at a consistent and desirable level.
- (c) ***Potential Conflicts of Interest*** - The Directors of the Corporation and the Manager may be employed by or act in other capacities for other companies and entities involved in mortgage and lending activities. See Section 2.2, "The Business - Conflicts of Interest".

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

The Corporation's Board of Directors may in its discretion but acting in the best interests of the Corporation make any amendments, modifications or other changes to the investment strategies,

operating restrictions and investment policies of the Corporation. See Section 2.2, “The Business - Changes to Investment Strategies, Operating Restrictions and Investment Policies”. The Manager is also entitled to terminate the Management Agreement on 90 days’ prior written notice. See Section 2.7, “Material Contracts - Management Agreement”. In addition, while the Board of Directors regularly defers to the Manager in determining which mortgages will be made available to the Corporation, the Board of Directors may from time to time, in its discretion but acting in the best interests of the Corporation, reject a particular mortgage recommended by the Manager. The Manager has discretion in determining which mortgages it will make available to the Corporation for investment, subject to compliance with the investment and operating policies and restrictions set out herein and subject to the Board of Directors rejecting, in certain circumstances, a particular mortgage recommended by it.

Since two of the directors of the Corporation are also the directors of the Manager and given that the Manager’s management fee is based on approved mortgages, there is a potential conflict of interest to the extent that the Board of Directors fails to reject mortgages recommended by the Manager that do not serve the best interests of the Corporation or to the extent that the Board of Directors authorizes amendments, modifications or other changes to the investment strategies, operating restrictions and investment policies of the Corporation that are not in the best interests of the Corporation. Therefore, in assessing the risk of an investment in the Corporation, potential investors should be aware that they will also be relying on the good faith, experience and judgment of the Board of Directors.

- (d) ***Credit & Concentration Risk*** - Credit risk is the risk that a counterpart to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Corporation, resulting in a financial loss to the Corporation. This risk arises principally from mortgages held, and also from other receivables. Credit risk is monitored on an on-going basis by the Manager in accordance with policies and procedures in place. The Corporation’s credit risk exposure is represented by the balance of its accounts receivable, which as at December 31, 2022 is \$3,330,154.29 and as at March 31, 2023 is \$3,461,422.97.

Concentration risk is the risk that one borrower (or group of related borrowers) has more than 10% of the balance of the accounts receivable of the Corporation or that more than 10% of the Corporation’s capital is invested in any one mortgage. As at December 31, 2022 and as at March 31, 2023, no borrower (or group of related borrowers) has more than 10% of the balance of the accounts receivable of the Corporation and no more than 10% of the Corporation’s capital is invested in any one mortgage.

9.3 Industry Risk

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

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

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

- (b) ***Sensitivity to Interest Rates*** – It is anticipated that the value of the Corporation’s investment portfolio at any given time may be affected by the level of interest rates prevailing at such time. The Corporation’s

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

- (c) ***Changes in Property Values*** – The Corporation's mortgage loans will be secured by real estate, the value of which can fluctuate. The value of real estate is affected by general economic conditions, local real estate markets, the attractiveness of the property to tenants where applicable, competition from other available properties, fluctuations in occupancy rates, operating expenses and other factors. The value of income-producing real property may also depend on the credit worthiness and financial stability of the borrowers and/or the tenants. While independent appraisals will be required before the Corporation makes a mortgage investment, the appraised values, even where reported on an "as is" basis, are not necessarily reflective of the market value of the underlying real property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain conditions, including the completion, rehabilitation or making of leasehold improvements on the real property providing security for the loan. There can be no assurance that these conditions will be satisfied and, if and to the extent they are not satisfied, the loan amount may prove to exceed the value of the underlying real property thus resulting in a loan loss if the property must be sold to remedy a mortgage default. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.
- (d) ***Environmental Liability of a Mortgage*** – Under various laws, the Corporation could become liable for the costs of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and wastes, where the Corporation has exercised its right of re-entry or foreclosure or has otherwise assumed the control, occupation or management of the property. While the Corporation may obtain a Phase I environmental audit where there is a reasonable possibility of environmental contamination that might impact the value and marketability of a property, the Corporation does not systematically obtain environmental audits of all properties subject to mortgages.
- (e) ***Investment not Insured*** – Neither the Manager nor the Corporation is a member of the Canada Deposit Insurance Corporation and the Preference Shares offered hereunder are therefore not insured against loss through the Canada Deposit Insurance Corporation. Moreover, mortgages held by the Corporation are not insured through the Canada Mortgage and Housing Corporation or otherwise.
- (f) ***Renewal of Mortgages*** – There can be no assurances that any of the mortgages held by the Corporation can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to each mortgage held by the Corporation, it is possible that either the mortgagor, the mortgagee, i.e. the Corporation, or both, will elect not to renew such mortgage. In addition, if the mortgages in the Corporation's mortgage portfolio are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such mortgages will be subject to negotiations between the mortgagors and the mortgagees at the time of renewal and the terms of a refinancing may therefore not be as favourable as the terms of existing indebtedness.
- (g) ***Nature of the Investments*** – Investments in mortgages are relatively illiquid. Such illiquidity will tend to limit the Manager's ability to vary the mortgage portfolio promptly in response to changing economic or investment conditions. Furthermore, certain significant expenditures, including property taxes, capital

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

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

9.4 Risks Relating to Outbreaks of Contagious Diseases

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

or desirable levels, honour redemption requests and operate as a going concern. This would also cause the Corporation to hold foreclosed property for an increased length of time, resulting in increased ongoing expenses or forcing the Corporation to sell such foreclosed property at significant losses to avoid such ongoing expenses.

ITEM 10: REPORTING OBLIGATIONS

10.1 Continuous Disclosure

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

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

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

As a matter of policy, the Corporation has determined to make available to all holders of Preference Shares all reporting information mandated under the offering memorandum exemption in Ontario, even where such holders are resident or otherwise subject to the laws of jurisdiction outside Ontario or have subscribed under another prospectus exemption.

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

10.2 Access to Corporate and Securities Information About the Corporation

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

ITEM 11: RESALE RESTRICTIONS

The Preference Shares will be subject to a number of resale restrictions, including restrictions on trading. Until the restriction on trading expires, you will not be able to trade the Preference Shares unless you comply with an exemption from the prospectus and registration requirements under securities legislation. Unless permitted under securities legislation, in all jurisdictions in Canada other than Manitoba, you cannot trade the Preference Shares before the date that

is four (4) months and a day after the date the Corporation becomes a reporting issuer in any province or territory of Canada.

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

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

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

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

In addition to the aforementioned resale restrictions, section 130.1(6)(d) of the Tax Act stipulates that a MIC may not have fewer than 20 shareholders and no one shareholder may hold more than 25% of the total issued and outstanding shares of any class of the Corporation's capital. Accordingly, under the Corporation's articles, the right to transfer shares of the Corporation is restricted and no shares shall be transferred without the consent of the majority of the directors of the Corporation expressed by a resolution passed by the Board of Directors.

Requests to transfer shares of the Corporation will be acceded to by the directors of the Corporation provided that the requested transfer of shares does not impair the Corporation's status as a MIC or contravene any law, rule, policy or regulation prescribed by any applicable securities commission or the provisions of the *Business Corporations Act* (Ontario) or any other applicable laws. For greater certainty, the terms "transfer" and "transferred" shall not be construed so as to include a tender of shares by a shareholder for the purpose of their redemption by the Corporation.

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

ITEM 12: PURCHASER'S RIGHTS

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

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

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

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

Two Day Cancellation Right

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

Statutory Rights of Action

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

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

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

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

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

Investors Resident in Manitoba

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

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

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

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

Investors Resident in New Brunswick

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

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

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

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

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

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

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

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

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

Investors Resident in Ontario

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

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

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

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

Investors Resident in Québec

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

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

Offering Memorandum, and every person or company that sold securities on behalf of the Corporation or selling securityholder under this Offering Memorandum.

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

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

Investors Resident in Saskatchewan

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

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

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

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

General

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

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

ITEM 13: FINANCIAL STATEMENTS

The audited financial statements of the Corporation accompanied by the Form 45-106F16 Notice of Use of Proceeds for the fiscal year ended December 31, 2022 are set forth below.

ITEM 14: DATE AND CERTIFICATE OF THE ISSUER

Dated the 15th day of May, 2023.

This Offering Memorandum does not contain a misrepresentation.

ISSUER

LIAHONA MORTGAGE INVESTMENT CORP.

“Robert Chaggares”

“Aaron Rumley”

Director and President

Director and Secretary-Treasurer

(Acting in the capacity of Chief Executive Officer)

(Acting in the capacity of Chief Financial Officer)

**On behalf of the Board of Directors of
Liahona Mortgage Investment Corp.**

“Robert Chaggares”

“Aaron Rumley”

Director and President

Director and Secretary-Treasurer

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

SCHEDULE "A" – SUBSCRIPTION AGREEMENT