

This confidential offering memorandum (this "Offering Memorandum") constitutes an offering of securities only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale and sold. These securities do not trade on any exchange or market. No securities regulatory authority has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This Offering Memorandum is not, and under no circumstances is it to be construed as, a prospectus or advertisement or a public offering of these securities. This Offering Memorandum amends and restates all previous confidential information memoranda of Cameron Stephens Mortgage Investment Corporation dated prior to the date set out below.

This Offering Memorandum is for the confidential use of only those persons to whom it is transmitted in connection with this offering. By their acceptance of this Offering Memorandum, recipients agree that they will not transmit, reproduce or make available to any person, other than their professional advisors, this Offering Memorandum or any of the information contained herein. No person has been authorized to give any information or to make any representations not contained in this Offering Memorandum. Any such information or representation which is given or received must not be relied upon by any investor.

CONFIDENTIAL OFFERING MEMORANDUM

Continuous Offering

September 8, 2021

CAMERON STEPHENS MORTGAGE INVESTMENT CORPORATION

C A M E R O N
S T E P H E N S

Offering: Up to \$100,000,000

Common Shares

Offering Price: \$10.00 per Share

Minimum Subscription Amount: \$150,000 (15,000 Common Shares)

Cameron Stephens Mortgage Investment Corporation (the "**Corporation**"), a corporation established under the laws of the province of Ontario, proposes to issue, on a private placement basis, common shares in the capital of the Corporation ("**Shares**" or "**Common Shares**") at a price of \$10.00 per Share (the "**Offering Price**"). The offering of Shares hereunder (the "**Offering**") is subject to a maximum aggregate subscription level of \$100,000,000 (unless a higher amount is authorized by the Corporation). Subject to applicable securities laws and the terms of the Offering, Shares are offered at a minimum subscription amount per investor of \$150,000 (15,000 Shares) unless a lesser amount is authorized by or on behalf of the Corporation. See "*The Corporation*" and "*Subscribing for Shares*". Cameron Stephens Mortgage Capital Ltd. (the "**Manager**"), a corporation established under the laws of the Province of Ontario, is the manager of the Corporation and will be responsible for arranging mortgages for the Corporation and for administering the day-to-day affairs of the Corporation. See "*The Manager*".

The Corporation intends to qualify at all times as a mortgage investment corporation under the *Income Tax Act* (Canada). This will effectively enable the Corporation to operate as a tax-free "flow through" conduit of profit to its shareholders since it will not pay income taxes on net earnings from which dividends are paid. The Corporation was created for the purpose of generating a stream of income by investing in a portfolio of real property mortgages within the criteria mandated for a mortgage investment corporation under the *Income Tax Act* (Canada). There are important tax consequences to these securities. See "*Certain Canadian Federal Income Tax Considerations*".

The Shares are being offered on a continuous basis to investors resident in Ontario, Alberta, and British Columbia pursuant to certain available prospectus exemptions under applicable securities laws. Purchasers of Shares will be obliged to establish their qualification to invest in accordance with the requirements of the securities laws of their province of residence. **The Shares do not trade on any exchange or market and there will not be any active market for the**

Shares. The Corporation is not a reporting issuer or equivalent in any jurisdiction and currently has no intention of becoming a reporting issuer or equivalent. See "*Subscribing for Shares*" and "*Risk Factors*".

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Closings are expected to take place as and when deemed necessary by the board of directors of the Corporation, having regard to the Corporation's capital needs and available lending opportunities. There will be no further closings under the Offering at such time as the maximum aggregate subscription level of \$100,000,000 is achieved, unless a higher amount is authorized by the Corporation.

The Corporation will retain Cameron Stephens Securities Ltd. ("CSSL") and may also retain one or more additional registered dealers (together with CSSL, the "Agents") to act as agents in connection with the Offering and to offer the Shares on a "best efforts" basis. Under National Instrument 33-105 – Underwriting Conflicts ("NI 33-105"), CSSL is a "related issuer" and a "connected issuer" to the Corporation by virtue of (i) S. Scott Cameron, a director and the Ultimate Designated Person, Chief Compliance Officer, President, Secretary, Treasurer and an indirect 50% shareholder of CSSL and being a director, officer and shareholder (holding less than 10% of the issued and outstanding shares) of the Corporation; and (ii) George Frankfort, an indirect 50% shareholder of CSSL and being a director, officer and shareholder (holding less than 10% of the issued and outstanding shares) of the Corporation. In addition, the Manager, which is indirectly owned by Mr. Frankfort and Mr. Cameron, is the sole shareholder of CSSL. Mr. Cameron and Mr. Frankfort are directors and officers of the Manager. Mr. Cameron and Mr. Frankfort may subscribe, directly or indirectly, for Common Shares. The Corporation intends to co-invest with BSHY III in connection with new investments. Mr. Cameron and Mr. Frankfort are directors, officers and indirect shareholders of the general partner of BSHY III. Mr. Cameron holds, directly or indirectly, approximately 3% of the units of BSHY and Mr. Frankfort holds, directly or indirectly, approximately 30% of the units of BSHY. See "*The Agents*", the "*The Manager*", "*Conflicts of Interest*" and "*Related and Connected Issuer*".

There is no active market through which the Shares may be sold and none is expected to develop. The transfer of the Shares is subject to approval by the board of directors of the Corporation, and the Shares are also subject to resale restrictions under applicable securities legislation. See "*Resale Restrictions*". There are rights to redeem the Shares, which rights may be suspended. The Corporation may also repurchase the Shares. See "*Description of Share Capital – Common Shares*". Absent an exemption under applicable securities laws, holders of Shares will be restricted from selling their Shares for an indefinite period of time. Persons who receive this Offering Memorandum must inform themselves of, and observe, all applicable restrictions with respect to the acquisition or disposition of the Shares under applicable securities legislation. There are important tax consequences to the purchase and holding of Shares. See "*Certain Canadian Federal Income Tax Considerations*". No securities regulatory authority has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence.

THE OFFERING IS SPECULATIVE AND IT IS ESSENTIAL THAT AN INVESTOR CONSIDER THE RISK FACTORS SET OUT IN THIS OFFERING MEMORANDUM IN ASSESSING THE MERITS OF THE INVESTMENT (SEE "*RISK FACTORS*"). SINCE THE CORPORATION IS NOT A MUTUAL FUND INVESTING IN CONVENTIONAL MORTGAGES FOR PURPOSES OF SECURITIES LEGISLATION, THE CORPORATION IS NOT SUBJECT TO THE INVESTMENT RESTRICTIONS SET FORTH IN NATIONAL POLICY STATEMENT NO. 29 OR NATIONAL INSTRUMENT 81-102 OF THE CANADIAN SECURITIES ADMINISTRATORS.

INVESTORS SHOULD CONSULT THEIR OWN PROFESSIONAL ADVISORS TO ASSESS THE INCOME TAX, LEGAL AND OTHER ASPECTS OF AN INVESTMENT IN SHARES.

All references to currency herein are to Canadian dollars unless otherwise indicated.

Purchasers of Shares pursuant to this Offering Memorandum have certain rights to damages and/or rescission as described herein under the heading "*Purchaser's Rights of Action*".

To contact the Corporation:

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TABLE OF CONTENTS

FORWARD LOOKING STATEMENTS.....	1
GLOSSARY.....	2
OFFERING SUMMARY.....	4
THE CORPORATION.....	7
THE BUSINESS.....	7
DESCRIPTION OF SHARE CAPITAL.....	18
DIVIDENDS.....	20
CONSOLIDATED CAPITALIZATION.....	22
THE MANAGER.....	23
INVESTMENT COMMITTEE.....	30
SUBSCRIBING FOR SHARES.....	30
USE OF PROCEEDS.....	31
ELIGIBILITY FOR INVESTMENT.....	31
CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS.....	32
AGENTS.....	34
REPORTING OBLIGATIONS AND FINANCIAL STATEMENTS.....	35
RISK FACTORS.....	35
CONFLICTS OF INTEREST.....	43
RELATED & CONNECTED ISSUER.....	44
MATERIAL CONTRACTS.....	44
PROMOTER.....	44
TRANSFER AGENT AND REGISTRAR.....	45
AUDITOR.....	45
LEGAL COUNSEL.....	45
LEGAL PROCEEDINGS.....	45
ENGLISH LANGUAGE.....	45
RESALE RESTRICTIONS.....	45
PURCHASER'S RIGHTS OF ACTION.....	46
CERTIFICATE.....	50

FORWARD LOOKING STATEMENTS

This Offering Memorandum may contain certain forward-looking statements. These statements relate to future events or future performance and reflect expectations of management of the Corporation regarding the growth, performance values, proceeds of realization and financing and business prospects and opportunities of the Corporation. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential", "continue", or the negative of these terms or other comparable terminology. These forward-looking statements include statements regarding business plans and prospects, typical loan terms of mortgages in its Mortgage Portfolio, mortgage syndication strategy, borrowing strategy, market conditions and anticipated or estimated yield. A number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, prospective purchasers should specifically consider various factors, including the risks outlined in the section of this Offering Memorandum entitled "*Risk Factors*", which may cause actual results to differ materially from any forward-looking statement. Although the forward-looking statements contained in this Offering Memorandum are based upon what management believes to be reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this Offering Memorandum and neither the Corporation nor the Manager assumes any obligation to update or revise them to reflect new events or circumstances, except as required by applicable securities legislation.

Any presentation or other materials prepared by an Agent, with the consent of the Corporation, for use by prospective investors in considering a purchase of Shares is incorporated by reference into this Offering Memorandum.

GLOSSARY

When used in this Offering Memorandum, the following terms have the following meanings ascribed thereto:

"**affiliate**" means an affiliate within the meaning of National Instrument 45-106 – *Prospectus Exemptions* of the Canadian Securities Administrators;

"**Administration Fees**" means all fees other than Origination Fees paid by a borrower under a mortgage, including "administration fees", "discharge fees" and "NSF fees";

"**Agents**" means, collectively, CSSL and such other registered dealers retained by the Corporation and/or the Manager from time to time in connection with the Offering;

"**Authorized Interim Investments**" means: (i) deposits standing to the credit of a person in the records of a bank or other entity any of whose deposits are insured by the Canada Deposit Insurance Corporation or the Régie de l'assurance-dépôts du Québec or a credit union (including investments guaranteed by the Government of Canada or of a province or territory of Canada, deposits in or receipts, deposit notes, certificates of deposits, acceptances and other similar instruments issued, endorsed or guaranteed by a Schedule I bank); and (ii) money market mutual funds and such other investments, in each case, that will not disqualify the Corporation as a MIC;

"**Board**" means the board of directors of the Corporation;

"**Business Day**" means any day, other than a Saturday, Sunday, any statutory holiday in the Province of Ontario or any day on which the commercial banks are not open for business in Toronto, Ontario;

"**Common Shares**" or "**Shares**" mean common shares in the capital of the Corporation;

"**Corporation**" means Cameron Stephens Mortgage Investment Corporation, a corporation established under the laws of the province of Ontario;

"**Corporation's Origination Fees**" means the portion of the Origination Fees allotted to the Corporation (prior to dividing such amounts between the Corporation and the Manager) based on the Corporation's pro-rata interest in the respective mortgage;

"**CSSL**" means Cameron Stephens Securities Ltd.;

"**Fair Value Determination**" means the following, utilized by the Board in determining the fair value of a Share:

- (a) the value of any cash, receivables and prepaid expenses, will be the face value thereof unless the Corporation, or its delegate, deems otherwise, acting reasonably;
- (b) mortgage loans will be the fair value thereof. Interest income will be recorded on the accrual basis provided that the mortgage loan is not impaired. An impaired mortgage loan is any loan, where, in the Corporation's opinion, there has been a deterioration of credit quality to the extent that the Corporation no longer has reasonable assurance as to the timely collection of the full amount of principal and interest. As the mortgage loans made by the Corporation do not trade in actively quoted markets, the Corporation will estimate fair value based upon: market interest rates, credit spreads for similar loans, and the specific creditworthiness and status of an existing borrower. The Corporation will consider, but not be limited in considering, the following as part of the creditworthiness and status of a borrower: payment history, value of underlying property securing the loan or mortgage, appraisals, overall economic conditions, status of construction or property development (if applicable) and other conditions specific to the underlying property or building;
- (c) the value of short-term investments (treasury bills, money market instruments or similar) will be the cost of such instrument plus accrued interest up to and including the Redemption Date; and
- (d) the value of any other property will be the value determined by the Corporation, or its delegate, which most accurately reflects its fair value, acting reasonably;

"**FSRA**" means the Financial Services Regulatory Authority of Ontario;

"**IFRS**" means International Financial Reporting Standards and Canadian generally accepted accounting principles in accordance with Part I of the *Handbook* of the Canadian Institute of Chartered Accountants;

"**including**" (and variations thereof) means "*including without limitation*" and shall not be construed to limit any general statement which it follows to the specific or similar items or matters immediately following it;

"**Investment Committee**" has the meaning ascribed to that term herein under the heading "*Investment Committee*";

"**Management Agreement**" means the Management Agreement made effective as of the 30th day of September, 2014 between the Corporation and the Manager, as amended, restated or supplemented from time to time;

"**Manager**" or "**CSMC**" means Cameron Stephens Mortgage Capital Ltd. and its successors as the manager of the Corporation under the Management Agreement;

"**MBLAA**" means the *Mortgage Brokerages, Lenders and Administrators Act, 2006* (Ontario), including the regulations promulgated thereunder, as amended and replaced from time to time;

"**MIC**" means a "mortgage investment corporation" within the meaning of subsection 130.1(6) of the Tax Act;

"**mortgage**" means a mortgage, hypothec, deed of trust, charge or other security interest of or in real property used to secure obligations to repay money by a charge upon the underlying real property, whether evidenced by notes, debentures, bonds, assignments of purchase and sale agreements or other evidences of indebtedness, whether negotiable or non-negotiable;

"**Mortgage Portfolio**" means, at any time, the Corporation's portfolio of Mortgages or interests therein;

"**Mortgages**" means, collectively, the mortgage loans of the Corporation comprising the Mortgage Portfolio;

"**Offering**" means the private placement of Shares pursuant to the terms of this Offering Memorandum and the Subscription Agreement;

"**Offering Memorandum**" means this confidential offering memorandum dated September 8, 2021 as amended, restated or supplemented from time to time;

"**Offering Price**" means \$10.00 per Share;

"**Origination Fees**" means the following fees paid by a borrower under a mortgage: "commitment fees", "renewal fees", "extension fees", "amendment fees" or similar fees to cover, inter alia, the costs associated with creating, processing and amending such mortgage or any renewal of such mortgage;

"**Plans**" has the meaning ascribed to that term herein under the heading "*Eligibility for Investment*";

"**Redemption Date**" has the meaning ascribed to that term herein under the heading "*Description of Share Capital – Common Shares – Redemption at Option of Holder*";

"**Subscription Agreement**" means the subscription agreement between each investor and the Corporation in the form provided by the Corporation in connection with the Offering;

"**subsidiary**" has the meaning ascribed to that term in National Instrument 45-106 – *Prospectus Exemptions* of the Canadian Securities Administrators; and

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

OFFERING SUMMARY

*The information set forth below should be read together with, and is qualified by, the more detailed information contained elsewhere in this Offering Memorandum and the information contained in the Management Agreement and the Subscription Agreement. **Prospective investors are encouraged to consult their own professional advisors as to the investment, tax and legal consequences of investing in the Corporation.** Certain capitalized terms used but not defined in this summary and in the body of this Offering Memorandum are defined under "Glossary".*

- The Corporation:** Cameron Stephens Mortgage Investment Corporation, a corporation incorporated on January 27, 2014 pursuant to the *Business Corporations Act* (Ontario). See "*The Corporation*". The Corporation intends to qualify at all times as a MIC for the purpose of generating a stream of income by investing in a portfolio of mortgages, thereby providing investors with an opportunity to participate in a portfolio of mortgages by purchasing Shares. See "*The Business*".
- The Manager:** Cameron Stephens Mortgage Capital Ltd., a corporation incorporated on March 4, 2004 pursuant to the *Business Corporations Act* (Ontario). Pursuant to the terms of the Management Agreement, the Manager acts as the Corporation's sole and exclusive manager and arranges and services its mortgage loans and otherwise directs its affairs and manages its business. See "*The Manager*".
- Agent:** The Corporation has retained CSSL and may, from time to time, retain additional Agents to assist it in completing the Offering. The Agents will seek to secure subscriptions for Shares under the Offering at the Offering Price by way of private placement.
- Agency Fee / Reimbursement of Expenses:** Effective June 1, 2021, the Dealer Agreement was amended, eliminating the sharing of Management Fees with CSSL and limiting the payments received by CSSL to a reimbursement of its expenses. The Corporation may pay a commission or finders fee to other Agents, with the amount of such compensation to be determined from time to time by the Manager, in its sole discretion.
- The Corporation may agree to reimburse an Agent for any expenses of, or incidental to, the Offering incurred by such Agent. The Corporation may also indemnify an Agent and its directors, officers and employees from any claims arising in relation to such Agent's duties and responsibilities in relation to the Offering.
- See also "Conflicts of Interest". See "Related & Connected Issuer".*
- Securities Offered:** Common Shares. See "*Description of Share Capital – Common Shares*".
- Offering Price:** \$10.00 per Share.
- Offering Size:** Maximum Offering: \$100,000,000 (10,000,000 Shares) unless a higher amount is authorized by the Corporation.
- Minimum Purchase:** \$150,000 for Common Shares unless a lesser amount is authorized by or on behalf of the Corporation. An investor who subscribes for Common Shares in more than one capacity, for example both personally and pursuant to a registered retirement savings plan of which the investor is an annuitant, will be considered to have met the minimum purchase amount based on the collective investment made. See "*Subscribing for Shares*".

- Closings:** Closings are expected to take place as and when deemed necessary by the Board, having regard to the Corporation's capital needs and available lending opportunities. There will be no further closings under the Offering at such time as the maximum aggregate subscription level for Shares of \$100,000,000 is achieved, unless a higher amount is authorized by the Corporation.
- Dividend Policy:** Effective September 8, 2021, the Board revised the dividend policy such that the Corporation intends to declare monthly dividends at an annual rate of 8.00% of the Offering Price when possible. Any additional net income that is not paid to shareholders monthly will be distributed via a "special dividend", the timing of which will be determined at the Corporation's discretion.
- The Corporation has the right to determine a record date that is other than the last Business Day of each calendar month. The dividend policy includes the discretion of the Board to declare dividends from time to time as determined by the Board and the amount paid may vary depending on, among other things, the Corporation's earnings, financial requirements, the satisfaction of solvency tests imposed by the *Business Corporations Act* (Ontario) for the declaration of dividends and other conditions existing at such future time.
- See "*Dividends - Dividend Policy*".
- Subscription Procedure:** Investors may subscribe for Shares by submitting a completed and signed Subscription Agreement to an Agent, together with a cheque, bank draft or wire transfer (or any other form of payment acceptable to the Manager and an Agent) for the subscription amount of the Shares so subscribed for in Canadian dollars. Purchasers of Shares will be obliged to establish their qualification to invest in accordance with the requirements of the securities laws of their jurisdiction of residence. See "*Subscribing for Shares*".
- Selling Jurisdictions:** This Offering will be made in Ontario, Alberta, and British Columbia on a private placement basis. See "*Subscribing for Shares*".
- Use of Proceeds:** The proceeds of this Offering will be used to assemble a Mortgage Portfolio in accordance with the investment policies of the Corporation and to fund the general working capital requirements of the Corporation. A portion of the proceeds of the Offering may be used by the Corporation to acquire mortgages previously originated by the Manager or proposed to be originated by the Manager, or to co-invest in mortgages, in some cases the lender of which is an affiliate of the Manager, including BSHY III. The terms of any such acquisition are proposed to be on the equivalent of arm's length terms.
- See "*Use of Proceeds*". See "*Conflicts of Interest*". See "*The Business*".
- Eligibility of Investment:** Based on the provisions of the Tax Act in force as of the date hereof, the Shares will be qualified investments under the Tax Act for Plans if the Corporation qualifies as a MIC throughout a taxation year and further provided that at any time in the relevant calendar year, the Corporation does not hold any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer, or a subscriber under, or a holder of, the Plan, or of any other person who does not deal at arm's length with that person. See "*Eligibility of Investment*".

Resale Restrictions:	The Shares are being offered for sale on a "private placement" basis in reliance on exemptions from the prospectus requirements of applicable Canadian securities laws. As a result, resales of the Shares will be restricted in the manner provided by such securities laws. See " <i>Resale Restrictions</i> ". In addition, pursuant to the Articles of Incorporation of the Corporation, no Shares may be transferred without: (i) the express approval of the Board; or (ii) the express approval of the shareholders of the Corporation entitled to vote at a meeting. See " <i>Description of Share Capital</i> ".
Redemption Rights:	The Shares are redeemable at the option of the Corporation and the holder as described in " <i>Description of Share Capital – Common Shares</i> ".
Risk Factors:	There are risks associated with an investment in the Shares as a result of the Corporation's proposed nature and activities. An investment in Shares should only be made after consultation with independent qualified sources of investment and tax advice. See "<i>Risk Factors</i>".
Purchaser's Rights of Action	Investors are entitled to the benefit of certain statutory or contractual rights of action as are applicable in Ontario, Alberta, and British Columbia which are described under " <i>Purchasers' Rights of Action</i> ". No securities regulatory authority has assessed or passed on the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See "<i>Risk Factors</i>".

THE CORPORATION

The Corporation is a corporation incorporated under the *Business Corporations Act* (Ontario) by Certificate and Articles of Incorporation dated January 27, 2014. The head and registered office of the Corporation is located at 25 Adelaide Street East, Suite 600, Toronto, Ontario, M5C 3A1.

As at the date hereof, the Corporation is not extra-provincially registered in any jurisdiction. If necessary, the Corporation may extra-provincially register in other Canadian jurisdictions in order to conduct its business in other provinces as may be approved by the Board.

The Corporation does not have any subsidiaries.

THE BUSINESS

Background

CSMC, which acts as the Manager of the Corporation, manages over \$1.5 billion in committed assets, of which \$1 billion was outstanding as at December 31, 2020. Approximately 70% of such amounts are managed for institutional investors and the balance is managed for private capital.

The bulk of the private capital money that the Manager manages or has managed is from limited partnerships: Bay Street High Yield Mortgage Limited Partnership ("**BSHY I**"), Bay Street High Yield Mortgage II Limited Partnership ("**BSHY II**") and Bay Street High Yield Mortgage III Limited Partnership ("**BSHY III**" and collectively, "**BSHY**"). BSHY is now in its third iteration, BSHY III, with the fund growing and the investor mix changing slightly over the years. BSHY I was wound down in 2017, and BSHY II is in the process of being wound down. BSHY II currently has no invested assets. Scott Cameron and George Frankfort have been the general partners of BSHY since its first inception in September of 2003. The Manager also manages a mutual fund trust, Cameron Stephens High Yield Mortgage Trust ("**CSMT**"), which had an outstanding loan balance of approximately \$22.1 million as at December 31, 2020.

The net returns for BSHY II & III, the net investor returns for the Manager, the Manager's percentage allocation between institutional and private capital, and both BSHY II & III's and the Manager's loan losses over the past five years are set forth below under the heading "*The Business – Investment Strategies – The Manager*". **Note: past year returns are not an indication or promise of future returns.**

The Corporation, Cameron Stephens Mortgage Investment Corporation, was created in 2014. Management of CSMC envisioned a mortgage investment corporation as a sound strategic addition to the stable of 35+ investors for which CSMC originates and manages funds. The original investment strategy for the Corporation was to offer slightly lower returns than BSHY. The investor returns of the Corporation were projected to be in the range of 6.5% to 7% and BSHY returns were projected to be in excess of 10%.

The Corporation currently co-invests with BSHY III on a *pari passu* basis for the majority of its loans. This represents a change in strategy from the Corporation's inception, as it was originally investing in priority positions in syndicated loans. Given the increased risk profile of the Corporation's subordinate vs. priority positions, its 2018, 2019, and 2020 returns increased to more closely resemble those of BSHY II & III.

The committed capital (inclusive of leverage) of BSHY III as of December 31, 2020 is \$300 million. If the Corporation completes the maximum Offering of \$100 million (excluding leverage), the total available capital of both groups of investors would be \$400 million. The Corporation will benefit by having BSHY as a partner and BSHY will benefit through an increase in the quantum and quantity of loans, through the expanded investor base.

General

The Corporation intends to qualify at all times as a MIC for the purpose of generating a stream of income by investing in a portfolio of mortgages, thereby providing investors with an opportunity to participate in a portfolio of mortgages by purchasing Shares. See "*Certain Canadian Federal Income Tax Considerations*". The Corporation

will not invest in real property other than by way of investments in mortgages, subject to certain limited exceptions such as the acquisition of real property through foreclosure of a mortgage.

The Corporation's primary business is earning income through making residential and commercial real estate mortgage loans to borrowers. The investment objectives of the Corporation are: (i) to preserve shareholders' equity; and (ii) to provide holders of Common Shares with stable and secure dividends from mortgage loans made by the Corporation and within the criteria mandated for a MIC.

The investment strategy of the Corporation is to invest in mortgages from borrowers whose financing needs are not being met by the larger financial institutions. The Corporation believes that there are mortgage lending gaps in the market that need to be filled; namely, the Corporation believes that there is an established need for real estate mortgage financing in Canada that is not readily provided by banks, trust companies, credit unions and other traditional lenders. The larger financial institutions in Canada are focused on mortgage loans that meet what are often restrictive lending criteria. As a result of the focus of large financial institutions on limited types of mortgage loans, opportunities exist in the mortgage finance market. In addition, short term mortgage financing is a continuing need of individuals, builders and real estate developers. As a result of their needs for flexibility and prompt approvals, they often require the services of private lenders and organizations, such as the Corporation.

Generally, the Corporation will fund mortgages secured by all types of residential and commercial real property located in Ontario, Canada and Western Canada, subject to compliance with the Corporation's investment policies. See "*Investment Policies*". The Corporation's basic lending parameters will be as follows, which are subject to the more complete policies and restrictions listed under "*Investment Policies*":

- the Corporation will focus on mortgage loans that cannot be placed with financial institutions but which represent an acceptable underwriting risk. At the time of funding each mortgage, the loan to value of the mortgage will not exceed 85% and the weighted average loan to value of the entire Mortgage Portfolio of the Corporation will not exceed 75%;
- the Corporation expects to invest in mortgages on all types of residential and commercial real property, which may include but are not limited to residential houses, multi-family residential properties, residential land, mixed-use residential apartments and store-front properties, investment properties, residential and commercial land and development sites and development and construction projects;
- the form of loans made by the Corporation will generally be term and demand loans secured by various asset classes noted above. All loans will be secured by the underlying real property;
- the underwriting criteria will be primarily based on the equity in the underlying real estate. While there may be information collected on a borrower's income based on self-declaration, there is little to no reliance on that information in the underwriting decision where there is sufficient equity in the underlying real estate;
- typical mortgage terms will be for 6 to 24 months, but the Corporation may choose to make mortgage loans with terms up to 60 months;
- all mortgages will be governed by underwriting guidelines and Investment Committee approval as outlined in the Investment Policies of the Corporation. Mortgages will be recommended by the Manager and approved by the Investment Committee;
- the Corporation may also make cash investments from time to time in Authorized Interim Investments pending investment in mortgages; and
- the Corporation will not invest in the following:
 - investments that will disqualify the Corporation as a MIC;
 - the securities of the Manager, or the Manager's affiliates or other non-arm's length parties, other than loans originated by the Manager (see "*Conflicts of Interest*"); and
 - invest for the purposes of exercising management control of any entity.

The Corporation expects that a typical loan in the Mortgage Portfolio will have an interest rate of 4.00% to 10.00% per annum, a six month to five-year term and monthly mortgage payments (either blended or interest only). Mortgage loan amounts are expected generally to be in the range of \$100,000 to \$10,000,000. For loan amounts in

excess of \$5,000,000, the Corporation will consider co-lending with one or more private lenders or financial institutions. See *Investment Strategies – Syndication Strategy*".

The rate of return the Corporation will earn from its mortgage loans will fluctuate with prevailing market demand for short term mortgage financing. In some cases, the Corporation's mortgage loans may not meet the financing criteria for conventional mortgages from institutional sources and, as a result, these loans will generally earn a higher rate of return than that normally attainable from conventional mortgage loans. The Corporation will attempt to minimize risk by being prudent in both its credit decisions and in assessing the value of the underlying real property offered as security. Based on the Manager's experience and the type of loans the Corporation anticipates making in accordance with its investment policies, the Corporation is estimating that an investor's return will be approximately 8.00% per annum, without accounting for any portfolio losses, but taking into account all management expenses. **However, no specific returns are assured or guaranteed, and the past performance of the Manager or the Corporation is not a guarantee of future results.** See "*Dividends*" for, among other things, the dividend declaration history of the Corporation.

The Corporation's Articles of Incorporation restrict the Corporation from making any investment or conducting any activity that would result in the Corporation failing to qualify as a MIC. See "*Qualification as a Mortgage Investment Corporation*".

Mortgages that do not fit the general criteria outlined herein may be considered from time to time when there are mitigating factors which reduce the risk profile to acceptable levels. However, the Corporation shall all times ensure that it qualifies as a MIC. See "*Qualification as a Mortgage Investment Corporation*". All properties will be evaluated on the basis of location, quality and prospects for capital appreciation, with a primary focus on the equity in the underlying real estate. In addition, the credit of the borrower will also be reviewed and, where appropriate, corporate or personal covenants are expected to be obtained. The Corporation may make mortgage loans relating to renovations or improvements of existing real property and may also finance or purchase mortgages.

In order to facilitate the making of mortgage loans by the Corporation, the Corporation has entered into the Management Agreement with the Manager, an experienced mortgage broker and administrator. The Manager will originate most and underwrite all mortgage loans on the Corporation's behalf, service the Mortgage Portfolio and supervise the Corporation's day-to-day management and operations, with advice from, and in certain circumstances, approval of the Investment Committee. See "*The Manager*" and "*Investment Committee*". The Manager has originated, underwritten and serviced mortgage loans on behalf of numerous investors and institutions since 2004. The underwriting, investment and operating policies adopted by the Manager have proven to be well suited to the market serviced by the Manager and form the basis for the Corporation's investment policies. See "*Investment Policies*".

History of the Business and Current Mortgage Portfolio

History

The Corporation was incorporated on January 27, 2014 and began commercial operations of mortgage lending in September, 2014. The Corporation engaged the Manager in September 2014 to facilitate the making of mortgage loans by the Corporation. See "*The Manager*".

The Corporation has completed several previous financings since 2014 by way of issuance and sale of Common Shares, with the total outstanding share capital having grown to \$48,932,593 as at December 31, 2020. The Corporation's share capital consists of the Common Shares. The purpose of the Offering is to raise funds in order for the Corporation to continue operations and expand its mortgage lending business. See "*Use of Proceeds*".

Overview of Mortgage Portfolio

As at December 31, 2020, the Corporation's mortgages receivable consisted of \$49,235,463 in mortgage loans, and aggregated \$49,547,313 (including accrued interest, net of servicing fees and allowance for loan losses).

As of December 31, 2020, the average outstanding mortgage balance (being the total Mortgage Portfolio balance divided by the number of Mortgages, as at the applicable date) was \$1,047,563.

As at December 31, 2020, the weighted average loan-to-value in the Corporation's mortgage portfolio was 60%, and the weighted average remaining term for the Corporation's mortgages receivable was seven months.

As at December 31, 2020, two of the Corporation's mortgages were in default where legal remedies have been pursued. Such default events can occur in the regular course of the Corporation's business. See "Risk Factors".

Details of Mortgage Portfolio as at December 31, 2020

The following table provides a description of the Mortgage Portfolio as at December 31, 2020 by category and a breakdown regarding receivables:

December 31, 2020			
Mortgage Category	# of Mortgages	Outstanding Amount	% of Portfolio
Residential Land	27	\$32,268,151	65.5%
Residential Construction	11	\$8,587,128	17.4%
Residential Inventory	2	\$1,116,506	2.3%
Residential - Serviced Lots	1	\$1,760,000	3.6%
Residential - Single Family	1	\$515,000	1.0%
Residential Bridge	1	\$2,190,000	4.4%
Commercial Land	1	\$1,508,814	3.1%
Commercial Bridge	1	\$527,475	1.1%
Commercial Income Property	2	\$762,389	1.5%
Total Portfolio	47	\$49,235,463	100.00%
Accrued Interest Receivable		\$416,850	
Mortgage Discount		\$0	
Provision for Mortgage Losses		-\$105,000	
Total Mortgages Receivable		\$49,547,313	

The following table provides a description of the Corporation's Mortgage Portfolio as at December 31, 2020 by size:

December 31, 2020			
Mortgage Amount	# of Mortgages	Outstanding Amount	% of Portfolio
\$0 - \$250,000	2	\$410,000	0.8%
\$250,001 - \$500,000	5	\$1,948,895	4.0%
\$500,001 - \$1,000,000	18	\$13,667,071	27.8%
\$1,000,001+	22	\$33,209,497	67.5%
Total	47	\$49,235,463	100.00%

The following table provides a description of the Corporation's Mortgage Portfolio as at December 31, 2020 by type of mortgage, nature of the underlying property, and location of the underlying property:

December 31, 2020				
Description	# of Mortgages	Outstanding Amount	% of Portfolio	Weighted Average Gross Interest Rate
Type of Mortgage				
First Mortgages	42	\$44,819,480	91.0%	9.5%
Second Mortgages	5	\$4,415,983	9.0%	9.5%
Total	47	\$49,235,463	100.0%	9.5%
Nature of Underlying Property				
Residential	43	\$46,436,785	94.3%	9.6%
Commercial	4	\$2,798,678	5.7%	8.9%
Total	47	\$49,235,463	100.0%	9.5%
Location of Underlying Property				
Greater Toronto Area	27	\$28,578,464	58.0%	9.4%
Non-GTA Ontario	17	\$15,563,819	31.6%	9.2%
Outside Ontario	3	\$5,093,180	10.3%	11.1%
Total	47	\$49,235,463	100.0%	9.5%

Investment Policies

The Corporation has adopted investment policies and restrictions in relation to investments made by the Corporation as follows:

- the Corporation may only invest in:
 - (i) mortgages or tranches of mortgages (in either case, referred to as "mortgages" in this Offering Memorandum) that are principally secured by single family residences, multi-family residential properties and residential land; and
 - (ii) mortgages which are principally secured by income-producing properties which have retail, commercial service, office and/or industrial uses and land, zoned for commercial purposes;
- when not invested in mortgages, or tranches of mortgages, on the security of real property situated within Ontario, Canada or Western Canada, the funds of the Corporation will be placed in Authorized Interim Investments;
- approximately 75% of the mortgage loans made by or on behalf of the Corporation will be invested in mortgages on the security of real property situated within Ontario, Canada, with the remaining percentage to be invested in mortgages on the security of real property situated within Western Canada;
- no more than 30% of the total assets of the Corporation may be invested in second mortgages (and, for greater certainty, a junior position in a first ranking mortgage is not considered a second mortgage);
- at least 50% of the total assets of the Corporation will be invested in residential mortgages;

- no more than 10% of the Corporation's total assets will be invested in any single mortgage loan or portion of a single mortgage loan;
- no single borrower will account for more than 15% of the Corporation's total assets;
- no more than 30% of the Corporation's total assets will be invested in mortgage loans secured against income producing real property;
- at the time of funding each mortgage, the loan to value of the mortgage will not exceed 85% and the weighted average loan to value of the entire mortgage portfolio of the Corporation will not exceed 75%;
- no more than 50% of the Corporation's total assets will be invested in mortgage loans which constitute construction financing;
- the Corporation will not invest in any mortgage loans where the term of the mortgage loan is in excess of 60 months;
- the Corporation will not invest in any mortgage loans where the term of the mortgage loan would cause the weighted average term of the Corporation's portfolio to exceed 36 months;
- the Corporation may participate in mortgage loans on a syndication basis, including with affiliates and associates of the Manager;
- the Corporation may enter into one or more credit facilities with Canadian financial institution(s) for the purposes of maintaining liquidity, for general working capital purposes (including dividend or redemption payments), to bridge timing differences resulting from loan maturities and new loan origination and generally leveraging the returns of the Mortgage Portfolio and, in connection therewith, the Corporation may grant security over any asset(s) of the Corporation. Subject to complying with the requirements to qualify as a MIC under the Tax Act, the aggregate principal amount outstanding at any time under any such credit facility or credit facilities will not exceed 25% of the aggregate value of the Corporation's total assets (including leveraged assets) at any time. See "*Borrowing Strategy*" below for further details;
- the Corporation may not make any investment without the approval of the Investment Committee, provided however, the Corporation may invest in Authorized Interim Investments in any amount without prior approval of the Investment Committee; and
- the Corporation may not make any investment, or incur any indebtedness, that would result in the Corporation not qualifying as a MIC. In order to qualify as a MIC in a taxation year, the Corporation must continually meet all of the criteria enumerated in subsection 130.1(6) of the Tax Act throughout such taxation year. See "*Qualification as a Mortgage Investment Corporation*" below for further details.

The above investment policies and restrictions may be changed, or waived in respect of specific mortgage loan applications, with the approval of the board of directors of the Corporation. The Corporation does not have to seek shareholder approval before making such changes.

Investment Strategies

Borrowing Strategy

The Corporation may enter into one or more credit facilities or similar indebtedness with Canadian financial institution(s) for the purposes of, among other things, maintaining liquidity, for general working capital purposes (including dividend or redemption payments), bridging timing differences resulting from loan maturities and new loan origination and generally ensuring efficient operation of the Corporation's affairs and leveraging the returns of the Corporation's mortgage portfolio. The Corporation believes that the utilization of a modest level of borrowing for the foregoing purposes will enhance the total return to its shareholders. Additionally, the Corporation expects it

will earn a positive interest rate spread between the interest earned from investing such borrowings and the interest rate paid by the Corporation on those borrowings. In connection with such indebtedness, the Corporation may grant security over any asset(s) of the Corporation.

The Corporation currently has a \$5,000,000 revolving line of credit with Canadian Imperial Bank of Commerce to finance the Corporation's portfolio of eligible mortgage loans. The security for the line of credit includes a general security agreement and assignment of material agreements. As at the date of this Offering Memorandum no funds have been drawn on the line of credit.

Subject to complying with the requirements to qualify as a MIC under the Tax Act (as set out below under "*Qualification as a Mortgage Investment Corporation*"), the aggregate principal amount outstanding at any time under any such credit facility or credit facilities will not exceed 25% of the aggregate value of the Corporation's total assets (including leveraged assets) at any time. Such borrowing is subject to the Investment Policies of the Corporation, as same may be amended from time to time. See "*Investment Policies*".

Retaining Experience Strategy

The Corporation believes that the following are essential to developing and maintaining a successful mortgage portfolio:

- knowledgeable mortgage underwriting;
- ability to source a broad range of mortgage lending opportunities, thereby allowing the Corporation to be prudent when selecting mortgage loans; and
- disciplined monitoring, servicing and collection enforcement methods.

The Manager

Most of the Corporation's mortgage loans will be sourced through the Manager. As a result, the Corporation will fund mortgage loans that meet the Corporation's investment criteria, resulting from: (i) using the Manager's lending experience to create various lending and security structures which meet the needs of borrowers; (ii) the reputation, experience and marketing ability of the Manager; and (iii) the timely credit analysis and decision making processes followed by the Manager and by the Corporation.

The Manager's sourcing of the Corporation's mortgage loans and servicing of the Mortgage Portfolio provides the Corporation with the following strategic benefits:

- the Manager has been in the business of sourcing, underwriting, and funding mortgages since 2004. The Manager and its affiliates have funded and managed over \$2.3 billion in mortgage loans over the period from January 1, 2016 through December 31, 2020, and have generated an average cash-based net return of approximately 7.2% for the years 2016 to 2020. Its contacts in the mortgage and real estate industries allow it to identify mortgage lending opportunities. The Corporation will take advantage of the Manager's experience in these types of activities, thereby gaining access to a source of mortgage loans and benefiting from the Manager's credit adjudication and funding processes;
- As of December 31, 2020 the Manager manages an outstanding mortgage portfolio of approximately \$1 billion, having grown it steadily over the last 17 years, including, since September 2014, managing the mortgage portfolio of the Corporation. The Manager's historical performance for both its overall portfolio and a portfolio with a risk profile similar to that of the Corporation (BSHY II & III) is shown below. **The returns set forth herein are provided for illustrative purposes only.**

The Manager's Total Portfolio Returns

Year	Institutional	Private	Total
2016	5.9%	10.8%	7.0%
2017	5.4%	9.8%	6.5%
2018	6.2%	9.3%	7.4%
2019	6.3%	9.8%	7.9%
2020	5.9%	8.6%	7.0%
Average	5.9%	9.7%	7.2%

Note: The returns in the table above are cash-based net returns, which include interest and Origination Fees but exclude loan losses and recoveries. All net returns are as of December 31 for the applicable year. **Note that the tables above are not necessarily representative of the future performance or portfolio mix of the Corporation and that the past performance of the Manager and its personnel are not necessarily indicative of future results of the Corporation, and there can be no assurance that targeted returns will be met.**

The Manager's portfolio is divided between institutional and private capital. The private investor returns include the BSHY II & III returns noted below, and are significantly higher than the institutional returns due to the increased risk profile of the assets. The breakdown of the Manager's committed portfolio between institutional and private capital over the last 5 years is presented below:

Year	Institutional	Private
2016	84%	16%
2017	78%	22%
2018	69%	31%
2019	66%	34%
2020	70%	30%

During the above noted period (2016-2020) the Manager had three loan losses. The Manager's average net loan losses during this period were 12 basis points (0.12%) based on the committed portfolio, and 19 basis points (0.19%) based on the funded portfolio.

BSHY II & III Returns

Year	Return
2016	10.2%
2017	9.6%
2018	9.1%
2019	9.1%
2020	10.8%
Average	9.8%

In December 2018, BSHY obtained significant leverage on its portfolio from a major financial institution. As such, BSHY's 2019 and 2020 returns are levered returns. Without this leverage, BSHY's 2020 return more closely approximates that of the Corporation.

During the above noted period (2016-2020) BSHY had two loan losses. BSHY's average net loan losses during this period were 21 basis points (0.21%) based on the funded portfolio. However, BSHY was the only one of CSMC's

private investors that had loan losses during this period. As such, CSMC's average private capital net loan losses were only 13 basis points (0.13%) from 2016-2020, based on the funded portfolio.

Notes:

1. The above noted returns are for BSHY II for 2016, BSHY II & III for 2017 to 2019, and BSHY III for 2020.
2. The returns in the table above are calculated as return on equity. All returns are as of December 31 for the applicable year. **Note that the tables above are not necessarily representative of the future performance or portfolio mix of the Corporation and that the past performance of the Manager and its personnel are not necessarily indicative of future results of the Corporation, and there can be no assurance that targeted returns will be met.**
3. The above noted net loan losses are calculated as total loan losses less recoveries.

*** NOTES REGARDING CALCULATION OF RETURNS IN TABLES ABOVE**

The historical returns for BSHY II & III were based on similar underwriting standards that are currently being employed by the Manager for the Corporation. Portfolio constitution between first and second mortgages varies year over year. The Corporation currently co-invests with BSHY III on a pari passu basis for the majority of its loans. This represents a change in strategy from the Corporation's inception, as it was originally investing in priority positions in syndicated loans. Given the increased risk profile of the Corporation's subordinate vs. priority positions, its 2018-2020 returns increased to more closely mimic those of BSHY II & III. **Note that the tables above are not necessarily representative of the future performance or portfolio mix of the Corporation and that the past performance of the Manager and its personnel are not necessarily indicative of future results of the Corporation, and there can be no assurance that targeted returns will be met.**

- the Manager, its affiliates and its principals have extensive experience and knowledge of the real estate markets of the Provinces of Ontario, Alberta and British Columbia, Canada, through their own businesses and lending activities in these markets. One of the keys to successful mortgage underwriting is knowing and understanding the real estate markets in which the properties are located. The Manager's current focus is in the Provinces of Ontario, Alberta, and British Columbia, which contain a sizeable portion of Canada's population and a well-diversified industry base (although, with respect to the Corporation, as per its investment policies, approximately 75% of the mortgage loans will be invested in mortgages on the security of real property situated within Ontario, and approximately 25% in Western Canada);
- collectively, the three senior officers of the Manager have over 70 years of mortgage and real estate experience and have developed a comprehensive knowledge of mortgage lending, portfolio management, administration and real estate businesses; and
- the Corporation attempts to minimize risks associated with defaulting mortgages through diligent monitoring of the Mortgage Portfolio, active communication with borrowers and the institution of aggressive enforcement procedures on defaulting mortgages. This will be achieved through the Manager, which has substantial experience in servicing mortgage loans and has a history of a low default rate on the mortgages which it services. The Manager also has experience in servicing high yield mortgage portfolios.

Syndication Strategy

To manage and diversify risk, the Manager may syndicate first and second mortgage loans in which the Corporation participates with one or more third party lenders (such as Canadian chartered banks, trust companies and other mortgage investors). Syndicating mortgages reduces the Corporation's exposure to any one loan it may have.

Syndication may be on a *pari passu* basis, a priority basis or a subordinated basis. Generally, the Corporation will syndicate on a *pari passu* basis where the mortgage loan is too large for the Corporation to fund on its own. The Corporation also expects to syndicate first and second mortgage loans both on a priority and subordinated basis.

Where a mortgage is syndicated on a priority basis, the Corporation will syndicate the subordinate tranche to one or more other lenders if the risk profile of the overall first mortgage is beyond the Corporation's risk tolerance. In such circumstances, the Corporation's rights to receive interest payments and repayments of principal will rank in priority to the other lender(s).

Where a mortgage is syndicated on a subordinated basis, the rights of the other lender(s) to receive interest payments and the repayment of principal ranks in priority to the Corporation's rights to receive a share of the interest payments and the repayment of its principal balance; however, in such circumstances the syndicating lender(s) would have no recourse to the Corporation. Where a mortgage is syndicated on a subordinated basis, the third-party lenders participate with a priority ranking but, in return, they take reduced interest rates. Syndication of first and second mortgages on a subordinated basis enables the Corporation to retain a disproportionately large amount of interest revenue when compared to the portions of the mortgages it retains. This practice, sometimes referred to as "tranching", is expected to enable the Corporation to effectively increase its returns while using less capital for each first and second mortgage loan made (thereby facilitating greater diversification for the Corporation) and, in all cases, retaining the Manager's control over administering the entire mortgage. The Corporation expects that, where a first or second mortgage is syndicated on a subordinated basis, its subordinated position will be no less than second priority to the other lender(s).

It should be noted that an investment by the Corporation in a junior position in a syndicated first mortgage (i.e., syndication on a subordinated basis as described above) differs from an investment by the Corporation in a second mortgage in that the second mortgage has a lower priority for repayment to the entire first mortgage and the Manager does not have control over administering the first mortgage should default occur.

As of December 31, 2020, the Corporation had syndicated 46 of the 47 mortgages in its Mortgage Portfolio. Of the 46 syndicated mortgages, 41 are first mortgages, of which 20 were syndicated on a *pari passu* basis and 21 were syndicated on a subordinate basis to the other lender(s). The other 5 syndicated mortgages are second mortgages that were syndicated on a *pari passu* basis. Some of these mortgages were syndicated with a lender (BSHY III) that is affiliated with the Manager. The Corporation is proposing to generally co-invest with BSHY III on future mortgages. See "*Conflicts of Interest*".

Qualification as a Mortgage Investment Corporation

The Corporation intends to qualify at all times as a MIC. In order to qualify as a MIC in a taxation year, the Corporation must continually meet all of the criteria enumerated in subsection 130.1(6) of the Tax Act throughout such taxation year, including the following requirements:

- (a) *Canadian Corporation.* The Corporation must be a "Canadian corporation", as defined in the Tax Act, which generally means a corporation incorporated or resident in Canada;
- (b) *Undertaking.* The Corporation's only undertaking is the investing of its funds. The Corporation cannot have managed or developed any real or immovable property;
- (c) *Prohibited Foreign Investment.* None of the property of the Corporation consisted of debts owing to the Corporation secured on real or immovable property situated outside Canada, debts owing to the Corporation by non-resident persons unless such debts were secured on real or immovable property situated in Canada, shares of the capital stock of corporations not resident in Canada, or real or immovable property situated outside of Canada or any leasehold interest in such property;
- (d) *Shareholder Requirements.* The Corporation had at least 20 shareholders. In addition, no shareholder (together with Related Persons, as defined below) of the Corporation at any time in the year owned, directly or indirectly, more than 25% of the issued shares of any class of the Corporation. Special rules apply for the purposes of counting shareholders that are registered pension plans or deferred profit sharing plans;

- (e) *Preferred Shareholders.* Holders of preferred shares (if any) of the Corporation had the right, after payment to them of their preferred dividends and payment of dividends in a like amount per share to the holders of the Common Shares, to participate *pari passu* (equally) with the holders of the Common Shares in any further payment of dividends;
- (f) *50% Asset Test.* The cost amount for tax purposes to the Corporation of its property in the form of or as a combination of money, debts secured on certain specified residential properties, and funds on deposit with a Canada Deposit Insurance Fund or Régie de l'assurance-dépôts du Québec-insured institution or credit union (such debts and deposits referred to as "**Required Property**") constituted at least 50% of the cost amount to the Corporation of all of its property;
- (g) *25% Asset Test.* The cost amount for tax purposes to the Corporation of its property in the form of interests in real or immovable property (including leaseholds but excepting real or immovable property acquired by foreclosure after default by the mortgagor) did not exceed 25% of the cost amount to the Corporation of all of its property; and
- (h) *Debt to Equity Ratio.* Where at any time in the year the cost amount to the Corporation of its money and Required Property represented less than two-thirds of the aggregate cost amount to the Corporation of all of its property, the Corporation's liabilities may not exceed 75% of the cost amount to the Corporation of all its property. Where, however, throughout the year the cost amount to the Corporation of its money and Required Property represented two-thirds or more of the aggregate cost amount to the Corporation of all of its property, the Corporation's liabilities may not exceed 83.33% of the cost amount to the Corporation of all its property.

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

For the purposes of the 50% asset test noted above, the requirement is that the Corporation's investments must comprise the specified minimum amount of debts that are secured by mortgages, hypothecs or in any other manner, on "houses" or on property included within a "housing project", as those terms are defined in the *National Housing Act* (Canada) (in the case of a "housing project", as it read on June 16, 1999). Generally, a "house" includes all or part of a building or moveable structure that is intended for human habitation containing not more than two family housing units, and "housing project" includes all or part of a building or movable structure intended for human habitation, any property intended to be improved, converted or developed to provide housing accommodation, or property associated with housing accommodation such as parking, public and recreational facilities.

Licensing and Legislative Regime

The MBLAA, which is administered by FSRA, regulates the mortgage industry in Ontario and regulates mortgage brokerages, brokers, agents and administrators in Ontario. Oversight of non-qualified syndicated mortgage investments is divided between FSRA and the Ontario Securities Commission (the "**OSC**").

Under the MBLAA, corporations, partnerships and sole proprietorships that carry on the business of dealing in or trading in mortgages in Ontario, or carry on business as a mortgage lender in Ontario, are required to hold a valid brokerage license. A person or entity is a mortgage lender when he, she or it lends money in Ontario on the security of real property. An individual who deals in mortgages or trades in mortgages in Ontario is required to be licensed as a mortgage broker or a mortgage agent. A mortgage broker or mortgage agent can only act on behalf of one specified mortgage brokerage and every brokerage must appoint a principal broker who is licensed as a mortgage broker. A person or entity that carries on the business of administering mortgages in Ontario is required to hold a valid mortgage administrator's license.

In British Columbia, the *Mortgage Brokers Act* (British Columbia) requires persons carrying on the business of a mortgage broker to be registered as a mortgage broker with the BC Financial Services Authority, the government agency responsible for overseeing the mortgage brokerage industry in British Columbia.

In Alberta, the *Real Estate Act* (Alberta) requires any person who deals in mortgages to hold an authorization with the Real Estate Council of Alberta, the non-government agency responsible for governing mortgage brokers in Alberta.

As the Corporation is not and will not be licensed under the MBLAA, the *Mortgage Brokers Act* (British Columbia), or the *Real Estate Act* (Alberta), the Corporation cannot engage directly in the business of lending money on the security of real property, and must therefore conduct its mortgage lending activities under contract with a licensed mortgage brokerage such as the Manager. The Manager, which performs mortgage brokerage, servicing and administration services on the Corporation's behalf pursuant to the Management Agreement, currently holds a valid license under the MBLAA, the *Mortgage Brokers Act* (British Columbia) and the *Real Estate Act* (Alberta) to permit it to carry on the activities contemplated in the Management Agreement in Ontario, Alberta, and British Columbia and operates in compliance with the requirements of the MBLAA, the *Mortgage Brokers Act* (British Columbia) and the *Real Estate Act* (Alberta). To extent that other provinces in Canada have enacted legislation to govern their mortgage broker industry similar to the MBLAA, the Manager will obtain any required license or retain an appropriately licensed mortgage broker or administrator to assist it.

Investment Committee

The Corporation has established the Investment Committee in accordance with the Management Agreement. See "*Investment Committee*".

DESCRIPTION OF SHARE CAPITAL

Authorized Capital

The Corporation's authorized capital consists of an unlimited number of Common Shares. As at December 31, 2020, there were 4,893,259 Common Shares issued and outstanding.

Common Shares

Voting Rights

The holders of the Common Shares shall be entitled to receive notice of, and to attend (in person or by proxy) at, and shall be entitled to one (1) vote per share at, any meeting of the shareholders of the Corporation.

Dividends

The holders of the Common Shares shall be entitled to receive, and the Corporation shall pay thereon, dividends if, as and when declared by the Board out of the assets of the Corporation properly applicable to the payment of dividends in such amounts and payable in such manner as the Board of Directors of the Corporation may from time to time determine. Subject to the rights of the holders of any other class or series of shares of the Corporation entitled to receive dividends in priority to or rateably with the holders of the Common Shares, the Board of Directors of the Corporation may in their sole discretion declare dividends on the Common Shares to the exclusion of any other class or series of shares of the Corporation.

Purchase of Common Shares for Cancellation by the Corporation

Subject to the *Business Corporations Act* (Ontario), any other applicable laws and the rules, regulations and policies of any stock exchange or market upon which the Common Shares may then be listed or traded, all or any part of the Common Shares which are then outstanding shall be purchasable for cancellation by the Corporation at any time in

the open market, by private contract or otherwise, at the lowest price at which, in the opinion of the Board of Directors of the Corporation, such shares are obtainable.

Liquidation, Dissolution or Winding-up

In the event of the liquidation, dissolution or winding-up of the Corporation or other event entitling all holders of shares in the capital of the Corporation to a return of capital, the holders of the Common Shares shall, subject to the rights of the holders of any other class or series of shares of the Corporation entitled to receive the assets or property of the Corporation upon such a distribution in priority to or rateably with the holders of the Common Shares, be entitled to participate rateably in any such distribution of the property or assets of the Corporation.

Redemption at Option of Corporation

The Corporation may, upon giving notice, redeem the whole or any part of the Common Shares then outstanding on payment for each such Common Share to be redeemed of an amount equal to: (a) the fair value of a Common Share on the date fixed for redemption as determined by the Board and having regard to the Fair Value Determination; *plus* (b) all declared and unpaid dividends on a Common Share accrued up to the date fixed for redemption. Notice of such a redemption must be given by the Corporation to each person whose Common Shares are to be redeemed at least ten days before the date specified for redemption.

If, at any time, only part of the then outstanding Common Shares are to be redeemed, the Common Shares to be redeemed shall be selected: (i) by lot, in such manner as the Board shall determine; (ii) as nearly as may be in proportion to the number of Common Shares registered in the name of each holder thereof; or (iii) in such other manner as the Board shall determine.

Redemption at Option of Shareholder

A registered holder of Common Shares is entitled to require the Corporation to redeem, on or after the first anniversary of the purchase of the Common Shares to be redeemed, all or any of such Common Shares registered in the name of such holder on the books of the Corporation, with such redemption occurring on the last business day of a calendar quarter or such other day as may be agreed to by the Corporation (the "**Redemption Date**"), by tendering to the Corporation at its head office the share certificate(s), if any, representing such Common Shares which such registered holder desires to have the Corporation redeem together with a request (a "**Redemption Request Notice**") in writing specifying: (a) that the registered holder desires to have the Common Shares represented by such certificate(s), if any, redeemed by the Corporation; and (b) the Redemption Date on which such registered holder desires to have the Corporation redeem such Common Shares. Unless otherwise agreed to by the Corporation, a Redemption Request Notice must be received by the Corporation at least 30 days prior to the Redemption Date.

Upon receipt of the share certificate(s), if any, representing the Common Shares which the registered holder desires to have the Corporation redeem together with a Redemption Request Notice in respect thereof, the Corporation will, on the Redemption Date, redeem all such Common Shares by paying to such registered holder for each such Common Share, within 30 days of the Redemption Date, an amount equal to: (i) the fair value of a Common Share on the Redemption Date as determined by the Board and having regard to the Fair Value Determination; *plus* (ii) all declared and unpaid dividends on a Common Share accrued up to the Redemption Date.

Temporary Suspension of Redemption Right of Common Shares

The Corporation may, in whole or in part, suspend or postpone, or continue a suspension or postponement of, the right to redeem any Common Shares, and may postpone the date of payment upon redemption for any period, in each case, for any reason or cause in its sole discretion, including if there are insufficient liquid assets in the Corporation to fund such redemptions, provided that such suspension or postponement is not prohibited by applicable law.

Restrictions on Transfer

The Corporation's Articles of Incorporation provide that no securities of the Corporation (including the Shares), other than non-convertible debt securities, if any, can be transferred without: (i) the express approval of the Board; or (ii) the express approval of the shareholders of the Corporation entitled to vote at a meeting. Neither the Board nor the voting shareholders will approve a transfer of Shares if such transfer would cause the Corporation to no longer qualify as a MIC.

Restriction on the Business of the Corporation

The Corporation's Articles of Incorporation provide that the Corporation may not make any investment or conduct any activity that would result in it failing to qualify as a MIC.

Limitation on Ownership

In order to maintain its status as a MIC, the Corporation's Articles of Incorporation provide that no shareholder may hold at any time, directly or indirectly, either alone or together with a person "related" to the shareholder (within the meaning of the Tax Act, a "**Related Person**"), more than 25% of any class or series of the issued shares of the Corporation.

In the event that, as determined by the Board in its sole discretion, any transaction affecting the shares of the Corporation (each a "**Triggering Transaction**"), if completed, would cause any shareholder(s) (each an "**Automatic Repurchase Shareholder**"), either alone or together with Related Persons, to hold more than 25% of any class or series of the issued shares of the Corporation, that portion of the shares held by each Automatic Repurchase Shareholder which constitutes in excess of 24.9% of the issued shares of any class or series of shares (the "**Repurchased Shares**") will, immediately prior to the completion of a Triggering Transaction, automatically be repurchased and cancelled by the Corporation (an "**Automatic Repurchase**") without any further action by the Corporation or the Automatic Repurchase Shareholder. The purchase price for any Repurchased Shares will be equal to: (a) if such shares are listed or quoted for trading on an exchange or market, the volume weighted average trading price of the particular class or series of shares for the five (5) consecutive trading days ending immediately preceding the date of the Triggering Transaction; or (b) if such shares are not listed or quoted for trading on an exchange or market, such price as determined by the Board acting reasonably and in good faith. The proceeds of any Automatic Repurchase will be remitted to each applicable Automatic Repurchase Shareholder at the time of the Automatic Repurchase.

DIVIDENDS

Dividend Policy

The Corporation intends, at all times, to qualify as a MIC. As a MIC, the Corporation is entitled to deduct in computing its income all taxable dividends (other than capital gains dividends) paid to shareholders in the year and in the first 90 days of the following taxation year, provided that such dividends are not deductible by the Corporation in the immediately preceding taxation year. In order to maintain its status as a MIC, the Corporation must continually meet all of the criteria enumerated in the relevant section of the *Tax Act* throughout such taxation year. Accordingly, it is the Corporation's intention to pay dividends to the extent necessary to reduce its taxable income each fiscal year to nil so that no tax is payable by the Corporation under Part I of the *Tax Act*. To the extent that the Corporation realizes a capital gain in a year in excess of applicable capital losses, the Corporation intends to elect to have dividends to be capital gains dividends to the maximum extent allowable.

Effective September 8, 2021, the Board revised the dividend policy such that the Corporation would declare monthly dividends at an annual rate of 8.00% of the Offering Price when possible. Any additional net income that is not paid to shareholders monthly will be distributed via a "special dividend", the timing of which will be determined at the Corporation's discretion.

The Corporation has the right to determine a record date that is other than the last Business Day of each calendar month. The dividend policy includes the discretion of the Board to declare dividends from time to time as determined by the Board and the amount paid may vary depending on, among other things, the Corporation's earnings, financial requirements, the satisfaction of solvency tests imposed by the *Business Corporations Act* (Ontario) for the declaration of dividends and other conditions existing at such future time.

Dividends Declared

Pursuant to the dividend policy of the Corporation, the following dividends were declared and paid from January 1, 2016 to December 31, 2020:

Statistic	2016	2017	2018	2019	2020
Cost/Value	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Dividends Paid	\$0.6803	\$0.6831	\$0.8200	\$0.9315	\$0.9228
Dividend Yield	6.80%	6.83%	8.20%	9.32%	9.23%
DRIP Return	7.02%	7.08%	8.52%	9.73%	9.63%

Notes:

1. Subsequent to December 31, 2020, a 13th dividend of \$0.0468 per Common Share was declared in March 2021 to shareholders of record as of December 31, 2020. This increased the overall 2020 dividend yield to 9.23%.
2. Shareholders participating in the DRIP improved the returns stated above with monthly compounding. The DRIP return in 2020 was 9.63% (inclusive of the March 2021 dividend noted above).

Dividend Reinvestment Plan

The Corporation has implemented a dividend reinvestment plan effective on August 20, 2014 (the "**DRIP**"). The following is a summary of the DRIP. Shareholders who intend to participate in the DRIP should review the full terms of the DRIP (contained in the Offering Circular for the DRIP) in its entirety, which may be obtained, upon request, from the Manager.

The DRIP provides holders of Common Shares with a convenient method of reinvesting cash dividends in additional Common Shares. For those who enroll in the DRIP, instead of receiving dividends in cash, the dividends will be used to buy additional Common Shares and fractional interests in Common Shares. Common Shares acquired under the DRIP will be automatically enrolled in the DRIP.

A trust, known as the "Cameron Stephens Mortgage Dividend Reinvestment Trust" (the "**DRIP Trust**"), has been formed for the purpose of holding Common Shares issued under the DRIP. Common Shares issued under the DRIP will be issued to the DRIP Trust on behalf of participants in the DRIP ("**DRIP Participants**").

Whole Common Shares held by the DRIP Trust on behalf of a DRIP Participant will be delivered to that participant annually or if the participant terminates its enrolment in the DRIP.

Fractional interests in Common Shares will not be delivered to DRIP Participants. Once the fractional interests total a whole Common Share, that whole Common Share will be delivered to the DRIP Participant in the same way as other whole Common Shares. If the DRIP Participant terminates its enrolment in the DRIP, the cash value of any fractional interest held on behalf of that participant will be paid to that participant.

Common Shares acquired by the DRIP Trust will be Common Shares purchased from the Corporation's treasury.

The Common Shares acquired under the DRIP are purchased at the Market Price (as defined in the Offering Circular for the DRIP), determined as of the dividend record date. The Market Price is determined by the Corporation's board of directors after consultation with the Corporation's Investment Committee.

No brokerage or administration fees will be charged by the Corporation for participation in the DRIP. If Common Shares are held through an intermediary, the intermediary may charge the holder of Common Shares a fee.

The reinvestment of cash dividends pursuant to the DRIP does not relieve a holder of Common Shares of liability for tax on those dividends. Shareholders 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.

CONSOLIDATED CAPITALIZATION

As at December 31, 2020, there were 4,893,259 Common Shares (and no other shares) in the capital of the Corporation issued and outstanding.

The following table sets forth the issuance of Shares during the twelve months preceding December 31, 2020:

Redeemable Common Shares Outstanding as at December 31, 2019	4,125,740
Redeemable Common Shares Issued	653,791
Redeemable Common Shares Issued Under the Dividend Reinvestment Plan	224,281
Redemption of Redeemable Common Shares	- 110,553
Redeemable Common Shares Outstanding as at December 31, 2020	4,893,259

DIRECTORS, OFFICERS, PROMOTERS AND PRINCIPAL HOLDERS

The Corporation's Articles of Incorporation provide that the Board may consist of a minimum of one and a maximum of ten directors. The Board is responsible for supervising the management of the business and affairs of the Corporation. The number of directors is currently set at two.

The following table sets out the specified information about each director, officer and promoter of the Corporation and each person who, directly or indirectly, beneficially owns or controls 10% or more of the Common Shares in the capital of the Corporation.

<u>Name and Municipality of Residence</u>	<u>Position with Corporation</u>	<u>Director/ Officer/ Promoter Since</u>	<u>Number of Common Shares beneficially owned, Directly or Indirectly</u>	<u>Principal Occupation</u>
S. Scott Cameron Toronto, Ontario Canada	Director, President, Chief Executive Officer	January 27, 2014	82,881	Chairman and CEO, of the Manager
George Frankfort Toronto, Ontario Canada	Director, Secretary and Treasurer	January 27, 2014	64,247	Developer
Cameron Stephens Mortgage Capital Ltd.	Manager	January 27, 2014	--	--

The Board consists of the two directors as shown in the table above. Each director holds office until the next annual meeting, or until his or her successor is duly elected or appointed, unless: (i) his or her office is earlier vacated in accordance with the Corporation's articles and by-laws; or (ii) he or she becomes disqualified to act as a director.

Biographies

The following are brief profiles of the directors and officers of the Corporation, including a description of each individual's principal occupation within the past five years.

S. Scott Cameron

Mr. Cameron is Chairman, CEO and Founder of the Manager, a mortgage brokerage specializing in commercial and construction financing. Prior to establishing the Manager in 2004, Mr. Cameron was a founding partner in MCAP, one of Canada's leading mortgage banking firms. Under his leadership, MCAP's assets under management grew from \$50 million to \$12 billion. A well-known industry speaker and former director of MTC Mortgage Investment Corporation, BILD and Tarion Warranty Corporation, Mr. Cameron holds a BA from the University of Toronto, an MBA from the Richard Ivey School of Business at the University of Western Ontario, and his ICD.D from the Rotman School of Business at the University of Toronto.

George Frankfort

Mr. Frankfort is a founding partner of the Alpa Lumber Group, the largest wholesale lumber supplier in Southern Ontario. In addition, Mr. Frankfort is a partner in both Lifetime Developments, a major high rise condo developer in the GTA with over 6,000 units developed over the past decade, and Falconcrest Homes.

Director Compensation

As at the date hereof, the directors of the Corporation receive reasonable compensation and reimbursement of expenses for acting as such. The directors of the Corporation may take on certain duties on behalf of the Corporation which are not performed by the Manager, including developing strategies to grow the Corporation's shareholder base, communicating with shareholders, developing a broader and enhanced corporate strategy and negotiating contracts not handled by the Manager, among others. To the extent that a director of the Corporation carries out these and other duties, the Corporation intends to continue compensating such director at market rates.

THE MANAGER

General

The Corporation's investment policies and objectives are subject to the control and direction of the Board. The Board is responsible for general oversight of the Corporation's business and affairs. The Manager originates most and underwrites all mortgage loans on behalf of the Corporation, services the Mortgage Portfolio and supervises the Corporation's day-to-day management and operations.

The Manager

Pursuant to the terms of the Management Agreement, the Manager acts as the Corporation's sole and exclusive manager and arranges and services its mortgage loans and otherwise directs its affairs and manages its business. The Manager is a corporation incorporated under the laws of the Province of Ontario on March 4, 2004. The head and registered office of the Manager is located at 25 Adelaide Street East, Suite 600, Toronto, Ontario M5C 3A1.

The Manager has been in the business of originating, underwriting and servicing mortgage loans since 2004. The Manager is licensed by FSRA as a mortgage brokerage and mortgage administrator under the MBLAA, and is also licensed by the Real Estate Council of Alberta (RECA) as a mortgage broker under the *Real Estate Act* (Alberta) and by the BC Financial Services Authority (BCFSA) as a mortgage broker under the *Mortgage Brokers Act* (British Columbia). Since the Corporation itself is not licensed under the MBLAA, Real Estate Act, or Mortgage Brokers Act, the Corporation cannot carry on the business of lending money on the security of real estate. The Corporation must therefore conduct its mortgage lending activities under contract with a licensed mortgage brokerage such as the Manager. See "*The Business – Licensing and Legislative Regime*". The Manager is well known in the non-bank real estate lending industry in Ontario and it sources potential transactions principally through its reputation and

extensive contacts with mortgage brokers, appraisers, lawyers and other professional service providers relevant to the mortgage lending business. The Manager employs a team of approximately 40 individuals located in its offices in Toronto, Calgary, and Vancouver with substantial experience in real estate financing and mortgage administration.

The Manager diligently seeks out, reviews and presents the Corporation with mortgage loan opportunities that are consistent with the Corporation's investment policies and objectives and services such mortgages on its behalf. The Manager has successfully originated, underwritten and serviced mortgage investments on behalf of numerous clients over the past seventeen years. The underwriting, investment and operating policies adopted by the Manager have proven to be well suited to the market serviced by the Manager and form the basis for the Corporation's investment policies and objectives. See "*The Business – Investment Policies*".

The Management Agreement does not limit or restrict the Manager, its affiliates, or any of the directors, officers, shareholders or employees of the Manager or its affiliates, from carrying on business ventures for its own account and for the account of others, including acting as a mortgage broker for, or manager of, any other person or entity. See "*Risk Factors*".

Duties and Services Provided by the Manager

Pursuant to the Management Agreement, the Manager has the authority to manage the Corporation's affairs and day-to-day activities. The Manager may delegate certain of its powers to third parties, where, in the discretion of the Manager, it would be in the Corporation's best interests to do so. The Manager's duties and services include:

- sourcing and structuring new mortgage loan opportunities;
- undertaking due diligence before issuing a formal commitment to lend;
- providing mortgage servicing duties, including ongoing collection of principal and interest payments, regular assessment of the risk profile of each mortgage loan and active collection and pursuit of legal remedies in the event of default;
- carrying out all of the capital market activities of the Corporation;
- administering to the Corporation the components necessary for carrying on the undertaking and business of a MIC in Canada, including office facilities, provisions, and other ordinary office services;
- authorizing the payment of operating expenses;
- preparing financial statements and financial and accounting information of the Corporation;
- ensuring that the Corporation complies with applicable law and regulatory requirements, including regulatory and shareholder reporting;
- recommending to the Board the amount of dividends to be declared or reinvested; and
- negotiating contracts and managing interactions with third-party providers of services, including registrars, transfer agents, legal counsel, auditors and printers.

In performing its duties, the Manager must ensure that the Corporation qualifies, and maintains its status, as a MIC.

The Management Agreement provides that the Manager shall, in its capacity as the Corporation's manager, be subject to the overriding authority of the Board over the management and affairs of the Corporation, including any policies and guidelines adopted by the Board from time to time, and the Investment Committee in respect of its responsibilities. Notwithstanding, the Manager and its affiliates may not act as principal or receive any compensation in connection with the purchase or sale of Mortgages by or on behalf of the Corporation other than as provided for in the Management Agreement.

Details of the Management Agreement

Pursuant to the Management Agreement, the Manager is required to exercise its powers and discharge its duties diligently, honestly and in good faith and in the best interests of the Corporation and to exercise the standard of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances. The Management

Agreement provides that the Manager and its directors, officers, securityholders, employees and agents will not be liable to the Corporation in any way for any default, failure or defect in the Mortgage Portfolio held by the Corporation or for any act performed, or failure to act, by the Manager within the scope of the authority conferred on the Manager by the Management Agreement, if it has satisfied the duties and the standard of care, diligence and skill set forth in the Management Agreement. The Manager will incur liability, however, in cases of wilful misconduct, bad faith, gross negligence or breach of the Manager's standard of care.

The term of the Management Agreement commenced on June 9, 2014 and continues until June 9, 2024 unless renewed or terminated prior thereto. The Management Agreement will be automatically renewed for successive five year terms at the expiration of the initial term and any renewal term, unless either the Corporation (at the direction of the Board) or the Manager notifies the other in writing of non-renewal at least twelve (12) months prior to the expiration of the initial term or a renewal term.

The Management Agreement may be terminated by the Corporation at any time upon approval of a majority of the members of the Board upon the occurrence of any of the following: (a) in the event of fraud or wilful malfeasance with respect to its duties under the Management Agreement; or (b) if any proceedings in insolvency, bankruptcy, receivership or liquidation are taken against the Manager or if the Manager makes an assignment for the benefit of its creditors, commits any act of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada) or declares itself or is declared to be insolvent.

The Management Agreement may be terminated by the Manager at any time: (a) in the event of a breach by the Corporation of any material term of the Management Agreement that is not cured within 60 days of written notice of such breach to the Corporation (or such longer period, not to exceed 120 days, as may be reasonably required in the circumstances to cure such breach if such breach may be cured); or (b) if any proceedings in insolvency, bankruptcy, receivership or liquidation are taken against the Corporation or if the Corporation makes an assignment for the benefit of its creditors, commits any act of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada) or declares itself or is declared to be insolvent.

Upon termination of the Management Agreement, the Corporation is required among other things to reimburse or pay for and indemnify and save harmless the Manager from the costs and expenses of all services which may have been arranged by the Manager or as a result of the Management Agreement and which may not have been paid by the Corporation at the time of termination, and pay the Manager all fees due and owing as compensation for services rendered pursuant to the Management Agreement or as a result of the termination of the Management Agreement.

Subject to the ability of the Manager to delegate its powers and duties, the Management Agreement (and any interest in the Management Agreement) may not be assigned or subcontracted by either party without the prior written consent of the other party. Any amendment, supplement or modification of the Management Agreement may only be executed by the Corporation if and when approved by a majority of the members of the Board. In addition, the Manager and each of its directors, officers, securityholders, employees and agents will be indemnified by the Corporation to the fullest extent permitted by law for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced, or other claim that is made against the Manager, or any of its directors, officers, securityholders, employees and agents, in the exercise of its duties as the Corporation's manager, except those resulting from the Manager's wilful misconduct, bad faith, gross negligence or breach of the Manager's standard of care.

Any direct or indirect change of control of the Manager will be subject to the prior approval of a majority of the members of the Board. The management services to be provided by the Manager under the Management Agreement are not exclusive to the Corporation and nothing in the Management Agreement prevents the Manager from providing similar management services to other clients or from engaging in other activities.

Manager Fees and Expenses

In consideration for the services provided to the Corporation by the Manager under the Management Agreement, the Manager is paid a management fee equal to one percent (1.0%) per annum of the aggregate face value of all assets invested in Mortgages by the Corporation, calculated daily, aggregated and paid monthly in arrears (the

"**Management Fee**"), plus applicable taxes. In addition, the Manager shall receive 60% of the Corporation's Origination Fees and all Administration Fees.

In accordance with a dealer agreement ("**Dealer Agreement**") as amended and restated on April 1, 2019, between the Corporation, the Manager and CSSL, CSSL was entitled to receive twenty-five percent (25%) of the Management Fee. Effective June 1, 2021, the Dealer Agreement was amended, eliminating the sharing of Management Fees and limiting the payments received by CSSL to a reimbursement of its expenses.

The Corporation pays for all expenses that it or the Manager incurs on behalf the Corporation in connection with the Corporation's operation and management, including: (a) all costs and expenses related to financial reporting, securityholder communications, and meetings of securityholders; (b) all costs and expenses incurred in the management and administration of the Corporation's assets, including those for audit, accounting, bookkeeping, travel, telephone and reporting; (c) fees payable to its transfer agent and its custodian(s); (d) costs and fees payable to any agent, legal counsel, actuary, valuator, technical consultant, accountant or auditor or other third party service provider; (e) ongoing regulatory filing fees, license fees and other 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 costs associated with the enforcement of Mortgage loans; (g) any fees, expenses or indemnity payable to, and expenses incurred by, the members of the Board, any committee of the Board and the Investment Committee; (h) consulting fees; (i) all taxes, commissions, brokerage commissions and other costs of securities transactions, debt service, commitment fees and costs relating to any credit facilities, insurance premiums and any extraordinary expenses which the Corporation may incur or which may be incurred on its behalf from time to time, as applicable; and (j) other administrative expenses of the Corporation.

Under the Management Agreement, the Manager is responsible for employment expenses of its personnel, rent and other office and administrative expenses of the Manager (except as set out above), and all costs and fees associated with maintaining and complying with the licensing requirements of the MBLAA, *Real Estate Act* (Alberta), and *Mortgage Brokers Act* (British Columbia).

Officers and Directors of the Manager

The following table sets forth the names and municipalities of residence of those individuals who are directors and officers of the Manager, their current positions or offices with the Manager, the date when they first became a director and/or officer of the Manager, and their principal occupations:

Name and Municipality of Residence	Position with the Manager	Director/ Officer Since	Principal Occupation
S. Scott Cameron Toronto, Ontario Canada	Director, Chairman of the Board and Chief Executive Officer Broker of Record	March 4, 2004	Chairman and CEO of the Manager
George Frankfort Toronto, Ontario Canada	Director and Secretary	November 1, 2008	Developer

Brief profiles of Scott Cameron and George Frankfort are set out under "*Directors, Officers, Promoters and Principal Holders – Biographies*".

Other Members of the Management of the Manager

The following table sets forth the names and municipalities of residence of those individuals not listed above who are members of management of the Manager, their current positions or offices with the Manager, and their principal occupations:

Name and Municipality of Residence	Position with the Manager	Principal Occupation
S. Scott Cameron Toronto, Ontario Canada	Director, Chairman of the Board and Chief Executive Officer Broker of Record	Chairman and CEO of the Manager
Steve Camp Mississauga, ON Canada	Senior Vice President	Senior Vice President of the Manager
Steve Cameron Toronto, Ontario Canada	Executive Vice President	Executive Vice President of the Manager
Giuliana Mauro Toronto, Ontario Canada	Vice President	Vice President of the Manager
Katie Bonar Toronto, Ontario Canada	Vice President	Vice President of the Manager
Tim Ryder Mississauga, Ontario Canada	Vice President	Vice President of the Manager
Diana Ratcliffe Newmarket, Ontario Canada	Vice President	Vice President of the Manager

Profiles of Steve Camp, Steve Cameron, Giuliana Mauro, Katie Bonar, Tim Ryder, and Diana Ratcliffe are provided below.

Steve Camp

Mr. Camp is responsible for originating the Manager's construction portfolios. He has more than 35 years of experience in the real estate financing industry, working for such recognized Canadian firms as TD Bank, First City Trust, and MCAP. Mr. Camp holds a BA in Urban Planning from the University of Waterloo and an MBA from the Schulich School of Business at York University. His ability to balance the Manager's borrowers' need for quick turnarounds and the Manager's investors' need for risk-adjusted returns has contributed greatly to the Manager's success.

Giuliana Mauro

Mrs. Mauro brings over 25 years in the industry to her position with the Manager, most recently as manager of the funding group for MCAP. She ensures that all mortgage investments meet stipulated security and funding requirements, and she works closely with cost consultants, appraisers, project managers and the trades to satisfy the equity payout conditions of every deal.

Steve Cameron

Mr. Cameron joined the Manager in 2011, working in a number of roles before assuming his current management position specializing in structuring low-rise, high-rise, green-field and infill residential debt solutions for builders and developers. Mr. Cameron also leads the Manager's marketing and advertising division. Prior to his employment at the Manager, Mr. Cameron worked at Home Trust and at Xerox Canada. Mr. Cameron has a Bachelor of Commerce degree from the University of Guelph. He is also the president and co-founder of The Friends For Life Foundation, which raises money and awareness for the Oncology Unit at the SickKids Hospital and Cystic Fibrosis Canada.

Katie Bonar

Katie Bonar is the Vice President, Investment Management and Strategy at Cameron Stephens and joined the company in 2012. She raises capital for and manages Cameron Stephens' mortgage funds and leads various strategic initiatives to grow and diversify the business. Katie has a Bachelor of Business Administration (BBA) from the Schulich School of Business at York University. She also has her Chartered Financial Analyst (CFA) designation.

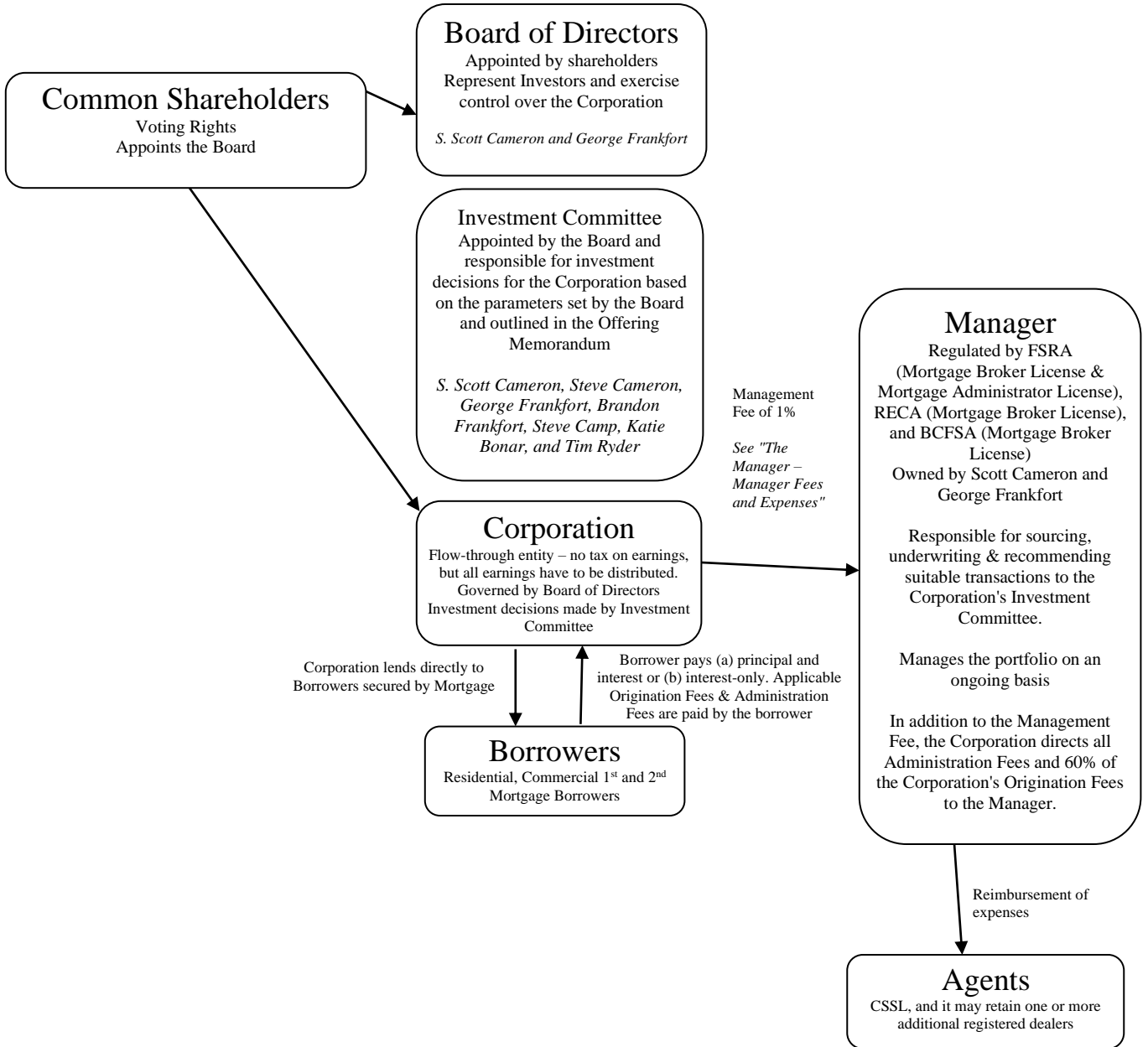
Tim Ryder

Mr. Ryder is the Vice President, Underwriting and Investment Management at the Manager and joined the Manager in 2014. He has over ten years of investment related experience, and plays a senior role in the credit underwriting and adjudication process. He is responsible for the comprehensive review and assessment of all investment opportunities to ensure conformance with the Manager's and investors' requirements. Mr. Ryder holds a Bachelor of Commerce Degree from the University of Guelph, majoring in Management Economics in Industry and Finance.

Diana Ratcliffe

Ms. Ratcliffe has been with the Manager for over seven years, accountable for finance, accounting, controls, and reporting. Prior to arriving at the Manager, she was Controller at Corpfinance International Limited, a boutique firm specializing in debt and equity lending and auto-lease securitization. In addition, Ms. Ratcliffe brings over 20 years of mortgage-related experience in administration, servicing, product development, accounting and securitization with Manulife and Bank of Montreal. Ms. Ratcliffe is a CPA, CGA.

RELATIONSHIP STRUCTURE



INVESTMENT COMMITTEE

Pursuant to the Management Agreement, the Corporation and the Manager have established an investment committee (the "**Investment Committee**") consisting of no less than three (3) and no more than ten (10) members, which Investment Committee shall: (i) have the authority to receive, review, consider and approve mortgage loan proposals (or any extensions, renewals or modifications to existing mortgage loans of the Corporation) on behalf of the Corporation; (ii) adjudicate and advise on transactions involving conflicts of interest or potential conflicts of interest as between the Manager and the Corporation; and (iii) deal with such other matters as may be referred to the Investment Committee by the Board. The members of the Investment Committee are appointed, removed and/or replaced by the Board from time to time. On the date hereof, there are seven (7) members of the Investment Committee, consisting of the following: S. Scott Cameron, Steve Cameron, George Frankfort, Brandon Frankfort, Steve Camp, Katie Bonar, and Tim Ryder.

The members of the Investment Committee are not required to devote their full time to the business of the Corporation and do not receive any compensation from the Corporation or the Manager for acting as members of the Investment Committee.

Brief profiles of S. Scott Cameron and George Frankfort are set out under "*Directors, Officers, Promoters and Principal Holders – Biographies*". Profiles of Steve Cameron, Steve Camp, Katie Bonar, and Tim Ryder are set out under "*The Manager – Officers and Directors of the Manager*". The following is a brief profile of Brandon Frankfort:

Brandon Frankfort

Mr. Frankfort is currently President of Alpa Lumber Group but has worked extensively in partnership with his Father, George Frankfort, in their various business interests. Mr. Frankfort is a lawyer, having graduated from DePaul University in Chicago.

SUBSCRIBING FOR SHARES

The Corporation is offering for sale a maximum of 10,000,000 Common Shares (\$100,000,000) at the Offering Price. The minimum purchase per investor of Common Shares is 15,000 Shares (\$150,000), unless a lesser amount is authorized by or on behalf of the Corporation. An investor who subscribes for Shares in more than one capacity, for example both personally and pursuant to a registered retirement savings plan of which the investor is an annuitant, will be considered to have met the minimum purchase amount based on the collective investment made. Shares are offered for sale on a continuous basis in Ontario, Alberta, and British Columbia, Canada. The Shares are being offered for sale on a "private placement" basis in reliance on exemptions from the prospectus requirements of applicable Canadian securities laws. As a result, any resale of the Shares will be restricted in the manner provided by such securities laws. See "*Resale Restrictions*".

Investors may subscribe for Shares by submitting a completed and signed Subscription Agreement to an Agent, together with a cheque, bank draft or wire transfer (or any other form of payment acceptable to the Manager) for the subscription amount of the Shares so subscribed for in Canadian dollars. Purchasers of Shares will be obliged to establish their qualification to invest in accordance with the requirements of the securities laws of their jurisdiction of residence. Investors will be required to complete all forms necessary to ensure compliance with applicable securities laws and anti-money laundering legislation. All subscriptions will be irrevocable. It is expected that there will be various closings of Shares pursuant to the Offering. Closings are expected to take place as and when deemed necessary by the Board, having regard to the Corporation's capital needs and available lending opportunities. There will be no further closings under the Offering at such time as the maximum aggregate subscription level for Shares of \$100,000,000 is achieved, unless a higher amount is authorized by the Corporation.

Shares will only be sold to individuals, corporations and other entities that are permitted to purchase them under applicable securities laws and the Corporation's Articles of Incorporation and who certify in the Subscription Agreement that such purchaser, or any ultimate purchaser for which such purchaser is acting as agent: (i) is an "accredited investor", as that term is defined in National Instrument 45-106 – *Prospectus Exemptions* of the Canadian Securities Administrators ("**NI 45-106**"); (ii) if not an individual, is relying on the "minimum amount

investment" exemption as provided for in Section 2.10 of NI 45-106; (iii) is relying on the "employee, executive officer, director and consultant" exemption as provided for in Section 2.24 of NI 45-106; or (iv) is otherwise entitled to purchase Shares in accordance with the requirements of the securities laws of their jurisdiction of residence.

The Corporation and the Manager reserve the right to accept or reject subscriptions, in whole or in part, and any monies received with a rejected order will be refunded immediately after such determination has been made by the Corporation and/or the Manager without interest or deduction. The Corporation may close or re-open the subscription books at any time without notice. Subscription proceeds pursuant to the Offering will be received by the Corporation pending closing. Certificates representing the Shares purchased will be issued in fully registered form.

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

USE OF PROCEEDS

The proceeds of this Offering, after payment of expenses and costs associated with the Offering, including the fees of the Agents, will be used primarily to continue growing the Mortgage Portfolio in accordance with the investment policies of the Corporation and to fund the general working capital requirements of the Corporation. See *"The Business – Investment Policies"*.

A portion of the proceeds of the Offering may be used by the Corporation to acquire mortgages previously originated by the Manager or proposed to be originated by the Manager, in some cases the lender of which is an affiliate of the Manager. The Corporation may also co-invest with such affiliated lenders of the Manager, including BSHY III. The terms of any such acquisition are proposed to be on the equivalent of arm's length terms. See *"Investment Committee"*, *"Conflicts of Interest"*. Furthermore, the acquisition of any such mortgages is expected to be conditional upon a number of factors, including the completion of due diligence and the receipt of any required third party consents and approvals.

ELIGIBILITY FOR INVESTMENT

Based on the provisions of the Tax Act in force as of the date hereof, the Shares will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans ("**RRSPs**"), registered retirement income funds ("**RRIFs**"), deferred profit sharing plans ("**DPSPs**"), registered disability savings plans ("**RDSPs**"), registered education savings plans ("**RESPs**") and tax-free savings accounts ("**TFSAs**" and, collectively with all the foregoing plans, "**Plans**") if the Corporation qualifies as a MIC throughout a taxation year and further provided that at any time in the relevant calendar year, the Corporation does not hold any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer, or a subscriber under, or a holder of, the Plan, or of any other person who does not deal at arm's length with that person.

Notwithstanding that the Shares may be a qualified investment for a TFSA, RRSP, RDSP, RESP, or RRIF, the holder of a TFSA or RESP or the annuitant of an RRSP, RDSP, or RRIF, as the case may be, which acquires Shares will be subject to a penalty tax under the Tax Act if such Shares are a "prohibited investment" (within the meaning of the Tax Act) for the particular TFSA, RESP, RRSP, RDSP, or RRIF. Shares will not be a prohibited investment for a TFSA, RESP, RRSP, RDSP, or RRIF provided the holder of the TFSA or RESP, or annuitant of the RRSP, RDSP, or RRIF, as applicable, deals at arm's length with the Corporation for purposes of the Tax Act and does not have a "significant interest" (within the meaning of the Tax Act) in the Corporation. A "significant interest" of a shareholder of the Corporation generally means ownership by the shareholder, either alone or together with persons with which the shareholder does not deal at arm's length for purposes of the Tax Act, of 10% or more of the issued shares of any class of the capital stock of the Corporation. In addition, the Shares will not be a prohibited investment if they are "excluded property" as defined in the Tax Act for trusts governed by a TFSA, RESP, RRSP, RDSP, or RRIF. **Holders and annuitants should consult their own tax advisors to ensure that the Shares would not be a prohibited investment for a trust governed by a TFSA, RRSP, RESP, RDSP, or RRIF in their particular circumstances.**

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to a holder who acquires Shares pursuant to the Offering. This summary is only applicable to such a holder who, for purposes of the Tax Act and at all relevant times, is resident in Canada, deals at arm's length with and is not affiliated with the Corporation and holds any Shares as capital property (a "**Holder**"). Generally, Shares will be considered to be capital property to a Holder provided the Holder does not hold the Shares in the course of carrying on a business of trading or dealing in securities and has not acquired the Shares in one or more transactions considered to be an adventure in the nature of trade.

Certain Holders who might not otherwise be considered to hold their Shares as capital property may, in certain circumstances, be entitled to have the Shares, and all other "Canadian securities" (as defined in the Tax Act) owned or subsequently acquired by such Holders, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such Holders should consult their own tax advisors as to whether such election is available and advisable, having regard to their own particular circumstances.

This summary is not applicable to a Holder: (i) that is a "financial institution", as defined in the Tax Act for the purposes of the mark-to-market rules; (ii) an interest in which is or would be a "tax shelter investment" as defined in the Tax Act; (iii) that is a "specified financial institution" as defined in the Tax Act; (iv) who reports its Canadian tax results in a "functional currency" (which excludes Canadian dollars); or (v) that enters into a "derivative forward agreement" or a synthetic disposition arrangement" in respect of the Shares, as defined in the Tax Act. Any such Holder should consult its own tax advisor with respect to an investment in the Shares. In addition, this summary does not address the deductibility of interest by a Holder who has borrowed money or otherwise incurred debt in connection with the acquisition of Shares.

This summary is based upon the current provisions of the Tax Act, taking into account all proposed amendments to the Tax Act publicly announced by or on behalf of the Minister of Finance prior to the date hereof (the "**Tax Proposals**"), and the Corporation's understanding of the current administrative practices and assessing policies of the Canada Revenue Agency (the "**CRA**") published in writing by it prior to the date hereof. This summary assumes the Tax Proposals will be enacted in the form proposed; however, no assurance can be given that the Tax Proposals will be enacted in the form proposed, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Tax Proposals, does not otherwise take into account or anticipate any changes in the law, whether by way of legislative, governmental or judicial decision or action, or in the administrative practices or assessing policies of the CRA, nor does it take into account other federal or any provincial, territorial or foreign tax laws or considerations, which may differ significantly from the tax considerations described herein. **The income and other tax consequences of acquiring, holding or disposing of Shares will vary depending on the particular circumstances of the holder thereof, including any province or territory in which the Holder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder or prospective Holder of Shares, and no representations with respect to the income tax consequences to any Holder or prospective Holder are made. No application has been made for an advance income tax ruling with respect to the investment described in this Offering Memorandum nor is it intended that any application be made. In addition, no opinion from the Corporation's legal counsel or accountants has been given with respect to these income tax considerations. Consequently, Holders and prospective Holders of Shares should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring Shares pursuant to the Offering having regard to their particular circumstances.**

Qualification as a MIC

The Corporation intends to qualify as a MIC throughout its current taxation year and for all of its future taxation years. This summary assumes that the Corporation will qualify as a MIC at all times. The tax treatment to a Holder would be materially different than as described in this summary in the event that the Corporation does not qualify as a MIC. The Tax Act imposes certain requirements in order for a corporation to qualify as a MIC in a taxation year. See the section entitled "*Qualification as a Mortgage Investment Corporation*" for further information regarding such requirements.

Taxation of the Corporation

The Corporation is a "public corporation" for purposes of the Tax Act and as such is subject to tax at the full corporate rate on its taxable income. However, as long as the Corporation is a MIC, generally the Corporation is able to deduct in computing its income for a taxation year the amount of its income for that year that is distributed to its shareholders as dividends. As long as the Corporation is a MIC, the Corporation is entitled to deduct in computing its income for a taxation year: (i) all taxable dividends, other than capital gains dividends, paid by the Corporation to its shareholders during the year (to the extent not deductible in computing the Corporation's income for the previous year) or within 90 days after the end of the year; and (ii) one-half of all capital gains dividends paid by the Corporation to its shareholders during the period commencing 91 days after the commencement of the year and ending 90 days after the end of the year. The Corporation must elect to have the full amount of a dividend qualify as a capital gains dividend. The payment of capital gains dividends will allow the Corporation to flow capital gains it realizes through to its shareholders.

The Corporation intends to pay dividends to the extent necessary to reduce its taxable income each year to nil so that it has no tax payable under Part I of the Tax Act and to elect to have dividends be capital gains dividends to the maximum extent allowable.

Taxation of Shareholders

Corporate Dividends

Capital gains dividends received by a Holder (whether paid in cash or reinvested in Shares) will be treated as a capital gain of the Holder from a disposition in the year of capital property for the year in which the dividend is received. See below under the subheading "*Dispositions of Shares*" for a description of the tax treatment of capital gains.

Taxable dividends, other than capital gains dividends, received by a Holder of Shares (whether paid in cash or reinvested in Shares) must be included in the Holder's income as interest payable on a bond issued by the Corporation. The amount of a dividend reinvested in additional Shares will be the cost amount of such Shares.

The provisions of the Tax Act providing for interest accrual, the gross-up and dividend tax credit in respect of taxable dividends received by individuals from taxable Canadian corporations, and for the deduction generally available to corporations for inter-corporate dividends received, will not apply in respect of taxable dividends on the Shares. Similarly, the provisions of Part IV of the Tax Act will not be applicable to the receipt of taxable dividends on the Shares by a corporate Holder.

Dispositions of Shares

On the disposition or deemed disposition of a Share by a Holder, the Holder will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition in respect of such Share, net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base of the Share to the Holder. A Holder's proceeds of disposition will not include an amount payable by the Corporation on the Share that is otherwise required to be included in the Holder's income.

For the purpose of determining the adjusted cost base to a Holder of Shares, when a Share is acquired, the cost of the newly-acquired Share will be averaged with the adjusted cost base of all of the Shares owned by the Holder as capital property immediately before that acquisition. The adjusted cost base of a Share to a Holder will be the cost to the Holder for the Share, with certain adjustments.

One-half of the amount of any capital gain (a "**taxable capital gain**") realized by a Holder in a taxation year must be included in computing such Holder's income for that year, and one-half of any capital loss (an "**allowable capital loss**") realized by a Holder in a taxation year must be deducted from any taxable capital gains realized by the Holder in the year, subject to and in accordance with the provisions of the Tax Act. Allowable capital losses in excess of taxable capital gains realized in a taxation year may be carried back and deducted in any of the three preceding

taxation years or carried forward and deducted in any following taxation year against taxable capital gains realized in such years, subject to and in accordance with the provisions of the Tax Act.

On an acquisition of Shares by the Corporation (whether pursuant to a redemption or otherwise), the Holder generally will be deemed to have received, and the Corporation will be deemed to have paid, a dividend in an amount equal to the amount by which the price paid by the Corporation exceeds the paid up capital of the purchased Shares. This deemed dividend will be treated in the same manner as other dividends received by the Holder from the Corporation, and will depend on whether the Corporation elects that the entire dividend be a capital gains dividend (to the extent the Corporation has realized sufficient capital gains in the year). The balance of the purchase price, if any, will constitute proceeds of disposition of the Shares for purposes of the capital gains rules, as described above.

Alternative Minimum Tax

In general terms, net income of the Corporation, paid or payable, or deemed to be paid or payable, to a Holder of Shares who is an individual or trust (other than certain specified trusts), and that is designated as capital gains dividends, and capital gains realized on the disposition of Shares may increase the Holder's liability for alternative minimum tax. Prospective investors are urged to consult their tax advisors to determine the impact of the alternative minimum tax.

Refundable Tax on Certain Corporations

A "Canadian-controlled private corporation" (as defined in the Tax Act) that disposes of Shares may be liable to pay an additional tax, a portion of which is refundable, on certain investment income for the year, including amounts in respect of dividends and taxable capital gains.

Taxation of Registered Plans

Dividends received or receivable by a Plan on Shares that are a qualified investment for such a Plan will be exempt from income tax in the Plan, as will capital gains realized by the Plan on the disposition of such Shares. Withdrawals from Plans, other than a TFSA, RDSP and RESP in some cases, are generally subject to tax under the Tax Act.

Tax Implications of Dividend Policy

The value of a Share may be attributable in part to income and capital gains that have been earned by the Corporation, but which have not yet been realized and/or paid out as a dividend. If a Holder acquires Shares before a dividend record date, the Holder will be taxed on the full amount of any such dividend that is received by the Holder. As the Corporation has adopted a dividend policy of paying monthly dividends to holders of Shares of record on the last business day of each month, a Holder who acquires a Share late in the month but prior to the dividend record date will pay tax on the entire dividend, which will generally reflect the income and/or capital gains earned by the Corporation throughout the month up to the record date, although the Holder will have only recently acquired Shares.

AGENTS

The Corporation has retained CSSL and may, from time to time, retain additional Agents to assist it in completing the Offering. The Agents will seek to secure subscriptions for Shares under the Offering at the Offering Price by way of private placement.

CSSL does not receive any commission from the Corporation but does receive a reimbursement of its expenses from the Manager. The Corporation may pay a commission or finders fee to other Agents, with the amount of such compensation to be determined from time to time by the Manager, in its sole discretion.

The Corporation may agree to reimburse an Agent for any expenses of, or incidental to, the Offering incurred by such Agent. The Corporation may also indemnify an Agent and its directors, officers and employees from any claims arising in relation to such Agent's duties and responsibilities in relation to the Offering.

No Agent will receive any benefit in connection with the Offering other than the receipt of the fees noted above and below.

See also "Conflicts of Interest". See "Related & Connected Issuer".

REPORTING OBLIGATIONS AND FINANCIAL STATEMENTS

As the Corporation is not a "reporting issuer" as defined under the securities legislation of any province of Canada, the continuous reporting requirements of securities legislation do not generally apply to the Corporation. The Corporation will, however, within 90 days of the end of each fiscal year of the Corporation, provide to each holder of Shares annual audited financial statements (prepared in accordance with IFRS) and all other information required to file Canadian income tax returns.

All financial reporting to the holders of Shares will be presented in Canadian dollars, unless otherwise indicated. The fiscal year end of the Corporation is December 31.

RISK FACTORS

This is a speculative offering and investors should not invest in Shares unless they can absorb the loss of some or all of their investment. Investors should consult with their own independent professional legal, tax, investment and financial advisors before purchasing Shares, 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. There is no assurance of a positive return on a holder's original investment. In addition to the factors set forth elsewhere in this Offering Memorandum, investors should consider the following risks before purchasing Shares. Any or all of these risks, or other as yet unidentified risks, may have a material adverse effect on the Corporation's business and/or the return to the investors.

Risks Relating to the Business

Performance of the Corporation and Limited Operating History

The Corporation commenced operations and began making mortgage loans in 2014. Accordingly, it has limited operating history upon which prospective investors may evaluate its performance. Past performance of the Corporation and the Manager and its personnel are not indicative of future results of the Corporation, and there can be no assurance that targeted returns will be met. Accordingly, investors should draw no conclusion from the performance of historical investments by the Corporation or the Manager or its personnel. There can be no assurance that the Corporation will be able to implement its investment strategy and investment approach or achieve its investment objectives.

Reliance on the Manager

Because the Corporation's day-to-day activities are managed and administered exclusively by the Manager, the Corporation is exposed to adverse developments in the business and affairs of the Manager, to the Manager's management and financial strength, to the Manager's ability to operate its businesses profitably and to the Manager's ability to retain its mortgage brokerage and administrative licenses issued to it under the MBLAA, *Real Estate Act* (Alberta), and *Mortgage Brokers Act* (British Columbia). The termination of the Management Agreement could have a material adverse effect on the Corporation's business, financial condition and results of operations. See "*The Manager*".

Although the employees and key personnel of the Corporation and the Manager who will be primarily responsible for the Corporation's performance have extensive experience, there is no certainty that such individuals will continue to be employees of the Manager in the future. The loss of the services of one or more of those individuals could have a material adverse effect on the Corporation. In addition, the Management Agreement may be terminated in certain circumstances. See "*The Manager*". There is no assurance that the Manager will continue to provide services to the Corporation.

There is no certainty that the persons who are currently officers and directors of the Manager will continue to act in such capacity. Shareholders will be required to rely on the good faith, expertise and judgment of the individuals comprising the management of the Manager from time to time. Shareholders do not have the right to direct or influence in any manner the business or affairs of the Manager.

Nature of the Investments

Investments in mortgages are affected by general economic conditions, local real estate markets, demand for leased premises, new supply, occupancy rates, operating expenses, prevailing interest rates and various other factors. The value of a real estate property may ultimately depend on the credit and financial stability of the tenants. Investments in mortgages are relatively illiquid. Such lack of liquidity will tend to limit the Corporation's ability to vary its Mortgage Portfolio promptly in response to changing economic or investment conditions.

Investments in mortgages relating to development or renovations may be riskier than investments in mortgages relating to property purchases or mortgage receivables. Land mortgages pose a unique risk in the event of default in that the work-out period can be lengthy while the asset has no capacity to generate cash flow. The Corporation may occasionally invest in mortgages with a loan to value of more than 75%, which exceeds the investment limit for conventional mortgage lending. Per the Corporation's Investment Policies, the Corporation will not invest in mortgages with a loan to value of more than 85%.

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

Sensitivity to Interest Rates

The value of the Shares and the value of the Mortgage 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 Mortgages. If there is a decline in interest rates (as measured by the indices upon which the interest rates of the mortgages are based), the Corporation may find it difficult to make additional mortgages bearing rates sufficient to achieve the targeted payment of dividends on the Shares. 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 ability to maintain dividends on the Shares at a consistent level.

As well, if interest rates increase, the value of the Mortgage Portfolio may be negatively impacted. An increase in interest rates may decrease the ability of borrowers to make timely mortgage payments and may result in an increase in borrower defaults. There can be no assurance that an interest rate environment in which there is a significant increase in interest rates would not adversely affect the Corporation's ability to maintain dividends on the Shares at a consistent level.

Changes in Real Estate 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. Changes in market conditions may decrease the value of the secured property and reduce the cash flow from the property, thereby impacting the ability of the borrower to service the debt and/or repay the loan based on the property income. A substantial decline in value of real property provided as security for a mortgage loan may cause the value of the property to be less than the outstanding principal amount of the mortgage loan. Foreclosure by the Corporation on any such mortgage loan might not provide it with proceeds sufficient to satisfy the outstanding principal amount of the mortgage loan.

While independent appraisals by a qualified appraisal company may be obtained before the Corporation makes any mortgage loan, the appraised values provided, 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 of construction,

rehabilitation, remediation or leasehold improvements on the real property providing security for the loan. There can be no assurance that these conditions will be satisfied and if, to the extent they are not satisfied, the appraised value may not be achieved. 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.

Risks Related to Mortgage Defaults

If a borrower under a Mortgage loan subsequently defaults under any terms of the loan, the Manager, on the Corporation's behalf, has the ability to exercise the Corporation's mortgage enforcement remedies in respect of the Mortgage loan. Exercising mortgage enforcement remedies is a process that requires a significant amount of time to complete, which could adversely impact the Corporation's cash flow. In addition, as a result of potential declines in real estate values, there is no assurance that the Corporation will be able to recover all or substantially all of the outstanding principal and interest owed to the Corporation in respect of such Mortgages by exercising mortgage enforcement remedies. Should the Corporation be unable to recover all or substantially all of the principal and interest owed to it in respect of such Mortgage loans, the returns, financial condition and results of operations of the Corporation could be adversely impacted.

Foreclosure and Related Costs

One or more borrowers could fail to make payments according to the terms of their Mortgage loan, and the Corporation could therefore be forced to exercise its rights as mortgagee. The recovery of a portion of the Corporation's assets may not be possible for an extended period of time during this process and there are circumstances where there may be complications in the enforcement of the Corporation's rights as mortgagee. Legal fees and expenses and other costs incurred by the Corporation in enforcing its rights as mortgagee against a defaulting borrower are usually recoverable from the borrower directly or through the sale of the mortgaged property by power of sale or otherwise, although there is no assurance that they will actually be recovered. In the event that these expenses are not recoverable, they will be borne by the Corporation.

Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made through 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 therefore be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.

Environmental Matters

The Corporation may from time to time take possession, through enforcement proceedings, of properties that secured defaulted Mortgage loans to recover its investment in such Mortgage loans. Prior to taking possession of properties which secure a Mortgage loan, the Corporation may assess the potential environmental liability associated with it and determines whether it is significant. If the Corporation subsequently determines to take possession of the property, it could be subject to environmental liabilities in connection with the property, which could exceed its value. If hazardous substances are discovered on a property on which the Corporation has taken possession, the Corporation may be required to remove such substances and clean up the property. The Corporation may also be liable to tenants and other users of neighbouring properties and may find it difficult to resell the property prior to or following such clean-up.

Availability of Investments

The Corporation's ability to make mortgage loans in accordance with its objectives and policies depends upon the availability of suitable loans and the amount of funds available. There can be no assurance that the yields on the mortgages in the Mortgage Portfolio at any point in time will be representative of yields to be obtained on future mortgage loans. The Corporation may not be able to source suitable mortgages in which to reinvest its funds as Mortgages are repaid, in which case the funds will be invested in Authorized Interim Investments. The rates of return on Authorized Interim Investments are typically lower than the rates of return on mortgages. An inability to find suitable investments may have an adverse effect on the Corporation's ability to sustain the level of dividends. The Corporation competes with individuals, corporations and institutions for opportunities in the financing of real

property. Certain of these competitors may have greater resources than the Corporation and may therefore operate with greater flexibility.

Potential Conflicts of Interest

The Corporation is subject to various potential conflicts of interest because the Manager is controlled by directors and officers of the Corporation. See "*Conflicts of Interest*". These conflicts of interest may have a detrimental effect on the business of the Corporation.

The Corporation relies upon the Manager to manage its business. The directors and officers of the Manager may have a conflict of interest in allocating their time between the respective businesses and interests of the Manager and the Corporation, and other businesses or projects in which they may become involved.

Certain of the directors and officers of the Corporation also serve as directors and/or officers of the Manager and/or its affiliates. These directors and officers owe fiduciary duties to these other entities as well as to the Corporation under applicable law. It is possible that these duties may come into conflict during the management of the Corporation.

The members of the Board may from time to time deal with parties with whom the Corporation is dealing, or may be seeking investments similar to those desired by the Corporation. The Corporation has conflict of interest policies requiring members of the Board to disclose material interests in material contracts and transactions and to refrain from voting thereon.

The services of the directors and officers of the Manager are not exclusive to the Corporation, and the directors and officers of the Manager may, from time to time, engage in the promotion or management of another entity. The services of the Manager are not exclusive to the Corporation.

The Corporation may acquire or co-invest in mortgages, the lenders of which are in some cases affiliated with the Manager, including BSHY III. The Corporation proposes to complete such acquisitions on the equivalent of arm's length terms. See "*Use of Proceeds*" and "*Conflicts of Interest*".

There are potential conflicts of interest with respect to the Investment Committee. The Board may remove and replace any member of the Investment Committee. See "*Investment Committee*". It is possible that decisions by members of the Investment Committee could be influenced by a desire to remain on the Investment Committee or by other relationships they may have with the Corporation, the Manager or any of their respective affiliates.

S. Scott Cameron, a director, officer and shareholder of the Corporation, is also a dealing representative of CSSL and will be facilitating purchases of Shares pursuant to the Offering in his capacity as a dealing representative of CSSL and may receive compensation from CSSL therefor. See "*Agents*". See "*Conflicts of Interest*". See "*Related & Connected Issuer*".

Any of the aforementioned conflicts of interest, as well as others, may be difficult, if not impossible, to resolve equitably.

Borrowing

The Corporation may incur indebtedness secured by its assets to purchase mortgages or for ongoing mortgage investments, subject to restrictions contained in the Corporation's investment policies (see "*Business - Investment Policies*"). There can be no assurance that such a strategy will enhance returns and in fact the strategy may reduce returns. The security which the Corporation is required to furnish may include an assignment of its Mortgages to a third party lender. If the Corporation is unable to service its debt to such lender, a loss could result if the lender exercises its rights of foreclosure and sale.

Limited Sources of Borrowing

The Canadian financial marketplace is characterized as having a limited number of financial institutions that provide credit to entities such as the Corporation. The limited availability of sources of credit may limit the Corporation's ability to take advantage of leveraging opportunities to enhance the yield on its Mortgage loans. The Corporation

limits exposure to potential scarcity of funds by continuously seeking out new sources of credit and may also enter into a credit facility or similar borrowing. Any such loans would be liabilities resulting from the funding of the Corporation's Mortgage investments. Repayment of Mortgage investments will result in a direct and corresponding pay down of any such loans. The obligations for future mortgage advances under the Corporation's Mortgage Portfolio are anticipated to be funded from sales of Shares, any future credit facility or similar borrowing and borrower mortgage repayments. Upon funding of same, the funded amount forms part of the Corporation's Mortgage investments. If payment under any loan obtained by the Corporation is demanded, including as a result of the Corporation failing to meet certain financial covenants under such loan, and there is not a corresponding repayment of the Corporation's Mortgage investments or if the Corporation is unable to find sources of credit to fund its Mortgage investments, there would be an adverse effect on the Corporation's ability to pay dividends and there could also be a material adverse effect on the Corporation's business, financial condition and results of operation.

Renewal of Mortgages Comprising the Mortgage Portfolio

There can be no assurances that any of the mortgages comprising the Mortgage Portfolio can or will be renewed at the same interest rates and terms, or in the same amounts. With respect to each mortgage comprising the Mortgage Portfolio, it is possible that the mortgagor, the mortgagee or both, will elect to not renew. In addition, if the mortgages in the Mortgage Portfolio are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such mortgages will be subject to negotiations between the mortgagors and the mortgagees at the time of renewal.

Composition of the Mortgage Portfolio

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

Subordinated and Subsequent Debt Financing

Secondary financing which may be carried on by the Corporation is generally considered to be riskier than primary financing because the Corporation would not have a first-ranking charge on the underlying property. When a charge on a real property is in a position other than first-ranking, it is possible for the holder of a prior charge on the property, if the borrower is in default under the terms of its obligations to such holder, to take a number of actions against the borrower and ultimately against the real property to realize on the security given for the loan. Such actions may include a foreclosure action, the exercising of a giving-in-payment clause or an action forcing the real property to be sold. A foreclosure action or the exercise of a giving-in-payment clause may have the ultimate effect of depriving any person having other than a first-ranking charge on the real property of the security of the real property. If an action is taken to sell the real property and sufficient proceeds are not realized from such sale to pay off creditors who have prior charges on the property, the holder of a subsequent charge may lose its investment or part thereof.

Reliance on Borrowers

After funding a mortgage loan, although the Manager may monitor the situation on behalf of the Corporation, the Corporation relies upon borrowers to maintain adequate insurance and for proper adherence to environmental regulations.

No Guarantees or Insurance

There can be no assurance that the Corporation's Mortgage loans will result in a guaranteed rate of return or any return to shareholders or that losses will not be suffered on one or more Mortgage loans. Moreover, at any time, the interest rates being charged for mortgages are reflective of the general level of interest rates and, as interest rates fluctuate, it may be expected that the aggregate yield on mortgage investments will also change.

The obligations of a mortgage borrower to the Corporation or any other person are not guaranteed by the Government of Canada, the government of any province or any agency thereof nor are they insured under the

National Housing Act (Canada). In the event that additional security is given by the borrower or a third party or that a private guarantor guarantees the mortgage borrower's obligations, there is no assurance that such additional security or guarantee will be sufficient to make the Corporation whole. Further, Shares are not "deposits" within the meaning of the *Canadian Deposit Insurance Corporation Act (Canada)* and are not insured under the provisions of that act or any other legislation.

Litigation Risks

The Corporation may, from time to time, become involved in legal proceedings in the course of its business. The costs of litigation and settlement can be substantial and there is no assurance that such costs will be recovered in whole or at all. During litigation, the Corporation might not receive payments of interest or principal on a mortgage loan that is the subject of litigation, which would affect the Corporation's cash flows. An unfavourable resolution of any legal proceedings could have an adverse effect on the Corporation, its financial position and results of operations that could be material.

Ability to Manage Growth

The Corporation intends to grow its Mortgage Portfolio. In order to effectively deploy its capital and monitor its loans and investments in the future, the Corporation and/or the Manager may need to retain additional personnel and may be required to augment, improve or replace existing systems and controls, each of which can divert the attention of management from their other responsibilities and present numerous challenges. As a result, there can be no assurance that the Corporation would be able to effectively manage its growth and, if unable to do so, the Mortgage Portfolio, and the price of the Shares, may be materially adversely affected.

Size of Offering and Concentration Risk

The amount of funds raised under the Offering will directly affect the number and degree of diversification of the mortgage loans to be made by the Corporation and will affect the scope of mortgage loan opportunities available to the Corporation.

Effect of Fees and Expenses on Return

The Corporation will pay its on-going operating expenses, including the Management Fee. Such fees and expenses will reduce actual returns to investors. Certain of the fees and expenses will be paid regardless of whether the Corporation produces positive returns.

Change in Legislation

There can be no assurance that certain laws applicable to the Corporation, including Canadian federal and provincial tax laws, tax proposals, other governmental policies or regulations and governmental, administrative or judicial interpretation thereof, will not change in a manner that will adversely affect the Corporation or fundamentally alter the tax consequences to shareholders acquiring, holding or disposing of Shares.

Possible Effect of Redemptions

Substantial redemptions of Shares could require the Corporation to dispose of Mortgage loans to raise the necessary cash to fund redemptions and achieve a Mortgage Portfolio appropriately reflecting a smaller shareholders' equity. Such factors could adversely affect the value of the Shares redeemed and of the Shares remaining outstanding. In addition, the Corporation may, in whole or in part, suspend or postpone, or continue a suspension or postponement of, the right to redeem any Shares, and may postpone the date of payment upon redemption for any period, in each case, for any reason or cause in its sole discretion. See "*Description of Share Capital – Common Shares*".

Qualification as a Mortgage Investment Corporation

Although the Corporation intends to qualify at all times as a MIC, no assurance can be provided in this regard. If for any reason the Corporation does not maintain its qualification as a MIC under the Tax Act, taxable dividends and capital gains dividends paid by the Corporation on the Shares will cease to be fully or partly deductible by the Corporation in computing income for tax purposes and such dividends will no longer be deemed by the rules in the

Tax Act that apply to MICs to have been received by shareholders as bond interest or a capital gain, as the case may be. As a consequence, the rules in the Tax Act regarding the taxation of public corporations and their shareholders should apply, with the result that the combined rate of corporate and shareholder tax could be significantly greater. In addition, the Shares might cease to be qualified investments for Plans, with the effect that a penalty tax would be payable by the investor.

No Review by Regulatory Authorities

This Offering Memorandum constitutes a private offering of the Shares in Ontario, Alberta, and British Columbia pursuant to prospectus exemptions under the securities laws of such applicable Canadian provinces. This Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus, advertisement, or public offering of Shares. Neither this Offering Memorandum nor any other material relating to this Offering has been reviewed or considered by any securities commission, tax authority, or any other governmental or regulatory authority.

Risks Relating to the Shares

No Market for Shares and Resale Restrictions

There is no market through which the Shares may be sold and the Corporation does not expect any market will develop in the future. The transfer and redemption of Shares is subject to certain restrictions set out in the Corporation's Articles of Incorporation and will be affected by restrictions on resales pursuant to applicable securities law and, if applicable, the terms of the credit facility obtained by the Corporation. The Corporation may suspend redemption rights. Investors may not be able to resell or redeem Shares purchased under this Offering Memorandum. Accordingly, an investment in Shares should only be considered by investors who do not require liquidity. See "*Description of Share Capital – Common Shares*" and "*Resale Restrictions*".

Unpredictability and Volatility of Share Price

The redemption price or the price at which an arm's length purchaser is willing to acquire Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Corporation's control, including the following:

- actual or anticipated fluctuations in the Corporation's future results of operations;
- changes in the economic performance or market valuations of other companies that investors deem comparable to the Corporation;
- the addition or departure of executive officers or key personnel of the Manager;
- the transfer restrictions on outstanding Shares;
- sales or expected sales of additional Shares;
- changes in applicable laws and regulations, including tax laws;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Corporation or the Corporation's competitors; and
- news reports relating to the conditions in the economy in general and/or trends, concerns or competitive developments, regulatory changes and other related issues in the Corporation's industry or target markets.

Payment of Dividends

The Corporation has established a dividend policy but the terms of such dividend policy remain, among other things, at the discretion of the Board and may be restricted by the terms of any credit facility obtained by the Corporation. See "*Dividends*". Future dividends, if any, will depend on the Corporation's results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other factors, and compliance with the terms of any credit facility obtained by the Corporation. For these and other reasons, the Corporation's payment of dividends on the Shares and the level thereof is uncertain.

Dilution

Pursuant to the Corporation's Articles of Incorporation, the Corporation is authorized to issue an unlimited number of Shares. The Corporation may issue additional Shares, for aggregate consideration and on terms and conditions as are determined appropriate by the Board, without the approval of holders of Shares and holders of Shares will have no pre-emptive rights in connection with such further issuances. Any further issuance of Shares may dilute the interests of existing holders of Shares.

Qualified Investment Eligibility

The Corporation will endeavor to ensure that the Shares continue to be qualified investments for trusts governed by Plans. No assurance can be given in this regard. If the Shares are not qualified investments for Plans, such Plans (and, in the case of certain Plans, the annuitants, subscribers or beneficiaries thereunder or holders thereof) may be subject to adverse tax consequences including, in the case of RESPs, revocation of such Plans.

Limitations on Ownership and Repurchases of Shares

In order to maintain the Corporation's status as a MIC, the Corporation's Articles of Incorporation provide that no shareholder is permitted to hold at any time, directly or indirectly, either alone or together with a person "related" to the shareholder (within the meaning of the Tax Act, a "**Related Person**"), more than 25% of any class or series of the issued shares of the Corporation. Although the Manager will monitor the foregoing limitation on ownership and advise the Board of any potential circumstances in which this limitation may be exceeded, there is no assurance that the Corporation will be able to identify each particular circumstance prior to the limitation on ownership being exceeded. In the event that, as determined by the Board in its sole discretion, any transaction affecting the shares of the Corporation, if completed, would cause any shareholder, either alone or together with Related Persons, to hold more than 25% of any class or series of the Corporation's issued shares, that portion of the shares held which constitutes in excess of 24.9% of the issued shares of any class or series of shares will, immediately prior to the completion of the subject transaction, automatically be repurchased and cancelled by the Corporation without any further action by the Corporation or the subject shareholder(s). See "*Description of Share Capital – Limitation on Ownership*". The Corporation's failure to maintain its status as a MIC would have a material adverse effect on the Corporation's business, operations, financial condition and general business prospects. In addition, such repurchases of Shares by the Corporation could be significant and, if so, the Corporation may be required to sell Mortgages in order to satisfy purchase payment obligations, and may not be able to complete such Mortgage sales on favourable terms or at all.

In addition, pursuant to the Corporation's Articles of Incorporation, the Corporation may, upon giving notice, redeem the whole or any part of the Common Shares then outstanding on payment for each such Common Share to be redeemed of an amount equal to: (a) the fair value of a Common Share on the date fixed for redemption as determined by the Board and having regard to the Fair Value Determination; *plus* (b) all declared and unpaid dividends on a Common Share accrued up to the date fixed for redemption. Notice of such a redemption must be given by the Corporation to each person whose Common Shares are to be redeemed at least ten days before the date specified for redemption. See "*Description of Share Capital – Redemption at Option of Corporation*".

CONFLICTS OF INTEREST

General

Conflicts of interest may exist, and others may arise, between holders of Shares and the directors and officers of the Manager and the Corporation and their respective associates and affiliates.

Certain of the shareholders, directors and officers of the Corporation are also shareholders, directors and officers of the Manager. As the Manager is paid the Management Fee (as more particularly described elsewhere in this Offering Memorandum) by the Corporation, there exists the possibility that such shareholders, officers and directors will be in a position of conflict. See "*The Manager – Manager Fees and Expenses*".

There is no assurance that any conflicts of interest that may arise will be resolved in a manner most favourable to holders of Shares. Persons considering a purchase of Shares must rely on the judgment and good faith of the directors, officers and employees of the Manager and the Corporation in resolving such conflicts of interest as may arise. In addition, the Investment Committee is tasked with adjudicating and advising on transactions involving conflicts of interest or potential conflicts of interest as they may arise from time to time as between the Manager, BSHY and the Corporation. See "*Investment Committee*".

The Manager

The Corporation and its shareholders are dependent in large part upon the experience and good faith of the Manager, which is entitled to earn fees for providing services to the Corporation. Officers and directors of the Manager may also serve from time to time as directors of the Corporation and/or members of the Investment Committee.

The Manager and its associates are entitled to act in a similar capacity for other companies with investment criteria similar to those of the Corporation. As such, there is a risk the Manager will not be able to originate sufficient suitable investment opportunities to keep the Corporation's funds fully invested. Also, the directors of the Corporation and the Manager may be employed by, or act in other capacities for, other entities involved in mortgage and lending activities. Investment in the Corporation will not carry with it the right to invest in any other property or venture of the Manager or its associates, or to profit therefrom or to earn any interests therein. The Manager may decide not to invest in mortgages in which the Corporation subsequently invests, the Manager may elect to invest in mortgages which have been rejected by the Corporation, or the Manager may invest in mortgages in which the Corporation invests. In certain cases, the Manager may transfer its interest in a mortgage or mortgages from entities for which it acts as an adviser or manager to the Corporation.

BSHY

The Corporation has purchased and may continue to purchase mortgages from BSHY and proposes to co-invest with BSHY in future mortgages. The directors and senior officers of the Corporation, S. Scott Cameron and George Frankfort, are the general partners for BSHY; Mr. Cameron holds, directly or indirectly, approximately 3% of the units of BSHY and Mr. Frankfort holds, directly or indirectly, approximately 30% of the units of BSHY.

CSSL

S. Scott Cameron, a director, officer and shareholder of the Corporation, is also a dealing representative of CSSL and will be facilitating purchases of Shares pursuant to the Offering in his capacity as a dealing representative of CSSL and will receive compensation from CSSL therefore. See "*Agents*". CSSL has adopted policies and procedures to identify and avoid, or address and disclose to investors, conflicts between its own interests and the interests of the Corporation and/or its shareholders, in accordance with applicable securities legislation. As part of CSSL's disclosure to investors, CSSL will provide a description of all relationships it shares with the Corporation and all related or associated parties or entities.

See also the "*Related & Connected Issuer*" section below.

Lack of Separate Legal Counsel

The purchasers of Shares, as a group, have not been represented by separate counsel. Legal counsel for the Corporation, the Manager and each Agent have not acted, and are not acting, for the purchasers of Shares and have not conducted any investigation or review on their behalf.

RELATED & CONNECTED ISSUER

The Corporation is considered to be a "related issuer" and "connected issuer" of CSSL in connection with the Offering.

S. Scott Cameron, a director and the Ultimate Designated Person, Chief Compliance Officer, President, Secretary, Treasurer and an indirect 50% shareholder of CSSL, is a director, officer and shareholder (holding less than 10% of the issued and outstanding shares) of the Corporation. George Frankfort is an indirect 50% shareholder of CSSL and is a director, officer and shareholder (holding less than 10% of the issued and outstanding shares) of the Corporation. CSSL is a wholly-owned subsidiary of the Manager and Mr. Cameron's and Mr. Frankfort's indirect interest in CSSL results from their ownership of the Manager. CSSL is registered as a dealer in the category of exempt market dealer under the *Securities Act* (Ontario).

CSSL has acted as agent for the Corporation in prior offerings for which it did not receive any fees or commissions from the Corporation other than: (i) prior to June 1, 2021, on a monthly basis, one-quarter (1/4) of the Management Fee earned or received by the Manager from the Corporation from time to time pursuant to the Management Agreement, and (ii) the entitlement to receive reimbursement for reasonable out-of-pocket expenses in connection with such prior offerings. On June 1, 2021 the Dealer Agreement was revised such that there is no sharing of Management Fees. Should additional Agents be retained, the Corporation, the Manager or CSSL may pay a commission to such Agents, such as a percentage-based commission of the proceeds of the Offering raised.

Mr. Cameron and Mr. Frankfort may receive compensation and/or reimbursement of expenses in acting as directors and/or officers of the Corporation, Manager and Agent, as applicable. Mr. Cameron and Mr. Frankfort are directors and officers of the Manager, each indirectly own 50% of the issued and outstanding shares of the Manager and the Manager receives compensation from the Corporation pursuant to the Management Agreement. As directors and officers of the Corporation, Mr. Cameron and Mr. Frankfort were involved in the decision to undertake the Offering and in determining the terms of the Offering. The terms of the Offering and the Dealer Agreement were agreed to by the Corporation, CSSL and the Manager in the context of the market, having regard to market conditions and the prospects of the Corporation. Mr. Cameron and Mr. Frankfort may subscribe, directly or indirectly, for Common Shares.

The Corporation intends to co-invest with BSHY III in connection with new investments. See "*Background*" above. Mr. Cameron and Mr. Frankfort are directors, officers and indirect shareholders of the general partner of BSHY III. Mr. Cameron holds, directly or indirectly, approximately 3% of the units of BSHY and Mr. Frankfort holds, directly or indirectly, approximately 30% of the units of BSHY.

MATERIAL CONTRACTS

The only material contracts of the Corporation at present are the Management Agreement and the Dealer Agreement. Copies of such contracts may be inspected by interested investors at the principal office of the Manager during normal business hours during the course of the Offering at 25 Adelaide Street East, Suite 600, Toronto, Ontario, M5C 3A1.

PROMOTER

The Manager may be considered a promoter of the Corporation by reason of its initiative in forming and establishing the Corporation and taking the steps necessary for the distribution of the Shares. The Manager will receive certain remuneration as described herein. See "*The Manager – Manager Fees and Expenses*" and see "*Conflicts of Interest*". The Manager will not receive any benefits, directly or indirectly from the issuance of the Shares other than as described in this Offering Memorandum.

TRANSFER AGENT AND REGISTRAR

The Corporation has appointed Odyssey Trust Company to act as registrar and transfer agent for the Shares at its principal office in Vancouver, British Columbia. Shares may be transferred by a holder on the books of the Corporation maintained by or on behalf of the transfer agent as indicated herein. The certificate, if any, evidencing the Shares to be transferred must be delivered to the Corporation before any such transfer is made. If fewer than the number of Shares indicated on the certificate delivered are to be transferred, the transferee will receive a new certificate evidencing the number of Shares the transferee has retained. If requested by the Corporation, signatures for transfers must be guaranteed by a bank or trust company. Transfers of Shares are subject to restrictions. See "*Resale Restrictions*".

AUDITOR

The auditor of the Corporation is Grant Thornton LLP, Chartered Accountants, 200 King Street West, 11th Floor, Toronto, ON M5H 3T4.

LEGAL COUNSEL

Legal counsel to the Corporation is Fogler, Rubinoff LLP, 77 King Street West, Suite 3000, P.O. Box 95, TD Centre North Tower, Toronto, Ontario, Canada M5K 1G8.

LEGAL PROCEEDINGS

There are no legal proceedings outstanding or, to the best of the knowledge of the Corporation, threatened against the Corporation or the Manager.

ENGLISH LANGUAGE

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

RESALE RESTRICTIONS

The Shares will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, purchasers of Shares will not be able to trade the Shares unless they comply with an exemption from the prospectus and registration requirements under securities legislation. Unless permitted under securities legislation, the purchaser of Shares cannot trade the Shares before the date that is 4 months and a day after the date that the Corporation becomes a reporting issuer in any province or territory of Canada.

Since the Corporation is not a reporting issuer pursuant to applicable securities legislation, the applicable hold period may never expire, and if no further statutory exemption is available and if no discretionary order is obtained, this could result in a potential investor having to hold Shares for an indefinite period of time. The Corporation does not currently intend to file a prospectus or otherwise become a reporting issuer pursuant to applicable securities legislation and accordingly it is not intended that any Shares will become freely tradable.

In addition, pursuant to the Articles of Incorporation of the Corporation, no securities of the Corporation (including the Shares), other than non-convertible debt securities, if any, shall be transferred without: (i) the express approval of the Board; or (ii) the express approval of the shareholders of the Corporation entitled to vote at a meeting. See "*Description of Share Capital*".

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

PURCHASER'S RIGHTS OF ACTION

Securities laws in certain jurisdictions of Canada provide Subscribers, in addition to any other rights they may have at law, with rights of action for damages or rescission if an offering memorandum, such as this Offering Memorandum, or any amendment to it and, in certain cases, advertising and sales literature used in connection therewith, contains a misrepresentation. However, these rights must be exercised by the subscriber within the time limits prescribed by the applicable securities laws. Each prospective subscriber should refer to the provisions of the applicable securities laws for a complete text of these rights and/or consult with a legal advisor.

The following is a summary of the statutory rights of action for damages or rescission available to subscribers resident in certain provinces and territories. These summaries are subject to the express provisions of the applicable securities laws of such jurisdictions and the regulations, rules and policy statements thereunder, and reference is made thereto for the complete texts of such provisions. The rights of action described below are in addition to, and without derogation from, any other right or remedy that a subscriber may have under applicable laws.

Statutory Rights of Action

Subscribers Resident in Alberta in Reliance on the Minimum Amount Investment Exemption

Alberta Securities Commission Rule 45-511 Local Prospectus Exemptions and Related Requirements provides that the following statutory rights of action apply to information contained in an offering memorandum, such as this Offering Memorandum, that is provided to a subscriber of securities in respect of a distribution made in reliance only on the "minimum amount investment" exemption in section 2.10 of NI 45-106.

The rights of action for damages or rescission described herein is conferred by section 204 of the *Securities Act* (Alberta) (the "ASA") and the time limits specified by section 211 of the ASA in which an action to enforce a right under section 204 must be commenced. If this Offering Memorandum, or any amendment to it, provided in connection with a distribution made in reliance on the "minimum amount investment" exemption contains a misrepresentation, a subscriber resident in Alberta who purchases under such exemption a security offered by this Offering Memorandum: (a) is deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and, in addition to any other rights the subscriber may have at law, (b) has a right of action for damages against (i) the Corporation, and (ii) each person who signed this Offering Memorandum (each a "Signatory" and collectively, the "Signatories"). If a subscriber elects to exercise a right of rescission against the Corporation, the subscriber will have no right of action for damages against the Corporation or the Signatories.

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

No action may be commenced to enforce either right of action unless the right is exercised:

- (a) in the case of an action for rescission, on notice given to the Corporation not later than 180 days from the date of the transaction that gave rise to the cause of action; or
- (b) in the case of an action for damages, on notice given to the Corporation not later than the earlier of (i) 180 days from the date the subscriber first had knowledge of the facts giving rise to the cause of action; or (ii) three years from the date of the transaction that gave rise to the cause of action,

and also provided that:

- (a) the Corporation or a Signatory will not be held liable under this paragraph if the Signatory or the Corporation proves the defendant purchased the Shares with knowledge of the misrepresentation;

- (b) in an action for damages, the Corporation or the Signatory will not be liable for all or any portion of those damages that they prove do not represent the depreciation in value of the Shares as a result of the misrepresentation; and

in no case will the amount recoverable under this paragraph exceed the price at which the Shares were sold to the subscriber.

Subscribers Resident in Ontario

Securities laws of Ontario provide that, subject to the following paragraph, a subscriber resident in Ontario shall have, in addition to any other rights the subscriber may have at law, a right of action for damages or rescission against the Corporation and a selling security holder on whose behalf the distribution is made if an offering memorandum, such as this Offering Memorandum, contains a "misrepresentation" (for the purposes of this section, as defined in the *Securities Act* (Ontario)) (the "OSA"), without regard to whether the subscriber relied on the misrepresentation. Subscribers should refer to the applicable provisions of the Ontario securities laws for particulars of these rights or consult with a lawyer.

OSC Rule 45-501 Ontario Prospectus and Registration Exemptions provides that, when an offering memorandum is delivered to a prospective subscriber in connection with a distribution made in reliance on the "accredited investor" prospectus exemption in section 2.3 of NI 45-106, the rights of action referred to in section 130.1 of the OSA ("**Section 130.1**") will apply in respect of the offering memorandum unless the prospective subscriber is:

- (a) a Canadian financial institution, meaning either:
 - (i) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act; or
 - (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services corporation, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;
- (b) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);
- (c) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or
- (d) a subsidiary of any person referred to in paragraphs (a), (b) and (c), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary.

Subject to the foregoing, Section 130.1 of the OSA provides a subscriber who purchases Shares offered by this Offering Memorandum during the period of distribution with a statutory right of action for damages or rescission against the Corporation and a selling security holder on whose behalf the distribution is made in the event that the Offering Memorandum or any amendment to it contains a "misrepresentation", without regard to whether the subscriber relied on the misrepresentation. A "misrepresentation" is defined in the OSA as an untrue statement of 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 is made. A "material fact", when used in relation to securities issued or proposed to be issued, is defined in the OSA as a fact that would be reasonably expected to have a significant effect on the market price or value of the securities. In the event that this Offering Memorandum, together with any amendment to it, is delivered to a subscriber of Shares and this Offering Memorandum contains a misrepresentation which was a misrepresentation at the time of purchase of the Shares, the subscriber will have a statutory right of action for damages against the Corporation and a selling security holder on whose behalf the distribution is made or, while still the owner of the Shares, for rescission against the Corporation and a selling

security holder on whose behalf the distribution is made, in which case, if the subscriber elects to exercise the right of rescission, the subscriber will have no right of action for damages against the Corporation and a selling security holder on whose behalf the distribution is made, provided that:

- (a) no action shall be commenced more than, in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or, in the case of any action other than an action for rescission, the earlier of (i) 180 days after the subscriber first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the transaction that gave rise to the cause of action;
- (b) no person or company will be liable if he, she or it proves that the subscriber purchased the Shares with knowledge of the misrepresentation;
- (c) in an action for damages, the defendant will not be liable for all or any portion of the damages that the defendant proves do not represent the depreciation in value of the Shares as a result of the misrepresentation relied upon;
- (d) no person or company will be liable for a misrepresentation in "forward-looking information" (as defined in the OSA) if he, she or it proves that:
 - (i) the Offering Memorandum contains, proximate to the forward-looking information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection set out in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
 - (ii) it had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;
- (e) in no case will the amount recoverable exceed the price at which the Shares were offered to the subscriber; and
- (f) the right of action for damages or rescission is in addition to, and does not derogate from, any other right or remedy the subscriber may have at law.

Other Rescission Rights

In certain provinces a subscriber of Shares may, where the amount of the purchase does not exceed the sum of \$50,000, rescind the purchase by written notice given to the registered dealer from whom the purchase was made (i) within 48 hours after receipt of the confirmation for a lump sum purchase, or (ii) within 60 days after receipt of the confirmation for the initial payment under a contractual plan. Subject to the registered dealer's reimbursement of sales charges and fees to the subscriber as described below, the amount a subscriber is entitled to recover on exercise of this right to rescind shall not exceed the price of the Shares purchased, at the time the right is exercised. The right to rescind a purchase made under a contractual plan may be exercised only with respect to payments scheduled to be made within the time specified above for rescinding a purchase made under a contractual plan. Every registered dealer from whom the purchase was made must reimburse the subscriber who has exercised this right of rescission for the amount of sales charges and fees relevant to the investment of the subscriber in the Corporation in respect of the Shares for which the written notice of the exercise of the right of rescission was given.

Subscribers must exercise these rights within the prescribed time limits under applicable securities legislation. Subscribers should refer to the applicable provisions of the securities legislation in their province of residence to determine whether they have similar rescission rights or consult with their legal advisor for more details.

Contractual Rights of Action

Subscribers Resident in British Columbia or Subscribers Resident in Alberta in Reliance on the "Accredited Investor" Exemption

If this Offering Memorandum, or any amendments thereto, contains a misrepresentation, a subscriber resident in British Columbia who purchased Shares under this Offering Memorandum, or a subscriber resident in Alberta who purchased Shares under this Offering Memorandum in reliance on the "accredited investor" exemption under NI 45-106, will not be entitled to the statutory rights of action described above. However, in consideration of purchasing Shares under this Offering Memorandum and upon acceptance by the Corporation of the subscriber's subscription in respect thereof, subscribers in those jurisdictions are hereby granted a contractual right of action for damages or rescission that is the same as the statutory rights of action described above provided to subscribers resident in Ontario under the OSA.

General

The foregoing summary is subject to the express provisions of the relevant provincial securities legislation and the regulations, rules and policy statements thereunder and reference should be 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 the purchaser may have at law.

CERTIFICATE

This Offering Memorandum does not contain a misrepresentation.

DATED as of September 8, 2021.

CAMERON STEPHENS MORTGAGE INVESTMENT CORPORATION

DocuSigned by:

Scott Cameron

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(SIGNED) S. SCOTT CAMERON
President, CEO and Director



(SIGNED) GEORGE FRANKFORT
Treasurer, Secretary and Director

CAMERON STEPHENS MORTGAGE CAPITAL LTD.

DocuSigned by:

Scott Cameron

288DD0EFE3434B0...
(SIGNED) S. SCOTT CAMERON
President and Director



(SIGNED) GEORGE FRANKFORT
Secretary and Director