

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


Date:	November 15, 2023	
The Issuer		
Name:		Advanced Mortgage Investment Corporation ("AMIC" or the "Corporation")
Head Office:	Address:	788 Island Park Drive Ottawa, ON K1Y 0C2
	Phone #	(613) 274-0055
	E-mail Address:	info@advancedmic.com
	Fax #	(613) 274-7389
	Website:	www.advancedmortgageinvestmentcorporation.com
Currently Listed or Quoted?	No. These securities do not trade on any exchange or market.	
Reporting Issuer?	No. The Corporation is not a reporting issuer under applicable securities legislation.	
The Offering		
Securities Offered:	Preferred Shares	
Price per Security:	\$1.00 per share	
Minimum/Maximum Offering:	There is no minimum. You may be the only purchaser. A maximum of 200,000,000 shares issued under this Offering.	
Minimum Subscription Amount:	10,000 Shares (\$10,000.00).	
Payment Terms:	The full subscription price is due upon closing.	
Proposed Closing Date(s):	Continuous offering. Closing dates will be determined from time to time by the Corporation as subscriptions for shares are received by the Issuer.	
Income Tax Consequences:	There are important tax consequences to these securities. See item 8.	
Insufficient Funds	Funds available under the Offering may not be sufficient to accomplish our proposed objectives	
Compensation Paid to Sellers and Finders	A person has received or will receive compensation for the sale of securities under this offering. See item 9.	
Resale Restrictions		
You may be restricted from selling your securities for an indefinite period. See item 12.		
Purchaser's Rights		
You have two (2) business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See item 13.		
No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. See item 10.		

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CONFIDENTIAL OFFERING MEMORANDUM

November 15, 2023



\$200,000,000
Preferred Shares

Advanced Mortgage Investment Corporation (the “**Corporation**” of the “**Issuer**”) hereby offers (the “**Offering**”) preferred shares in the capital of the Corporation (the “**Shares**”) at \$1.00 per Share. The Corporation has the right to waive or change either of the minimum subscription amounts at any time and from time to time. There is no minimum number of Shares that may be sold as part of the Offering, provided that no Shares will be issued until the Corporation has received subscriptions that it proposes to accept for Shares that are sufficient to enable the Corporation to meet the mortgage investment corporation (“**MIC**”) qualification in the *Income Tax Act* (Canada) (the “**Tax Act**”) with respect to ownership of Shares.

Shares will be offered by the Corporation to eligible investors under certain prospectus exemptions under National Instrument 45-106 *Prospectus and Registration Exemptions* (“**NI 45-106**”) in accordance with the conditions specified in this Offering Memorandum.

This Offering Memorandum is submitted on a confidential basis to prospective investors for informational use solely in connection with their consideration of the purchase of Shares. Use for any other purposes is not authorized. No person has been authorized to give any information or to make any representations regarding the Corporation or the distribution of the Shares other than as contained in this Offering Memorandum and, if given or made, such information or representations must not be relied upon as having been authorized by the Corporation. This Offering Memorandum may not be copied or reproduced in whole or in part, nor may it be distributed or any of its contents be disclosed to anyone other than the prospective investors to whom it is submitted. Any decision to purchase Shares must be based solely upon the information contained in this Offering Memorandum and in the Subscription Agreement (as defined herein).

An investment in Shares may be considered speculative due to the nature of the Corporation’s business.

The Corporation is subject to competition from other corporations which may have greater financial and technical resources competing in the same markets. The operations of the Corporation are dependent upon certain business risks.

See Item 10 “**Risk Factors.**”

There is no market through which the Shares may be sold, and no such market is expected to develop as a consequence of the Offering.

The Shares being distributed pursuant to this Offering Memorandum are subject to restrictions on resale until such time as:

- i. appropriate hold periods under applicable securities laws have been satisfied;
- ii. the trade is made in reliance on an available statutory exemption; or
- iii. an appropriate discretionary order is obtained pursuant to applicable securities laws.

Since the Corporation is not a reporting issuer pursuant to applicable securities laws, the applicable hold periods may never expire, and if no further statutory exemption may be relied upon or if no discretionary order is obtained, this could result in a purchaser 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 laws and accordingly it is not intended that the Shares will become freely tradable. See Item 12.

Purchasers of Shares pursuant to this Offering Memorandum are granted certain rights as described herein under the heading **“Right of Action for Rescission or Damages.”** See Item 13.

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

Some of your investment will be paid to a related party of the issuer. See item 1.2.”

SUMMARY OF THE OFFERING

The following is intended to provide a summary only of the principal features of this Offering Memorandum and should be read in conjunction with the more detailed information appearing elsewhere herein. This document does not provide disclosure of all information required for an investor to make an informed investment decision. Investors should read the Offering Memorandum, especially the risk factors relating to the securities offered, before making an investment decision.

Price:	\$1.00 per Share.
Minimum Subscription:	10,000 Shares (\$10,000). The Corporation has the right to waive or change either of the minimum subscription amounts at any time and from time to time.
Minimum Offering:	There is no minimum Offering, provided that no Shares will be issued until the Corporation has received subscriptions that it proposes to accept for Shares that are sufficient to enable the Corporation to meet the MIC qualification in the Income Tax Act with respect to ownership of Shares. Funds available under the Offering may not be sufficient to accomplish our proposed objectives.
Business of the Issuer & Use of Proceeds:	The net proceeds from the sale of the Shares will be used to make mortgage loans that are secured by real estate consisting of residential and commercial properties as described in this Offering Memorandum.

<p>Subscription Procedure:</p>	<p>An investor wishing to subscribe for Shares will be required to deliver a duly completed and executed subscription agreement in the form accompanying this Offering Memorandum (“Subscription Agreement”). Subscriptions for Shares will be received subject to rejection or acceptance in whole or in part by the Corporation in its absolute discretion, and the Corporation reserves the right to close the subscription books for an initial closing of Shares distributed pursuant to this Offering Memorandum at any time without notice.</p>
<p>Risk Factors:</p>	<p>An investment in the Shares is subject to significant risks, including but not limited to the following:</p> <ul style="list-style-type: none"> • the Shares will be subject to restrictions on resale and may only be resold if: <ul style="list-style-type: none"> i. the appropriate “hold periods” under applicable securities laws have been satisfied; ii. the trade is made in reliance on an available statutory exemption; or iii. an appropriate discretionary order is obtained pursuant to applicable securities laws; • the nature of the Corporation’s business; and <p>the Corporation being subject to competition from other corporations which may have greater financial and technical resources.</p>
<p>Eligibility:</p>	<p>Eligible investors under certain prospectus exemptions under NI 45-106.</p> <p>The Issuer’s auditor Welch LLP have provided an opinion that the Issuer’s preferred shares are eligible for investment in registered retirement savings plans, tax-free savings accounts or other registered plans.</p>
<p>Selling Agent:</p>	<p>The Corporation has engaged the Agent (“Advanced Capital Corp.”) to assist with the sale of Shares. The Agent will receive an Agent’s Fee (as defined herein). See “The Agent” and “Compensation of the Manager and the Agent.” This fee is calculated annually, paid monthly and is calculated based on total Assets and Liability Management. Assets and Liability Management include funds raised through issuance of Preferred Shares. <u>When you invest, your investment will be included in the total Assets and Liability Management. The Agent Fee is calculated based on total Assets and Liability Management inclusive of your investment.</u></p> <p>The Corporation will also pay a commission to the Agent or any other registered dealer that may be engaged by the Corporation from time to time to assist with the sale of the Offering (collectively, the “Dealers”).</p> <p>The Corporation will pay up to a maximum of 2.00% of the aggregate purchase price of Shares sold to investors referred to the Corporation by the Agent or its Dealing Representatives.</p> <p>Where a commission is payable by the Corporation to the Agent, the entire amount of any such commission will be remitted by the Agent to the dealing representative of the Agent (“Dealing Representative”) responsible for affecting the sale of the Shares where that Dealing Representative is not an officer of the issuer.</p>

	Where a commission is payable by the Corporation to a Dealer other than the Agent, the amount to be paid will be negotiated between the Dealer or finder and the Corporation on a case-by-case basis. See “Commissions Payable.”
Currency:	In this Offering Memorandum all references to \$ and dollars are to Canadian dollars.
Contact	<p>Michael Hapke President, Chief Executive Officer and Director of:</p> <ul style="list-style-type: none"> • Advanced Mortgage Investment Corporation • Advanced Alternative Lending (7016514 Canada Inc.) Ad • Advanced Capital Corp. <p>Corporate Offices: 788 Island Park Drive Ottawa, ON K1Y 0C2 (613) 656-0866 mike.hapke@advancedcapitalcorp.com</p>

FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Memorandum are forward-looking statements. These statements are generally identified by words like “anticipate,” “plan,” “believe,” “intend,” “expect,” “estimate,” “approximate,” and the like, as well as future or conditional verbs such as “will,” “should,” “would” and “could,” or negative versions thereof. Such forward-looking statements reflect the Corporation’s current beliefs and are based on information currently available to it. Because forward-looking statements involve future risks and uncertainties, actual results may be quite different from those expressed or implied in these statements. Examples of such risks and uncertainties include:

- the risks of competition within the Corporation’s industry;
- the annual yield of the Corporation that the Manager is targeting;
- the uncertainty of estimates and projections relating to the real estate industry;
- fluctuations in interest rates;
- changes in general economic and business conditions;
- the possibility that government policies or laws may change, or governmental approvals may be delayed or withheld;
- the ability of the Corporation to qualify as a MIC under the Income Tax Act; and
- the Corporation’s ability to implement its business strategy.

The foregoing list of risk factors is not exhaustive. Additional information on these and other factors that could affect the Corporation’s operations or financial results are included under the heading “**Risk Factors**” in this Offering Memorandum. The Corporation assumes no obligation to update or revise any forward-looking statements to reflect new events or circumstances, except as required by applicable securities legislation.

DOCUMENTS INCORPORATED BY REFERENCE

In addition to and apart from this Offering Memorandum, the Corporation may utilize certain marketing materials in connection with the Offering, including the above Summary of the Offering or excerpts of certain other material set forth in this Offering Memorandum.

This material may also include hard or soft copies of the following, distributed in person, by mail or online:

- Portfolio summaries or updates (unaudited/management-prepared).
- Investor sales promotion brochures, fact sheets or confidential information memoranda.
- Display advertising in print, online or on site via signage.
- The Corporation's web site and the web sites, where extant, of the Manager and the Agent.
- Social media accounts of the Corporation, Manager, Agent and registered dealing representatives of the Agent, where permitted.
- Opt-in email marketing campaigns sent by the Corporation, Manager and Agent.
- Public appearances or broadcasts by the officers, directors and/or staff or other personnel of the Corporation, the Manager and the Agent and recordings of same.

Copies of this material may be obtained on request and without charge from the Corporation via its Agent.

All such marketing materials are specifically incorporated by reference into and form an integral part of this Offering Memorandum. All such marketing materials will be delivered or made reasonably available to a prospective purchaser prior to the purchase by such prospective purchaser of Preferred Shares.

Any statement contained herein, or in a document all the relative portion of which is incorporated or deemed to be incorporated by reference herein, shall be deemed to be modified or superseded for the purposes of this Offering Memorandum to the extent that a statement contained herein or in any supplement hereto, including any document which is subsequently incorporated by reference or is deemed incorporated by reference herein, modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Offering Memorandum, and need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes.

Subscribers shall be deemed to have notice of all information contained in the documents incorporated by reference (or deemed incorporated by reference) in this Offering Memorandum, as if all such information were included in this Offering Memorandum. Subscribers who have not previously reviewed such information should do so in connection with their purchase.

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

ITEM 1: USE OF AVAILABLE FUNDS

1.1 Funds

The net proceeds of the Offering and the funds which will be available to the Corporation after the Offering are as follows:

		Assuming maximum Offering ¹
A	Amount to be raised by the Offering	\$200,000,000
B	Selling commissions and fees ²	\$4,000,000 ³
C	Estimated offering costs (including legal, accounting and audit) ⁴	\$200,000
D	Available Funds: D=A-(B+C)	\$195,800,000
E	Additional Sources of Funding Required	\$0
F	Working Capital Deficiency	\$0
G	Total: G = (D+E) – F	\$195,800,000

The Corporation does not expect to require additional sources of funding.

1.2 Use of Available Funds

The net proceeds of the Offering will be used primarily to make mortgage loans that are secured by residential and commercial real estate and for working capital. The available funds will not be commingled with the accounts of the Manager. The Manager will use its best efforts to use the available funds to make suitable mortgage loans as soon as is reasonably possible following each subsequent closing for Shares distributed pursuant to this Offering Memorandum.

A detailed breakdown of how the Corporation will use the net proceeds is as follows:

Description of intended use of available funds (net proceeds) in order of priority	Assuming maximum offering
Funding mortgages, general working capital	\$195,800,000
Total: Equal to G in the Funds table above	\$195,800,000

1.3 Proceeds Transferred to Other Issuers

Not Applicable.

ITEM 2 – BUSINESS OF THE ISSUER AND OTHER INFORMATION AND TRANSACTIONS

2.1 Structure

The Corporation was incorporated under the CBCA in Ontario on September 3, 2013. The head and registered office of the Corporation is located at 788 Island Park Drive, Ottawa, Ontario, K1Y 0C2.

- ¹ After the initial closing, the Corporation intends to complete periodic closings at its discretion until the Offering is completed or terminated. See "Investing in the Corporation."
- ² The Corporation will pay a commission to the Agent or any registered Dealer, or a referral fee to any non-registered finder (via a referral agreement with the Agent), who refers an investor resulting in a sale of Shares to such investors under the Offering:
 - The Corporation will pay up to a maximum of 2% of the aggregate purchase price of Shares sold to investors referred to the Corporation by the Agent.
 - The Corporation will pay up to a maximum of 2% of the aggregate purchase price of Shares sold to investors referred to the Agent (a) the Agent's Dealing Representatives, (b) external registered Dealers unaffiliated with the Agent who have independently approved the Offering, or (c) nonregistered finders via a referral agreement with the Agent. See "Commissions and Referral Fees Payable."
 - Certain share issuance costs (specifically commissions, referral fees and per-issuance regulatory filing fees) will be capitalized and shown as a reduction of the carrying value of the preferred shares and are subsequently expensed upon redemption of preferred shares.
- ³ Assumes the Corporation pays out the maximum possible commissions of 2% on the aggregate purchase price of Shares sold under a fully subscribed maximum Offering.
- ⁴ Offering costs as shown under the Maximum Offering are estimated; offering costs as shown under the Minimum Offering are actual costs since inception. Offering costs include trade-related postage, service fees (e.g. transfer agent or SEDAR filing fees), unrecoverable trustee fees, regulatory filing fees and other administrative and incidental costs associated with selling the Shares pursuant to this Offering Memorandum. Certain other costs (including certain marketing or advertising costs and printing of issuance documents, but not including commissions and referral fees as per note 3 above) will be paid as a general expense from revenues generated after investment of the proceeds of the Offering.

The Corporation is registered extra-provincially in the Province of Ontario.

2.2 Our Business

The strategy of the Corporation is to make mortgage loans to borrowers that are secured by residential and commercial real estate in market segments which are underserved by large financial institutions. The Corporation is building a portfolio of mortgages and may allocate funds as follows:

- **Residential Mortgages** – at least 50% of the Corporation’s assets, at cost, **must** consist of mortgages on residential properties in Canada, including but not limited to, single family dwellings, duplexes, townhouses, condominium units and apartment buildings, land, income producing property, or cash on hand or deposit pending funding of mortgages.
- **Commercial Mortgages** – up to 50% of the Corporation’s assets **may** consist of conventional mortgages on existing or proposed retail, commercial or industrial properties in Canada.

The Corporation may acquire real estate properties by foreclosure or otherwise after default occurs on a mortgage.

It is anticipated that a substantial portion of the Corporation’s mortgage loans will be located in Ontario. In general, mortgages will generate income through a rate of interest, which is typically payable periodically throughout the terms of the mortgages, as well as through commitment fees.⁵

All mortgage loans will comply with the policies of the Corporation as set out in this Offering Memorandum.

The Corporation intends to distribute substantially all of its net income (and any net realized capital gains, as determined under the Income Tax Act) as dividends during each fiscal year or within 90 days of its fiscal year end. See “Description of the Preferred Shares – Dividends and Dividend Policy.”

As a Mortgage Investment Corporation (“MIC”) under the Tax Act, the Corporation is allowed to deduct such dividends from income and as a result the Corporation anticipates that it will not be liable to pay any income tax in any year. See “**Canadian Federal Income Tax Considerations.**”

The Corporation may also employ leverage as permitted by the Tax Act.

Business of the Corporation

The Corporation intends to qualify at all times as a MIC under the Tax Act. The Corporation operates as a tax free “flow through” conduit of profit to the holders of Shares (the “Shareholders”). See “**Canadian Federal Income Tax Considerations.**”

The MIC criteria under the Income Tax Act permit revenue sources other than residential mortgages, including equity investments in real estate, investments in stocks and securities of Canadian companies and mortgage lending in respect of commercial real estate.

Notwithstanding its ability to invest in a variety of investments allowed under the Income Tax Act, the Corporation will primarily finance mortgages secured by Canadian real estate consisting of residential and commercial properties.

⁵ A commitment fee is a one-time fee, net of the amount paid as compensation to the originator for sourcing the mortgage (on average, approximately 40% to 50% of the gross commitment fee), paid by a borrower to the Corporation in return for obtaining a commitment for mortgage financing, stated either as a fixed dollar amount or as a percentage of the principal amount of the mortgage, and generally is paid at the time of initial funding.

The only permitted undertaking of a MIC under the Income Tax Act criteria is the investing of its funds and it is specifically prohibited from managing or developing real property.

Policies, Practices and Restrictions

The Corporation's funding policies, practices and restrictions include, but are not limited to, the following:

- the Corporation will primarily make mortgage loans that are secured by residential, light industrial and commercial real estate;
- the Corporation will maintain at least 50% of its portfolio in mortgages secured by residential real estate;
- the Corporation will fund only mortgages secured on real property;
- the Corporation will not borrow funds in excess of 75% of the total value of the portfolio;
- mortgage loans will only be made only when recommended by the Manager;
- all mortgages will be registered on title to the subject property in the Corporation's name, the Manager's name or in the name of a bare trustee as nominee for the Corporation;
- cash balances not used to make mortgage loans will be deposited with a Canadian chartered bank in short term deposits, savings accounts or government guaranteed income certificates or treasury bills pending funding of mortgages;
- the Corporation will not fund any mortgage or make any investment that would result in its failure to qualify as a MIC under the Income Tax Act;
- the Corporation will not guarantee the securities or obligations of any person;
- the Corporation will not loan money to, or invest in, securities of the Manager, or the Manager's affiliates or other non-arm's length parties, other than funding mortgages provided by the Manager under the Management Agreement.

In addition, the Corporation may from time to time accept assignments of mortgages that were funded by the Manager under its direct private lending program, wherein and at the discretion of the Manager, it would be in the best interests of the Corporation and the Shareholders of the Corporation to do so. Like all other mortgages, these assigned mortgages will be subject to full underwriting review to ensure that the Corporation's lending criteria are satisfied. The Corporation will pay the Manager a fee in the range normally paid in the mortgage industry for such assignments. It is not expected that mortgages funded by the Manager under its direct lending program acquired by the Corporation will ever form more than 25% of the Corporation's mortgage portfolio. If the Corporation accepts assignments of mortgages funded by the Manager it will make a disclosure under Item 2.9 Related Party Transactions.

The Corporation's policies, practices and restrictions set out above may be amended, supplemented or replaced from time to time by majority approval of the Board of Directors of the Corporation (the "**Board of Directors**"). Notwithstanding the foregoing, if at any time a government or regulatory agency having jurisdiction over the Corporation enacts any law, regulation or requirement which is in conflict with the Corporation's policies, the Board of Directors has the authority to amend such policies, practices and restrictions to conform with applicable laws and regulations which shall not require the prior consent of the Shareholders.

Portfolio Summary

The Corporation's portfolio (the "**Portfolio**") of funded mortgages changes monthly. Contact the Manager for current portfolio information. As of October 31, 2023:

As of October 31st, the Portfolio comprises 138 mortgages with an average value of \$501,494 each, with two mortgages currently in default. The weighted average interest rate for these mortgages is 8.87%, and the average term to maturity is 124.15 days. The loan-to-value ratio, calculated per mortgage, averages at 69.77%. The Corporation has fully deployed its available funds, investing 100% in mortgages.

Regarding overdue payments, there are two mortgages exceeding 90 days past due:

- 1) Mortgage #1 has a balance of \$1,524,600.
- 2) Mortgage #2 has a balance of \$704,956.25.

It is management's opinion that all outstanding principal and interest payments will be fully collectable in due course.

These mortgages collectively represent 1.45% of the total number of mortgages by principal amount.

In terms of impaired value, mortgages with impaired values account for a total principal amount of \$2,229,556.25, constituting 3.22% of the total portfolio.

No accommodations have been made by the Corporation for mortgages not impaired or in default that would be deemed material to a reasonable investor.

Priority ranking reveals that 87.31% of the total principal amount of mortgages holds first priority, while 12.69% secures a second priority. All mortgages are exclusively within Canada, constituting 100% of the total principal amount. Detailed property type specifics and respective principal amounts as percentages of the total principal amount of mortgages can be found in the fund fact sheet on our website.

For mortgages maturing within a year from the specified date, their relative percentage of the total principal amount is available in the fund fact sheet. Supplementary information, including mortgages overdue by more than 90 days, impaired mortgages, borrower accommodations, and average borrower credit scores, will be promptly provided.

The average credit score of borrowers, weighted by mortgage principal amounts, is 722. Details of individual mortgages constituting 10% or more of the total principal amount will include specifics such as principal amount, interest rates, maturity terms, loan-to-value ratios, priority rankings, property types, locations, overdue payments, impairments, and borrower credit scores where applicable. All this information is accessible on our website for your review and due diligence.

Portfolio Performance

The Fund's performance, measured as a compounded weighted average since its inception, stands at **7.62%** as of the conclusion of fiscal year 2023 (August 31, 2023). This figure is derived from the rate of return experienced by actual shareholders by the end of fiscal 2023, based on a 10,000 CAD initial investment at inception, employing a 100% Dividend Reinvestment Plan (DRIP) with no redemptions. Below is a detailed breakdown of the Fund's performance since its inception:

Fiscal Year	Individual Rate of Return
2015	8.54%

2016	7.81%
2017	7.66%
2018	7.49%
2019	7.51%
Fiscal Year	Individual Rate of Return
2020	7.43%
2021	7.26%
2022	7.51%
2023	8.05%

Borrowing Strategy

The Corporation believes that utilization of a modest level of borrowing significantly enhances the total return to its Shareholders. The Corporation may from time to time (and subject to review and approval by the Board of Directors) borrow funds from financial institutions.

Terms and Disclosures

The Board of Directors has authorized the Corporation to access a leveraged credit facility through the Royal Bank of Canada (RBC). The credit facility will enable the Corporation to make its use of funds much more efficient. Borrowing allows the Corporation to operate without having excessive uninvested funds on hand due to the variable and unpredictable nature of funding commitments and investor inflows and outflows. Additionally, the Corporation anticipates that it will earn a positive interest rate spread between the interest earned from funding such borrowings and the interest rate paid by the Corporation on those borrowings. The facility is secured by the portfolio, and ranks in first priority. The credit facility is interest bearing with interest calculated at RBC prime plus 1% paid monthly and was due one year from closing. The Corporation elected to extend for another year and the extension was approved by RBC.

The Corporation will pay for all expenses it incurs in connection with the use of borrowed monies. The Corporation will pay the Agent up to a maximum of 2% of the total leveraged amount for raising capital, which includes the leverage facility. This will include the initial advance as well as any subsequent increases in the available limits of a current facility. The Corporation will pay the Agent up to a maximum of 2% of the total leveraged amount for any renewals of a current leverage facility which is in place where new funds are not added, but the Corporation renews the terms and conditions. The Agent may exercise the right to waive all or some of the compensation for the sale of shares, raising capital, or subsequent renewals of leverage.

Compliance and Oversight

The Corporation does not currently intend to establish an investment committee as a subcommittee of the Board of Directors. Instead, the Board of Directors has approved lending guidelines that are in line with the Corporation's practices and restrictions. See "**The Corporation – Policies, Practices and Restrictions.**" Any mortgage applications that are not compliant with the lending guidelines approved by the Board of Directors will be escalated to the Chief Executive Officer and Compliance Officer of the Manager for resolution, as appropriate.

The Chief Executive Officer and Chief Compliance Officer of the Manager are responsible for the following with respect to mortgage applications that are not compliant with the lending guidelines approved by the Board of Directors:

1. adjudicating and advising on transactions involving potential conflicts of interest and, if necessary, escalating the matter to the Board of Directors for review and direction;

2. approving or rejecting the funding of mortgages which may adversely affect the status of the Corporation as a MIC; and
3. dealing with such other matters as may be referred to them by the Board of Directors.

2.3 Development of the Business

Michael Hapke and Frank Napolitano co-founded Mortgage Brokers City Inc. (“MBCI”), a prominent Ottawa-area mortgage brokerage operating as Mortgage Brokers Ottawa, in 2005.

The business partners incorporated the Manager in 2008. The Manager was licenced as a mortgage administrator in 2011 and subsequently commenced origination and administration of directly-held mortgages (one-on-one lending) in the Ottawa market.

The Corporation was incorporated in 2013 as an additional lending and investment vehicle. The Agent was incorporated at the same time as the Corporation to facilitate the growth of the Corporation via issuance of exempt market securities by the Agent. Welch LLP commenced its role as auditor, at that time.

The Ontario Securities Commission approved the Agent’s Exempt Market Dealer registration in February 2014. The Corporation commenced raising capital in August 2014 and commenced lending operations in September 2014.

On August 31, 2015, upon the close of the Corporation’s first year of lending operations and as part of a structured departure from the MBCI, Mr. Hapke took over full ownership of each of the Corporation, the Manager and the Agent. The Corporation returned a final annual dividend rate of 8.32% to its shareholders following the completion of the Fiscal 2015 audit.

The table below illustrates the dividends paid to shareholders since inception and up to the date of this Offering Memorandum:

DISTRIBUTIONS SINCE INCEPTION (\$ PER SHARE W/ SHARES VALUED AT \$1.00 PER SHARE)														TOTAL	0.6830
	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	ROUTINE	TOP-UP	YTD
2024 F	0.0049	0.0051													0.0100
2023 F	0.0041	0.0042	0.0041	0.0051	0.0051	0.0046	0.0051	0.0049	0.0051	0.0049	0.0051	0.0051	0.0575	0.0185	0.0760
2022 F	0.0042	0.0042	0.0041	0.0042	0.0042	0.0038	0.0042	0.0041	0.0042	0.0041	0.0042	0.0042	0.0501	0.0215	0.0715
2021 F	0.0042	0.0042	0.0041	0.0042	0.0042	0.0038	0.0042	0.0041	0.0042	0.0041	0.0042	0.0042	0.0501	0.0208	0.0709
2020 F	0.0037	0.0039	0.0037	0.0038	0.0038	0.0036	0.0042	0.0041	0.0042	0.0041	0.0042	0.0042	0.0476	0.0253	0.0729
2019 F	0.0038	0.0039	0.0037	0.0038	0.0038	0.0035	0.0038	0.0037	0.0038	0.0037	0.0038	0.0038	0.0452	0.0284	0.0736
2018 F	0.0038	0.0039	0.0037	0.0038	0.0038	0.0035	0.0038	0.0037	0.0038	0.0037	0.0038	0.0038	0.0452	0.0282	0.0734
2017 F	0.0038	0.0040	0.0041	0.0039	0.0039	0.0035	0.0038	0.0037	0.0038	0.0037	0.0038	0.0038	0.0458	0.0292	0.0750
2016 F	0.0036	0.0038	0.0039	0.0038	0.0038	0.0035	0.0038	0.0038	0.0041	0.0036	0.0039	0.0038	0.0454	0.0311	0.0765
2015 F	0.0042	0.0043	0.0042	0.004	0.0043	0.0039	0.0043	0.0042	0.0043	0.0049	0.0044	0.0048	0.0518	0.0314	0.0832

2.4 Long Term Objectives

The Corporation's business objective is to obtain a secure stream of income by optimizing its mortgage portfolio within the MIC criteria prescribed by the Income Tax Act. The Corporation's primary business is earning income through making residential and commercial mortgage loans to real property owners.

There is an established need for real estate mortgage financing that is not readily provided by banks, trust companies, credit unions and other traditional lenders. 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, these borrowers often require the services of private lenders and organizations such as the Corporation.

The rate of return the Corporation earns from its mortgage loans fluctuates 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 generally earn a higher rate of return than that normally attainable from those institutional sources.

The near prime market segments of the Canadian lending industry in which the Manager operates are under serviced by the large financial institutions in Canada. The near prime market segments may differ from prime market segments because of per-file credit impediments like lower borrower equity, lower borrower credit scores, lower presales/pre-leasing and size of the loan.

These segments are populated by small to mid-sized borrowers in smaller, non-urban geographic markets, who require custom tailored financing solutions to meet their capital requirements.

- The Corporation attempts to minimize risk by being prudent in both its credit decisions and in assessing the value of the underlying real property offered as security.
- The Corporation maintains a mix of mortgage types in its portfolio. The mix may include builder mortgages, first and second mortgages, development and construction mortgages and term financing mortgages on income producing properties.
- Loan amounts can range from \$25,000 to \$2,500,000 depending on the type of real estate and the priority of the mortgage.
- The Corporation has established a policy that limits its credit exposure to any one borrower to less than 10% of the total value of the portfolio.

Property Types

The Corporation's investment objectives play a pivotal role in shaping its lending strategy, influencing the types of properties to which it extends loans. These property categories span a wide spectrum, including residential real estate, rural properties featuring a house and acreage, low-rise & high-rise condominiums, multi-family properties, mixed-use properties that combine commercial or storefront spaces with apartments or homes designed for office use, vacant land, and financing support for construction projects.

Geographical Focus

The Corporation's lending activities are primarily centered in the province of Ontario. Their primary focus within Ontario lies in Ottawa-Carleton. Expanding their reach, the Corporation also offers lending services in southern Ontario along the 401 highway, encompassing areas from London to Cornwall. The easternmost boundary for lending extends to Hawkesbury, continues along Highway 17 to Petawawa, covers regions

westward to Parry Sound, and then shifts southward to include the city of London. Notably, the Corporation maintains flexibility in adjusting loan-to-value (LTV) ratios based on the specific location of the property.

Mortgage Terms and Interest Rates

The Corporation transparently outlines the mortgage terms it offers. These options include 3, 6, and 12-month terms available for both first and second mortgages. Additionally, the Corporation provides bridge financing as part of its comprehensive service. Importantly, their interest rates are dynamic and not set in stone, subject to fluctuations. These rates can vary, starting as low as 4.99% for a 12-month first mortgage term and reaching a high of 11.99%. For second mortgages, interest rates commence at 7.99% and may climb up to 12.99%. It's essential to bear in mind that these rates are subject to change, reflecting the ever-changing dynamics of the market.

Priority Ranking of Mortgages

In defining their approach to mortgage lending, the Corporation establishes a clear framework for prioritizing mortgages. They readily consider both first and second priority mortgages, aligning with their risk tolerance and lending strategy. However, it is important to note that the Corporation does not engage in third or lower priority mortgages, ensuring a focused and deliberate lending approach.

2.5 Short Term Objectives

(a) Objectives for the Next 12 Months During the next twelve months, the Corporation intends to continue to raise capital and fund mortgages as per the Offering Memorandum and in such a way as to continue to pay attractive returns to shareholders while preserving capital. It is anticipated that, due to recent regulatory changes, the demand for non-bank financing will continue to remain steady over the next year. To strive to meet that demand, the Corporation will continue to expand its marketing outreach and capital formation activities via the Agent. It will also be actively pursuing the approval of the Corporation's preferred shares for sale by registered exempt market dealers other than the Agent.

On the operations front, the Corporation will continue to review its shareholder management and reporting practices to ensure that the Corporation has the best possible technology in place to continue to meet reporting obligations and cybersecurity requirements.

(b) How the Corporation Intends to Meet Its Short Term Objectives

Actions to be taken	Target completion date or, if not known, number of months to complete	Cost to complete
Raising of funds through the Offering and funding mortgages	Ongoing through the next 12 months	The costs of this Offering which are estimated to be \$200,000.0

2.6 Insufficient Funds

Funds available under the Offering may not be sufficient to accomplish our proposed objectives. There is no assurance that alternative financing will be available. However, the Corporation from time to time may pursue alternative financing with different financial institutions. This will help it achieve its business strategy and should enhance the Shareholders return as per the borrowing strategy.

2.7 Additional Disclosure for Issuers Without Significant Revenue

Not Applicable.

2.8 Material Contracts

To facilitate its loan making in the mortgage lending industry, the Corporation has entered into a management agreement dated March 17, 2014 (see the “**Management Agreement**”) with the Manager. See “**The Manager.**”

Pursuant to the terms of an agency agreement dated March 17, 2014 (the “**Agency Agreement**”), the Corporation has retained the Agent (see “**The Agent**”) to solicit and market securities on behalf of the Corporation.

Material Agreements		
Key Terms	Management Agreement	Agency Agreement
Is the agreement with a related party?	Yes	Yes
Related party	Advanced Alternative Lending	Advanced Capital Corp.
Assets, property or interest acquired, disposed of, leased, under option, etc.	None	None
Service provided	For more info please see the “Responsibility of Manger” section below.	Solicit and market securities of the Corporation
Purchase price and payment terms	See “Compensation of the Manager and the Agent”	
Principal amount of any debenture or loan, the repayment terms, security, due date and interest rate	N/A - \$0	N/A - \$0
Date of the agreement	March 17, 2014	March 17, 2014
Amount of any finder’s fee or commission paid or payable in connection with the agreement	N/A - \$0 Management and Agent fees are calculated based on Assets and Liability Management which includes funds raised through preferred share issuance. See “Compensation of the Manager and the Agent”	
Material outstanding obligations under the agreement	N/A – None.	N/A – None.
For any transaction involving the purchase of assets by or sale of assets to the issuer from a related party, the cost of the assets to the related party, and the cost of the assets to the issuer	N/A - \$0	N/A - \$0

The Manager

The Manager is 7016514 Canada Inc. (doing business as Advanced Alternative Lending). The Manager is a corporation incorporated under the federal laws of Canada on July 24, 2008. The Manager is licensed as a Mortgage Administrator through and is regulated by the Financial Services Regulatory Authority of Ontario (FSRA) (formerly known as the Financial Services Commission of Ontario (FSCO)).

As a Mortgage Administrator, the Manager is required to maintain an Errors and Omissions insurance policy. Also, audited financial statements must be filed with FSRA. The Manager’s records may be audited by FSRA for compliance with relevant legislation.

The Corporation is a “related issuer” of the Manager within the meaning of applicable securities legislation. See “Relationship Between the Corporation, the Manager and the Agent.”

The following table sets out the specified information about each director, officer and certain other personnel of the Manager.

Name and Municipality of Residence	Positions held with the Manager
Michael Hapke, Ottawa, Ontario	Owner, President, Chief Executive Officer and Director
Terri-Lyn Mason, Ottawa, Ontario	Vice President, Finance
Jennifer Anderson, Ottawa, Ontario	Senior Underwriter and Investor Relations
Isabelle Anderson, Ottawa, Ontario	Compliance Officer
Sean Reid, Ottawa, Ontario	Director of Operations

The Manager’s key personnel have been in the business of originating, underwriting, and servicing mortgages in the secondary mortgage market segments in Ontario for more than 30 years. These qualifications and experience put the Manager in an advantageous position to provide the Corporation with related management, administrative, mortgage lending and financing services.

The Manager’s personnel have extensive experience in property management, mortgage lending and investment banking and have also established relationships with experienced owners, builders, developers and others active in the real estate industry. The Corporation believes the Manager is therefore suitably qualified to locate and recommend investment opportunities for the Corporation.

- The backgrounds of all staff members can be found on www.advancedmortgageinvestmentcorporation.com
- The backgrounds of each of Michael Hapke and Terri-Lyn Mason are described below under “Directors, Management, Promoters and Principal Holders of the Corporation.”
- Mr. Hapke, Ms. J. Anderson, Mr. Reid, and Ms. I. Anderson are also registered with the Ontario Securities Commission as a Dealing Representatives with the Agent. And Ms. I Anderson serves as the Chief Compliance Officer of the Agent and Mr. Hapke serves as Ultimate Designated Person of the Agent.
- Mr. Hapke & Ms. J. Anderson are licensed Mortgage Brokers with MBCI.

Management Agreement

Pursuant to the terms of the Management Agreement, the Corporation has retained the Manager to administer the Corporation’s business affairs on a day to day basis, to provide ongoing advice to the Corporation and to provide the Corporation with real estate, mortgage and financing services, subject to the supervision of the Board of Directors.

The Management Agreement has an initial term of ten years and is automatically renewable for further terms of ten years after the expiration of the initial term, unless terminated earlier in accordance with the terms of the agreement. The Manager may resign if the Corporation is in breach or default of the provisions of the Management Agreement and, if capable of being cured, any such breach or default has not been cured within

30 days of notice of such breach or default to the Corporation. The Manager is deemed to have resigned if the Manager becomes bankrupt or insolvent. The Manager may be removed as manager of the Corporation if the Manager is in material breach or default of the provisions of the Management Agreement and, if capable of being cured, any such breach or default has not been cured within 30 days of notice of such breach or default to the Manager. The Manager may also resign as manager of the Corporation and terminate the Management Agreement, or the Corporation may terminate the Management Agreement, upon not less than 120 days written notice to the Corporation. The Management Agreement may not be amended except by the written agreement of the Manager and the Corporation.

The Manager has agreed it will exercise its powers and discharge its duties under the Management Agreement diligently, honestly, in good faith and in the best interests of the Corporation.

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

The Corporation acknowledges in the Management Agreement that the Manager and its shareholders, directors and officers have, or may have, interests and dealings in other companies, joint ventures, partnerships and/or MICs which are presently, or may in the future be, actively engaged in similar businesses as the Corporation. The Corporation agrees that neither the Manager nor its shareholders, directors or officers will be liable to the Corporation for any conflict of interest as a result of such other interests or dealings, and that such interests and dealings do not and will not constitute a breach of the Management Agreement, even if competitive with the business of the Corporation, and even if the business opportunity could have been pursued by the Corporation.

The Manager will not be liable to the Corporation in respect of any loss or damage suffered by the Corporation, including any loss or diminution in the net assets (that is, the value of the Corporation's assets less its liabilities) of the Corporation, unless such loss or damage is a direct result of wilful misconduct, bad faith, gross negligence or dishonesty by the Manager, or breach of the Manager's standard of care owed under the Management Agreement or material breach or default of its obligations under the Management Agreement.

The Management Agreement also provides that the Corporation will indemnify the Manager and its directors, officers and employees (each a "**Manager Indemnified Person**") from any claims arising in relation to the Manager's duties and responsibilities under the Management Agreement, provided that any such claim was not the result of a Manager Indemnified Person's wilful misconduct, bad faith, negligence, breach by the Manager Indemnified Person of its standard of care owed under the Management Agreement, material breach or default by the Manager Indemnified Person of its obligations under the Management Agreement or a breach of fiduciary duty by the Manager Indemnified Person.

Responsibilities of the Manager

The Manager holds all licenses, permits and registrations necessary in Ontario or elsewhere, for the Manager to carry out its responsibilities under the Management Agreement. More specifically, among other things, the Manager:

- assists the Board of Directors in formulating and modifying the Corporation's investment policies and objectives related to the making of mortgage loans;

- uses its best efforts to source and present mortgage lending opportunities consistent with the Corporation's policies;
- provides information relating to proposed acquisitions, dispositions, financing and the making of mortgage loans;
- services and administers the Corporation's mortgage loans on its behalf, maintaining records and accounts in respect of each eligible loans and reports thereon on a monthly basis;
- provides those services required in connection with the collection, handling, prosecuting and settling of any claims with respect to the Corporation's mortgage loans, including foreclosing and otherwise enforcing security interests securing the Corporation's mortgage loans; and
- delivers portfolio reports on a regular basis with respect to the Corporation's mortgage loans and provides documentation and/or other information as requested.

While the Corporation is primarily responsible for all fees and expenses incurred in connection with the underwriting, completion and administration of the Corporation's mortgage loans, the Manager may on occasion or as needed advance or otherwise pay such fees and expenses to the extent such fees and expenses are recoverable from borrowers and in turn recoverable by the Manager. An example of this is when the Manager uses its credit card to pay costs related to a transaction e.g. insurance premiums. These costs would then be repaid to the Manager by the Corporation through charges levied by the Corporation to the borrowers' account with the Corporation.

The Manager will not receive any benefit in connection with the Offering other than receipt of the Management Fee (as defined below) and other fees payable to the Manager (as more particularly discussed in "Compensation of the Manager and the Agent") and the payment of certain expenses (as more particularly discussed in "Expenses"). See also "Relationship Between the Corporation, the Manager and the Agent."

The Agent

The Shares will be offered for sale by the Agent. The Agent is a corporation incorporated under the federal laws of Canada and is registered as an exempt market dealer ("**EMD**") pursuant to NI 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* in the Province of Ontario. The Agent is permitted to sell the Shares in accordance with prospectus exemptions, contained in NI 45-106.

The Corporation is a "related issuer" and a "connected issuer" of the Agent within the meaning of applicable securities legislation. See "Relationship Between the Corporation, the Manager and the Agent."

The Agent will not receive any benefit in connection with the Offering other than receipt of the Agent's Fee, commissions and the payment of certain expenses. See "Compensation of the Manager and the Agent," "Expenses" and "Relationship Between the Corporation, the Manager and the Agent."

Agency Agreement

As per above, pursuant to the terms of an agency agreement dated March 17, 2014 (the "**Agency Agreement**"), the Corporation has retained the Agent to solicit and market securities on behalf of the Corporation. The Agency Agreement has an initial term of ten years and is automatically renewable for further terms of ten years after the expiration of the initial term, unless terminated early in accordance with the terms of the agreement. The Agent may resign if an adverse material change, or an adverse change in a material fact relating to the Shares, occurs or is announced by the Corporation or if the Shares cannot be marketed due to the state of the financial markets. The Agent may also resign if the Corporation is in breach or default of any material term of the Agency Agreement and, if capable of being cured, any such breach or default has not been cured within 30 days notice of such breach or default to the Corporation. In addition, either party may terminate the Agency

Agreement upon 120 days written notice to the other party. The Agency Agreement may not be amended except by the written agreement of the Agent and the Corporation.

The Agency Agreement also provides that the Corporation will indemnify the Agent and its directors, officers, employees and Dealing Representatives (each, an “**Agent Indemnified Person**”) from any claims arising in relation to the Agent’s duties and responsibilities under the Agency Agreement provided that any such claim was not the result of an Agent Indemnified Person’s breach of, default under or non-compliance with any material representation, warranty, covenant, term, condition or provision of the Agency Agreement.

Expenses Related to the Management Agreement and Agency Agreement

Offering Expenses

The expenses of the Offering (including the commissions on the sale of Shares and costs of creating and organizing the Corporation, printing, legal, marketing, certain expenses incurred by the Agent and certain other expenses incurred in connection with the Offering), will, together with the Agent’s Fee, be paid by the Corporation from the gross proceeds of the Offering.

Operating Expenses

The Corporation will pay for all expenses it incurs or the Manager incurs on the Corporation’s behalf in connection with the operation and management of the Corporation, including without limitation:

- financial reporting costs, and mailing and printing expenses for periodic reports to Shareholders and other Shareholder communications including marketing and advertising expenses;
- any taxes payable by the Corporation;
- costs and fees payable to any agent, legal counsel, transfer agent, custodian, actuary, valuator, technical consultant, accountant or auditor or other third-party service provider;
- any ongoing regulatory filing fees, license fees and other fees;
- any expenses incurred in connection with any legal proceedings in which the Manager participates on behalf of the Corporation or any other acts of the Manager or any other agent of the Corporation in connection with the maintenance or protection of the property of the Corporation, including without limitation costs associated with the enforcement of mortgage loans;
- any fees, expenses or indemnity payable to, and expenses incurred by, independent directors of the Corporation;
- any additional fees payable to the Manager for performance of extraordinary services on behalf of the Corporation;
- consulting fees including website maintenance costs and expenses associated with the preparation of tax filings; and
- other administrative expenses of the Corporation (including the calculation of net assets—that is, the value of the Corporation’s assets less its liabilities—of the Corporation).

The Corporation will also be responsible for 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 it may incur, or which may be incurred on its behalf from time to time, as applicable.

For greater certainty, the salaries of the employees of the Manager will be borne by the Manager.

Compensation of the Manager and the Agent

Manager

In consideration of the services provided by the Manager as described above, the Management Agreement provides that the Corporation will pay to the Manager fees equal to the following:

- Management fees in respect of the Manager's general management services in an amount equal to 2.6% per annum of the Assets and Liability Management of the Corporation, calculated and paid monthly in arrears (the "**Management Fee**"). For this purpose, "**Assets and Liability Management**" means total assets calculated as mortgages receivable plus shares receivable plus cash on hand plus total liabilities of the Corporation. For greater certainty, the liabilities of the Corporation do not include any amounts relating to the share capital.
- An annual performance fee (the "**Performance Fee**") each fiscal year equal to 25% of the amount by which the Corporation's net income for that fiscal year exceeds the corresponding Hurdle Yield and prorated for any partial year.⁶
- Where the Manager acts as servicing agent for syndicated mortgages in which the Corporation is a participant, the Manager may receive a servicing fee of up to 300 basis points of the value of such syndicated mortgages, but such servicing fee shall not be payable to the Corporation.
- Ancillary fees as set out in the security documents with the borrowers as compensation or reimbursement for overhead expenses. The ancillary fees shall only be payable to the Manager to the extent they are recovered from the borrowers and are not payable by the Corporation. Examples of ancillary fees include fees for statements, late payments, enforcement, insurance, inspections, dishonoured cheques and defaults.

Agent

In consideration of the capital raising, referral, due diligence and other services the Agent performs for and on behalf of the Corporation, the Corporation will pay to the Agent an annual agent's fee (the "**Agent's Fee**") in an amount equal to 0.4% per annum of the Assets and Liability Management (as defined above), calculated and paid monthly in arrears.

The Agent will also be entitled to a commission in connection with the sale of Shares under the Offering. See "Commissions and Referral Fees Payable."

Sum of Fees and Ability to Waive

The sum of the annual Management Fee and the annual Agent's Fee payable by the Corporation to the Manager and the Agent, respectively, will not exceed 3% of the Assets and Liability Management per annum. The Management Fee, the Performance Fee and the Agent's Fee will be reviewed annually by the Corporation and the Manager and by the Corporation and the Agent, respectively. In no event will there be a change in the Management Fee, the Performance Fee or the Agent's Fee unless the Corporation and the Manager, or the Corporation and the Agent, respectively, agree in writing.

The Manager or the Agent may waive or postpone any of these fees in their sole respective discretion, in whole or in part, at any time, without notice and in any single instance.

⁶ The target yield of the Corporation for Fiscal 2022 is equal to 8% (the "**Target Yield**"). The hurdle Yield remains unchanged at 7%. The Manager will manage the Corporation so as to seek to achieve the Target Yield for fiscal 2023 and subsequent fiscal years; however, no assurance is given that the Corporation will achieve them. See "Risk Factors."

2.9 Related Party Transactions

With respect to any purchase and sale transaction between the issuer and a related party that does not relate to real property. Please refer to Item 3 for details on the services the Issuer has with related parties. The Issuer does not purchase or sell non-real property assets from related parties.

ITEM 3: Compensation and Security Holdings of Certain Parties

The Manager and Agent receive compensation from the Corporation as disclosed above. See “**Compensation of the Manager and the Agent.**”

Members of the Board of Directors of the Corporation are entitled to compensation via an honorarium paid by the Advanced Mortgage Investment Corporation. The chair of the board will receive \$1,250.00 annually or \$250 per meeting. The other board members will receive \$150 per meeting for a total of \$750 annually. In addition, the board will receive 0.5% of the annual Management Fee (2.6% of the weighted average AUM), calculated and paid yearly, split evenly per board member. The Board of Directors has the right to waive this honorarium in total. Individual members of the Board of Directors have the right to waive payment of their individual honorarium.

Staff of the Manager may be compensated by a combination of salary and incentive compensation based on growth of Assets Under Management (AUM).

Related Party Compensation Paid to MBCI

The Corporation is a “related issuer” of Mortgage Brokers City Inc. (MBCI) by virtue of common control, common directors and common officers. Michael Hapke and Jennifer Anderson, are licensed as mortgage brokers or agents with this firm and as such have received and on occasion could receive compensation related to their work for MBCI which is unrelated to their role as officers, directors or control persons of the Corporation, the Manager or the Agent in the form of broker fees.

Mortgage brokers and mortgage agents originate mortgage applications that are approved and funded by a lender (e.g. the Corporation). At funding, the lender or the borrowers will remit broker fees to their mortgage brokerage (e.g. MBCI) for disbursement to the originating broker/agent. This broker fee is then split, as per industry norms, between the brokerage (to pay the brokerage for its services) and the broker/agent (to pay for their services).

See section 2.2 “**Our Business**” for more on broker compensation.

While it is expected that the amount of broker fees paid to MBCI by the Corporation will continue to be significant, it is also expected that the control persons of the Corporation will not be acting as a broker or agent for a substantial percentage of new originations funded by the Corporation. Where one of the control persons is the broker or agent for a new origination, at least one member of the Board of Directors will provide oversight of the underwriting process to control risk due to conflict of interest.

As owner of MBCI, Mr. Hapke could receive compensation paid to MBCI by the Corporation, as a lender, via that split. He would receive this compensation in the form of dividends paid from the net income of MBCI.

3.1 Compensation and Securities Held

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 any class of voting securities of the Corporation.

Name and Municipality of Principal Residence	Positions held with the Corporation and the date of obtaining that position (MM/DD/YY)	Compensation paid by issuer or related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year		Number, type and percentage of securities of the Corporation held after completion of min. Offering		Number, type and percentage of securities of the Corporation held after completion of max. Offering	
		Completed ('23) Actual	Current ('24) Estimated	Completed ('23) Actual	Current ('24) Estimated	Completed ('23) Actual	Current ('24) Estimated
Michael Hapke Ottawa, Ontario	President, CEO and Director (09/23/13)	Completed ('23) Actual	\$2,582 Director Hon.	Common	0 (0%)	Common	0 (0%)
		Current ('24) Estimated	\$2,582 Director Hon.	Preferred	688,454 (1.30%)	Preferred	688,454 (0.34%)
6155383 Canada Inc. (Controlled by Michael Hapke)	Common Shareholder (09/23/13)	Completed ('23) Actual	\$0	Common	25 (25%)	Common	25 (25%)
		Current ('24) Estimated	\$0	Preferred	0 (0%)	Preferred	0 (0%)
Mortgage Brokers City Inc. (Controlled by Michael Hapke)	President, CEO and Director (09/23/13)	Completed ('23) Actual	\$0	Common	0 (0%)	Common	0 (0%)
		Current ('24) Estimated	\$0	Preferred	857,660 (1.62%)	Preferred	857,660 (0.43%)
Advanced Capital Corporation (Controlled by Michael Hapke)	Agent (03/17/14)	Completed ('23) Actual	\$0	Common	0 (0%)	Common	0 (0%)
		Current ('24) Estimated	\$0	Preferred	141,672 (0.27%)	Preferred	141,672 (0.07%)
Ken Alger Ottawa, Ontario	Director (09/16/15)	Completed ('23) Actual	\$3,082 Director Hon.	Common	25 (0%)	Common	25 (0%)
		Current ('24) Estimated	\$3,082 Director Hon.	Preferred	0 (0%)	Preferred	0 (0%)
Suzanne Pellerin Ottawa, Ontario	Director (11/16/22)	Completed ('23) Actual	\$2,582 Director Hon.	Common	0 (0%)	Common	0 (0%)
		Current ('24) Estimated	\$2,582 Director Hon.	Preferred	0 (0%)	Preferred	0 (0%)
Kimberley McKenney Ottawa, Ontario	Director (09/11/19)	Completed ('23) Actual	\$2,582 Director Hon.	Common	0 (0%)	Common	0 (0%)
		Current ('24) Estimated	\$2,582 Director Hon.	Preferred	0 (0%)	Preferred	0 (0%)
Bill Harrington Ottawa, Ontario	Director (09/11/19)	Completed ('23) Actual	\$2,582 Director Hon.	Common	0 (0%)	Common	0 (0%)
		Current ('24) Estimated	\$2,582 Director Hon.	Preferred	0 (0%)	Preferred	0 (0%)
Denise Buckley Ottawa, Ontario	Director (11/16/22)	Completed ('23) Actual	\$2,582 Director Hon.	Common	0 (0%)	Common	0 (0%)
		Current ('24) Estimated	\$2,582 Director Hon.	Preferred	0 (0%)	Preferred	0 (0%)
Luke Clare Ottawa, Ontario	Common Shareholder (09/23/2013)	Completed ('23) Actual	\$0	Common	25 (25%)	Common	25 (25%)
		Current ('24) Estimated	\$0	Preferred	0 (0%)	Preferred	0 (0%)
Terri Mason Ottawa, Ontario	VP, Finance (09/23/13)	Completed ('23) Actual	\$0	Common	0 (0%)	Common	0 (0%)

		Current ('24) Estimated	\$0	Preferred	0 (0%)	Preferred	0 (0%)
Sean Reid Ottawa, Ontario	Common Shareholder (10/17/2023)	Completed ('23) Actual	\$0	Common	9 (9%)	Common	9 (9%)
		Current ('24) Estimated	\$0	Preferred	295,113 (0.56%)	Preferred	295,113 (0.15%)
Jennifer Anderson Ottawa, Ontario	Common Shareholder (10/17/2023)	Completed ('23) Actual	\$0	Common	8 (8%)	Common	8 (8%)
		Current ('24) Estimated	\$0	Preferred	150,551 (0.28%)	Preferred	150,551 (0.08%)
Isabelle Anderson Ottawa, Ontario	Common Shareholder (10/17/2023) Secretary (12/20/2019)	Completed ('23) Actual	\$0	Common	8 (8%)	Common	8 (8%)
		Current ('24) Estimated	\$0	Preferred	149,267 (0.28%)	Preferred	149,267 (0.07%)

The table above does not include remuneration paid to the Manager, to the Agent or to MBCI, all of which are related and connected to the Corporation by virtue of common ownership and control. Michael Hapke owns and controls the Manager, the Agent and MBCI and therefore receive compensation via the Management Agreement, the Agency Agreement and via brokerage fees paid by the Corporation.

As of October 31, 2023, the total shares owned by the owner, or related parties of the owner, employees of AMIC along with agents/brokers of MBCI, totaled 6,383,840 or 12.08% of the total shares outstanding.

3.2 Management Experience

The following biographical information details the management experience and employment history of the directors and officers of the Corporation:

Name	Principal occupation and related experience (5-year history)
<i>Michael Hapke</i>	CEO and Principal Broker, Mortgage Brokers City Inc. 2005-present. President and CEO, Advanced Alternative Lending, 2008-present. President, CEO, Dealing Representative & UDP, Advanced Capital Corp., 2013-present. President, CEO and Director, Advanced Mortgage Investment Corporation, 2013-present. President, Mortgage Brokers City Inc. 2005-April 2021

Michael Hapke is the founding partner, President, Chief Executive Officer and a director of each of the Corporation, the Manager and the Agent (collectively, the “**Advanced Group of Companies**”).

Mr. Hapke is also the founding partner, Chief Executive Officer and director of Mortgage Brokers City Inc. (“**MBCI**”), one of Canada’s largest and most successful mortgage brokerage houses. As the CEO of each of these companies, he sets their respective strategic direction and oversees their day-to-day operations.

Mr. Hapke is also the Ultimate Designated Person and is a licensed Dealing Representative for the Agent.

Before co-founding MBCI, Mr. Hapke worked for TD Canada Trust for over 18 years where he gained considerable management experience in retail banking, learning and development and mergers and acquisitions. Notably, Mr. Hapke played an active role on the project management team responsible for overseeing the merger between TD Bank and Canada Trust, which at the time was one of the largest mergers in Canadian history.

Mr. Hapke decided to pursue a career in the mortgage brokerage industry in 2003. By 2005 he formed his own mortgage brokerage operation with Frank Napolitano. In 2008 the pair successfully merged Ottawa’s two largest mortgage brokerage

firms to form the current MBCI, which has over 100 licenced mortgage brokers and agents and originates roughly two billion dollars in mortgages on an annual basis.

Mr. Hapke holds a Bachelor of Arts (law/psychology) from Carleton University. He completed the Mortgage Agents' course at Seneca College in 2004 and earned his Accredited Mortgage Professional Designation in 2005. He acquired his Mortgage Broker's license in Ontario in 2010 and completed the Canadian Securities Course in 1995. He received his Exempt Market Dealer Dealing Representative credentials in 2014.

Name	Principal occupation and related experience (5-year history)
<i>Ken Alger</i>	Corporate and Public Sector Director, 2014-present. Retired V.P. from TD Bank, 1978-2014.

Ken Alger joined the Corporation's Board of Directors in 2015.

After a 30+ year career in varied roles most of which were at the executive level, Mr. Alger took early retirement from TD Bank. He explains, "It was time to step back and refocus on priorities that became more important to me – family, friends, & community – while still maintaining my connections to the business community especially in the areas of People Development, Identifying and Growing Business Opportunities and Governance."

Mr. Alger has been involved in the community having served on both the Queensway Carleton Hospital Foundation and Hospital boards over the past 14 years. During that time, he served as Board Chair, Vice Chair and Chair of the Audit Finance and Digital Services Committee.

As well he was elected to the position of President of the College of Kinesiologists of Ontario, a public appointment from the Ministry of Health and Long Term Care, where he also Chaired the Registration Committee and sat on the Quality Assurance Committee from 2018 through 2021.

Name	Principal occupation and related experience (5-year history)
<i>Kimberley McKenney</i>	Owner & Broker, DLC The Mortgage Source. 2008-Present.

Kimberley McKenney joined the Corporation's Board of Directors in 2019.

Kim McKenney started as a Mortgage Agent in 1988 under the mentorship of Nelly Van Berlo after graduating with a Bachelor of Arts and a Bachelor of Business Administration from Ottawa University. When The Mortgage Source opened in 1990, Kim worked as a mortgage agent until 1992 when she had her first child. For the next 13 years she operated a family-owned commercial construction company where she learned the ins and outs of owning and managing a company, and how to negotiate with a hard sell.

In 2008, Kim returned to The Mortgage Source in a managerial role; a position would eventually lead her on the path to becoming the eventual successor.

Within a few years Kim became an owner of DLC The Mortgage Source and has now been the president and majority shareholder for three years. Her time as the leader of DLC The Mortgage Source has seen the company grow from 25 to 65 agents and is one of the Top 10 DLC franchises in Canada.

Kim is an industry leader and an avid participant in the mortgage community; having served as Vice-Chair on the Board of Directors for the Better Business Bureau for Eastern and Northern Ontario and the Outaouais and currently serving as past-president after two terms as President of the CMBA Ontario. Kim's mandate with the CMBA board has been to

improve educational offerings from the association. This desire for better access to education for both new and seasoned agents and brokers is reflected in Kim’s ongoing mentorship and support programs at DLC The Mortgage Source.

Kim’s charitable endeavors include being on the Board of Directors of Bullying Ends Here and supporting initiatives like Bikes for Kids and Planting Seeds International.

Name	Principal occupation and related experience (5-year history)
Bill Harrington	Governance Adviser for the tng leadership group. Retired lawyer.

Bill Harrington joined the Corporation’s Board of Directors in 2019.

Bill obtained his Doctor of Laws degree from the University of Ottawa. He has 40 years of legal experience, both as a litigator and as an in-house counsel. Most recently, he was the General Counsel of the Canadian Real Estate Association, one of the largest single-industry trade associations in Canada. In that role, he was responsible for the effective operation of the legal department, and provided advise, opinion and support on a wide range of legal issues to the CEO, the executive, the Board of Directors and various committees and task forces.

He has extensive experience in corporate and governance issues, organizational ethics, and drafting of bylaws, rules and policies.

Now retired from the practice of law, Bill provides governance support to organizations and acts as Governance Adviser for the tng leadership group.

Name	Principal occupation and related experience (5-year history)
<i>Denise Buckley</i>	Senior Policy Strategy Manager, Bank of Montreal Oct. 2021-present. Vice President Mortgage Specialist, Bank of Montreal June 2018-2021. Vice President Mortgage Operations, Magenta Capital Corporation, 2011-2018

Denise Buckley joined the Corporation’s Board of Directors in November 2022.

Denise Buckley is an experienced leader in the home financing space with more than 16 years focused on alternative lending. Throughout her career Denise has held roles with Wells Fargo, boutique firms and Bank of Montreal, focusing on all areas of the business from sales, credit risk adjudication, and creating policies and procedures. She has been recognized twice within the industry as a “Woman of Influence”.

Outside her professional pursuits Denise enjoys watching baseball, playing golf, cycling, and puzzling.

Name	Principal occupation and related experience (5-year history)
<i>Suzanne Pellerin</i>	Associate Advisor, RBC Dominion Securities, 202-present. Associate, Tax and Corporate Law, LaBarge Weinstein LLP, 2013-2022.

Suzanne Pellerin joined the Corporation’s Board of Directors in November 2022.

Suzanne is an Associate Advisor at one of Canada’s leading full-service investment and wealth management firms, where she assists in providing investment and wealth planning advice to clients nationally. Before entering the financial industry,

Suzanne spent close to 10 years as a lawyer, specializing in tax and corporate law, where she provided advice on a variety of matters including: incorporation, business restructuring, mergers and acquisitions, succession planning, and wills and estates.

Suzanne enjoys spending time with friends and family. She is also active in the community and is currently a board member for the Ottawa Regional Cancer Foundation.

Name	Principal occupation and related experience (5-year history)
<i>Terri-Lyn Mason</i>	VP Finance, Advanced Group of Companies. 2013-present. Director of Finance, Mortgage Brokers City Inc. 2005-present.

Terri-Lyn Mason is the Vice President, Finance of each of the Corporation, the Manager and the Agent.

Ms. Mason started working in the banking industry in 1987. She worked in both sales and administration where she ultimately became a Senior Administrator for a retail banking network.

After ten years in the banking industry, Ms. Mason accepted a new challenge and took on the position of Administrative Assistant in the genetics department at the Children’s Hospital of Eastern Ontario (“**CHEO**”). After spending seven years with CHEO, she decided to step away in order to spend time with her young family.

Ms. Mason was subsequently employed by MBCI in the capacity of Director of Finance. During her tenure, MBCI has gone from funding approximately \$200 million annually to over \$1 billion annually.

In September 2013, Ms. Mason was appointed Vice President Finance for the Advanced Group of Companies.

In addition to working for the Advanced Group of Companies and MBCI, Ms. Mason co-founded and manages a successful property management and rental company in Florida. As Vice President of Operations and co-founder she and her cofounder currently manage over \$10 million worth of real estate in the Florida region.

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

No penalty or sanction has been in effect during the last ten (10) years, nor has any cease trade order been in effect for a period of more than thirty (30) consecutive days during the past ten (10) years against any:

- director, executive officer or control person of the issuer, or
- issuer of which a person referred to in (i) above was a director, executive officer or control person at the time.

No declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, received manager or trustee to hold assets, has been in effect during the last ten (10) years with regard to any

- director, executive officer or control person of the issuer, or
- issuer of which a person referred to in (i) above was a director, executive officer or control person at that time.

No criminal or quasi-criminal offence(s) in any jurisdiction of Canada or a foreign jurisdiction has been in filed or charged against any

- director, executive officer or control person of the issuer, or
- issuer of which a person referred to in (i) above was a director, executive officer or control person at that time.

3.4 Loans (Indebtedness of Directors and Officers)

No director or officer of the Corporation is indebted to the Corporation. None of the directors, management, promoters and principal holders of the Corporation were indebted to the Corporation in any way as at November 15, 2022, or at any time subsequent to that date.

ITEM 4: CAPITAL STRUCTURE

4.1 Securities Except for Debt Securities

The following table sets out the share capitalization of the Corporation.

Description of Security	Number authorized to be issued	Price per security	Number outstanding as at October 31, 2023	Number outstanding after maximum Offering
Common Shares	Unlimited	\$1	100	100
Preferred Shares	Unlimited	\$1	52,856,821	200,000,000

4.2 Long Term Debt

The following table sets out the long term debt of the Corporation.

Description of debt (including whether secured)	Interest rate	Repayment terms	Amount outstanding at October 31, 2023
Advanced Mortgage Investment Corporation maintains a revolving secured credit facility with the Royal Bank of Canada.	Royal Bank of Canada prime rate plus 0.50% per annum for prime loans and the Adjusted Term CORRA plus 2.00% per annum for Term CORRA loans.	The total amount available to be drawn is \$35,000,000, plus a \$5,000,000 accordion option, with a maturity date of November 29, 2024.	\$18,550,000.

4.3 Prior Sales

The issuer has issued the following securities of the class being offered under the Offering Memorandum within the last twelve (12) months and since the effective date of the previous version of this Offering Memorandum (November 15, 2023). This includes shares issued via dividend reinvestment. No securities were issued in exchange for assets or services.

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
September 30, 2022	Preferred Shares o/s	46,179,733 as of record date	\$1	\$46,179,733
October 1, 2022	Preferred shares (new issuance)	638,927	\$1	\$638,927
October 31, 2022	Preferred shares via DRIP	171,881	\$1	\$171,881
November 1, 2022	Preferred shares (new issuance)	420,000	\$1	\$420,000
November 30, 2022	Preferred shares via DRIP	167,003	\$1	\$167,003
December 1, 2022	Preferred shares (new issuance)	519,124	\$1	\$519,124
December 31, 2022	Preferred shares via DRIP	211,083	\$1	\$211,083
January 1, 2023	Preferred shares (new issuance)	219,900	\$1	\$219,900

January 31, 2023	Preferred shares via DRIP	208,580	\$1	\$208,580
February 1, 2023	Preferred shares (new issuance)	243,870	\$1	\$243,870
February 28, 2023	Preferred shares via DRIP	190,156	\$1	\$190,156
March 1, 2023	Preferred shares (new issuance)	694,886	\$1	\$694,886
March 31, 2023	Preferred shares via DRIP	214,291	\$1	\$214,291
April 1, 2023	Preferred shares (new issuance)	911,684	\$1	\$911,684
April 30, 2023	Preferred shares via DRIP	212,702	\$1	\$212,702
May 1, 2023	Preferred shares (new issuance)	207,219	\$1	\$207,219
May 31, 2023	Preferred shares via DRIP	221,653	\$1	\$221,653
June 1, 2023	Preferred shares (new issuance)	338,422	\$1	\$338,422
June 30, 2023	Preferred shares via DRIP	215,207	\$1	\$215,207
July 1, 2023	Preferred shares (new issuance)	709,303	\$1	\$709,302
July 31, 2023	Preferred shares via DRIP	226,935	\$1	\$226,935
August 1, 2023	Preferred shares (new issuance)	335,000	\$1	\$335,000
August 31, 2023	Preferred shares via DRIP	972,160	\$1	\$972,160
September 1, 2023	Preferred shares (new issuance)	1,181,840	\$1	\$1,181,840
September 30, 2023	Preferred shares via DRIP	219,802	\$1	\$219,802
October 1, 2023	Preferred shares (new issuance)	593,149	\$1	\$593,149
October 31, 2023	Preferred shares via DRIP	233,744	\$1	\$233,744

ITEM 5: SECURITIES OFFERED

Description of the Preferred Shares

The Corporation is offering up to 200,000,000 Shares for sale at a price of \$1.00 per Share. There is no minimum Offering, provided that no Shares will be issued until the Corporation has received subscriptions that it proposes to accept for Shares that are sufficient to enable the Corporation to meet the MIC qualification in the Income Tax Act with respect to ownership of Shares.

5.1 Terms of Securities

The rights and restrictions attaching to Shares are as follows:

(a) Voting Rights or Restrictions on Voting

Securities under the class being offered under the Offering Memorandum are **Non-Voting**.

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

Holders of the Shares are not entitled to vote separately as a class upon any proposal to amend the articles of the Corporation to: (a) increase or decrease any maximum number of authorized Shares, or increase any maximum number of authorized shares of a class or series having rights or privileges equal or superior to the Shares; (b) effect an exchange, reclassification or cancellation of all or part of the Shares, or (c) create a new class or series of shares equal or superior to the Shares.

(b) Conversion or Exercise Price and Date of Expiry

A conversion or exercise price does not apply to securities of the class being offered under the Offering Memorandum.

(c) Rights of Redemption or Retraction

Redemption by the Corporation

The Corporation in its discretion may redeem all or any portion of the Shares upon providing the holders thereof with not less than 21 days' notice and payment of the Redemption Amount (as defined below). Upon completion of the redemption process, the redeemed Shares shall be cancelled.

If not all of the outstanding Shares are to be redeemed, the Shares to be redeemed will be, unless the holders of the Shares otherwise agree, redeemed based in proportion to the number of Shares registered in the name of each holder as a percentage of the total number of Shares outstanding.

The amount to be paid by the Corporation in respect of each Share to be redeemed will be the Redemption Amount.

Redemption Rights - General

Subject to the following, a Shareholder may request the Corporation to redeem all or any portion of its Shares at the end of any calendar quarter. The amount payable by the Corporation in respect of each Share to be redeemed shall be the Redemption Amount (as defined below) which shall be due 15 days after the Redemption Date (as defined below).

The "**Redemption Amount**" is an amount equal to the amount paid up on the Shares together with all dividends declared thereon and unpaid as at the Redemption Date. The "**Redemption Date**" shall be the last day of the first full quarter following the quarter during which the redemption notice was given.

Shareholders wishing to redeem Shares must submit written notice of such intention to the Corporation prior to the last business day of the preceding calendar quarter in which Shares are intended to be redeemed. Only whole Shares may be redeemed unless it is the investor's entire investment in the Corporation that is being redeemed.

Redemption proceeds are normally paid in Canadian Dollars in accordance with a Shareholder's instructions and within 15 days following the Redemption Date. There is no redemption fee, and the Corporation will bear all handling costs, including customary bank charges, etc.

The Corporation has the discretion to reject or defer any redemption application by a Shareholder where, in the view of the Corporation, such redemption will result in the Corporation failing to qualify as a MIC under the Income Tax Act or which would otherwise be contrary to applicable laws.

If, in accordance with the foregoing criteria, the Corporation is only able to redeem a portion of the Shares tendered at any time for redemption, the Shares shall be redeemed on a pro rata basis, disregarding fractions, according to the number of Shares of each holder who has tendered Shares for redemption relative to the total number of Shares tendered for redemption.

Redemption Rights - Redemption Restrictions

Notwithstanding the redemption rights outlined in the preceding section ("Redemption Rights – General"), in the interests of all shareholders of the Corporation certain restrictions may, in the sole discretion of the Board of Directors, be placed on Substantial Shareholders (as defined below) and in the amount of Shares that could be redeemed in a fiscal year.

A “**Substantial Shareholder**” is defined as a Shareholder who together with Related Persons holds a total number of Shares which is equal to or greater than 10% of the total number of Shares outstanding.

As long as a particular Shareholder is classified as a Substantial Shareholder they will be restricted to redeeming no more than 20% of their Shares in any quarter.

Dividends and Dividend Policy

Subject to the terms of the articles of the Corporation, the Shareholders shall be entitled to receive dividends in such amounts and at such times as and when declared by the Board of Directors.

The Corporation shall not be obligated to redeem more than 10% of the issued Shares in any fiscal year. The Corporation shall redeem Shares in the order in which the Corporation receives written notices of redemption from Shareholders) Interest Rates or Dividend Rates

The Corporation intends to pay out as cash dividends substantially all of its net income and net realized capital gains every fiscal year, and as a result the Corporation anticipates that it will not be liable to pay income tax in any year.

The payment of dividends is subject to the discretion of the Board of Directors to establish working capital and other reserves for the Corporation.

The Corporation intends to calculate and pay partial periodic dividends monthly within 15 business days after the end of each month.

Partial periodic dividends will be calculated at the lesser of 95% of actual year to date net income of the Corporation (with year to date income being calculated from the first day of the fiscal year to the last day of the month for which the dividend is being calculated) and a rate sufficient to achieve an annual effective rate of return equivalent to 6.0% as of December 1, 2022 (previously 5.0% as of March 1, 2020 & prior to that 4.5%). This dividend rate is to be reviewed annually by the Board of Directors.

The Corporation also intends to pay at supplemental annual dividends (sometimes called the top-up dividend) within 30 days of the completion of the annual audit but no later than 90 days after the fiscal year end.

The amount of supplemental annual dividends will be calculated using the annualized weighted average share balance for the year and will be calculated as the actual net income (as verified by an independent audit) minus the amount of the partial periodic dividends paid during the applicable fiscal year.

The Manager, on behalf of the Corporation, may periodically re-evaluate the Corporation’s targeted level of distributions and adjust it higher or lower as it sees fit.

Restrictions on Ownership

No shareholder of the Corporation is permitted, together with Related Persons, at any time to hold more than 25% of any class or series of the issued shares of the Corporation.

In the event that (a) the exercise by any Shareholder of a redemption right associated with the Shares, or (b) as determined by the Board of Directors in its sole discretion, any other transaction affecting Shares (each a “**Triggering Transaction**”), if completed, would cause any holder(s) of such Shares (each an “**Automatic**

Repurchase Shareholder”), together with Related Persons, to hold more than 25% of the Shares, that portion of Shares held by each Automatic Repurchase Shareholder which constitutes in excess of 24.9% of the issued Shares (the **“Repurchased Shares”**) will, simultaneously with the completion of a Triggering Transaction, automatically be deemed to have been repurchased 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 no more than the Redemption Amount as of the date of the Triggering Transaction, less any costs associated with such purchase. The proceeds of any Automatic Repurchase will be remitted to each applicable Automatic Repurchase Shareholder within 60 days following the date of the Triggering Transaction.

Purchase for Cancellation

The Corporation may, at any time from time to time, purchase for cancellation the whole or any part of the Shares for an amount per share equal to no more than the Redemption Amount.

Liquidation, Dissolution or Winding Up

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

- first, to the holders of the Shares, an amount equal to the Redemption Amount attributed to the Shares;
- second, to the holders of the Common Shares, an amount equal to the amount paid up thereon; and third, the balance, if any, to the holders of the Shares and the Common Shares on a pro rata basis.

Dividend Reinvestment Plan

The Corporation, subject to maintaining the status of the Corporation as a MIC under the Income Tax Act and applicable securities laws, provides a dividend reinvestment and Share purchase plan (the **“DRIP”**). Under the DRIP, Shareholders can reinvest dividends in additional Shares. The Corporation or the Manager administers all aspects of the DRIP.

Eligibility

All Shareholders are eligible to participate in the DRIP by completing an enrolment form in the form attached as Schedule “D” to the Subscription Agreement and returning it to the Corporation (the **“Registered Participants”**). Shareholders may enroll all or a portion of their Shares in the DRIP.

Investment Date

Dividends are calculated and reinvested in Shares on a monthly basis (the **“Investment Date”**). The payment of a dividend, and the declaration, record and payment dates applicable to it are determined by the Board of Directors in its sole discretion.

Cost and Attributes of Shares Purchased under the “DRIP”

DRIP shares are purchased in whole dollar increments of \$1 per Share and or whole cent increments of \$0.01 per fractional share. The Corporation uses the proceeds from the DRIP distributions attributable to a shareholder to purchase additional Shares on behalf of the Shareholder. All Shares acquired through the DRIP

are credited to the Shareholder's account. At the request of the Shareholder, physical certificates may periodically be issued to the Shareholder for Shares acquired under the DRIP for that period. For Shareholders who hold their Shares in registered plans, DRIP certificates will be issued to the trustee on a monthly or quarterly basis. The Corporation may issue fractional Shares under the DRIP. The price of Shares purchased via DRIP will be rounded to the nearest whole cent. Residual cash dividends which are not used to purchase additional Shares will be paid out to the Shareholder. No brokerage or administration fees will be charged by the Corporation or the Manager for participation in the DRIP. There is no minimum aggregate subscription amount under the DRIP.

Transaction Statements

Transaction statements sent to Shareholders will show the Shares purchased under the DRIP and should be retained for income tax purposes.

Termination of Participation in the DRIP

Participation in the DRIP may be terminated by a Shareholder at any time by giving written notice to the Corporation. In the event that written notice terminating participation in the DRIP is not received by the Corporation at least five business days before an Investment Date, the requested action will not be taken until after such Investment Date.

Liabilities of the Corporation and Manager

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

Amendments to Plan and Termination by Corporation

The Corporation reserves the right to amend, suspend or terminate the DRIP at any time. In the event of any such occurrence, the Corporation will give reasonable notice in writing to all Shareholders. The Corporation and the Manager may make rules and regulations consistent with the terms of the DRIP in order to improve the administration of the DRIP.

Tax Consequences

The reinvestment of dividends does not relieve a Shareholder 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. See "Canadian Federal Income Tax Considerations."

5.2 Subscription Procedure

(a) Subscribing for the Securities and Method of Payment

Investing in the Corporation

Shares are offered on a continuous basis under this Offering Memorandum. An initial closing for Shares distributed pursuant to this Offering Memorandum will take place at the Corporation's discretion. Subsequent closings for Shares distributed pursuant to this Offering Memorandum will take place on the first day of each quarter or at such other times as determined at the sole discretion of the Corporation.

Prospectus Exemptions

The Shares are being offered on a continuous basis in reliance upon exemptions from the prospectus requirements in accordance with applicable securities legislation to investors who purchase Shares as principal (within the meaning of securities legislation) and

- a) who are “accredited investors” under applicable securities legislation, or
- b) who are persons to whom Shares may otherwise be sold pursuant to a prospectus exemption in accordance with applicable securities legislation.

Investors will be required to make certain representations in their Subscription Agreement and the Agent and the Corporation will rely on such representations to establish the availability of the exemptions from prospectus requirements described above. The Corporation reserves the right to accept or reject any subscription for Shares, in whole or in part, in its sole discretion.

The Corporation may be required to force redemption of shares issued where investors made representations that were subsequently found to be inaccurate and where investors were allowed to purchase shares in excess of exemption limits.

Procedure for Purchase of Shares

Investors wishing to subscribe for Shares are to execute a Subscription Agreement and to deliver same to the Corporation, together with a cheque or bank draft payable to the Corporation for the full subscription amount. All monies received by the Corporation for subscriptions for Shares together with related copies of the Subscription Agreements will be held by the Corporation.

Minimum Initial Subscription

The minimum initial subscription amount is \$10,000. The Corporation has the right to waive or change either of the minimum subscription amounts at any time and from time to time.

There is no minimum number of Shares that may be sold as part of the Offering, provided that no Shares will be issued until the Corporation has received subscriptions that it proposes to accept for Shares that are sufficient to enable the Corporation to meet the MIC qualification in the Income Tax Act with respect to ownership of Shares.

Additional Investments

Additional investments in the Corporation by accredited investors are generally permitted in amounts of not less than \$10,000. The Corporation reserves the right to change the minimum amount for additional investments in Shares at any time and from time to time.

Consideration in Trust and Hold Period

The consideration received by the Corporation for the purchase of securities will be held in trust and will be held for at least the mandatory two day period when required by use of the applicable prospectus exemption.

Conditions to Closing

There are no conditions to closing as of the date of the Offering Memorandum.

ITEM 6: REPURCHASE REQUESTS

The Corporation does not issue any securities with Repurchase rights.

ITEM 7: CERTAIN DIVIDENDS AND DISTRIBUTIONS

The Corporation in its two most recently completed financial years, or any subsequent interim period, has not paid dividends or distributions that exceeded cash flow from operations.

ITEM 8: INCOME TAX CONSEQUENCES AND REGISTERED PLAN ELIGIBILITY

8.1 Income Tax Consequences that Apply to You

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

The following constitutes a fair and adequate summary of the principal Canadian federal income tax considerations applicable to investors hereunder.

This summary only applies to an investor who, for the purposes of the Income Tax Act, is a resident of Canada, will hold the Shares as capital property and deals at arm's length and is not affiliated with the Corporation. The Shares will generally be considered to constitute capital property to an investor unless the investor either holds such securities in the course of carrying on a business of trading or dealing in securities or has acquired such securities in a transaction or transactions considered to be an adventure or concern in the nature of trade, and this summary is based on the assumption that neither of these circumstances apply. Certain investors who are resident in Canada and whose Shares do not otherwise qualify as capital property may in certain circumstances make an irrevocable election to have their Shares and every other "Canadian security" (as defined in the Income Tax Act) owned by such investor deemed to be capital property. Such investors 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 based upon the further assumption that the Corporation qualifies as a MIC at all relevant times. The Corporation intends to meet all of the requirements under the Income Tax Act to qualify as a MIC throughout its current taxation year and for all of its future taxation years. If the Corporation were to cease to qualify as a MIC at any time, the income tax considerations would be materially different from those described below.

This summary does not apply to an investor: (i) that is a "specified financial institution" or a "financial institution" both as defined in the Income Tax Act; (ii) an interest in which constitutes a "tax shelter investment" within the meaning of the Income Tax Act; (iii) that reports its Canadian tax results in a "functional currency" (which excludes Canadian dollars); or (iv) that has entered into a "derivative forward agreement" or a "synthetic disposition arrangement", both as defined in the Income Tax Act with respect to the Shares.

This summary is based upon the facts set out in this prospectus, the current provisions of the Income Tax Act, all specific proposals (the "**Tax Proposals**") to amend the Income Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and the current published administrative practices of the Canada Revenue Agency. This summary assumes that any Tax Proposals will be enacted as currently proposed but does not take into account or anticipate any other changes in law whether by legislative, governmental or judicial action and does not take into account tax legislation or considerations of any province, territory or foreign jurisdiction.

The summary contained in this section is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations. It is not intended to be and should not be interpreted as legal or tax advice to any particular individual. Individuals are urged to consult with their own tax adviser regarding the income tax considerations to them of acquiring, holding and disposing of the Shares, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.

Status of the Mortgage Investment Corporation

This summary is based on the assumption that the Corporation is a MIC at all relevant times. A MIC is deemed to be a public corporation under the Income Tax Act, however, the Income Tax Act effectively treats a corporation that qualifies as a MIC as a flow-through entity so that a shareholder of a MIC is put in a similar position from an income tax perspective as if the investments made by the MIC had been made directly by the shareholder. The tax considerations that would apply if the Corporation does not qualify as a MIC would be materially different from those set out herein.

Taxation of the Mortgage Investment Corporation

The Corporation is a “public corporation” for purposes of the Income Tax Act and is consequently subject to tax at the full general corporate tax rates on its taxable income. However, provided the Corporation remains a MIC throughout the year, the Corporation will be entitled to deduct from its taxable income the full amount of all taxable dividends (other than capital gains dividends) which it pays to its Shareholders during the year or within 90 days after the end of the year to the extent that such dividends were not deductible by the Corporation in computing its income for the preceding year. A MIC may declare a capital gains dividend to its shareholders during the period that begins 91 days after the beginning of a taxation year of a MIC and ends 90 days after the end of the year, in an amount equal to the gross amount of its capital gains and is entitled to deduct one half of such capital gains dividends from its taxable income. The Corporation must elect to have the full amount of a dividend qualify as a capital gains dividend.

The Corporation intends to declare dividends each year in sufficient amounts to reduce its taxable income to nil so that it has no tax payable under Part I of the Income Tax Act and to elect to have dividends be capital gains dividends to the maximum extent allowable. To the extent that it does not do so, the Corporation will be taxed at the highest corporate rates.

Any dividends deemed to be paid by the Corporation on the redemption of the Shares will be deductible to it and will qualify for treatment as capital gains dividends on the same basis as other dividends.

Taxation of Shareholders

Provided the Corporation qualifies as a MIC under the Income Tax Act throughout the taxation year, any dividends, other than capital gains dividends, received from the Corporation by a shareholder (whether paid in cash or reinvested in Shares) who is a resident of Canada will be deemed to be interest income for income tax purposes. Shareholders will therefore be required to include in their income as interest all amounts received as, or on account of, any ordinary dividends. The provisions of the Income 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 ordinary dividends received from the Corporation. Similarly, the provisions of Part IV of the Income Tax Act will not be applicable to the receipt of ordinary dividends by a corporate shareholder.

Any capital gains dividends paid by the Corporation to a shareholder (whether paid in cash or reinvested in Shares) will be treated as a capital gain of the shareholder from the disposition in the year of capital property for the year in which the capital gains dividend is received.

The reinvestment of an ordinary dividend or capital gains dividend in additional Shares will have the same consequence for determining the adjusted cost base of a shareholder's Shares as any other purchase of Shares. In particular, if a dividend is paid in Shares, or paid in cash and reinvested in Shares, the adjusted cost base of such Shares acquired by a shareholder will be equal to the amount of the dividend, or the amount of cash so reinvested, as the case may be.

Where a shareholder is a Canadian-controlled private corporation (as defined in the Income Tax Act), capital gains dividends and ordinary dividends received on the Shares will be subject to an additional refundable tax on its "aggregate investment income".

A sale or other disposition of Shares by a shareholder (other than redemption by the Corporation), including deemed dispositions, will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition of the Shares exceed (or are exceeded by) the shareholder's adjusted cost base of the Shares disposed of and any reasonable disposition costs.

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

Generally, one-half of a capital gain realized in the year by a shareholder on the disposition of Shares will be included in the shareholder's income for the year, and one-half of a capital loss realized in the year on such a disposition of Shares will be deducted from the shareholder's taxable capital gains, if any, realized in the same year. Allowable capital losses in excess of taxable capital gains in a particular year may, in general, be carried back three years or forward indefinitely and deducted against net taxable capital gains, subject to the rules in the Income Tax Act.

On a redemption or acquisition of Shares by the Corporation, the shareholder 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 redemption price exceeds the paid-up capital of the Shares. This deemed dividend will be treated in the same manner as other dividends received by the shareholder from the Corporation and will depend on whether the Corporation elects that the entire dividend be a capital gains dividend. The balance of the redemption price will constitute the proceeds of disposition of the Shares for purposes of the capital gains rules.

In general terms, capital gains dividends to a shareholder who is an individual or trust (other than certain specified trusts), and capital gains realized on the disposition of Shares by such shareholder may increase the shareholder's liability for alternative minimum tax.

Eligibility for Investment

The Shares will be qualified investments under the Income Tax Act for a trust governed by a registered retirement savings plan, registered retirement income fund, registered education savings plan, registered disability savings plan, tax-free savings account, first home savings account (collectively referred to as "Registered Plans") and deferred profit sharing plan, provided that the Corporation qualifies as a MIC

throughout a taxation year and further provided that at any time in the relevant calendar year, the Corporation does not hold any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer, or a subscriber under the particular Registered Plan or deferred profit sharing plan, or of any other person who does not deal at arm's length with that person.

Notwithstanding that the Shares may be qualified investments for a trust governed by a Registered Plan, if the Shares are a "prohibited investment" within the meaning of the Income Tax Act for the Registered Plan, the holder, annuitant or subscriber of the Registered Plan, as the case may be, will be subject to penalty taxes as set out in the Income Tax Act. The Shares will not generally be a "prohibited investment" for a Registered Plan if the holder, annuitant or subscriber, as the case may be, (i) deals at arm's length with the Corporation for the purposes of the Income Tax Act and (ii) does not have a "significant interest" (as defined in the Income Tax Act) in the Corporation. A "significant interest" in a corporation generally means ownership of 10% or more of the issued shares of any class of the capital stock of the corporation (or of any related corporation), either alone or together with persons with which the shareholder does not deal at arm's length for purposes of the Income Tax Act. Holders of a Registered Plan should consult their own advisors in this regard.

Taxation of Registered Plans

Dividends received by a Registered Plan on Shares that are a qualified investment for such a Registered Plan will generally be exempt from income tax in the Registered Plan, as will capital gains realized by the Registered Plan on the disposition of such Shares.

ITEM 9: COMPENSATION PAID TO SELLERS AND FINDERS

(a) Compensation: Descriptions and Amounts

The Corporation will pay a commission to the Agent or to any registered Dealer who completes a sale of Shares.

- The Corporation will pay the Agent up to a maximum of 2% of the aggregate purchase price of Shares sold by the Agent where Michael Hapke (as principal of the Agent) acts as the Dealing Representative.
- The Corporation will pay the Agent up to a maximum of 2% of the aggregate purchase price of Shares sold by one of the Dealing Representatives of the Agent.
- The Corporation will pay the Agent up to a maximum of 2% of the aggregate purchase price of Shares sold by the Agent where the Agent is party to a referral agreement with a non-registered finder. The Agent will remit any referral fees payable to finders from the proceeds of the commission paid to the Agent, subject to the terms of the referral agreement between the Agent and the finder(s).
- Where a commission is payable by the Corporation to a registered Dealer other than the Agent, the amount to be paid will be negotiated between the Dealer and the Corporation on a case-by-case basis.

(b) Compensation as a Percentage of Gross Proceeds of the Offering

Commissions will be paid by the Corporation from the gross proceeds of the Offering.

(c) Broker's Warrants or Agent's Option

None.

(d) Compensation Paid in Securities

As noted under Item 3.1 above, the Board of Directors may receive compensation from the Manager that can, subject to qualification under applicable prospectus exemptions, be invested in shares of the Corporation at the

request of the individual Board of Directors members and subject to adherence to the terms of this Offering Memorandum.

ITEM 10: RISK FACTORS

(a) Investment Risk

General

An investment in the Shares offered hereunder should be considered speculative due to the nature of the Corporation's business. Investors should carefully review the following factors, together with the other information contained in this Offering Memorandum, before making an investment decision.

This is a speculative Offering. The purchase of Shares involves a number of risks and is suitable only for investors who are aware of the risks inherent in the real estate industry and who have the ability and willingness to accept the risk of loss of their invested capital and who have no immediate need for liquidity. There is no assurance of any return on an investor's investment in Shares.

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.

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.

No Assurance of Achieving Objectives or Paying Dividends

There can be no assurance that the Corporation will be able to achieve its objectives or be able to pay dividends to Shareholders at the targeted levels or at all. The funds available for distribution to Shareholders will vary according to, among other things, the interest and principal payments received in respect of the mortgage loans comprising the Corporation's mortgage portfolio. There is no assurance that the Corporation's mortgage portfolio will earn any return.

No Market for Shares

There is no market through which the Shares may be sold and the Corporation does not expect any market will develop in the future. Accordingly, an investment in Shares should only be considered by investors who do not require liquidity. The Shares acquired pursuant to the Offering Memorandum will be subject to resale restrictions and cannot be transferred unless appropriate prospectus exemptions from applicable securities legislation are available. See "Restrictions on Resale."

Absence of Management Rights

The Shares being sold under this Offering Memorandum do not carry voting rights, and consequently an investor's investment in Shares does not carry with it any right to take part in the control or management of the Corporation's business, including the election of directors.

In assessing the risks and rewards of an investment in Shares, investors should appreciate they are relying solely on the good faith, judgment and ability of the directors, officers and employees of the Corporation and

the Manager to make appropriate decisions with respect to the management of the Corporation, and that they will be bound by the decisions of the Corporation's and the Manager's directors, officers and employees. It would be inappropriate for investors unwilling to rely on these individuals to this extent to purchase Shares.

Redemption Liquidity

Investors have the right to require the Corporation to redeem their Shares under certain circumstances upon appropriate advance notice from the investor to the Corporation. The redemption timings are measured from the date on which the investor is issued the Shares to the date on which the investor is entitled to request redemption by the Corporation. If the investor does not provide the Corporation with the appropriate notice of redemption, the right of redemption is suspended until an additional time period has elapsed. See "Description of the Preferred Shares." Redemption of the Shares is subject to the Corporation maintaining its status as a MIC under the Income Tax Act, all as determined solely by the Corporation. Accordingly, this investment may be unsuitable for those prospective investors who require greater liquidity.

Restrictions on Ownership and Redemption of Shares

No shareholder of the Corporation is permitted, together with Related Persons, at any time to hold more than 25% of any class or series of the issued shares of the Corporation, as determined in accordance with the rules in the Income Tax Act. The terms and conditions of the Shares provide that the portion of such Shares held by a Shareholder, together with Related Persons, that exceeds 24.9% of the Shares will be redeemed by the Corporation on the same terms as a quarterly redemption completed on the applicable redemption date. Such redemption of Shares could be significant and could engender similar risks to those that arise in the context of significant redemptions of Shares.

The Corporation may at any time, upon appropriate advance notice being given, redeem or require a Shareholder to redeem some or all of the Shares held by such Shareholder.

Suspension of Redemptions

The Corporation reserves the right to suspend the right to redeem Shares in certain circumstances. See "Description of the Preferred Shares – Redemption Rights – Redemption Restrictions." If redemptions are suspended, Shareholders may experience reduced liquidity or no liquidity at all.

(b) Issuer Risk

MIC Tax Designation

The Board of Directors use their best efforts to ensure the Corporation qualifies at all times as a MIC pursuant to the Income Tax Act. To that end, the Board of Directors have the discretion to reject any applications for stock dividends or share subscriptions, transfers, redemptions or retractions where, in the view of the Board of Directors, such acts would result in the Corporation failing to meet the requirements of a MIC under the Income Tax Act.

As a Corporation qualified as a MIC, the Corporation may deduct taxable dividends it pays from its income and the normal gross up and dividend tax credit rules will not apply to dividends paid by the Corporation on the Shares. Rather, the dividends will be taxable in the hands of Shareholders as if they had received an interest payment. If for any reason the Corporation fails to maintain its MIC qualification in a particular year, the dividends paid by the Corporation on the Shares would cease to be deductible from the income of the Corporation for that year and the dividends it pays on the Shares would be subject to the normal gross up and dividend tax credit rules. In addition, the Shares might cease to be qualified investments for trusts governed by RRSPs, RRIFs, deferred profit sharing plans and TFSAs, with the effect that a penalty tax would be payable by the investor.

There can be no assurance, however, that the Corporation will be able to meet the Income Tax Act's MIC qualifications at all material times.

Reliance on the Manager

In accordance with the terms of the Management Agreement, the Manager has significant responsibility for assisting the Corporation in conducting its affairs. Any inability of the Manager to perform competently or on a timely basis could negatively affect the Corporation.

Key Personnel

The operations of the Corporation and the Manager are highly dependent upon the continued support and participation of their key personnel. The loss of their services may materially affect the timing or the ability of the Corporation to implement its business plan.

Composition of Mortgage Portfolio

The composition of the mortgage portfolio may vary widely from time to time and may be concentrated by type of mortgage, industry, or geographic region, resulting in the mortgage portfolio being less diversified than anticipated. 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 mortgage, industry or geographic region.

Mortgage Renewals

There can be no assurances that any of the mortgages comprising the mortgage portfolio from time to time can or will be renewed at the same interest rates and terms when the same mature, or in the same amounts as are currently in effect. With respect to each mortgage comprising the mortgage portfolio, it is possible that the mortgagor, the mortgagee, or both will elect not to renew such mortgage. In addition, if the mortgages in the mortgage portfolio are renewed, the principal balance of such renewals, the interest rates and other terms and conditions for such mortgages will be subject to negotiations between the mortgagors, the mortgagee, the Corporation and/or the Manager at the time of renewal.

Use of Leverage

The Corporation has the option to incur indebtedness secured by the Corporation's assets to purchase or make mortgage loans. There can be no assurance such a strategy will enhance returns, and in fact, use of this strategy could adversely affect returns.

Use of leverage through borrowing (and the assignment of mortgages as collateral) can also expose the Corporation to additional losses of capital.

Insurance

The Corporation's mortgage loans will not usually be insured in whole or in part. As well, there are certain inherent risks in the real estate industry, some of which the 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.

Priority

Financial charges for construction and other financing funded by conventional third party lenders may rank in priority to the mortgages registered in favour of the Corporation. In the event of default by the mortgagor under any prior financial charge, the Corporation may not recover any or all of the monies advanced.

Default

If there is default on a mortgage, it may be necessary for the Corporation, in order to protect its loan, to engage in foreclosure or sale proceedings and to make further outlays to complete an unfinished project or to maintain prior encumbrances in good standing. In those cases, it is possible the total amount recovered by the Corporation may be less than the total mortgage loan, resulting in loss to the Corporation.

Changes in Land or Property Values

The value of the real property which may secure the Corporation's mortgage loans can fluctuate due to a variety of factors, including, but not limited to, economic conditions, capital markets, occupancy rates, location, interest rates, market rents, local real estate markets and the financial stability of borrowers and tenants. A decline in the value of the real property may result in the amount of the mortgage loan exceeding the value of the property. Foreclosure by Corporation in this scenario would not satisfy repayment of the outstanding mortgage loan.

The value of the underlying real property may differ from the value determined by independent mortgage loan appraisals as these may be subject to conditions such as completion of construction or capital expenditures. These conditions, if unsatisfied, may affect the value of the property. Even in circumstances where these conditions are satisfied, the market value of the property may or may not have changed.

Yield

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

(c) Industry Risk

Changes 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.

Competition

The earnings of the Corporation depend on the Corporation's ability, with the assistance of the Manager, to locate suitable opportunities for the making of mortgage loans with the Corporation's funds and on the yields available from time to time on such mortgages. The industry in which the Corporation operates is subject to a wide variety of competition from public and private businesses, many of whom have greater financial and technical resources than the Corporation.

Competitors may reduce the interest rates they charge, resulting in a reduction of the Corporation's share of the market, reduced interest rates on loans, and reduced profit margins.

Relationship Between the Corporation, the Manager and the Agent

Michael Hapke, the president and CEO of AMIC, is registered as a dealing representative with, is the Ultimate Designated Person of and the owner of Advanced Capital Corp. (“ACC”). ACC is an exempt market dealer registered in Ontario and serves as Agent for AMIC. Mr. Hapke (who is also identified as the specified firm registrant) is a common shareholder, director and control person of AMIC which is a connected issuer and a related issuer to ACC by virtue of common ownership of and control over each of the Corporation, the Manager and the Agent. Refer to “Relationship Between the Corporation, the Manager and the Agent” for more information.

The Corporation is a “connected issuer” of the Agent and of the Manager, as such term is defined in National Instrument 33-105 – *Underwriting Conflicts*. The Corporation has determined it is a connected issuer of the Agent and the Manager based on the following:

- the owner of the Agent is a common shareholder of the Corporation and as such entitled to elect the directors of the Corporation;
- the majority of the control persons of the Corporation are also directors, officers and/or control persons of the Agent and the Manager; and
- under various agreements between the Agent, the Manager and the Corporation ○ the Manager is responsible for mortgage origination activities and mortgage servicing functions for the Corporation and is compensated for services provided to the Corporation.
- the Agent is responsible for capital raising activities of the Corporation is compensated for services provided to the Corporation.

For further details about the fees payable by the Corporation to the Agent and to the Manager, refer to “Compensation of the Manager and the Agent.”

Notwithstanding the foregoing, the Directors have determined the terms of the Offering, independent from the Agent. The role of the Agent in capital raising activities relating to the Offering is only to implement the decisions made by the Directors.

Specified Registrants	Role with the Corporation (AMIC)	Role with the Manager (AAL)	Role with the Agent (ACC, the EMD)
Michael Hapke <i>Owner</i> <i>Officer</i> <i>Director</i> <i>Control Person</i>	<ul style="list-style-type: none"> • President and CEO • Owner and control person • Common shareholder with the ability to elect the board of directors • Banking signing officer • Able to bind the corporation • Board member 	<ul style="list-style-type: none"> • President and CEO • Owner and control person • Common shareholder with the ability to elect the board of directors • Banking signing officer • Able to bind the corporation • Primary FSRA licence holder and Principal Broker • Compensated by AMIC via the Management Agreement based on AUM and performance 	<ul style="list-style-type: none"> • President and CEO • Owner and control person • Common shareholder with the ability to elect the board of directors • Banking signing officer • Able to bind the corporation • Dealing Representative • Ultimate Designated Person • Compensated by AMIC via the Agency Agreement and via commissions paid to ACC

Manager

The Corporation is a “related issuer” of the Manager (AAL) within the meaning of applicable securities legislation by virtue of common control and common directors and officers.

The Corporation has retained the Manager to provide management and other services to it pursuant to the Management Agreement and to pay the Manager the fees described herein under “Compensation of the Manager and the Agent.”

In addition, the Corporation may from time to time accept assignments of mortgages that were funded by the Manager under its direct lending program, where in the discretion of the Manager, it would be in the best interests of the Corporation and the Shareholders to do so. The Corporation will pay the Manager a fee in the range normally paid in the mortgage industry for such assignments.

Agent

The Corporation is a “related issuer” of the Agent (ACC) within the meaning of applicable securities legislation by virtue of common control and common directors and officers.

The Corporation is also a “connected issuer” of the Agent by virtue of the Corporation having retained the Agent to provide capital raising and other services to it pursuant to the Agency Agreement and to pay the Agent the fees described herein under “Compensation of the Manager and the Agent.”

Conflicts of Interest

General

Conflicts of interest may exist, and others may arise, between investors and the directors and officers of the Manager, the Agent and the Corporation and their associates and affiliates.

Certain of the shareholders, directors and officers of the Corporation are also shareholders, directors and officers of the Manager and the Agent. As the Manager is paid the Management Fee and certain other fees by the Corporation, and the Agent is paid the Agent’s Fee by the Corporation, there exists the possibility that such shareholders, officers and directors will be in a position of conflict of interest. See “Compensation of the Manager and the Agent” and “Relationship Between the Corporation, the Manager and the Agent.”

In addition, the Manager anticipates receiving mortgage funding applications from various licensed mortgage brokers, which may include MBCI, and paying fees in the range normally paid in the mortgage industry to such mortgage brokers for any referrals. Given that certain of the shareholders, directors and officers of the Corporation and the Manager are also shareholders, directors and officers of MBCI there exists the possibility that such shareholders, officers and directors will be in a position of conflict of interest.

There is no assurance that any conflicts of interest that may arise will be resolved in a manner most favourable to investors. Persons considering a purchase of Shares must rely on the judgment and good faith of the directors, officers and employees of the Manager, the Agent and the Corporation in resolving such conflicts of interest as may arise.

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.

The Manager and its associates are entitled to act in a similar capacity for other companies with mortgage lending criteria similar to those of the Corporation. As such, there is a risk the Manager will not be able to originate sufficient suitable mortgage loan opportunities to keep the Corporation's funds fully invested. Also, the Board of Directors and the Manager may be employed by, or act in other capacities for, other companies involved in mortgage and lending activities.

The Agent

The Agent and its Dealing Representatives may act as selling agent and may receive fees and commissions in connection with investments in entities other than the Corporation, including funds affiliated with the Corporation. As a result, these other entities may compete with the Corporation for financing, resources or otherwise. The Agent 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 the Agent's disclosure to investors, the Agent will provide a description of all relationships it shares with the Corporation and all related or associated parties or entities.

Lack of Separate Legal Counsel

The investors, as a group, have not been represented by separate counsel. Neither counsel for the Corporation nor counsel for the Manager or the Agent have acted, or are acting, for the investors nor have conducted any investigation or review on their behalf.

ITEM 11 – REPORTING OBLIGATIONS

11.1.1 Reporting to Shareholders

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

Notwithstanding the above, Subscribers shall receive quarterly and annual account statements showing the total number of Shares held; income earned in the preceding quarter; the amount of a Subscriber's dividend (or additional Shares if dividends are reinvested). Subscribers will also receive a monthly statement for months in which a share-related transaction occurs (other than routine dividend distributions).

The fiscal year end of the Corporation is August 31. The Corporation will make available to Shareholders audited annual financial statements and unaudited semi-annual financial statements in addition to routine reporting as required by securities laws, regulators or under the CBCA, including but not limited to CRM2 Appendices D and E.

In addition, the Corporation shall make available to each Shareholder annually, within the time periods prescribed by law, information necessary to enable each such Shareholder to complete an income tax return with respect to the amounts payable by the Corporation.

11.2 Disclosure of Availability of Information about the Issuer

As of the date of this Offering Memorandum, no corporate or securities information about the issuer is available from a government, securities regulatory authority or regulator, SRO or quotation and trade reporting

system with the exception of reports containing information from the Corporation's filing of Form 45-106F1 with provincial regulators.

As of the date of this Offering Memorandum, this information can be viewed here:

<http://www.osc.gov.on.ca/en/exempt-distributions-summary.htm>

Information about the status of the Corporation's status under the CBCA can be found here:

- <https://www.ic.gc.ca/app/scr/cc/CorporationsCanada/fdrlCrpDtls.html?corpId=8623970>

The Corporation cannot warrant or guarantee the ongoing availability of information at the locations provided above.

If the Corporation opts to commence issuance in jurisdictions requiring filing of documents on SEDAR, corporate and securities information may be found here:

- http://www.sedar.com/issuers/issuers_en.htm
- http://www.bcsc.bc.ca/About_Issuers/Issuer_Information/?partyid=E7FAJ6C6P7S7L7L8I6S7F7Q0

Ongoing Disclosure

The purchasers will receive quarterly performance summaries of the overall portfolio and an individual account statement.

ITEM 12 – RESALE RESTRICTIONS

12.1 General Statement

For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Quebec, Saskatchewan and Yukon:

These securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

12.2 Restricted Period

For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Quebec, Saskatchewan and Yukon:

Unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the date the Corporation becomes a reporting issuer in any province or territory of Canada.

12.3 Manitoba Resale Restrictions

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

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

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

No prospectus has been filed in connection with this Offering in Canada or elsewhere. As a result, the Shares acquired hereunder may only be resold pursuant to National Instrument 45-102 *Resale of Securities* (“**NI 45102**”). The following summary is based upon the current provisions of NI 45-102.

The summary does not take into account, or anticipate, any changes in the law, whether by judicial, governmental or legislative action or decision.

The Shares being distributed pursuant to this Offering Memorandum are subject to restrictions on resale until such times as: (a) appropriate hold periods have been satisfied; (b) the trade is made in reliance on an available statutory exemption; or (c) an appropriate discretionary order is obtained pursuant to applicable securities laws. 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 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.

Any certificates representing Shares will bear a legend indicating that the resale of such Shares is restricted.

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.

It is the responsibility of each individual purchaser of Shares to ensure all forms required by the applicable securities legislation are filed as required upon disposition of the Shares acquired pursuant to this Offering Memorandum.

ITEM 13 – PURCHASER’S RIGHTS

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

13.1 Two Day Cancellation Right

A Subscriber can cancel its agreement to purchase these securities. To do so, the Subscriber must send a notice to the Corporation by midnight on the second business day after the Subscriber signed the agreement to buy the securities.

13.2 Statutory Rights of Action in the Event of a Misrepresentation

If there is a misrepresentation in this Offering Memorandum, a Subscriber has a statutory right to sue:

- a) the Corporation to cancel the Subscriber’s agreement to buy these securities; or
- b) for damages against the Corporation.

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

If a Subscriber intend to rely on the rights described in (a) or (b) above, it must do so within strict time limitations. A Subscriber must commence its action to cancel the agreement within 180 days from the date of the transaction that gave rise to the cause of action. A Subscriber must commence its action for damages

within the earlier of 180 days from the day it first had knowledge of the facts giving rise to the cause of action or 3 (three) years from the date of the transaction which gave rise to the cause of action.

13.2.1 Right of Action for Rescission or Damages

Securities legislation in certain of the Canadian provinces provides investors in the Shares with certain rights of action if this Offering Memorandum, together with any amendment to this Offering Memorandum, contains a misrepresentation.

The following is a summary of these rights in the Province of Ontario. Such summary is subject to the express provisions of the Securities Act (Ontario) and the rules, regulations and other instruments thereunder, and reference is made to the complete text of such provisions contained therein. Such provisions may contain certain limitations and statutory defences on which the Corporation may rely. These rights are in addition to, and without derogation from, any other right or remedy the investor may have at law.

For purposes of the following summary, “Misrepresentation” means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

13.2.2 Rights for Shareholders in Ontario

If this Offering Memorandum, together with any amendment to this Offering Memorandum, contains a Misrepresentation, an investor in the Province of Ontario will have, without regard to whether the Misrepresentation was relied upon by the investor, a right of action against the Corporation for damages or, at the election of the investor, against the Corporation, for rescission (in which case the investor will cease to have a right of action for damages), provided that:

1. no action may be commenced to enforce a right of action:
 - a. for rescission more than 180 days after the date of the purchase; or
 - b. for damages more than the earlier of (i) 180 days after the investor first had knowledge of the facts giving rise to the cause of action, and (ii) three years after the date of purchase;
2. the Corporation will not be liable if it proves that the investor purchased the Shares with knowledge of the Misrepresentation;
3. in an action for damages, the Corporation will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Shares as a result of the Misrepresentation;
4. in no case shall the amount recoverable exceed the price at which the Shares were sold to the investor; and
5. the Corporation will not be liable for a Misrepresentation in forward-looking information if the Corporation proves that:
 - a. this 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 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
 - b. the Corporation had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

The foregoing rights do not apply if the investor is:

- a) a Canadian financial institution (as defined in NI 45-106) or a Schedule III bank;
- b) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada); or
- c) a subsidiary of any person referred to in paragraphs (a) and (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

13.2 Cautionary Statement Regarding Report, Statement or Opinion by Expert

Not applicable.

ITEM 14 – FINANCIAL STATEMENTS

AUDITORS

For Fiscal 2023 and prior years, the auditors of the Corporation have been Welch LLP, 151 Slater Street, Suite 1200, Ottawa, Ontario, K1P 5H3.

The Board of Directors has not yet appointed an auditor for fiscal 2024. The audit will be completed no later than 90 days after the end of the fiscal year on August 31, 2024.

The Corporations' audited financial statements for Fiscal 2023 (21 pages) are attached hereto.

The Corporation receives audited financial statements annually for distribution to the Board of Directors, shareholders, regulators, trustees and other parties as needed.

FINANCIAL STATEMENTS
For
ADVANCED MORTGAGE INVESTMENT CORPORATION
For the year ended
AUGUST 31, 2023

INDEPENDENT AUDITOR'S REPORT

To the shareholders of

ADVANCED MORTGAGE INVESTMENT CORPORATION

Opinion

We have audited the financial statements of Advanced Mortgage Investment Corporation (the "Corporation"), which comprise the statement of financial position as at August 31, 2023, and the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at August 31, 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.


Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
November 7, 2023.

ADVANCED MORTGAGE INVESTMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2023

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash	\$ 318,197	\$ 1,545
Accounts receivable	9,650	2,702
Mortgage investments (notes 5, 6 and 8)	66,233,304	59,670,875
Prepaid expenses	<u>8,574</u>	<u>6,461</u>
	<u>\$ 66,569,725</u>	<u>\$ 59,681,583</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
LIABILITIES		
Bank loans (note 7)	\$ 15,130,694	\$ 13,477,736
Accounts payable and accrued liabilities (note 8)	110,881	615,455
Dividends payable - cash (note 9)	127,536	134,688
Dividends payable - dividend reinvestment plan (notes 8 and 9)	1,007,139	836,918
Preferred shares (notes 8 and 9)	<u>50,193,375</u>	<u>44,616,686</u>
	<u>66,569,625</u>	<u>59,681,483</u>
SHAREHOLDERS' EQUITY		
Common shares (note 10)	100	100
Retained earnings (note 3)	<u>-</u>	<u>-</u>
	<u>100</u>	<u>100</u>
	<u>\$ 66,569,725</u>	<u>\$ 59,681,583</u>

Approved by the Board:

KEN ALGER
 Director

MICHAEL HAPKE
 Director

(See accompanying notes)

ADVANCED MORTGAGE INVESTMENT CORPORATION

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED AUGUST 31, 2023

	<u>Common shares</u>		<u>Retained earnings</u>	<u>Total</u>
	<u>Number</u>	<u>Amount</u>		
Balance at August 31, 2021	100	\$ 100	\$ -	\$ 100
Comprehensive income for the year ended August 31, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at August 31, 2022	100	100	-	100
Comprehensive income for the year ended August 31, 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at August 31, 2023	<u>100</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 100</u>

(See accompanying notes)

ADVANCED MORTGAGE INVESTMENT CORPORATION
STATEMENT OF INCOME AND COMPREHENSIVE INCOME
YEAR ENDED AUGUST 31, 2023

	<u>2023</u>	<u>2022</u>
Revenue		
Mortgage interest and fees (note 3)	\$ 7,412,102	\$ 4,780,040
Amortization of mortgage investments transaction costs (note 5)	<u>(451,955)</u>	<u>(412,594)</u>
	6,960,147	4,367,446
Administration fees earned	<u>316,062</u>	<u>254,193</u>
	<u>7,276,209</u>	<u>4,621,639</u>
Expenses		
Agency fees (note 8)	338,225	188,954
Bank charges	7,055	7,793
Insurance	21,758	5,953
Interest, commission and other fees (notes 7 and 8)	1,454,588	412,888
Management fees (note 8)	1,623,498	1,275,160
Office and general (note 8)	38,537	32,799
Professional fees	58,747	29,765
Provision for mortgage losses (note 5)	<u>32,317</u>	<u>-</u>
	<u>3,574,725</u>	<u>1,953,312</u>
Income before dividends on preferred shares	3,701,484	2,668,327
Dividends on preferred shares (notes 8 and 9)	<u>3,649,298</u>	<u>2,638,199</u>
Net income	52,186	30,128
Share issuance costs expensed upon redemption of preferred shares (note 9)	<u>52,186</u>	<u>30,128</u>
Comprehensive income	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes)

ADVANCED MORTGAGE INVESTMENT CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED AUGUST 31, 2023

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Comprehensive income	\$ -	\$ -
Adjustments for:		
Amortization of mortgage investments transaction costs	451,955	412,594
Provision for mortgage losses	32,317	-
Share issuance costs expensed upon redemption of preferred shares	52,186	30,128
Amortization of debt financing costs	225,600	231,244
Reinvested dividends	<u>3,011,317</u>	<u>1,821,667</u>
	3,773,375	2,495,633
Changes in level of:		
Accounts receivable	(6,948)	975
Prepaid expenses	(2,113)	(5,063)
Accounts payable and accrued liabilities	(504,574)	229,041
Dividends payable	163,069	428,473
Mortgage interest receivable	(256,497)	(163,876)
Accrued interest payable	<u>77,358</u>	<u>33,336</u>
	<u>3,243,670</u>	<u>3,018,519</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Mortgage advances	(61,913,678)	(78,088,592)
Mortgage discharge and principal repayments	55,561,806	49,612,390
Mortgage investment transaction costs incurred	<u>(438,332)</u>	<u>(474,187)</u>
	<u>(6,790,204)</u>	<u>(28,950,389)</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Net proceeds from bank loans	1,350,000	13,213,156
Issuance of preferred shares	6,519,154	14,710,435
Redemption of preferred shares	(3,873,684)	(2,713,423)
Preferred shares issuance costs incurred	<u>(132,284)</u>	<u>(250,172)</u>
	<u>3,863,186</u>	<u>24,959,996</u>
INCREASE (DECREASE) IN CASH	316,652	(971,874)
CASH AT BEGINNING OF YEAR	<u>1,545</u>	<u>973,419</u>
CASH AT END OF YEAR	\$ <u>318,197</u>	\$ <u>1,545</u>

(See accompanying notes)

ADVANCED MORTGAGE INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2023

1. NATURE OF OPERATIONS

Advanced Mortgage Investment Corporation (the "Corporation") is incorporated under the Canada Business Corporations Act. The Corporation's registered office and business office is located at 788 Island Park Drive in Ottawa, Ontario.

The Corporation is a Mortgage Investment Corporation ("MIC") as defined in Section 130.1 (6) of the Canada Income Tax Act. Section 130.1 (6) of the Income Tax Act prescribes the tax treatment of a MIC allowing the income earned on mortgages to be passed on to the shareholders in a flow-through manner. The flow-through is accomplished by a dividend which is deducted from the annual income for tax purposes but taxed as bond interest in the hands of the recipients.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") including International Accounting Standards prevailing at August 31, 2023.

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

The financial statements are presented using the Canadian dollar which is the Corporation's functional currency.

The financial statements were authorized for issue by the Board of Directors on November 7, 2023.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies presented below have been applied consistently to all periods presented in the financial statements.

Financial instruments

Financial instruments are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and liabilities at FVTPL are expensed when incurred.

Financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

ADVANCED MORTGAGE INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED AUGUST 31, 2023

3. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Financial instruments - Cont'd.

Financial assets - Cont'd.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

Financial assets that are not measured at amortized cost or at FVTOCI are measured at FVTPL.

Cash, accounts receivable and mortgage investments are subsequently measured at amortized cost.

All other financial assets are subsequently measured at FVTPL.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or amortized cost. All financial liabilities which include bank loans, accounts payable and accrued liabilities, dividends payable and preferred shares are initially recognized at fair value and subsequently measured at amortized cost.

Impairment

Mortgage investments are assessed for impairment at the end of each reporting period in accordance with IFRS 9 - *Financial Instruments* as outlined below with any provision recorded as a reduction of the reported mortgage investments on the statement of financial position and reported separately in the statement of income and comprehensive income.

The amount of any expected credit loss ("ECL") is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

IFRS 9 uses an ECL model to determine the provision for credit losses. The ECL model is forward looking and results in a provision for mortgage losses being recorded on the financial statements regardless if there has been a loss event. ECLs are the difference between the present value of all contractual cash flows that are due under the original terms of the loan and the present value of all of the cash flows expected to be received.

The ECL model uses a three-stage impairment approach based on changes in the credit risk of the financial asset since initial recognition. The three stages are as follows: Stage 1 - financial assets that have not experienced a significant increase in credit risk since initial recognition; Stage 2 - financial assets that have experienced a significant increase in credit risk between initial recognition and the reporting date; and Stage 3 - financial assets for which there is objective evidence of impairment at the reporting date. The Corporation considers a number of factors, as detailed below, when assessing if there has been a significant increase in credit risk. The ECL model requires the recognition of credit losses equal to the 12-month ECLs for Stage 1 financial assets and ECLs for the remaining life of the financial assets for Stage 2 and 3 financial assets.

The Corporation may classify mortgages as impaired due to 1) actual default, 2) technical default, 3) significant increased credit risk ("SICR") and 4) increased market risk.

The Corporation maintains strict controls around 1) actual default, defined as failure to make a scheduled payment under the mortgage contract. The Corporation acts immediately upon the instance of an NSF (non-sufficient funds) payment.

ADVANCED MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED AUGUST 31, 2023

3. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Impairment - Cont'd.

Technical default can include failure to maintain insurance, failure to repay property taxes when due, default in prior or subsequent encumbrances, failure to maintain property or any other breach of the standard charge terms or mortgage contract.

The Corporation monitors loans more closely with 3) SICR, and on an individual basis given their significance and unique characteristics. Situations that cause SICR can include loss of income of the borrower, death of the borrower or co-borrowers, or a deterioration in the creditworthiness of the borrower.

At each period-end, the Corporation calculates impairment allowance for 3) SICR on a file by file basis using the following methodology, with information available without undue cost or effect on an individual basis:

- The Corporation determines if mortgages have SICR.
- Mortgage receivables are considered to have similar risk characteristics when they are in the same geographical area which are secured by real property as collateral, as well as (in most instances) a Personal Property Security Act ("PPSA") registration against the borrower(s) and any guarantor(s).
- The Corporation presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Corporation has reasonable and supportable information that demonstrates otherwise.
- The Corporation considers any loans over 90 days past due to be credit impaired.
- Mortgages in actual and/or technical default are further analysed and assessed for impairment on a per-file basis.
- Impairment losses resulting from a mortgage default is determined using a provision matrix that can be adjusted on a file by file basis for factors that are specific to the property securing the mortgage, the circumstances of the borrowers and guarantors, general economic conditions in the regional market in which the property is located and an assessment of both the current and the forecast direction of real estate market conditions at the reporting date, including the expected timeline for the resolution of any foreclosure or power of sale process (where appropriate).

The Corporation monitors the overall 4) market risk and assesses the impact of increased market risk on the mortgage portfolio. The market risk assessment includes an evaluation of currency risk, interest rate risk, and the other price risks associated with residential real estate in the Ottawa, Greater Toronto Area and surrounding areas (see note 5).

Cash

Cash includes cash on deposit with financial institutions.

Accrued interest receivable

Accrued interest receivable on mortgages is calculated on each individual mortgage balance at year-end using the effective interest rate associated with the mortgage balance. Accrued interest is included with mortgage investments.

Revenue recognition

Revenue is substantively derived from the funding of non-conforming mortgages with funds raised from investors. Administration fees charged on servicing the mortgages are recognized when services are rendered. Commitment fees are recognized over the expected term of the mortgage commitment when collection is determinable. Commitment fees are paid to the lender to compensate for its commitment to fund the potential mortgage contract since it has set aside the funds for the borrower and cannot yet charge interest which is an integral part of generating an involvement with the resulting mortgage.

Interest on mortgage investments is recognized using the effective interest rate method. The Corporation's interest income is from financial instruments measured at amortized cost. Interest income is recognized on a monthly basis, earned over the term of the arranged mortgage.

ADVANCED MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED AUGUST 31, 2023

3. **SIGNIFICANT ACCOUNTING POLICIES - Cont'd.**

Income taxes

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

Preferred shares

The Corporation classifies preferred shares strictly based on their substance. Preferred shares which provides for mandatory redemption by the Corporation for a fixed or determinable amount at a fixed or determinable future date, or gives the holder the right to require the issuer to redeem the share at or after a particular date for a fixed or determinable amount, meets the definition of a financial liability and is classified as such.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Changes in estimates are recorded in the accounting period in which they are determined.

Management makes accounting estimates and judgements when determining the following:

- Value of contingencies and accrued liabilities;
- Classification of mortgage investment: Management assesses the business model within which the assets are held and an assessment whether the contractual terms of the mortgage investments are solely payments of principal and interest on the principal amounts outstanding; and
- Impairment: Management assesses whether credit risk on financial assets has increased significantly since initial recognition and whether a loss allowance should be recognized. Management also uses forward-looking information and assumptions about the probability of default and expected losses for financial assets.

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

4. **EMERGING ACCOUNTING PRONOUNCEMENTS UNDER IFRS**

A number of new standards, amendments to standards and interpretations have been issued in IFRS but are not yet effective for the year ended August 31, 2023, and accordingly, have not been applied in preparing these financial statements. Management has not yet assessed the impact on its financial statements of the following amended standards and interpretations:

- Amendments to classification of liabilities as current and non-current and disclosure of accounting policies under IAS 1 - *Presentation of Financial Statements*;
- Amendments to the definition of accounting estimates under IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*;
- Amendments to clarify accounting for specific deferred tax on transactions such as leases and decommissioning obligations under IAS 12 - *Income taxes*;
- Amendments to IFRS 16 - *Leases* related to lease liability in a sale or leaseback;
- Amendments to IFRS 7 - *Financial Instruments - Disclosures* and to IAS 7 - *Statement of Cash Flows* related to supplier finance arrangements; and
- Amendments to IAS 21 - *The Effects of Changes in Foreign Exchange Rates* relating to lack of exchangeability of currency.

ADVANCED MORTGAGE INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED AUGUST 31, 2023

5. FINANCIAL INSTRUMENTS

a) *Fair value of financial instruments*

The Corporation classifies its fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The accounting standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The inputs fall into three levels that may be used to measure fair value:

Level 1 - Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 - Applies to assets or liabilities for which there are inputs other than the quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

Level 3 - Applies to assets or liabilities for which there is no observable market data.

Generally, the fair value of the mortgage investments approximate their carrying values given the short-term nature of these mortgages. The Corporation believes that the recorded values of all of the other financial instruments approximate their current fair values because of their nature and respective maturity dates and durations.

A reconciliation of Level 3 assets is as follows:

	<u>Mortgage principal</u>	<u>Transaction costs</u>	<u>Accrued interest and payments owing</u>	<u>Allowance for loss provision</u>	<u>Total</u>
Balance at August 31, 2021	\$ 30,845,016	\$ 98,961	\$ 25,227	\$ -	\$ 30,969,204
Funding of mortgage investments	78,088,592	-	-	-	78,088,592
Increase in accrued interest	-	-	140,732	-	140,732
Increase in prepaid interest	-	-	23,144	-	23,144
Principal repayments on mortgage investments	(49,612,390)	-	-	-	(49,612,390)
Transaction costs incurred in the year					
Broker fees to MBCI (note 8)	-	238,037	-	-	238,037
Broker fees to third parties	-	236,150	-	-	236,150
Amortization of transaction costs included in mortgage interest	<u>-</u>	<u>(412,594)</u>	<u>-</u>	<u>-</u>	<u>(412,594)</u>
Balance at August 31, 2022	59,321,218	160,554	189,103	-	59,670,875
Funding of mortgage investments	61,913,678	-	-	-	61,913,678
Increase in accrued interest	-	-	197,115	-	197,115
Increase in prepaid interest	-	-	60,621	-	60,621
Increase in balance owing to borrower	-	-	(3,767,357)	-	(3,767,357)
Allowance for loss provision	-	-	-	(32,317)	(32,317)
Principal repayments on mortgage investments	(51,795,688)	-	-	-	(51,795,688)
Transaction costs incurred in the year					
Broker fees to MBCI (note 8)	-	197,219	-	-	197,219
Broker fees to third parties	-	241,113	-	-	241,113
Amortization of transaction costs included in mortgage interest	<u>-</u>	<u>(451,955)</u>	<u>-</u>	<u>-</u>	<u>(451,955)</u>
Balance at August 31, 2023	<u>\$ 69,439,208</u>	<u>\$ 146,931</u>	<u>\$ (3,320,518)</u>	<u>\$ (32,317)</u>	<u>\$ 66,233,304</u>

ADVANCED MORTGAGE INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED AUGUST 31, 2023

5. FINANCIAL INSTRUMENTS - Cont'd.

b) Risk management

The Corporation's financial instruments are subject to the following risks:

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Corporation. This risk arises principally from cash, accounts receivable and the mortgage investments held.

The Corporation mitigates this risk by having well established lending policies in place that ensure that mortgages are well secured and by limiting significant exposure to any one mortgagor. The Corporation has recourse under these mortgages in the event of default by the borrower, in which case the Corporation would have a claim against the underlying property. At August 31, 2023, the Corporation assessed the mortgage investments as to impairment using the following methodology:

- All mortgage receivables share risk characteristics in that all mortgage loans are in a similar geographical area which are all secured by real property as collateral as well as (in most instances) a PPSA registration against the borrowers and any guarantors.
- All of the loans were originated at a market rate of interest.
- Mortgages that are more than 30 days past due have a higher SICR.
- The Corporation considered any loans over 90 days past due to be credit impaired.
- Mortgages in technical default were assessed on a file by file basis. Two mortgages were in technical and actual default as of year-end. Both of these mortgages are on sale as of the date of the release of these financial statements. The Corporation is expected to recover all amounts due from the borrowers and no losses are expected.
- Impairment losses were estimated using a provision matrix that incorporates the outstanding principal under the mortgage, any regular interest receivable, fees receivable from the borrower(s) and guarantor(s) prior to and subsequent to default, and fees and charges for file related one-time and ongoing legal, insurance and property management services paid to realize the value of the mortgage property.

The company has recorded an allowance for credit losses amounting to \$32,317 as at August 31, 2023 (2022 - \$nil).

The Corporation generally places its cash in Canadian chartered banks and as such, the Corporation does not anticipate significant credit risk associated with cash.

To reduce the Corporation's credit risk on accounts receivable, the Corporation has a stringent process validating the ability of the borrower to fund such commitment fees and other fees under the loan commitment. Mortgage applications undergo a comprehensive due diligence process adhering to the restrictions and eligibility under the Corporation's policies.

ADVANCED MORTGAGE INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED AUGUST 31, 2023

5. **FINANCIAL INSTRUMENTS - Cont'd.**

b) *Risk management - Cont'd.*

Liquidity risk

All financial liabilities are exposed to liquidity risk. Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities. The Corporation's management addresses this risk by reviewing its expected future cash flow requirements. In addition, the Corporation has policies in place that limit the total amount of share redemptions in any given year.

The table below analyzes the Corporation's financial liabilities as at August 31, 2023 and August 31, 2022 into relevant groupings based on contractual maturity dates. The amounts in the table are contractual undiscounted cash flows. Balances due within 12 months equal their carrying values as the impact of discounting is not significant.

	<u>On</u> <u>demand</u>	<u>Within</u> <u>one year</u>	<u>No stated</u> <u>maturity</u>	<u>Total</u>
<u>August 31, 2023</u>				
Bank loans	\$ -	\$ 15,130,694	\$ -	\$ 15,130,694
Accounts payable and accrued liabilities	-	-	110,881	110,881
Dividends payable	-	1,134,675	-	1,134,675
Preferred shares	<u>50,804,229</u>	<u>-</u>	<u>-</u>	<u>50,804,229</u>
Total	<u>\$ 50,804,229</u>	<u>\$ 16,265,369</u>	<u>\$ 110,881</u>	<u>\$ 67,180,479</u>
<u>August 31, 2022</u>				
Bank loans	\$ -	\$ 13,477,736	\$ -	\$ 13,477,736
Accounts payable and accrued liabilities	-	-	615,455	615,455
Dividends payable	-	971,606	-	971,606
Preferred shares	<u>45,147,442</u>	<u>-</u>	<u>-</u>	<u>45,147,442</u>
Total	<u>\$ 45,147,442</u>	<u>\$ 14,449,342</u>	<u>\$ 615,455</u>	<u>\$ 60,212,239</u>

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk. The Corporation manages this risk by having well established lending policies in place that ensure mortgages are well secured.

i) *Currency risk*

Currency risk is the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

Substantially all of the Corporation's transactions are in Canadian dollars and as a result, the Corporation is not subject to significant currency risk.

ADVANCED MORTGAGE INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED AUGUST 31, 2023

5. FINANCIAL INSTRUMENTS - Cont'd.

b) *Risk management* - Cont'd.

Market risk - Cont'd.

ii) *Interest rate risk*

Interest rate risk is the risk that the value of the Corporation's financial instruments will fluctuate due to changes in market interest rates. In respect of the Corporation's mortgage investments, the Corporation generally issues mortgages with terms of no longer than 12 months at fixed interest rates. Accordingly the Corporation is subject to limited exposure to interest rate risk on this financial instrument.

The Corporation's bank loans bear interest based on the bank's prime rate and CDOR (Canadian Dollar Offered Rate) and as such, the Corporation is exposed to interest rate risk on this financial instrument.

iii) *Other price risk*

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The Corporation is not exposed to significant other price risk.-

Changes in risk

There have been no significant changes in the Corporation's risk exposures from the prior year.

6. MORTGAGE INVESTMENTS

Mortgage investments are secured by the real estate property to which they relate, mature at various dates up to September 2024 with interest rates ranging from 6.49% to 14.27%. All mortgages are secured and relate to residential properties located in Ottawa, the Greater Toronto Area and the surrounding regions of Eastern Ontario.

In September 2023, subsequent to year-end, the Corporation had approved mortgages for an aggregate amount of \$4,337,200 (2022 - \$1,372,000).

Mortgage investments at year-end are comprised of the following:

	<u>2023</u>	<u>2022</u>
Total mortgages receivable	\$ 69,439,208	\$ 59,321,218
Balance of unamortized transaction costs at year-end	146,931	160,554
Accrued interest	446,839	189,103
Balance owing to borrowers	<u>(3,767,357)</u>	<u>-</u>
	66,265,621	59,670,875
 Less provision for mortgage losses	 <u>(32,317)</u>	 <u>-</u>
	 <u>\$ 66,233,304</u>	 <u>\$ 59,670,875</u>

The allowance for mortgage losses at August 31, 2023 of \$32,317 (2022 - \$nil) represents management's estimate of the ECLs on mortgage investments that have not experienced a significant increase in credit risk since initial recognition or renewal (Stage 1). The ECL was assessed individually for each mortgage receivable at Stage 2 and Stage 3 at August 31, 2023 and management estimated that there were no expected losses on those mortgages.

ADVANCED MORTGAGE INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED AUGUST 31, 2023

7. BANK LOANS AND CREDIT FACILITY

The Corporation has a credit facility agreement with a maximum limit of \$35,000,000 (2022 - \$35,000,000). The purpose of the loan is to generate a higher rate of return for the investors. The credit facility is a revolving term credit facility by way of a prime loan and Canadian Dollar Offered Rate ("CDOR") loans.

The credit facility matures on November 30, 2023 with the option to extend for one year at the sole discretion of the lender. This lender has currently offered the Corporation a one-year renewal with no material changes to the facility other than a slight rate reduction. The credit facility is secured by a general security agreement constituting a first ranking security interest in all personal property of the Corporation, assignment of mortgage loans, assignment of material contracts such as management agreement and offering memorandum and power of attorney in favour of the lender in respect of the mortgages.

The credit facility is payable in full on the maturity date. Mandatory prepayments usual and customary for transactions of this type include, but not limited, to:

- 100% of net proceeds from the sale of any mortgage loans or other assets other than in the ordinary course of business;
- 100% of net proceeds of any public or private issuance or incurrence of any secured or unsecured debt other than permitted debt; and
- 100% of net proceeds of insurance claims.

CDOR based loans are available to the Corporation in increments of \$1,000,000 and multiples of \$500,000 thereafter with terms of 1, 2, or 3 months bearing interest at the CDOR rate plus 2%. The Corporation had drawn down \$15,000,000 (2022 - \$8,000,000) of CDOR loans against its revolving credit facility as at August 31, 2023 and maturing on September 18, 2023. Total interest incurred for the current year-end related to the CDOR loan was \$868,833 (2022 - \$31,208).

The prime loan is interest bearing with interest calculated at the bank's prime plus 0.75%. The Corporation had drawn down \$20,000 (2022 - \$5,670,000) against its revolving credit facility as at August 31, 2023. Total interest incurred for the current year-end related to the prime loan was \$349,180 (2022 - \$150,436).

The credit facility includes provisions in the agreement that allow the Corporation to convert all or a portion of the prime loan into a CDOR loan or vice versa with written notice requirements in accordance with the provisions of the loan agreement.

Subject to the other terms in the loan agreement, provided that the Corporation has satisfied the borrowing conditions and requested that the bank rollover and continue to make available by way of CDOR loans to replace all or a portion of an outstanding CDOR loan at the end of its interest period, the bank shall, at the end of the interest period of such CDOR loan, continue to make credit available to the Corporation by way of a CDOR loan in the principal amount equal to the CDOR loan to be replaced or the portion thereof to be replaced. The CDOR loan will automatically be rolled over into another CDOR loan if no event of default has occurred and the Corporation fails to provide the bank with written notice. If an event of default has occurred and is continuing, each CDOR loan will automatically be converted into a prime loan.

In addition, the Corporation must meet certain financial ratios. As at August 31, 2023, the Corporation was in compliance with these covenants.

ADVANCED MORTGAGE INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED AUGUST 31, 2023

7. BANK LOANS AND CREDIT FACILITY - Cont'd.

As at year-end, bank loans consist of the following:

	<u>2023</u>	<u>2022</u>
CDOR loan - CDOR plus 2%, due September 18, 2023	\$ 15,000,000	\$ 8,000,000
Prime loan - prime rate plus 0.75%, due November 30, 2023	<u>20,000</u>	<u>5,670,000</u>
	15,020,000	13,670,000
Accrued interest payable	110,694	33,336
Less debt financing costs	<u>-</u>	<u>(225,600)</u>
	<u>\$ 15,130,694</u>	<u>\$ 13,477,736</u>

Debt financing costs include:

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 225,600	\$ -
Commission fees to ACC (note 8)	-	350,000
Legal and other fees	-	106,844
Amortization	<u>(225,600)</u>	<u>(231,244)</u>
Balance at end of year	<u>\$ -</u>	<u>\$ 225,600</u>

Subsequent to the year-end, the Corporation converted \$5,000,000 of the above CDOR loan to a prime loan and the remaining \$10,000,000 CDOR loan was extended for one month. In addition, the Corporation made a net drawdown in the prime loan facility amounting to \$365,000.

8. RELATED PARTY TRANSACTIONS

The Corporation, 7016514 Canada Inc. (operating as Advanced Alternative Lending ("AAL")), Advanced Capital Corporation ("ACC") and Mortgage Brokers City Inc. ("MBCI") are companies under common ownership and management.

The following related party transactions occurred in the normal course of business and have been recorded at their exchange amount which is the amount agreed upon by the related parties.

Included in accounts payable and accrued liabilities at year-end are the following amounts:

	<u>2023</u>	<u>2022</u>
Payable to AAL	\$ 515	\$ 96,159
Payable to ACC	29,926	375,167
Payable to MBCI	<u>6,165</u>	<u>37,135</u>
	<u>\$ 36,606</u>	<u>\$ 508,461</u>

The Corporation incurred the following broker fees to MBCI as follows:

	<u>2023</u>	<u>2022</u>
Broker fees to MBCI (note 5)	<u>\$ 197,219</u>	<u>\$ 238,037</u>

Broker fees are transaction costs for registered mortgage investments and are included in the cost of the applicable registered mortgage investment on initial recognition. These transaction costs are amortized over the expected life of the applicable mortgage.

ADVANCED MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED AUGUST 31, 2023

8. RELATED PARTY TRANSACTIONS - Cont'd.

The Corporation incurred the following commission fees to ACC as follows:

	<u>2023</u>	<u>2022</u>
Commission fees to ACC (notes 7 and 9)	\$ 126,704	\$ 593,490

Commission fees amounting to \$126,704 (2022 - \$243,490) relate to preferred share issuance costs and are shown as a reduction of the carrying value of the preferred shares on initial recognition. These share issuance costs are expensed upon redemption of the applicable preferred shares.

Commission fees of \$nil (2022 - \$350,000) were paid to ACC as debt financing transaction costs and are included in the carrying value of related bank loans that are measured at amortized cost. ACC is entitled to a commission fee equal to 1% of the capital raised which includes the leverage facility and 0.5% for renewals of the current leverage facility where new funds are not added. The current credit facility is up for renewal November 30, 2023. ACC may waive any of the fees in its sole discretion, in whole or in part, at any time, without notice and in any single instance.

The Corporation incurred management and performance fees to AAL and are calculated as follows which are inclusive of harmonized sales tax ("HST"):

	<u>2023</u>	<u>2022</u>
Maximum fees under management agreement		
- management	\$ 2,198,473	\$ 1,228,199
- performance	<u>69,603</u>	<u>10,051</u>
Total maximum entitlement	2,268,076	1,238,250
Portion waived by AAL		
- management	(761,749)	(99,739)
- performance	<u>(69,603)</u>	<u>(10,051)</u>
Sub-total	1,436,724	1,128,460
Applicable sales tax thereon at 13%	<u>186,774</u>	<u>146,700</u>
Total management fees to AAL	\$ 1,623,498	\$ 1,275,160

In accordance with the management agreement between the Corporation and AAL, AAL is entitled to a management fee equal to 2.6% per annum of the asset and liability management as well as an annual performance fee equal to 25% of the amount by which the Corporation's net income for the fiscal year exceeds the corresponding hurdle yield. AAL may waive any of the fees in its sole discretion, in whole or in part, at any time, without notice and in any single instance. AAL has waived in whole the performance fees for the year ended August 31, 2023 and August 31, 2022, respectively. In addition, AAL has waived a portion of the management fees for the year ended August 31, 2023 and August 31, 2022, respectively.

The Corporation incurred the following agency fees to ACC as follows:

	<u>2023</u>	<u>2022</u>
Agency fees to ACC	\$ 338,225	\$ 188,954

ACC has entered into an agency agreement to act as an agent to the Corporation for trading the Corporation's securities. In accordance with the agency agreement between the Corporation and ACC, ACC is entitled to an agency fee equal to 0.4% per annum of the asset and liability management.

In addition, at August 31, 2023, ACC held 137,066 (2022 - 126,880) non-voting preferred shares of the Corporation. The Corporation declared dividends on these preferred shares amounting to \$10,181 in 2023 (2022 - \$8,864) which were all reinvested to preferred shares. At August 31, 2023, \$3,195 (2022 - \$3,200) of dividends declared in the year were unpaid and were included in the dividends payable in the statement of financial position.

Finally, in accordance with the Offering Memorandum, honorariums incurred and payable to the directors of the Corporation amounted to \$15,991 (2022 - \$11,141) and are included in office and general in the statement of income and comprehensive income. \$15,991 was unpaid as of August 31, 2023 (2022 - \$11,141) and is included in accounts payable and accrued liabilities.

ADVANCED MORTGAGE INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED AUGUST 31, 2023

9. PREFERRED SHARES

Authorized:

An unlimited number of non-voting preferred shares without par value.

Shares issued are:

	2023		2022	
	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>
Balance at beginning of year	45,147,442	\$ 45,147,442	31,328,763	\$ 31,328,763
Issuance of shares	6,519,154	6,519,154	14,710,435	14,710,435
Redemption of shares	(3,873,684)	(3,873,684)	(2,713,423)	(2,713,423)
Reinvested distributions	<u>3,011,317</u>	<u>3,011,317</u>	<u>1,821,667</u>	<u>1,821,667</u>
Balance at end of year	<u>50,804,229</u>	50,804,229	<u>45,147,442</u>	45,147,442
Issuance costs		<u>(610,854)</u>		<u>(530,756)</u>
		<u>\$ 50,193,375</u>		<u>\$ 44,616,686</u>

Share issuance costs are reconciled as follows:

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 530,756	\$ 310,712
Commission fees to ACC (note 8)	126,704	243,490
Filing and other fees	5,580	6,682
Amortization of issuance costs	<u>(52,186)</u>	<u>(30,128)</u>
Balance at end of year	<u>\$ 610,854</u>	<u>\$ 530,756</u>

The Corporation in its discretion may redeem all or any portion of the preferred shares upon providing the holders thereof with not less than 21 days' notice and payment of the redemption amount. Upon completion of the redemption process, the redeemed and non-voting preferred shares shall be cancelled. If not, all of the outstanding preferred shares are to be redeemed, the preferred shares to be redeemed will be, unless the holders of the preferred shares otherwise agree, redeemed based in proportion to the number of preferred shares registered in the name of each holder as a percentage of the total number of preferred shares outstanding. The amount to be paid by the Corporation in respect of each preferred share to be redeemed will be the redemption amount as hereinafter defined.

A preferred shareholder may request the Corporation to redeem all or any portion of its preferred shares at the end of any calendar quarter, provided the preferred shareholder has held the preferred shares for a period of at least 12 months. In certain circumstances, the hold period restrictions may be waived or abridged by the Corporation in its sole discretion. The amount payable by the Corporation in respect of each preferred share to be redeemed shall be the redemption amount, as hereinafter defined, which shall be due 15 days after the redemption date.

Preferred shareholders wishing to redeem preferred shares must submit written notice of such intention to the Corporation prior to the last business day of the preceding calendar quarter in which preferred shares are intended to be redeemed. Only whole preferred shares may be redeemed unless it is the investor's entire investment in the Corporation that is being redeemed.

The Corporation has the discretion to reject or defer any redemption application by a preferred shareholder where, in the view of the Corporation, such a redemption will result in the Corporation failing to qualify as a Mortgage Investment Corporation under the Income Tax Act or which would otherwise be contrary to applicable laws.

ADVANCED MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED AUGUST 31, 2023

9. PREFERRED SHARES - Cont'd.

The redemption amount is an amount equal to the amount paid up on the preferred shares being redeemed together with all dividends declared thereon and unpaid as at the Redemption Date.

Substantial Shareholders are defined as a preferred shareholder who, together with parties related to that preferred shareholder (as defined by the Income Tax Act), holds a total number of preferred shares which is equal to or greater than 10% of the total number of preferred shares outstanding.

If a preferred shareholder is classified as a Substantial Shareholder, they will be restricted to redeeming no more than 20% of their preferred shares in any quarter.

The Corporation shall not be obligated to redeem more than 10% of the issued preferred shares in any fiscal year. The Corporation shall redeem preferred shares in order in which the Corporation receives written notice of redemption from the preferred shareholders.

Preferred shares are entitled to dividends at the discretion of the Board of Directors. The Corporation makes dividend payments to preferred shareholders on a monthly basis within 15 days after the end of each month. The Corporation intends to pay out as cash dividends substantially all of its net income and net realized capital gains within 90 days of the fiscal year-end. For the year ended August 31, 2023, the Corporation declared dividends totaling \$3,649,298 (2022 - \$2,638,199), thereby distributing earnings of \$0.076 (2022 - \$0.071) per share based on the weighted average outstanding preferred shares of the Corporation, of which \$1,134,675 is payable at August 31, 2023 (2022 - \$971,606).

The Corporation's dividend reinvestment and share purchase plan ("DRIP") provides eligible and registered holders of preferred shares with a means to reinvest dividends declared and payable on such preferred shares in additional preferred shares. Under the DRIP, the shareholders may enroll to have their cash dividends reinvested to purchase additional preferred shares.

10. COMMON SHARES

Authorized:

Unlimited number of common shares without par value.

Shares issued are:

	<u>2023</u>	<u>2022</u>
Common - 100 shares	\$ <u>100</u>	\$ <u>100</u>

Common shares are not entitled to receive any dividends in respect of such shares. In the event of liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the Corporation will distribute the assets of the Corporation among the shareholders in the following priority:

First, to the holders of the Preferred Shares, an amount equal to the Redemption Amount attributed to the Preferred Shares;

Second, to the holders of the Common Shares, an amount equal to the amount paid up thereon; and

Third, the balance, if any, to the holders of Preferred Shares and Common Shares on a pro-rata basis.

The holders of the Common Shares shall be entitled to receive notice of and to attend and shall be entitled to one vote at any meeting of the shareholders of the Corporation for each Common Share held, except meetings at which only holders of a specified class of shares are entitled to vote.

ADVANCED MORTGAGE INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED AUGUST 31, 2023

11. CAPITAL MANAGEMENT

The Corporation's objectives when managing capital are to meet regulatory requirements and other contractual obligations and to safeguard the Corporation's ability to continue as a going concern in order to generate returns to its investors.

The Corporation's capital is comprised of its preferred shares and its equity, including capital stock and retained earnings.

The Corporation is not subject to externally imposed capital requirements.

12. SUBSEQUENT EVENTS

Subsequent to year-end, the Board of Directors declared the monthly dividend for September 2023 in the aggregate amount of \$253,660 (\$0.0041 per share) to preferred shareholders.

ITEM 15: DATE AND CERTIFICATE

Dated November 15, 2023

This Offering Memorandum does not contain a misrepresentation.

ADVANCED MORTGAGE INVESTMENT CORPORATION

Signed: *"Michael Hapke"*

Michael Hapke
President and CEO

ON BEHALF OF THE BOARD OF DIRECTORS

Signed: *"Ken Alger"*

Ken Alger
Chair & Director

Signed: *"Michael Hapke"*

Michael Hapke
Director

Signed: *"Bill Harrington"*

Bill Harrington
Director

Signed: *"Kimberley McKenney"*

Kimberley McKenney
Director

Signed: *"Denise Buckley"*

Denise Buckley
Director

Signed: *"Suzanne Pellerin"*

Suzanne Pellerin
Director

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