

CONFIDENTIAL OFFERING MEMORANDUM

This Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus or advertisement or a public offering of the securities referred to herein. No securities commission or similar regulatory authority in Canada or in any other jurisdiction has passed on the merits of the securities offered hereunder and any representation to the contrary is an offence. This Offering Memorandum constitutes an offering of these securities only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

Continuous Offering

November 01, 2023

**ATLANTIC ADVANTAGE MORTGAGE
INVESTMENT CORPORATION****Up to CAD\$100,000,000****Class A Preferred Shares**

Atlantic Advantage Mortgage Investment Corporation (“AAMIC” or the “Corporation”) hereby offers (the “Offering”) Class A Preferred Shares in the capital of the Corporation (the “Shares”) at \$10.00 per Share subject to a minimum initial subscription of \$25,000. The Corporation has the right to waive the minimum subscription.

Shares will be offered by the Corporation to eligible investors under certain prospectus exemptions under National Instrument 45-106 – *Prospectus 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, and their professional advisors. Any decision to purchase Shares must be based solely upon the information contained 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 “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 subscription.

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 “Restrictions on Resale”.

Purchasers of Shares pursuant to this Offering Memorandum are granted certain rights of withdrawal and rescission described herein under the heading “Purchaser’s Rights of Withdrawal and Rescission”.

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.

FORWARD LOOKING STATEMENTS

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

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

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

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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.

- The Corporation:** Atlantic Advantage Mortgage Investment Corporation was incorporated on February 24, 2014 pursuant to the *Business Corporations Act* (Ontario).
- The Shares:** Class A Preferred Shares, see “Description of the Class A Preferred Shares”.
- Price:** \$10.00 per Share.
- Minimum Subscription:** 2,500 Shares (\$25,000). The Corporation has the right to waive the minimum subscription.
- Maximum Offering:** The Shares are being offered on a continuous basis subject to a maximum offering issue of \$100,000,000 (10,000,000 Shares). There is no minimum offering size. It should be noted that funds obtained pursuant to the Offering may not be sufficient to accomplish the stated objectives of the Corporation.
- Use of Proceeds:** The net proceeds from the sale of the Shares will be used to invest in eligible investments as described in this Offering Memorandum.
- Subscription Procedure:** An investor wishing to subscribe for Shares will be required to deliver a duly completed and executed subscription agreement in the form attached hereto as Schedule “A”. 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 right is reserved to close the subscription books at any time without notice.
- Risk Factors:** An investment in the Shares is subject to significant risks, including but not limited to the following:
- (a) the Shares will be subject to restrictions on resale and may only be resold if: (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;

- (b) the nature of the Corporation's business; and
- (c) the Corporation being subject to competition from other corporations which may have greater financial and technical resources.

Eligibility:

Eligible investors under certain prospectus exemptions under National Instrument 45-106 – *Prospectus Exemptions*.

Portfolio Strategies Corporation:

The Corporation is not a "mutual fund" or "investment fund" under applicable securities laws. However, Portfolio Strategies Corporation, which is registered as an investment fund manager in Alberta and Ontario, and an exempt market dealer registered in the Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland & Labrador, Northwest Territories, Nova Scotia, Ontario, Quebec and Saskatchewan, has been retained to provide certain back-office functions. Portfolio Strategies Corporation is not acting as an investment fund manager for the Corporation.

Selling Agent:

The Corporation reserves the right, subject to applicable securities laws, to retain agents to effect or assist with sales connected to the Offering. Where permitted according to applicable securities laws and other applicable laws, the Corporation may pay fees or commissions to such agents, provided that it will not pay such fees or commissions in excess of 10% of the gross proceeds of the Offering. The Corporation may subsequently engage one or more registered dealers to assist with the Offering. In such an event, the Corporation will pay such registered dealer(s) fees or commissions as negotiated between them and the Corporation.

Currency:

In this Offering Memorandum all monetary references, unless specifically indicated otherwise, are to Canadian dollars.

ACTIVITIES OF THE CORPORATION

The investment strategy of the Corporation is to invest in a portfolio of residential and commercial mortgages from borrowers in market segments which are underserved by large financial institutions. The Corporation intends to build a portfolio of residential and commercial mortgages as follows:

Residential Mortgages

At least 50% of the Corporation's assets, at cost, consists 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 investment in 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.

Other Investments

Investments may also be made from time to time in money market or comparable instruments, pending investment in mortgages.

Real Property

Up to 25% of the Corporation's assets may be invested directly in real estate properties held for income purposes.

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

It is anticipated that a substantial portion of the Corporation's mortgage investments will be located in medium to large urban population centres throughout Canada.

All investments will comply with the investment policies of the Corporation, as herein set out and as may be amended from time to time. The Corporation intends to conduct its affairs to qualify at all times as a mortgage investment corporation ("Mortgage Investment Corporation" or "MIC") under the *Income Tax Act* (Canada) (the "Income Tax Act"). (See "Risk Factors"). The Corporation will distribute, on a regular basis no less than quarterly, all of its net income and any net realized capital gains, as determined under the Income Tax Act, as dividends during each year or within 90 days of its year end (See "Dividend Policy"). As a Mortgage Investment Corporation under the Income Tax Act, the Corporation is allowed to deduct such dividends from income and as a result does not pay any income tax (See "Canadian Federal Income Tax Considerations") to the extent its income is so distributed. The Corporation may also employ leverage (i.e. borrowing funds to make investments) as determined by the Corporation and in the amounts and as prescribed by the Income Tax Act.

THE CORPORATION

The Corporation was incorporated as a private corporation under the *Business Corporations Act* (Ontario) by Articles of Incorporation dated February 24, 2014. The head office of the Corporation is located at 80 Acadia Avenue, Suite 211, Markham, Ontario, L3R 9V1; and its registered head office is located at the office of its solicitors Harris + Harris LLP, 295 The West Mall, 6th Floor, Etobicoke, Ontario M9C4Z4.

The Corporation will register extra-provincially (under applicable corporate and mortgage broker legislation) as necessary to carry out its activities in other jurisdictions.

Business of the Corporation

The Corporation intends to qualify at all times as a MIC under the Income Tax Act. The Corporation operates as a tax free “flow through” conduit of profit to its 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.

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

The Corporation’s business objective is to obtain a secure stream of income by optimizing its investment portfolio within the MIC criteria prescribed by the Income Tax Act. The Corporation’s primary business is earning income through investing in residential and commercial loans to borrowers.

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, they often require the services of private lenders and organizations such as the Corporation.

The rate of return the Corporation earns from its mortgage investments fluctuates with prevailing market demand for short term mortgage financing. In some cases, the Corporation’s mortgage investments may not meet the financing criteria for conventional mortgages from institutional sources, and as a result, these investments generally earn a higher rate of return than that normally attainable from conventional mortgage investments. 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.

These segments are populated by small to mid-sized borrowers who require custom tailored financing solutions to meet their capital requirements. The Corporation intends to enter into first mortgage and subordinated mortgage agreements with qualified mortgagors in the shoulder and mid-tier markets where borrower and financing needs are not being met by the larger financial institutions. All such mortgages are to be secured by the mortgagors' equity in residential and commercial properties and the terms of such mortgages will be consistent with terms of conventional mortgages having the usual and necessary provisions to constitute a full mortgage in good standing, properly registered in the appropriate land titles offices and having real property as the primary security for the mortgages. Although the Corporation will give priority to higher interest rate mortgages to prospective mortgagors who cannot obtain mortgage funding through more conventional sources, the primary focus throughout will be on capital preservation.

The Corporation intends to maintain a mix of mortgage types in its portfolio including first and subordinated residential mortgages, commercial mortgages, builder mortgages, development and construction mortgages and term financing mortgages on income producing properties. The Corporation initially expects that its typical loan size will range from \$25,000 to \$1,000,000. 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. At the initial onset of the Corporation's activities, the concentration limit may be exceeded; however, the Corporation, once a reasonable sized portfolio of mortgages has been achieved, intends to attempt where reasonably possible to adhere to the concentration limits.

The Corporation has entered into a Management Services Agreement (the "Management Agreement") with Atlantic Advantage Management Inc. (the "Manager") to manage the mortgage investment portfolio of the Corporation. See "The Manager".

The Manager is responsible for managing the Corporation's mortgage investment portfolio and is responsible for managing the day-to-day operations and business affairs of the Corporation. The Management Agreement sets out these relationships and, among other things, requires the Manager to comply with and observe all laws that apply to the Corporation, its investments and its securities. The Manager will obtain opinions from such counsel as it deems necessary in connection with such compliance. The Management Agreement will allow the Manager to delegate permitted activities to an investment manager. The entity to which such responsibilities may be delegated may be an affiliate of the Manager or the Corporation or an entity related to the Corporation or the Manager. Accordingly, the Corporation does not have and does not expect to have any employees other than the officers listed under the heading "Directors, Management, Promoters and Principal Holders".

To facilitate the MIC's investments in the mortgage lending industry, the Corporation has entered into a Mortgage Investment Services Agreement (the "Investment Services Agreement") with Atlantic (HS) Financial Corporation. (the "Investment Manager"). See "The Investment Manager".

The Investment Services Agreement provides that the Investment Manager will make available to the Corporation for purchase, in the Corporation's name or in the name of the Investment Manager or its affiliates on the Corporation's behalf, mortgages or interests in mortgages as and when they become available. The Investment Services Agreement also sets out, amongst other things, the role and responsibilities of the Investment Manager in overseeing the day to day mortgage investment and the mortgage administrative services of the Corporation's mortgage investment portfolio and shall adhere to the Corporation's investment strategy and abide by the directions of the Manager of the Corporation.

Investment Policies, Practices and Restrictions

Subject to the right of the Corporation, in consultation and upon notice to the Manager, to revise the following restrictions at any time and from time to time, the Corporation has established certain restrictions on investments that may be made by it as follows:

- (a) The Corporation can invest in commercial mortgages, construction mortgages, development mortgages, residential mortgages and short-term bridge-financing loans. Investments will be made by purchasing interests in mortgages offered for sale by the Manager.
- (b) The Corporation will invest only in first mortgages or subordinated mortgages.
- (c) A residential first mortgage may not exceed 80% of the appraised value of the underlying real property securing the mortgage, as determined by a qualified appraiser and calculated at the time of commitment.

- (d) A residential subordinated mortgage may not exceed 85% of the appraised value of the underlying real property securing the mortgage or 75% if the appraised value of the underlying real property securing the mortgage exceeds \$800,000, as determined by a qualified appraiser and calculated at the time of commitment.
- (e) Commercial first and subordinated mortgages may not exceed 75% of the appraised value (net of any first mortgage) of the underlying real property securing the mortgage, as determined by a qualified appraiser and calculated at the time of commitment.
- (f) Mortgages in which the Corporation invests may contain clauses permitting the mortgagor, when not in default, to renew the mortgage for additional terms at the sole discretion of the Manager and not the borrower.
- (g) The Corporation may borrow funds in order to acquire or invest in specific mortgage investments or mortgage portfolios in amounts up to 50% of the book value of its portfolio of mortgages and at an interest rate less than the interest rate charged by the Corporation on the corresponding mortgage investment or portfolios to be acquired with such borrowed funds.
- (h) The Corporation may participate in mortgages on a syndication basis, subject to the approval by the Corporation's credit committee.

In addition, the Corporation has established the investment guidelines set out below that are consistent with the Corporation's articles of incorporation, the provisions of the Income Tax Act and real estate legislation applicable to the Corporation.

- (a) The Corporation's only undertaking will be to invest the Corporation's funds in accordance with its investment objectives, strategies and restrictions.
- (b) All mortgages will, following funding, be registered on title to the subject property in the Corporation's name, the Manager, or its affiliates, or a nominee for the Corporation or the Manager.
- (c) No more than 50% of the Corporation's assets will be invested in mortgages over commercial and industrial real estate.
- (d) The Manager intends to apply known and established procedures in the evaluation of mortgage opportunities.
- (e) The Corporation will not knowingly make any investment that would result in its failing to qualify as a MIC or which investment would reasonably be expected to impair its status as a MIC.
- (f) The Corporation will not invest for the purposes of exercising control over management of any company.
- (g) The Corporation will not make short sales of securities or maintain a short position in any securities.
- (h) The Corporation will not guarantee the securities or obligations of any person.

- (i) To the extent that the Corporation's funds are not invested in mortgages from time to time, they will be held in cash deposited with a Canadian chartered bank or will be invested by the Manager on the Corporation's behalf in short term deposits, savings accounts or government guaranteed income certificates or treasury bills so as to maintain a level of working capital for the Corporation's ongoing operations considered acceptable by its directors.
- (j) The Corporation does 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 investments in mortgages provided by the Manager under the Management Agreement.

The Corporation's investment policies, strategies, practices and restrictions set out above may be amended, supplemented or replaced from time to time by unanimous approval of the Corporation's 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 investment policies, strategies, practices or restrictions, the Board of Directors has the authority to amend such policies, strategies, practices and restrictions to conform with applicable laws and regulations which shall not require the prior consent of the Shareholders. It is anticipated that the Manager will provide the Corporation with assistance from time to time on revising of the foregoing policies, strategies, practices and restrictions in order to comply with applicable legislation. In the event of any amendment to the foregoing policies, strategies, practices and restrictions, the Manager will be required to comply with and observe such change immediately upon such change becoming effective.

Investment Growth Strategy

As part of its growth strategy, the Corporation may develop and execute a strategy of consolidation within its target markets that may involve purchasing existing mortgages or mortgage portfolios from lenders currently competing in these markets. Purchases may be satisfied by cash payment or issuance of securities of the Corporation.

The Corporation also intends to enter into foreclosure situations to assume existing mortgages presently in arrears on residential or commercial lands (including mortgages held by the Corporation) and intends to purchase residential or commercial lands directly from landowners and mortgagors with a view to reselling the aforesaid lands for profit. Such purchases may be satisfied by cash payment or issuance of securities of the Corporation.

Investment Policy and Portfolio Development

The Corporation's mortgage portfolio will consist of mortgages, or interests therein, secured by a range of properties and reflect, among other things, the following characteristics:

- A majority of mortgage investments are to be less than, or have a funding cap of less than, \$1.5 million, with a larger concentration of mortgage investments being less than \$0.5 million;
- Payment schedules consist primarily of interest only;
- Mortgages are generally written for terms of two years or less;
- Mortgage investments are secured by real property and are denominated in Canadian dollars; and
- Mortgages are syndicated where it is deemed appropriate.

The investment policy of the Corporation is further developed to recognize credit risk and concentration risk within the mortgage investment portfolio as well as on capital preservation.

Credit risk is managed through the maintenance of a diversified mortgage portfolio, conservative underwriting and diligent and pro-active mortgage servicing provided by the Manager (and, indirectly, the Investment Manager).

Concentration risk can be on geographic concentration, mortgage type, specific borrower, specific property or specific industry. The Corporation's investment policy accordingly establishes the following restrictions:

(a) Geographic Concentration Limits

- Up to 100% of the mortgage portfolio can be invested in medium to large urban population centres;
- Investments in other than a medium to large urban population centre will not exceed 5% of total mortgage portfolio by value;

(b) Mortgage Type Concentration Limits

- Up to 100% of the mortgage portfolio may be invested in conventional first mortgages, insured mortgages, AAA rated mortgage backed securities and/or related investments;
- Commercial mortgages, construction mortgages, development mortgages or interests therein, must be located in medium to large urban population centres and in aggregate, cannot exceed 50% of total mortgage portfolio by value;
- Commercial mortgage backed securities ("CMBS") that are not AAA rated mortgage backed securities cannot exceed 10% of mortgage portfolio by value;
- Borrowing exposure from related parties to the Corporation cannot exceed an amount equal to 25% of the book value of the mortgage investments held by the Corporation as at the date of drawdown of the borrowed funds.
- Bridge-financing loans in the aggregate cannot exceed 15% of total mortgage portfolio by value.

(c) Borrower Concentration Limits

- The Corporation cannot invest or acquire a mortgage with a single borrower if the aggregate of the book value of such investment and the book value of the mortgages, loans or investments already provided to or with such single borrower would exceed 10% of the total mortgage portfolio by value;
- No more than \$5 million or 10% of the Corporation's total mortgage portfolio by value, whichever is less, can be invested in any one single-unit residential property, multi-unit residential property, bridge-financing, non-residential property, construction loan or development loan;
- No more than \$5 million or 10% of the Corporation's total mortgage portfolio by value, whichever is less, can be invested in any one single conventional mortgage borrower or a group of related conventional mortgage borrowers with properties in a medium to large urban population centre;
- No more than \$2.50 million or 5% of the Corporation's total mortgage portfolio by value, whichever is less, can be invested in any one single conventional mortgage borrower or a group of related conventional mortgage borrowers with properties in other than a medium to large urban population centre;

- No more than 10% of the Corporation's total mortgage portfolio by value can be invested in any commercial mortgage backed securities pool class, unless it is required for risk management purposes only;

Borrowing Strategy

Management believes that utilization of a modest level of borrowing may significantly enhance the total return to the Shareholders.

The Corporation may from time to time borrow funds from other entities which will enable it to make its use of funds much more efficient since such 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.

The Corporation intends to establish a funding facility with arm's length third party financial institutions pursuant to which the Corporation has access, on a revolving basis, to funds in the maximum amount not exceeding 50% of the book value of the mortgages held by the Corporation as at the date of drawdown of the borrowed funds. The Corporation will use the revolving facility to take investment positions in eligible mortgages acquired by the Corporation directly or by a participating beneficial interest, at times when funds are not immediately available from other sources (such as subscription proceeds from investors).

The Corporation may also from time to time borrow funds from arm's length entities with a view to obtaining a spread between the interest rate payable to the Corporation on the mortgage investments made with the proceeds of such borrowings and the interest rate paid by the Corporation in respect of such borrowings. Such borrowings are subject to the restriction that the total indebtedness from such entities may not exceed 50% of the book value of the mortgages held by the Corporation as at the date of drawdown of the borrowed funds. The Manager believes that this borrowing strategy will further enhance the aggregate interest yield on the Corporation's mortgage portfolio.

Additionally, the Corporation will earn a positive interest rate spread between the interest earned from investing such borrowings and the interest rate paid by the Corporation on those borrowings.

At present, the Corporation has not secured any credit facilities with any lenders; however, at any time in the future, the Corporation may do so.

The Corporation intends to limit the use of leverage to less than 50% of the value of the underlying assets, which is substantially less than the 3:1 leverage allowed for MICs under the Income Tax Act.

It is probable that debt instruments will be secured by a charge against the assets of the Corporation, and in the event of liquidation or wind up, such debt instruments and borrowings will rank in priority to the rights of the shareholders of the Corporation.

History of the Corporation

The Corporation commenced operations on July 1, 2014.

The dividend record to date is illustrated below:

Period Ended	Annualized Percentage Rate
June 30, 2015	8%
June 30, 2016	8%
June 30, 2017	8%
June 30, 2018	8%
June 30, 2019	8%
June 30, 2020	8%
June 30, 2021	8%
June 30, 2022	8%
June 30, 2023	8%
Since inception	8%

An amount of \$100,000 invested on July 1, 2014 would have a present value as at June 30, 2023 of \$100,000 (assuming no reinvestment of dividends).

As at June 30, 2022, the Corporation's loan/mortgage portfolio had a book value of \$7,232,650. As at June 30, 2023, the Corporation's mortgage portfolio has 34 mortgages with a book value of \$10,901,800, none of which is in default and with a weighted average loan-to-value of 57.0% and a weighted average term to maturity of 7.7 months. The entire investment portfolio is comprised of first and subordinated mortgages that are in good standing.

For additional information, please refer to the Corporation's Annual Report annexed hereto as Schedule "D".

A mortgage is considered in default when a payment has not been received by the contractual due date, or a term in the mortgage agreement has been breached. Mortgages that are in default are not classified as impaired if they are fully secured and collection efforts are reasonably expected to result in repayment of principal plus all associated costs and accrued interest.

Corporation's Credit Committee

The Corporation has established a credit committee (the "Credit Committee") to review all proposals regarding investment decisions and to approve or reject such proposals. These include investments and/or loans by the Corporation, borrowings by the Corporation and acquisitions and/or dispositions. The Credit Committee meets as required and in any event no less than quarterly to provide strategic guidance and direction. The Credit Committee is appointed by the Directors of the Corporation. The Credit Committee is comprised of Dr. Collin Hong, Kai W. Tsang (Credit Committee Advisor), Shing Bun Tung, Frank Pa (non-voting member), Alain Wan (Credit Committee Advisor), Roberto Settembrini and Andrew Goh.

Corporation's Investment Committee

The Corporation, at this time, has not established an investment committee and will instead rely on the provision of such services from the Manager, who may in turn delegate some of such responsibilities to an investment manager which, initially shall be Atlantic (HS) Financial Corporation, but may be changed at the discretion of the Manager. The Manager, in conjunction with any such investment manager appointed, shall, in addition to other responsibilities, adjudicate and advise on transactions involving a potential conflict and interest, approve or reject investments in acquisitions of mortgages which may adversely affect the status of the Corporation as a MIC and deal with such other matters as may be referred to them by the Corporation.

Shareholders Agreement

The common shareholders of the Corporation have entered into a shareholders agreement, setting forth the manner in which certain of the affairs of the Corporation shall be conducted and governing matters related to their shareholdings of the Corporation (the "Shareholders Agreement"). The Shareholders Agreement provides that the board of directors of the Corporation shall consist of five (5) directors. The Shareholders Agreement provides that certain fundamental matters, such as amendments to the Corporation's articles or by-laws, the issuance or transfer of Common Shares other than as provided for in the Shareholders Agreement, the winding-up, dissolution or termination of the Corporation and any material change in the business of the Corporation, must be approved by unanimous consent of the holders of the Common Shares who are a party to such. Upon a death, bankruptcy, default or such other similar event, of a holder of Common Shares the other holders of Common Shares shall have the option to purchase all of the Common Shares owned by such retiring or deceased shareholder, and if not purchased by the remaining holders of Common Shares, the Corporation shall have the option to purchase the Common Shares of such retiring/deceased shareholder for cancellation in either of which events the nominees on the board of directors and as officers of the Corporation allocated to such retiring/deceased shareholder shall resign. The Shareholders Agreement also sets forth a right of first refusal granted to the holders of Common Shares, whereby any bona fide offer from a third party to purchase the Common Shares from a holder of Common Shares must be given to the other holders of Common Shares for consideration and such shareholders shall have the option to purchase the offered Common Shares at the same price and on the same conditions set forth in the third party offer, prior to any sale being made with such third party.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

No application has been made for an advance income tax ruling with respect to the investment described in this Offering Memorandum nor is it intended that any application be made.

Each investor should consult his own professional advisers to obtain advice on the tax consequences that apply to the investor. No opinion from the Corporation's legal counsel or accountants has been given with respect to these income tax considerations. The analysis contained herein is not all encompassing and should not be construed as specific advice to any particular investor and is not a substitute for careful tax planning, particularly since certain of the income tax consequences of an investment will not be the same for all taxpayers. Regardless of tax consequences, a decision to purchase the Shares offered should be based primarily on the merits of the investment as such and on an investor's ability to bear any loss that may be incurred.

The Corporation has prepared the following commentary, which it believes is a fair and adequate summary of the principle federal income tax consequences arising under the Income Tax Act to an investor who acquires Shares under this Offering Memorandum.

The income tax consequences will not be the same for all investors, but may vary depending on a number of factors, including whether Shares acquired by such investor will be characterized as capital property, and the amount such investor's taxable income would be but for his participation in this Offering.

The following discussion of the Canadian income tax consequences is, therefore, of a general and limited nature only and is not intended to constitute a complete analysis of the income tax consequences and should not be interpreted as legal or tax advice to any particular investor. This summary does not address provincial or territorial laws of Canada or any tax laws of any jurisdiction outside of Canada. Each prospective investor should obtain advice from its own independent tax advisor as to the Canadian federal and provincial income tax consequences of an acquisition of Shares.

This summary is based on the Corporation's understanding of the current provisions of the Income Tax Act, the Regulations to the Income Tax Act, and the current administrative and assessing practices of Canada Revenue Agency, Taxation ("CRA").

This summary outlines the Canadian federal income tax consequences to an investor based on important facts and assumptions as set out by the Corporation in the Offering Memorandum and particularly on additional facts and assumptions as follows:

- (a) investors are, and will not cease to be, persons resident in Canada;
- (b) investors acquire Shares pursuant to this Offering Memorandum and hold the Shares as capital property;
- (c) investors hold Shares for the purpose of earning income and have a reasonable expectation of earning a profit from holding the Shares; and
- (d) the Corporation will qualify at all material times as a MIC for the purposes of the Income Tax Act.

It is incumbent upon prospective investors to fully investigate and substantiate the expectations above and, with respect to the assumption stated in (c) above, it is incumbent on an investor to investigate and substantiate his expectation of earning a profit from holding Shares, having regard to his expected financing costs and any projections he may wish to obtain from the Corporation.

There is no assurance the Income Tax Act and related regulations will not be amended in a manner that fundamentally alters the income tax consequences to investors who acquire or dispose of Shares. This summary does not take into account any changes in law, whether by way of legislative or judicial action.

The Corporation

As a MIC, the Corporation is subject to special rules under the Income Tax Act that permit the Corporation to be operated, in effect, as a tax free "flow through" conduit of its profit to its Shareholders. The income of the Corporation for purposes of the Income Tax Act includes interest earned and the taxable portion of any net realized capital gains.

The Corporation is permitted to deduct from its net income all taxable dividends it pays to its Shareholders, other than capital gains dividends, and the taxable portion of its net realized capital gains distributed to Shareholders as capital gains dividends within the periods prescribed by the Income Tax Act. If and to the extent the Corporation has income after these and other applicable deductions, such income is subject to the prevailing tax rates applicable to a public corporation. The Corporation intends to pay out as dividends

substantially all of its net income and net realized capital gains each year, and as a result the Corporation anticipates it will not be liable to pay income tax in any year.

Section 130.1 of the Income Tax Act sets out the criteria governing a MIC. In order to qualify as a MIC for a taxation year, a Corporation must have met all of the following criteria throughout that taxation year:

1. The Corporation was a Canadian corporation as defined under the Income Tax Act.
2. Its only undertaking was the investing of its funds and it did not manage or develop any real property.
3. None of the property of the Corporation consisted of:
 - (a) debts owing to the Corporation that were secured on real property situated outside Canada;
 - (b) debts owing to the Corporation by non-resident persons, except any such debts that were secured on real property situated in Canada;
 - (c) shares of the capital stock of companies not resident in Canada; or
 - (d) real property situated outside of Canada, or any leasehold interests in such property.
4. It had at least 20 shareholders, and no one shareholder together with related parties to that shareholder owned, directly or indirectly, at any time, more than 25% of the issued shares of any class of shares of the Corporation.
5. Any holders of preferred shares of the Corporation must have had the right after payment to them of their dividends, and payment of dividends in a like amount per share to the holders of common shares of the Corporation, to participate *pari passu* with holders of the common shares in any further payment of dividends.
6. The cost amount (as defined in the Income Tax Act) to the Corporation of such of its property consisting of:
 - (a) loans secured, whether by mortgages, hypothecs or in any other manner, on houses (as defined in the *National Housing Act*) or on property included within a housing project; and
 - (b) amounts of any deposits standing to the corporation's credit in the records of:
 - (i) a bank or other corporation any of whose deposits are insured by the Canada Deposit Insurance Corporation or the Régie de l'assurance-dépôts du Québec, or
 - (ii) a credit union,

plus the amount of any cash of the Corporation on hand must at all times be at least 50% of the cost amount to it of all of its property.
7. The cost amount of all of the Corporation's real property, including any leasehold interests in such property, will at no time exceed 25% of the cost amount of all of its property (excluding any real property acquired after default made on a mortgage, hypothec or agreement of sale of real property whether it be by way of foreclosure or otherwise).

8. The Corporation's liabilities at any time in the year must not exceed three times the amount by which the cost amount to it of all of its property exceeds its liabilities, if at any time in the year the cost amount to the Corporation of the properties referred to above under item 6 (50% asset test) is less than two thirds of the cost amount to the Corporation of all of its property. However, where at any time in the year the cost amount to a Corporation of the properties referred to above under item 6 (50% asset test) is equal to two thirds or more of the cost amount to the Corporation of all of its property, the liabilities of the Corporation must not exceed five times the excess of the cost amount to the Corporation of all of its property over such liabilities.

The Corporation is responsible for all of its taxes, legal, audit, shareholder communication, operating and administrative costs and expenses, plus expenses associated with the acquisition, disposition and enforcement of the portfolio investments, except as outlined below under the section entitled "Management Expenses".

Shareholders

Dividends

Taxable dividends, except capital gains dividends, received by a holder of Shares (a "Shareholder") are taxable in the hands of the Shareholder as interest and not as dividends. Capital gains dividends received by a Shareholder are treated as capital gains (as maybe amended by the CRA from time to time) of the Shareholder, one half of which must be included as a "taxable capital gain" in computing the Shareholder's taxable income.

Dispositions

A Shareholder will be considered to have disposed of their Shares when they assign or sells their Shares, their Shares are the subject of a gift, they die, or where the Corporation is wound up or otherwise terminated. Shares which are the subject of a gift or which are held by a Shareholder when they die are generally deemed to be disposed of for proceeds equal to fair market value at that time. However, in certain circumstances a capital gain or capital loss (as maybe amended by the CRA from time to time) will be deferred where, by gift or bequest the Shares are transferred to the Shareholder's spouse or common law partner (as defined in the Income Tax Act) who was resident in Canada immediately before the Shareholder's death.

Generally, a Shareholder will realize a capital gain (or sustain a capital loss) equal to the amount by which the proceeds received, or deemed to have been received, on the disposition of Shares exceed (or are exceeded by) the adjusted cost base of the Shares.

Shareholders will include one half of any capital gain in computing taxable income as a "taxable capital gain." Similar proportions of a capital loss will be an "allowable capital loss" that may be used to offset taxable capital gains in the year the capital loss is sustained. To the extent the allowable capital loss is not offset against taxable capital gains in that year, it may be carried back three years and forward indefinitely to offset taxable capital gains realized in those years.

Interest on Money Borrowed to Purchase Shares

An investor will generally be entitled to deduct from his income reasonable interest paid or payable with respect to monies borrowed to acquire Shares, provided he has a reasonable expectation of profit from holding the Shares. Interest expense deducted by an investor will be included in computing his cumulative net investment losses.

Provisions in the Income Tax Act may allow a Shareholder to continue to deduct interest expense where the Shares are disposed of, provided certain criteria are satisfied.

Deferred Income Plans (RRSPs, RRIFs, TFSAs and Deferred Profit Sharing Plans)

Eligibility for Investment by Deferred Income Plans

As long as the Corporation is qualified as a MIC under the Income Tax Act, the Shares will be qualified investments for trusts governed by a registered retirement savings plan ("RRSP"), registered retirement income funds ("RRIF"), deferred profit sharing plans and tax free savings plans ("TFSA"), provided the Corporation does not hold any debt of an annuitant, a beneficiary, an employer or a subscriber under the governing plan of the plan trust or of any other person who does not deal at arm's length with that person.

Interest Expense Regarding RRSP/TFSA Contributions

Interest and other borrowing costs incurred by a Shareholder for the purpose of making a contribution to an RRSP or a TFSA are not deductible. Therefore, if a Shareholder holds Shares in an RRSP or a TFSA, the shareholder would not be eligible to deduct from his income any interest expense on money borrowed for the purpose of acquiring the Shares held in the RRSP and TFSA.

Distributions Received From Corporation by RRSP

As noted, taxable dividends are deemed to be interest income to the Shareholder which, together with one half of capital gains dividends, are added to the Shareholder's taxable income if the Shares are held personally by the Shareholder.

In most situations, such distributions paid on Shares held by an RRSP will not be subject to tax until the funds are withdrawn from the plan. The distributions paid to the RRSP will be taxable to the annuitant under the RRSP on withdrawal of the funds from the RRSP.

RRSP Contribution Limits

An individual may contribute cash or eligible property (such as a Share) to an RRSP in a calendar year or within 60 days after the end of the year, and may claim a deduction for that calendar year to the extent the amount contributed does not exceed the limits specified by the Income Tax Act. The amount of an individual's contribution will be equal to the fair market value of any property contributed as of the day of contribution. An indefinite carry-forward of unused RRSP deduction room is available in the event contributions made to an RRSP for a particular year are less than the allowable contribution for that year.

The transfer of a Share to an RRSP will result in the deemed disposition for income tax purposes at an amount equal to the fair market value of the Share at the time of the transfer. For an individual Shareholder who holds a Share as capital property, the disposition will result in a capital gain equal to the excess of the fair market value of the Share over its adjusted cost base. Should the fair market value of the Share be less than its adjusted cost base upon contribution to the RRSP, no capital loss will be allowed.

Funds or property withdrawn from an RRSP are taxable to the annuitant under the RRSP in the year of withdrawal.

Prohibited Investment for RRSPs/RRIFs and TFSAs

While the Shares may be a qualified investment for RRSP/RRIF and TFSA purposes, it is possible the Shares may be a prohibited investment, thus subjecting the Shareholder to tax. A prohibited investment includes a share of the capital stock of a corporation in which the RRSP/RRIF annuitant or TFSA holder does not deal at arm's length. A share of the capital stock of a corporation that does not deal at arm's length with a corporation in which the RRSP/RRIF annuitant or TFSA holder is a specified shareholder is also a prohibited investment. A specified shareholder, in general, includes a taxpayer who holds, directly or indirectly, at any time in the year, not less than 10% of the issued shares of any class of the capital stock of the corporation or any other corporation which is related to it; and, a taxpayer shall be deemed to own each share of the capital stock of a corporation owned at that time by a person with whom the taxpayer does not deal at arm's length.

Shareholders should consult their own tax advisors in determining whether these Shares may be a prohibited investment.

DESCRIPTION OF THE CLASS A PREFERRED SHARES

The Corporation is offering Class A Preferred Shares for sale at a price of \$10.00 per Share. The rights and restrictions attaching to Class A Preferred Shares are as follows:

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 dissent rights as prescribed by the *Business Corporations Act* (Ontario) in respect of 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 such class or series having rights or privileges equal or superior to the Shares; (b) effect an exchange, reclassification or cancellation of the Shares; or (c) create a new class or series of shares equal or superior to the Shares.

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 shall be selected by and at the discretion of the board of directors of the Corporation. Without limiting the generality of the foregoing or restricting such discretion in any manner, the board of directors of the Corporation may select for redemption all or any part of the Shares held by a holder or holders to the exclusion of the Shares held by any other holder or holders of Shares or may redeem Shares held by some or all of the holders thereof in proportionate amounts.

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

Early Redemption on the Death of a Shareholder

Upon notification in writing to the Corporation of the death of a Shareholder, the Corporation undertakes to have the Shares redeemed within 90 days of such notification subject only to the Corporation being able to do so under applicable laws.

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Compassionate Early Redemption

The Corporation may consider applications for early redemption, but only under special circumstances.

It is important to note the decision as to whether or not to grant an early redemption is at the sole discretion of the Corporation and otherwise dependent upon the ability of the Corporation to do so under applicable laws.

A Shareholder may apply to the Corporation for an early redemption of all or part of the Shareholder's Shares, provided the date of application for early redemption is at least 90 days prior to the redemption date. The Corporation may then consider redeeming the requested number of Shares on or before the last day of the quarter immediately following the quarter in which the request for redemption is made.

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:

- (a) During the period that is 4 months and one day up to and including the date which is 12 months from the date of issuance of the Shares to be redeemed (the "Issuance Date"), the Redemption Amount shall be reduced by 5%;
- (b) During the period that is 12 months and one day up to and including the date which is 24 months from the Issuance Date, the Redemption Amount shall be reduced by 3%; and
- (c) During the period that is 24 months and one day up to and including the date which is 36 months from the Issuance Date, the Redemption Amount shall be reduced by 2%.

The amount payable by the Corporation in respect of each Share to be redeemed shall be due 15 days after the redemption date.

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 Shareholder's entire investment in the Corporation that is being redeemed.

Redemption proceeds will be 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.

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.

The board of directors of the Corporation has the sole discretion, including after receiving a redemption request, to suspend the ability of a Shareholder to obtain redemption of their Shares, where in the reasonable opinion of the board of directors, the payments to be made by the Corporation on the exercise of redemption requests by Shareholders would be prejudicial to the interests of the Corporation as a whole.

Redemption Rights - Substantial Shareholders

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 hereinafter defined).

A Substantial Shareholder is defined as a Shareholder who together with parties related to that Shareholder (as defined in the Income Tax Act) 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.

Redemption Agreements

The Corporation may, from time to time, enter into specific agreements with holders of Shares providing for payments of early redemption fees (based on a discount of the redemption price payable) where Shares are sought to be redeemed within certain stipulated periods of time from their issue date.

Dividend Policy

The Corporation pays out as cash dividends substantially all of its net income and net realized capital gains every year. The dividends are calculated and paid on a monthly basis within 7 days after the end of each calendar month. The payment of dividends is subject to the discretion of the board of directors to establish working capital and other reserves for the Corporation.

Pre-emptive Rights

Except as otherwise required by law, the holders of Shares are not entitled as such to subscribe for, purchase, or receive any part of any issue of shares, bonds, debentures or other securities of the Corporation.

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:

- (a) First, to the holders of the Shares, an amount equal to the Redemption Amount attributed to the Shares plus all declared and unpaid dividends; and
- (b) Second, the balance, if any, to the holders of the Common Shares.

DESCRIPTION OF THE COMMON SHARES

Voting

The common shares of the Corporation (“Common Shares”) are the only voting shares of the Corporation; other than in certain specific statutory exceptions where other shares of the Corporation may be entitled to certain limited voting rights.

Liquidation, Dissolution and Winding Up

The holders of the Common Shares, subject to repayment of the Redemption Amount to holders of the Shares, shall be entitled to receive the remaining property of the Corporation on a winding up or dissolution.

Dividend Policy

The Common Shares shall not be entitled to participate in any dividends of the Corporation.

CAPITALIZATION

Description of Security	Number authorized to be issued	Number outstanding at June 30, 2023
Common Shares	Unlimited	100
Class A Preferred Shares	Unlimited	1,248,336

DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

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

Name and Municipality of Residence	Positions held and the date of obtaining such position	Number and type of voting securities of the Corporation held
Frank S. Pa 16 Sixteenth Lane, Markham, Ontario	Director, President & CEO Since February 24, 2014	9 Common Shares
Stephen Tung 903, 1011 Leslie Street, Toronto, Ontario	Co-CEO Since September 01, 2021	
Shing B. Tung 39 Kew Gardens, Richmond Hill, Ontario	Director and Secretary Since February 24, 2014	9 Common Shares

Name and Municipality of Residence	Positions held and the date of obtaining such position	Number and type of voting securities of the Corporation held
Debbie M. K. Lui 31 Rouge Valley Dr., Markham, Ontario	Director Since February 24, 2014	9 Common Shares
Dr. Collin Hong 302 Sheppard Ave. W., Toronto, Ontario	Director Since February 24, 2014	9 Common Shares
King Chung Lui 4 Welland Road, Markham, Ontario	Not Applicable	15 Common Shares
2205593 Ontario Ltd. ¹ 31 Lailey Crescent, Toronto, Ontario	Not Applicable	22 Common Shares

Notes ⁽¹⁾ 2205593 Ontario Ltd is 100% owned by Martin Ho.

Management Experience

The principal occupations of the directors and senior officers of the Corporation over the past five years and their experience relevant to the Corporation's business are as follows:

Frank S. Pa, AMP
President & CEO, Director

Frank Pa is a graduate of the University of Toronto with a B.Sc. in Actuarial Science and Statistics. He worked for an international bank for 5 years as a senior manager before he became a mortgage broker in 1988. Mr. Pa is one of the founding partners of Atlantic (HS) Financial Corporation and Atlantic (HS) Capital Inc. He has over 30 years' experience in banking, mortgage brokering, and investment in residential and commercial real estate. Mr. Pa is a non-voting member of the AAMIC Credit Committee.

Stephen Tung, B.A.
Co-CEO

Stephen graduated from Houston Baptist University in 1988 with degrees in Computer Information System and Marketing. After selling his insurance business to now PPI Solutions in 2007, he invested in several businesses that include Food & Beverage (Uncle Tetsu Cheesecakes) as well as Sports&Travel (Avanza Sports). On the side, Stephen has also been active in participating mortgage investment since 2005.

Shing B. Tung, B.A.
Secretary, Director

Mr. Shing Tung is a graduate of the University of Toronto with a B.A. in Economics. Mr. Tung is both a licensed insurance and mortgage agent. Mr. Shing Tung has over 20 years of financial industry experience in promoting, compliance and licensing mortgage and insurance products with various financial institutions.

Dr. Collin Hong, MD, FRCS(C)
Credit Committee, Director

Dr. Hong, is a graduate of the University of Toronto where he obtained his Medical Doctor degree. He received his post-medical training from McMaster University and University of Manitoba and also received post fellowship training in various medical colleges in the United States. He is currently the Chief of Plastic Surgery at the Rouge Valley Health System and is also the founding director of Cosmetic Surgery & Skin Management Inc. Aside from his medical practice, Dr. Hong has been a venture capitalist for a number of years and has over 15 years investor experience in real estate, mortgages and other private lending business.

Debbie M. K. Lui
Director

Debbie Lui's background is in business and in the fields of paralegal and conveyancing. She is a well-respected and successful entrepreneur and restaurateur for close to 20 years in the Greater Toronto Area with latest venture at 'Kwan' in mid-town Toronto. Aside from her restaurant businesses, Ms. Lui has over 30 years of experience in real estate and mortgage investments.

Kai W. Tsang LL.B, MBA, B.Sc
Credit Committee Advisor

Kai W. Tsang completed the Honors Psychology program at McGill University (Montréal) and also graduated from a joint M.B.A. /LL.B. program at York University/Osgoode Hall Law School in Toronto. Mr. Tsang was called to the Bar in 1981 and has since been in private law practice with an emphasis on real estate, mortgages and leasing. Mr. Tsang also has experience in real estate development, energy resources financing and investment businesses.

In addition, Mr. Tsang served as a director on various community service organizations, an instructor on business law at the Faculty of Continuing Studies at the University of Toronto and a frequent contributor/host to a range of radio/television and community educational programs on law.

Alain Wan, MBA, CFA
Credit Committee Advisor

Mr. Alain Wan obtained his MBA degree from the University of Western Ontario in 1991 and has been a Chartered Financial Analyst since 1994. Mr. Wan has over 30 years of experience in the financial industry including buy-side, sell-side, corporate finance management and compliance in Hong Kong and Canada. He is currently a managing director and chief compliance officer of the corporate finance advisory arm of a Big Four accountancy firm in Toronto.

Roberto Settembrini
Credit Committee Member

Roberto Settembrini is co-founder & President of Elite Financial Agency Inc, an accounting/business advisory/financial consultancy/property & business management practice for over 34 years. He is currently also Master Franchisor and Director & owner of various Uncle Tetsu Japanese Cheesecake Franchise stores, managing/operating them. Roberto served as Director & operations manager of the Uncle Tetsu Canada Corporate stores. In the past, Roberto served as Director/Treasurer of the Wilson Village BIA and was on the board of a condominium. He also has extensive experience in the diplomatic world, having worked for over 33 years with the Consulate General of Italy in Toronto.

Andrew Goh

Credit Committee Member

Mr. Andrew Goh is a graduate of the University of Toronto with a Bachelor of Commerce degree. He was the Chief Anti-Money Laundering Officer (CAMLO) for several financial institutions, and has over 30 years of experience in compliance, Regulatory Compliance Management, Credit Adjudication, Risk Management disciplines and Retail Banking. Mr. Goh is a member of the AAMIC Credit Committee.

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THE MANAGER

The Manager is a corporation incorporated under the laws of the Province of Ontario. The Manager is not a reporting issuer in any jurisdiction and none of its securities are listed for trading on any stock exchange or trading system. The Manager provides advisory services to real estate and mortgage investment companies.

The Manager's key personnel have been in the business of originating, underwriting, and servicing mortgages in the secondary mortgage market segments in Ontario since 1987, as well as extensive experience in finance and risk management in the retail banking and financial services industry. These qualifications and experience put the Manager in an advantageous position to provide the Corporation with related management, administrative, advisory, mortgage lending and financing services.

The Manager's personnel have extensive experience in property management, mortgage lending and investment banking and also have 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.

Management Agreement

The Corporation has retained the Manager pursuant to the terms of the Management Agreement, 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 of the Corporation.

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 early in accordance with the terms of the agreement. The Corporation may only terminate the Management Agreement for cause or the insolvency of the Manager. The Manager may also terminate the Management Agreement for cause or the insolvency of the Corporation. The Management Agreement may not be amended except by the written agreement of the Manager and the Corporation.

The Management Agreement provides for (i) a maximum management fee of up to 4% per annum at the average gross proceeds under administration by the Corporation calculated and paid on a calendar monthly basis, and (ii) a performance fee up to 12.50% of the annual net operating income of the Corporation (the "Performance Fee") calculated and paid no less than on an annual basis; and only provided that the Corporation has paid out dividends to holders of the Shares equal to a rate of at least eight percent on a per annum basis for such annual period; failing which no Performance Fee shall be payable to the Manager for such annual period. For greater certainty, payment of the 8% per annum dividend rate to holders of the Shares is a pre-condition to payment of the Performance Fees; however, the dividend payments to holders of Shares are not included in the determination of annual net operating income of the Corporation.

Though the Corporation and the Manager expressly agree in the Management Agreement that neither the Management Agreement nor the relationship between the Corporation and the Manager establish the Manager as a fiduciary to the Corporation, the Manager has agreed it will exercise its powers and discharge its duties under the Management Agreement honestly, in good faith and in what it reasonably believes to be 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 Corporation's 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 senior officers have, or may have, interests and dealings in other companies, joint ventures, limited corporations and/or MIC's which are presently, or may in the future be, actively engaged in similar businesses as the Corporation. The Corporation agrees that neither the Manager nor its shareholders, directors or senior officers will be liable to the Corporation for any conflict of interest as a result of such other interests or dealings, and that such interests and dealings do not and will not constitute a breach of the Management Agreement, even if competitive with the business of the Corporation, and even if the business opportunity could have been pursued by the Corporation.

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 gross negligence, willful misconduct, or dishonesty by the Manager in relation to its duties and responsibilities under the Management Agreement.

The Management Agreement also provides that the Corporation will indemnify the Manager and its directors, officers and employees from any claims arising in relation to the Manager's duties and responsibilities under the Management Agreement.

Responsibilities of the Manager

The Manager holds directly, or through subsidiary or associated companies, 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 Directors in formulating and modifying the Corporation's investment policies and objectives;
- uses its best efforts to source and present investment opportunities consistent with the Corporation's investment policies;
- provides information relating to proposed acquisitions, dispositions, financing and mortgage investments;
- services and administers the Corporation's investments on its behalf, maintaining records and accounts in respect of each eligible investment 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 investments, including foreclosing and otherwise enforcing security interests securing the Corporation's investments;
- delivers portfolio reports on a regular basis with respect to the Corporation's investments and provides documentation and/or other information as requested.

The Manager is responsible for all fees and expenses incurred in connection with the underwriting, completion and administration of investments to the extent such fees and expenses are recoverable from borrowers.

Delegation of Responsibilities

Pursuant to the terms of the Management Agreement, the Manager may delegate responsibilities for matters it does not have sufficient expertise to carry out or where regulatory or licensing requirements would require delegation to an appropriately licensed or regulated entity. The Manager shall pay for all services delegated

and related to fees payable to the Manager, unless otherwise specifically agreed between the Manager and the Corporation.

Officers and Directors of the Manager

The Officers and Directors of the Manager are as follows:

- Frank S. Pa (President and CEO, Director);
- Stephen Tung (Co-CEO);
- Shing B. Tung (Secretary, Director);
- Dr. Collin Hong (Director);
- Debbie M. K. Lui (Director) ;
- Roberto Settembrini (Credit Officer);
- Andrew Goh (Credit Officer)

The directors and officers of the Manager and the Corporation initially are the same; however, may differ over time and consequently conflicts of interest could arise between the Manager and the Corporation. The shareholders of the Manager are the same as the common share shareholders of the Corporation.

FINANCIAL STATEMENTS

The audited annual financial statements for the Corporation as at June 30, 2023 are annexed hereto in Schedule “D” as part of the Corporation’s Annual Report.

THE INVESTMENT MANAGER

The Investment Manager is a corporation incorporated under the laws of the Province of Ontario. The Investment Manager is registered in the Province of Ontario as a mortgage broker under the *Mortgage Brokerages, Lenders and Administrators Act, 2006* (Ontario) operating under Mortgage Brokerage License No. 10422.

The Investment Manager’s key personnel have been in the business of originating, underwriting, and servicing mortgages in the secondary mortgage market segments in Ontario since 1987. These qualifications and experience put the Investment Manager in an advantageous position to provide the Corporation with related management, administrative, advisory, mortgage lending and financing services.

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

Officers and Directors of the Investment Manager

Frank S. Pa is the sole director and officer of the Investment Manager (Atlantic (HS) Financial Corporation); consequently, notwithstanding the fact that Mr. Pa is a non-voting member of the Credit Committee of the Corporation, conflicts of interest could arise between the Investment Manager and the Corporation as a result of Mr. Pa being an officer and director of both.

COMPENSATION OF THE MANAGER AND THE INVESTMENT 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 management fees equal to the following:

Administration fees in respect of the Manager's general management and advisory services in an amount equal to a percentage per annum of the net investment portfolio of the Corporation, calculated and paid monthly (the "Administration Fee").

Underwriting fees in respect of any underwriting, commitment, brokerage or renewal services, in an amount equal to any underwriting, commitment, brokerage, renewal or similar fees set out in the commitment for the mortgage investments. The underwriting fees shall only be payable to the Manager to the extent that they are recovered from the borrowers.

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. Examples of ancillary fees include fees for statements, late payments, enforcement, insurance, inspections, dishonoured cheques and defaults.

Service fees in respect of any project monitoring, property management, mortgage or real estate services are provided on an ad hoc basis upon agreement of the parties at the time. The Corporation will pay the Manager as agreed between them at the time the particular service is initiated, but in no case will the Manager be paid a fee which is greater than fair market value for the services performed.

The annual Administration Fee payable by the Corporation to the Manager, will not exceed 4.0% of the net assets of the Corporation per annum. The Administration Fee will be reviewed annually by the Corporation and the Manager, however in no event will there be a change in the Administration Fee unless the Corporation and the Manager agree in writing. The Investment Manager shall be retained by the Manager to provide services on behalf of the Corporation and the Investment Manager shall not charge any fees directly to the Corporation but shall invoice the Manager and, where appropriate, the Manager shall then invoice the Corporation for any costs of the Investment Manager that should be borne by the Corporation and not included on the Manager's services.

PORTFOLIO STRATEGIES CORPORATION

The Corporation is not a "mutual fund" or "investment fund" under applicable securities laws. However, Portfolio Strategies Corporation, which is registered as an investment fund manager in Alberta and Ontario and an exempt market dealer registered in the Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland & Labrador, Northwest Territories, Nova Scotia, Ontario, Quebec and Saskatchewan, has been retained to provide certain back-office functions. Portfolio Strategies Corporation is not acting as an investment fund manager for the Corporation.

Portfolio Strategies Corporation was incorporated under the laws of Alberta on November 14, 1994. Its principal office is located at 1850 - 14th Street SW, Calgary, Alberta, T2T 3S9.

SELLING AGENT

The Shares will be sold on a "best efforts" basis through approved exempt market dealers authorized by the Corporation. In its discretion the Corporation may pay fees or commissions to persons or companies selling Shares. Such fees or commissions shall not exceed 10% of the gross proceeds received under this Offering. The Corporation may enter into exclusive or non-exclusive agency agreements with agents under which the agents offer the Shares for sale to investors on a best efforts basis, and the Corporation would be responsible for payment of the agents' fees or commissions. None of the officers, directors, and employees of the

Corporation, the Manager, or the Investment Manager receives a commission in respect of any Shares sold under the Offering.

The Corporation has engaged Portfolio Strategies Corporation to assist with the sale of the Offering. However, the Corporation reserves the right to retain other agents to effect or assist with sales connected to the Offering.

LEGAL PROCEEDINGS

As of the date hereof there are no material legal proceedings by or against the Corporation.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No director or officer of the Corporation is indebted to the Corporation.

FINANCIAL INSTITUTIONS

The Corporation will deposit all funds received from subscribers with trust account of Portfolio Strategies Corporation prior to acceptance of the subscription. Other banks or financial institutions may be appointed by the Corporation at the discretion of the board of directors of the Corporation.

AUDITORS

The Board of Directors of the Corporation has appointed Levy Consulting, Accounting & Tax 941 Rutherford Road, Suite 311, Vaughan ON L6A1S2 as auditor of the Corporation.

LEGAL COUNSEL

The Corporation has retained Harris + Harris LLP, 295 The West Mall, 6th Floor, Etobicoke, Ontario, M9C4Z4 as general counsel with respect to general commercial matters.

CONFLICTS OF INTEREST

General

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

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 and the Corporation in resolving such conflicts of interest as may arise.

The Manager (and the Investment Manager)

The Corporation and its Shareholders are dependent in large part upon the experience and good faith of the Manager (and, indirectly, the Investment Manager), which is entitled to earn fees for providing services to the Corporation. Officers and directors of the Manager (and the Investment Manager) may also serve from

time to time as officers and directors of the Corporation and/or members of credit, investment or other committees.

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

Conflicts of interest shall be governed by the provisions of the Business Corporations Act (Ontario). Section 132 of the Act provides that where a director or officer of a corporation is a party to a material contract or transaction or proposed material contract or transaction with the corporation, or is a director or officer, or has a material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the corporation, the director or officer shall disclose in writing to the corporation or request to have entered in the minutes of meeting of directors the nature and extent of his or her interest. Such conflicted director or officer must not vote on the approval of the contract or transaction by the board of directors.

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 Investment Manager have acted, or are acting, for the investors nor have conducted any investigation or review on their behalf.

RISK FACTORS

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.

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 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. See “Restrictions on Resale”.

Retraction Liquidity

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

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

Dilution

The number of Shares the Corporation is authorized to issue is unlimited and the directors of the Corporation have the sole discretion to issue additional Shares. The proceeds of the Offering may not be sufficient to accomplish all of the Corporation's proposed objectives. In addition to alternate financing sources, the Corporation may conduct future offerings of Shares in order to raise funds required which will result in a dilution of the interests of the Shareholders in the Corporation.

MIC Tax Designation

The Directors of the Corporation 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 Directors have the discretion to reject any applications for stock dividends or share subscriptions, transfers, redemptions or retractions where, in the view of the 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, 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 between the Corporation and the Manager, the Manager has significant responsibility for assisting the Corporation in conducting its affairs. Any inability of the Manager (or those to whom it delegates any of its responsibilities, including but not limited to, the Investment Manager) to perform competently or on a timely basis could negatively affect the Corporation.

Key Personnel

The operations of the Corporation and the Manager (and, where applicable, the Investment 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. In order to manage the Corporation and its business successfully in the future, it may be necessary to further strengthen the management teams of the Corporation, the Manager and any Investment Manager. The competition for such key personnel is intense, and there can be no assurance of success in attracting, retaining, or motivating such individuals. Failure in this regard would likely have a material adverse effect on the Corporation's business, financial condition, and results of operations.

Use of Leverage

The Corporation has the option to incur indebtedness secured by the Corporation's assets to purchase or make mortgage investments. 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.

Potential Litigation

The Corporation may become subject to disputes with various parties with whom it maintains relationships or with whom it does business. Any such dispute could result in litigation or other legal proceedings. Whether or not any dispute actually proceeds to litigation, the Corporation may be required to devote significant resources, including management time and attention, to its successful resolution (through litigation, settlement or otherwise), which would detract from management's ability to focus on its business. Any such resolution could involve the payment of damages, costs or expenses, which may be significant. In addition, any such resolution could involve the Corporation's agreement to certain settlement terms or conditions that may restrict the operation of its business.

Insurance

The Corporation's mortgage investments 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. The Corporation is not a member institution of the Canada Deposit Insurance Corporation and the Shares offered pursuant to this Offering Memorandum are not insured against loss through the Canada Deposit Insurance Fund.

Appraisals

The Corporation's investments in mortgage loans will be secured by real estate. All real property investments are subject to elements of risk. While independent appraisals may be obtained before the Corporation makes any mortgage investments, the appraised values provided therein, even where reported on an "as is" basis are not necessarily reflective of the market value of the underlying real property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain conditions, including the completion, rehabilitation or lease-up improvements on the real property providing security for the investment. There can be no guarantee that these conditions will be satisfied and if, and to the extent, they are not satisfied, the appraised value may not be achieved. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.

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.

Conflicts of Interest

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

Default

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

Ongoing Capital Requirements

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

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.

Competition

The earnings of the Corporation depend on the Corporation's ability, with the assistance of the Manager, to locate suitable opportunities for the investment and reinvestment of the Corporation's funds and on the yields available from time to time on mortgages and other investments. 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. Such competition, as well as any future competition, may adversely affect the Corporation's success in the marketplace. There is no assurance that the Corporation will be able to successfully maintain its business plan or operate profitably. Existing competitors may have greater financial, managerial and technical resources, and name recognition than the 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.

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.

Credit Risk

As with most mortgage investment corporations, the Corporation provides financing to borrowers who may not meet financing criteria for conventional mortgages from institutional sources and, as a result, these investments generally earn a higher rate of return than what institutional lenders may receive. Credit risk is the risk that the mortgagor will fail to discharge the obligation causing the Corporation to incur a financial loss. The Corporation's income and funds available for distribution to Share investors would be adversely affected if a significant number of borrowers were unable to pay their obligations to the Corporation or if

the Corporation was unable to invest its funds in mortgages on economically favourable terms. The Corporation will try to minimize its credit risk primarily by ensuring that the collateral value of the security fully protects both first and subordinated mortgage advances, that there is a viable exit strategy for each loan that such loans are made to experienced developers and owners. In addition, the Corporation intends to limit the concentration of risk by diversifying its mortgage portfolio by way of location, property type, maximum loan amount on any one property and maximum loan amount to any one borrower.

Liquidity Risk

There is a risk that the Corporation will be unable to meet commitments associated with financial instruments. The Corporation controls liquidity risks through cash flow projections used to forecast funding requirements on mortgage proposals, which include anticipated redemption of Shares. The Corporation commits to mortgage investments only on an assured cash availability basis.

Commercial Mortgage Uncertainty

Commercial real estate investment is subject to significant uncertainties due, among other factors, to uncertain costs of construction, development and financing, uncertainty in obtaining required licenses, permits and approvals, and fluctuating demand for developed real estate. The anticipated higher returns on commercial mortgages reflect the greater risks involved in making these types of loans as compared to long-term conventional mortgages. Inherent in these loans are completion risks as well as financing risks.

Investment Concentration

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

Impaired Loans

The Corporation may, from time to time, have one or more impaired loans in its portfolio, particulars of which can be obtained by contacting the Corporation. The Corporation defines loans as being impaired where full recovery is considered in doubt based on a current evaluation of the security held and for which write-downs have been taken or specific loss provisions established.

No Guaranteed Return

There is no assurance that the Corporation will be able to pay dividends at levels targeted by the Corporation or at all. The funds available for distribution to the holders of Shares will vary according to many factors, notably the interest and principal payments received in respect of mortgage loans held by the Corporation and the rate of return on the Corporation's cash balances. Although mortgage loans made by the Corporation are carefully selected, there can be no assurance that such loans will have a guaranteed rate of return to investors or that losses will not be suffered on one or more loans. Moreover, at any point in time, the interest rates being charged for mortgages are reflective of the general level of interest rates and, as interest rates fluctuate, it is expected that the aggregate yield on mortgage investments will also change.

Renewal of Mortgages

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

Environmental and Other Regulatory Matters

Although the Manager generally obtains an environmental evaluation of the property to be subject to a mortgage in the form of a Phase I Environmental Audit, environmental legislation and policies have become an increasingly important feature of property ownership and management in recent years. Under various laws, the Corporation could become liable for the costs of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and wastes at or from a property, or disposed of at another location. The failure to effect remedial work may adversely affect an owner's ability to sell real estate or to borrow using the real estate as collateral and could result in claims against the owner. The Corporation follows the environmental program of the Manager, which includes policies and procedures to review and monitor environmental matters associated with its properties. The Manager's environmental policy usually includes a Phase I Environmental Audit when warranted, conducted by an independent and experienced environmental consultant, before advancing a loan or acquiring a Mortgage.

Profitability

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

Changes to Regulations and Laws

The Corporation may need to change the manner in which it conducts business if government legislation or regulation changes, including in respect of the Tax Act as it pertains to MICs.

Cyber-Security Risk

Cyber security risk is the risk of harm, loss and liability resulting from a failure or breach of information technology systems. The Corporation obtains and processes sensitive data, including personal and credit information of its borrowers. The Corporation faces risks, including to its reputation, in the handling and protection of this data. The Corporation has security measures in place. However, if these security measures are inadequate or are breached and, as a result, someone obtains unauthorized access to sensitive information, including personally identifiable information, on the Corporation's technology systems, the Corporation's reputation and business could be adversely impacted.

Natural Disasters, Terrorist Acts, Health Crises and Other Disruptions or Dislocations

Upon the occurrence of a natural disaster, a terrorist attack, a public health crisis (including the current COVID-19 pandemic and other pandemics, epidemics or outbreaks of infectious diseases or viruses), an

incident of war, riot or civil unrest, Canada may not efficiently and/or quickly recover from such event, which could have a materially adverse effect on the Corporation's business. Events such as these can result in volatility and disruption to global supply chains, operations, mobility of people, employment and financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to the Corporation's business. The duration and ultimate impact of such disruptions is highly uncertain and subject to change.

Potential Impact of the COVID-19 Pandemic

Significant uncertainty remains as to the potential impact of the COVID-19 pandemic on the Corporation's business operations, and on the global economy as a whole. Government-imposed restrictions on travel and other "social-distancing" measures such as restrictions on assembly of groups of persons, have the potential to affect the income of the Corporation's borrowers and their ability to pay mortgage payments on a timely basis, which could have an adverse impact on the Corporation's operations. It is currently not possible to predict how long the pandemic will last or the time that it will take for economic activity to return to prior levels. Areas of the Corporation's business that could potentially be adversely impacted include, but are not limited to, mortgage interest rates, mortgage interest and fee revenue, provision for mortgages losses, valuation of properties held as security, redemptions and capital raising.

REPORTING OBLIGATIONS

The Corporation is not subject to continuous reporting and disclosure obligations which the securities legislation in any province would require of a "reporting issuer" as defined in such legislation and there is therefore no requirement that the Corporation make disclosure of its affairs, including, without limitation, the prompt notification of material changes by way of press releases and formal filings or the preparation of quarterly unaudited financial statements and annual audited financial statements in accordance with generally accepted accounting principles. The Corporation is required under the *Business Corporations Act* (Ontario) to send a copy of its annual financial statements to its shareholders.

Notwithstanding the above, the Corporation will forward to the Shareholders (a) within 180 days of the end of each fiscal year of the Corporation (being December 31) following the first Closing (or such shorter period as is prescribed by applicable securities legislation), annual unaudited financial statements of the Corporation, subject to the requirements to provide audited financial statements in accordance with applicable legislation for MICs, (b) within 90 days following the end of each fiscal year following the first Closing, all income tax reporting information necessary to enable each Shareholder to file a Canadian federal income tax return with respect to its participation in the Corporation in such fiscal year, including T5's for investment, as applicable, and (c) within the time periods prescribed, any other information or documents required to be provided to the Shareholder under applicable securities or other legislation.

The Corporation will maintain complete and adequate books and records of the investment activities of the Corporation. Subject to applicable laws, such books and records will (until the expiry of one year following the termination of the Corporation) be kept available for inspection and audit by any Shareholder or his duly authorized representatives (at the expense of such Shareholder) on not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) notice to the Corporation, during normal business hours at the principal office of the Corporation. Notwithstanding the foregoing, but subject to applicable law, Shareholders will not have access to or be provided with information with respect to the investment activities of the Corporation if such disclosure is prohibited by law or agreement or if, in the reasonable opinion of the Manager, it is in the interests of the Corporation that such information be kept confidential.

Under the terms of the Management Agreement, the Manager will provide for the preparation of accounting, management and other financial reports as well as the keeping and maintaining of the books and records of

the Corporation. It is the intention of the Manager to appoint an independent and qualified firm of chartered accountants to act as the auditors of the Corporation and to review and report to the Shareholders with respect to the financial statements of the Corporation as at the end of, and for, each fiscal year provided that the Manager may, at any time and from time to time, change the auditors of the Corporation.

PROSPECTUS EXEMPTION

The Shares are being offered on a private placement basis. The Offering is being made in reliance upon exemptions from the prospectus requirements under NI 45-106. Accordingly, no prospectus has been, or will be, filed in connection with the Offering. Where the Corporation is relying on the “Accredited Investor” exemption (as defined in Section 1.1 of NI 45-106), the subscription agreement requires each such investor to confirm his status as an “Accredited Investor”.

RESTRICTIONS ON RESALE

No prospectus has been filed in connection with this Offering in Canada or elsewhere. As a result, the securities acquired hereunder may only be resold pursuant to National Instrument 45-102 - *Resale of Securities* (“NI 45-102”). 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: (i) appropriate hold periods 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 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.

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.

PURCHASER’S RIGHTS OF WITHDRAWAL AND RESCISSION

General

A purchaser of these securities will have certain rights, some of which are described below. For information about their rights a prospective purchaser should consult a lawyer.

The securities laws in a prospective purchaser’s jurisdiction may provide the purchaser with the right, in certain circumstances, to seek damages or to cancel your agreement to buy Shares. Most often, these rights are available if the Corporation makes a misrepresentation in this Offering Memorandum or any amendment hereto, but in some jurisdictions, a Purchaser may have these rights in other circumstances including if the Corporation fails to deliver the Offering Memorandum to a purchaser within the required time or if the Corporation makes a misrepresentation in any advertisements or literature regarding Shares. Generally, a “misrepresentation” means an untrue statement about a material fact or the failure to disclose a material

fact that is required to be stated or that is necessary in order to make a statement not misleading in light of the circumstances in which it was made. The meaning of misrepresentation may differ slightly depending on the law in each purchaser's jurisdiction. In most jurisdictions there are defenses available to the persons or companies that a purchaser may have a right to sue. In particular, in many jurisdictions, the person or company that a purchaser may sue will not be liable if the purchaser knew of the misrepresentation when they purchased the Shares.

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

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

Two Day Cancellation Right For All Shareholders

A Shareholder shall be entitled to cancel and rescind the purchaser's agreement to purchase Shares. To do so, a Shareholder must send a notice in writing to the Corporation by midnight on the second business day after the Shareholder signs the Subscription Agreement to buy the Shares.

Rights for Shareholders In Ontario

In Ontario every purchaser of Shares pursuant to this Offering Memorandum shall have a right of action for damages and/or rescission against the Corporation if this Offering Memorandum or any amendment thereto contains a misrepresentation (as defined in the *Securities Act* (Ontario)). In particular, Section 130.1 of the *Securities Act* (Ontario) provides that if this Offering Memorandum contains a misrepresentation, a Shareholder who purchases Shares offered by the Offering Memorandum during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or alternatively, may elect to exercise a right of rescission against the Corporation, provided that:

1. the Corporation will not be liable if it proves the purchaser purchased the Shares with knowledge of the misrepresentation;
2. in an action for damages, the Corporation is not liable for all or any portion of the damages the Corporation proves do not represent the depreciation in value of the Shares as a result of the misrepresentation relied upon;
3. in no case shall the amount recoverable exceed the price at which the Shares were issued; and
4. the right of action for rescission or damages is in addition to, and without derogation from, any other rights the purchaser may have at law.

Section 138 of the *Securities Act* (Ontario) provides that no action shall be commenced to enforce these rights more than:

1. in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
2. in the case of any action, other than an action for rescission, the earlier of:

- (a) 180 days after the Shareholder first had knowledge of the facts giving rise to the cause of action; or
- (b) three years after the date of the transaction that gave rise to the cause of action.

Rights for Shareholders in Alberta

If this Offering Memorandum, together with any amendment hereto, is delivered to a Shareholder resident in Alberta and contains a misrepresentation and it was a misrepresentation at the time of purchase, the Shareholder will be deemed to have relied upon the misrepresentation and will have a right of action against the Corporation, every director of the Corporation (if applicable) at the date of this Offering Memorandum, and every person who signed this Offering Memorandum for damages or, alternatively, while still the owner of the purchased Shares, for rescission against the Corporation, 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 Shareholder first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of purchase;
2. No person or company will be liable if the person or company proves the Shareholder purchased the Shares with knowledge of the misrepresentation;
3. No person or company (but excluding the Corporation) will be liable if the person or company proves (i) the Offering Memorandum was delivered to the Shareholder without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable notice to the Corporation that it was delivered without the person's or company's knowledge or consent, (ii) on becoming aware of any misrepresentation in the Offering Memorandum, the person or company withdrew the person's or company's consent to the Offering Memorandum and gave reasonable notice to the Corporation of the withdrawal and the reason for it, or (iii) with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe there had been a misrepresentation, or the relevant part of the Offering Memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert;
4. No person or company (but excluding the Corporation) will be liable with respect to any part of the Offering Memorandum not purporting to be made on the authority of an expert, or to be a copy of, or an extract from, a report, opinion or statement of expert unless the person or company failed to conduct an investigation to provide reasonable grounds for a belief there had been no misrepresentation, or believed there had been a misrepresentation;
5. In an action for damages, a person or company will not be liable for all or any part of the damages that such person or company proves does not represent the depreciation in value of the Shares resulting from the misrepresentation; and
6. In no case shall the amount recoverable exceed the price at which the Shares were sold to the Shareholder.

Rights for Shareholders in British Columbia

If this Offering Memorandum, together with any amendment hereto, is delivered to a Shareholder resident in British Columbia and contains a misrepresentation and it was a misrepresentation at the time of purchase, the Shareholder will be deemed to have relied upon the misrepresentation and will have a right of action against the Corporation, every director of the Corporation (if applicable) at the date of this Offering Memorandum and every person who signed this Offering Memorandum for damages or, alternatively, while still the owner of the purchased Shares, for rescission against the Corporation, 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 Shareholder first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of purchase;
2. No person will be liable if the person or company proves the Shareholder purchased the Shares with knowledge of the misrepresentation;
3. No person (but excluding the Corporation) will be liable if the person proves (i) the Offering Memorandum was delivered to the Shareholder without the person's knowledge or consent and that, on becoming aware of its delivery, the person gave written notice to the Corporation that it was delivered without the person's knowledge or consent, (ii) on becoming aware of any misrepresentation in the Offering Memorandum, the person withdrew the person's consent to the Offering Memorandum and gave written notice to the Corporation of the withdrawal and the reason for it, or (iii) with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the Offering Memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert;
4. No person (but excluding the Corporation) will be liable with respect to any part of the Offering Memorandum not purporting to be made on the authority of an expert, or to be a copy of, or an extract from, a report, opinion or statement of expert unless the person failed to conduct a reasonable investigation to provide reasonable grounds for a belief there had been no misrepresentation, or believed there had been a misrepresentation;
5. In an action for damages, a person will not be liable for all or any part of the damages that such person proves does not represent the depreciation in value of the Shares resulting from the misrepresentation; and
6. In no case shall the amount recoverable exceed the price at which the Shares were sold to the Shareholder.

Rights for Shareholders in Saskatchewan

If this Offering Memorandum, together with any amendment hereto, is sent or delivered to a Shareholder resident in Saskatchewan and contains a misrepresentation at the time of purchase, the Shareholder is deemed to have relied upon that misrepresentation and will have a right for damages against the Corporation, every promoter and director of the Corporation (as the case may be), every person or company who signed this Offering Memorandum and every person or company who sells Shares on behalf of the Corporation (except if such person or company can establish that he, she or it cannot

reasonably be expected to have had knowledge of any misrepresentation in the Offering Memorandum), or alternatively, while still the owner of the purchased Shares, for rescission against the Corporation, provided that:

1. No action shall be commenced to enforce the foregoing rights:
 - (a) in the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or
 - (b) in the case of any action, other than an action for rescission, the earlier of:
 - (i) one year after the Shareholder first had knowledge of the facts giving rise to the cause of action, or
 - (ii) six years after the date of the transaction that gave rise to the cause of the action;
2. No person or company will be liable if the person or company proves the Shareholder purchased the Shares with knowledge of the misrepresentation;
3. No person or company (but excluding the Corporation) will be liable if the person or company proves (i) the Offering Memorandum was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, the person or company immediately gave reasonable general notice that it was so sent or delivered without the person's or company's knowledge, (ii) after the filing of this Offering Memorandum and before the purchase of Shares by the Shareholder, on becoming aware of any misrepresentation, the person or company withdrew the person's or company's consent to the Offering Memorandum and gave reasonable general notice to the Corporation of the withdrawal and the reason for it, or (iii) with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe there had been a misrepresentation, or the relevant part of the Offering Memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of or extract from the report, opinion or statement of the expert;
4. No person or company (but excluding the Corporation) will be liable with respect to any part of the Offering Memorandum purporting to be made on the person's or company's own authority as an expert, or purporting to be a copy of or an extract from the person's or company's own report, opinion or statement as an expert that contains a misrepresentation attributable to failure to represent fairly his, her or its report, opinion or statement as an expert if (i) the person or company had, after reasonable investigation, reasonable grounds to believe, and did believe, that the part of this Offering Memorandum fairly represented the person's or company's report, opinion or statement, or (ii) on becoming aware that the part of this Offering Memorandum did not fairly represent the person's or company's report, opinion or statement as an expert, the person or company immediately advised the Commission and gave reasonable general notice that such use had been made of it and that the person or company would not be responsible for that part of this Offering Memorandum;
5. With respect to an official person or contained in what purports to be a copy of or extract from a public official document, the statement was a correct and fair representation of the statement or copy of or extract from the document and the person or company had reasonable grounds to believe, and did believe, the statement was true;

6. No person or company (but excluding the Corporation) will be liable with respect to any part of the Offering Memorandum purporting to be made on the person's or company's own authority as an expert or purporting to be a copy of or an extract from the person's or company's own report, opinion or statement as an expert, unless the person or company (i) failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief there had been no misrepresentation, or (ii) believed there had been a misrepresentation;
7. No person or company (but excluding the Corporation) will be liable with respect to any part of the Offering Memorandum not purporting to be made on the authority of an expert, or to be a copy of or an extract from a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief there had been no misrepresentation, or believed there had been a misrepresentation; and
8. In no case shall the amount recoverable exceed the price at which the Shares were sold to the Shareholder.

A Shareholder resident in Saskatchewan who has entered into an agreement for the purchase of Shares, which has not yet been completed, and who receives an amendment to this Offering Memorandum that discloses (i) a material change in the affairs of the Corporation, (ii) a change in the terms or conditions of the offering as described in this Offering Memorandum or (iii) securities to be distributed that are in addition to the Shares described herein, that occurred or arose before the Shareholder entered into the agreement for the purchase of the Shares, may within two business days of receiving the amendment deliver a notice to the Manager or agent through whom the Shares are being purchased indicating the Shareholder's intention not to be bound by the purchase agreement.

Rights for Shareholders in Manitoba

In the event this Offering Memorandum, together with any amendment hereto, contains a misrepresentation, a Shareholder is deemed to have relied on the misrepresentation and has a right of action for damages against the Corporation, every director of the Corporation at the date of the Offering Memorandum and every person or company who signed the Offering Memorandum, or alternatively, while still the owner of the purchased Shares, a right of rescission against the Corporation, 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) in the case of an action, other than an action for rescission, the earlier of (i) 180 days after the Shareholder first had knowledge of the facts giving rise to the cause of action, or (ii) two years after the date of the purchase;
2. No person or company will be liable if the person or company proves that the Shareholder purchased the Shares with knowledge of the misrepresentation;
3. No person or company (but excluding the Corporation) will be liable if the person or company proves (i) the Offering Memorandum was sent to the Shareholder without the person's or company's consent, and that, after becoming aware it was sent, the person or company promptly gave reasonable notice to the Corporation it was sent without the person's or company's knowledge and consent, (ii) if the person or company proves that on becoming aware of the misrepresentation, the person or company withdrew their respective consent to the Offering Memorandum and gave reasonable notice to the Corporation of the withdrawal and the reason for it, or (iii) with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or to be

a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves they had no reasonable grounds to believe and did not believe there had been a misrepresentation, or the relevant part of the Offering Memorandum did not fairly represent the expert's report, opinion or statement, or was not a fair copy of, or an extract from, the expert's report, opinion or statement;

4. No person or company (excluding the Corporation) will be liable with respect to any part of the Offering Memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company did not conduct an investigation sufficient to provide reasonable grounds for a belief there had been no misrepresentation, or believed there had been a misrepresentation; and
5. In no case shall the amount recoverable exceed the price at which the Shares were sold to the Shareholder.

Rights for Shareholders in Québec

Under legislation adopted but not yet in force in Québec, if this Offering Memorandum, together with any amendment hereto, delivered to a Shareholder resident in Québec contains a misrepresentation, the Shareholder will have (i) a right of action for damages against the Corporation, every officer and director of the Corporation, the dealer (if any) under contract to the Corporation and any expert whose opinion, containing a misrepresentation, appeared, with the expert's consent in this Offering Memorandum, or without prejudice to the Shareholder's right to claim damages (ii) a right of action against the Corporation for rescission of the purchase contract or revision of the price at which the Shares were sold to the Shareholder, provided that:

1. No person or company will be liable if it proves that:
 - (a) the Shareholder purchased the Shares with knowledge of the misrepresentation; or
 - (b) in an action for damages, that it acted prudently and diligently (except in an action brought against the Corporation).
2. No action may be commenced to enforce such a right of action:
 - (a) for rescission or revision of price more than three years after the date of the purchase; or
 - (b) for damages later than the earlier of (i) three years after the Shareholder first had knowledge of the facts giving rise to the cause of action, except on proof of tardy knowledge imputable to the negligence of the Shareholder, or (ii) five years from the filing of the Offering Memorandum with the Autorité des marchés financiers.

Rights for Shareholders in New Brunswick

If the Offering Memorandum, together with any amendment thereto, delivered or otherwise provided to a Shareholder resident in New Brunswick contains a misrepresentation that was a misrepresentation at the time of purchase, the Shareholder will be deemed to have relied on the misrepresentation and will have a right of action against the Corporation for damages or, alternatively, while still the owner of the purchased Shares, for rescission, 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 any action, other than an action for rescission the earlier of (i) one year after the Shareholder first had knowledge of the facts giving rise to the cause of action, and (ii) six years after the date of purchase;
- 2. No person will be liable if it proves the Shareholder purchased the Shares with knowledge of the misrepresentation;
- 3. In an action for damages, a person will not be liable for all or any portion of the damages it proves do not represent the depreciation in value of the Shares as a result of the misrepresentation relied upon; and
- 4. In no case shall the amount recoverable exceed the price at which the Shares were sold to the Shareholder.

Rights for Shareholders in Nova Scotia

In Nova Scotia, in the event this Offering Memorandum, together with any amendment hereto or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia) (the “Nova Scotia Act”)), contains a misrepresentation and it was a misrepresentation at the time of purchase, the Shareholder resident in Nova Scotia will be deemed to have relied upon the misrepresentation and will have a right of action for damages against the Corporation, every director of the Corporation at the date of this Offering Memorandum and every person who signed this Offering Memorandum or, alternatively, for rescission against the Corporation, provided that:

- 1. No action may be commenced to enforce a right created more than:
 - (a) in the case of an action for rescission, 180 days after the date of the purchase of the Shares; or
 - (b) in the case of any other action, other than an action for rescission, the earlier of:
 - (i) 180 days after the Shareholder first had knowledge of the facts giving rise to the cause of action; or
 - (ii) three years from the date of purchase of the Shares;
- 2. Notwithstanding the foregoing, no action may be commenced to enforce a right of action more than 120 days:
 - (a) after the date on which payment was made for the Shares; or
 - (b) after the date on which the initial payment for the Shares was made; where payments subsequent to the initial payments are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment;
- 3. No person or company will be liable if the person or company proves the Shareholder purchased the Shares with knowledge of the misrepresentation;
- 4. No person or company (but excluding the Corporation) will be liable if the person or company proves: (i) the Offering Memorandum or the amendment thereto was sent or delivered to the

Shareholder without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent, (ii) after delivery of the Offering Memorandum or the amendment thereto and before the purchase of the Shares by the Shareholder, on becoming aware of any misrepresentation in the Offering Memorandum or the amendment thereto, the person or company withdrew the person's or company's consent to the Offering Memorandum or the amendment thereto and gave reasonable general notice of the withdrawal and the reason for it, or (iii) with respect to any part of the Offering Memorandum or the amendment thereto purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe there had been a misrepresentation, or the relevant part of the Offering Memorandum or the amendment thereto did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert;

5. No person or company (but excluding the Corporation) will be liable with respect to any part of the Offering Memorandum or the amendment thereto not purporting to be made on the authority of an expert, or to be a copy, or an extract from, a report, opinion or statement of expert unless the person or company failed to conduct a reasonable investigation to provide reasonable grounds for a belief there had been no misrepresentation, or believed there had been a misrepresentation;
6. In an action for damages, a person or company will not be liable for all or any portion of the damages that such person or company proves does not represent the depreciation in value of the Shares resulting from the misrepresentation; and sold to the Shareholder.
7. In no case shall the amount recoverable exceed the price at which the Shares were sold to the Shareholder.

These rights are intended to correspond with the rights against a seller of securities provided in the Nova Scotia Act and the regulations thereto and are subject to defenses contained therein. The rights of action for rescission or damages discussed above are in addition to, and without derogation from, any other rights the Shareholder may have.

Rights for Shareholders in Prince Edward Island

If this Offering Memorandum, together with any amendment hereto, delivered to a Shareholder resident in Prince Edward Island contains a misrepresentation, the Shareholder will have a right of action against the Corporation, every director of the Corporation (if applicable) at the date of this Offering Memorandum and every person who signed this Offering Memorandum for damages or, alternatively, for rescission against the Corporation, provided that among other limitations:

1. No action may be commenced to enforce a right of action more than:
 - (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
 - (b) in the case of any action other than an action for rescission,
 - (i) 180 days after the Shareholder first had knowledge of the facts giving rise to the cause of action, or

- (ii) three years after the date of the transaction giving rise to the cause of action, whichever period expires first.
- 2. In an action for rescission or damages, a person will not be liable if it proves the Shareholder purchased the Shares with knowledge of the misrepresentation;
- 3. In an action for damages, a person is not liable for any damages it proves do not represent the depreciation in value of the Shares resulting from the misrepresentation;
- 4. The amount recoverable under the right of action described herein must not exceed the price at which the Shares purchased by the Shareholder were offered;
- 5. No person other than the Corporation will be liable if the person proves that: (i) this Offering Memorandum was sent to the Shareholder without the person's knowledge or consent and that, on becoming aware of its being sent, the person promptly gave reasonable notice to the Corporation that it had been sent without the person's knowledge and consent; (ii) the person, on becoming aware of the misrepresentation, had withdrawn the person's consent to the Offering Memorandum and had given reasonable notice to the Corporation of the withdrawal and the reason for it; or (iii) with respect to any part of this Offering Memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe and did not believe there had been a misrepresentation, or that the relevant part of this Offering Memorandum did not fairly represent the report, statement or opinion of the expert, or was not a fair copy of, or an extract from, the report, statement or opinion of the expert;
- 6. No person other than the Corporation will be liable with respect to any part of this Offering Memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, unless the person failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or believed that there had been a misrepresentation:
- 7. A person will not be liable for a misrepresentation in forward-looking information if:
 - (a) this Offering Memorandum contains, proximate to the forward looking information, reasonable cautionary language 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 person had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward looking information.
- 8. The Corporation and every director of the Corporation at the date of this Offering Memorandum who is not a selling security holder, is not liable if the Corporation does not receive any proceeds from the distribution of the securities and the misrepresentation was not based on information provided by the issuer, unless the misrepresentation:
 - (a) was based on information previously publicly disclosed by the Corporation;
 - (b) was a misrepresentation at the time of its previous public disclosure; and

- (c) was not subsequently publicly corrected or superseded by the Corporation before completion of the distribution of the securities being distributed.
9. If a misrepresentation is contained in a record incorporated by reference in, or deemed to be incorporated into, this Offering Memorandum, the misrepresentation is deemed to be contained in this Offering Memorandum.

Rights for Shareholders in Newfoundland and Labrador

If this Offering Memorandum, together with any amendment hereto, delivered to a Shareholder resident in Newfoundland and Labrador contains a misrepresentation and it was a misrepresentation at the time of purchase, the Shareholder, without regard to whether or not the Shareholder relied on the misrepresentation, will have a right of action for damages against the Corporation, every director of the Corporation at the date of this Offering Memorandum, every person or company whose consent has been filed with respect to reports, opinions or statements that have been made by them and every person or company who signed this Offering Memorandum, or alternatively, a right for rescission against the Corporation, provided that:

1. No action shall be started to enforce a right of action more than:
 - (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
 - (b) in the case of an action, other than an action for rescission, the earlier of
 - (i) cause of action; or
 - (ii) 3 years after the date of the transaction that gave rise to the cause of action.
2. No person or company, other than the Corporation, is liable if the person or company proves the Shareholder purchased the Shares with knowledge of the misrepresentation;
3. No person or company, other than the Corporation, is liable if the person or company proves the Offering Memorandum was sent to the Shareholder without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the Corporation that it was sent without the knowledge and consent of the person or company;
4. No person or company, other than the Corporation, is liable if the person or company proves the person or company, on becoming aware of the misrepresentation in the Offering Memorandum, withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the Corporation of the withdrawal and the reason for it;
5. No person or company, other than the Corporation, is liable if, with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves the person or company did not have any reasonable grounds to believe and did not believe:
 - (a) there had been a misrepresentation; or
 - (b) the relevant part of the Offering Memorandum

- (i) did not fairly represent the report, opinion or statement of the expert; or
 - (ii) was not a fair copy of, or an extract from, the report, opinion or statement of the expert;
- 6. No person or company, other than the Corporation, is liable if with respect to any part of the Offering Memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company
 - (a) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; or
 - (b) believed there had been a misrepresentation;
- 7. In an action for damages, a person will not be liable for all or any portion of the damages that such person proves do not represent the depreciation in value of the Shares as a result of the misrepresentation; and
- 8. In no case shall the amount recoverable exceed the price at which the Shares were sold to the Shareholder.

The rights discussed above are in addition to, and without derogation from, any other rights or remedies available at law to the Shareholder.

HOW TO SUBSCRIBE

Investors wishing to subscribe for Shares are to execute: (1) a subscription agreement in the form attached as **Schedule “A”** to this Offering Memorandum, (2) a consent to electronic delivery of documents in the form attached as **Schedule “B”** to this Offering Memorandum; and (3) an enrolment form for direct deposit in the form attached as **Schedule “C”** to this Offering Memorandum; and to deliver same to the Corporation, together with a bank draft payable to “Portfolio Strategies Corporation In Trust” 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. Investors whose subscriptions are accepted will be entitled to interest on the subscription funds from the date of acceptance until the Shares are issued at the end of that month at a rate comparable to the dividend rate payable to the holders of Shares during the interim period.

Exempt market dealers engaged by the Corporation may complete the sale of the Shares through FundServ, a website and investment platform located at www.fundserv.com. FundServ is a provider of electronic business services to the Canadian investment industry and has been recognized by the Ontario Securities Commission as a clearing agency.

SCHEDULE “A” – FORM OF SUBSCRIPTION AGREEMENT

AAMIC

SUBSCRIPTION AGREEMENT FOR CLASS A PREFERRED SHARES (Fundserv Code PA1401)**TO: Atlantic Advantage Mortgage Investment Corporation (the "Corporation")**

The undersigned (hereinafter referred to as the "**Subscriber**") hereby irrevocably subscribes for and agrees to purchase the number of Class A Preferred Shares ("**Shares**") of the Corporation set forth below for the aggregate subscription price set forth below, representing a subscription price of \$10.00 per Share, upon and subject to the terms and conditions set forth in the "*Terms and Conditions of Subscription for Shares of the Corporation*" attached hereto (together with this page and the attached Exhibits, the "**Subscription Agreement**"). The Subscriber acknowledges that the Shares subscribed for by it hereunder form part of a larger issuance and sale by the Corporation of up to 10,000,000 Shares at a subscription price of \$10.00 per Share for aggregate gross proceeds of up to \$100,000,000. **In addition to this face page, the Subscriber must also complete the applicable Exhibits attached hereto.**

_____ (Name of Subscriber - please print)	
By: _____ (Authorized Signature)	
_____ (Official Capacity or Title - please print)	
_____ (Please print name of individual whose signature appears above if different than the name of the Subscriber printed above.)	
_____ (Subscriber's Address)	
_____ (Subscriber's Address including Postal Code)	
_____ (Telephone Number)	_____ (E-Mail Address)

Number of Shares: _____
Aggregate Subscription Price: _____
<p>If the Subscriber is signing as agent for a principal and is not deemed to be purchasing as principal pursuant to NI 45-106 (as defined herein) by virtue of being either (i) a trust company or trust corporation acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be; or (ii) a person acting on behalf of a fully managed account managed by it, and in each case satisfying the criteria set forth in NI 45-106, complete the following and ensure that Exhibit 1 is completed in respect of such principal:</p>
_____ (Name of Principal)
_____ (Principal's Address, including Postal Code)
_____ (Principal's Telephone Number)

<u>Register the Shares as set forth below:</u>
_____ (Name)
_____ (Account reference, if applicable)
_____ (Address)
_____ (Address)

<u>Deliver the Shares as set forth below:</u>
_____ (Name)
_____ (Account reference, if applicable)
_____ (Contact Name)
_____ (Address)

ACCEPTANCE: The Corporation hereby accepts the subscription as set forth above on the terms and conditions contained in this Subscription Agreement.

_____, 20____

ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

By: _____
 Name: Stephen Tung
 Title: Co-CEO

Subscription No:

Subscription No:

TERMS AND CONDITIONS OF SUBSCRIPTION FOR SHARES OF THE CORPORATION

Terms of the Offering

1. The Subscriber acknowledges (on its own behalf and, if applicable, on behalf of each person on whose behalf the Subscriber is contracting) that the Shares subscribed for by it hereunder form part of a larger issuance and sale by the Corporation of a combination of up to 10,000,000 Shares (subject to rounding) at a subscription price of \$10.00 per Share for aggregate gross proceeds of up to \$100,000,000 (the **“Offering”**). The Subscriber acknowledges receiving and reviewing a copy of the Corporation’s Offering Memorandum describing the Offering and risks associated therewith.
2. The Subscriber acknowledges (on its own behalf and, if applicable, on behalf of each person on whose behalf the Subscriber is contracting) that this subscription is subject to rejection or allotment by the Corporation in whole or in part at any time prior to the Closing Time (as defined herein) and is effective only on acceptance by the Corporation.
3. The Shares are sometimes referred to herein as the **“Securities”**.
4. **By executing this Subscription Agreement, the Subscriber (on its own behalf and, if applicable, on behalf of each person on whose behalf the Subscriber is contracting) acknowledges that the applicable “restricted period” under applicable securities laws will not commence until the Closing Time and until such time as the applicable “restricted period” has expired the Subscriber will not be able to resell the Securities subscribed for hereunder, except in accordance with limited exemptions under applicable securities legislation.**
5. The details of the Offering are more fully described in the Corporation’s Offering Memorandum which is delivered to each Subscriber prior to the Corporation accepting a subscription for Securities from each Subscriber.

Representations, Warranties, Acknowledgements and Covenants by the Subscriber

6. The Subscriber (on its own behalf and, if applicable, on behalf of each person on whose behalf the Subscriber is contracting) represents, warrants, acknowledges and covenants, as applicable, to the Corporation and its counsel (and acknowledges that the Corporation, and its counsel, are relying thereon) both at the date hereof and at the Closing Time (as herein defined) that:
 - (a) it has been independently advised as to restrictions with respect to trading in Securities imposed by applicable securities legislation in the jurisdiction in which the Subscriber resides, and to which the Subscriber is otherwise subject and confirms that no representation (written or oral) has been made to it by or on behalf of the Corporation with respect thereto, and acknowledges that it is aware of the characteristics of the Securities, the risks relating to an investment therein and of the fact that it may not be able to resell the Securities, except in accordance with limited exemptions under applicable securities legislation and regulatory policy until the expiry of the applicable restricted or hold period and compliance with the other requirements of applicable law; it agrees that any certificates representing the Securities will bear a legend indicating that the resale of such securities is restricted and the Subscriber further acknowledges that it has been advised to consult its own legal counsel in its jurisdiction of residence or to which it is otherwise subject for full particulars of the resale restrictions applicable to it; and
 - (b) it has received an Offering Memorandum describing the investment and the risks associated therewith and has been advised to seek legal and financial advice regarding the Offering Memorandum, the Offering and the purchase by the Subscriber of any Securities, and the Subscriber has not been provided with, nor has it requested, nor does it have any need to receive, any prospectus, sales or advertising literature, or any other document (other than the Offering Memorandum and any financial statements, interim financial statements or any other similar document, the content of which is prescribed by statute or regulation) describing the business and affairs of the Corporation which has been prepared for delivery to, and review by, prospective purchasers in order to assist it in making an investment decision in respect of the Securities; and

- (c) it has not become aware of and the purchase of the Shares is not made through or a result of any general solicitation or any advertisement in printed media of general and regular paid circulation (or other printed public media), radio, television or telecommunications or other form of advertisement (including electronic display such as the Internet) with respect to the distribution of the Securities; and
- (d) the Subscriber is, or, pursuant to National Instrument 45-106 - "Prospectus Exemptions" ("**NI 45-106**"), is deemed to be, purchasing the Shares as principal for its own account, not for the benefit of any other person, for investment only and not with a view to the resale or distribution of all or any of the Shares, it is resident in the jurisdiction set out as the "Subscriber's Address" on the face page hereof, and if the Subscriber is acting as agent or trustee for a principal/beneficial purchaser, such principal/beneficial purchaser is purchasing as principal for its own account, not for the benefit of any other person, for investment only and not with a view to resale or distribution, and is resident in the jurisdiction set forth in the Subscription Agreement as the "Principal's Address" of the beneficial purchaser, and the Subscriber or principal/beneficial purchaser, as the case may be, fully complies with the criteria set forth below:
- (i) it is resident in or otherwise subject to applicable securities laws of **any jurisdiction of Canada** and:
- A. it is an "**accredited investor**", as such term is defined in NI 45-106, it was not created or used solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of "accredited investor" in NI 45-106, and has concurrently executed and delivered a Representation Letter in the form attached as **Exhibit 1** to this Subscription Agreement with **Appendix A to Exhibit 1** indicating that the Subscriber satisfies one of the categories of "**accredited investor**" set forth in such definition; and if the Subscriber is an individual, it has executed and delivered the Form 45-106F9 Risk Acknowledgement Form attached as **Appendix B to Exhibit 1**, as well as the Confirmation attached as **Appendix C to Exhibit 1**; or
- B. the Subscriber is one of the following and has so indicated by identifying the applicable subsection:
- (A) an employee, executive officer (as defined in NI 45-106), director or consultant of the Corporation or a related entity (as defined in NI 45-106) of the Corporation; or
- _____
- (B) a permitted assign (as defined in NI 45-106) of a person referred to in A. above; and
- _____
- participation in the purchase is "voluntary" as explained in NI 45-106; or
- (ii) it is resident in or otherwise subject to applicable securities laws of **any jurisdiction of Canada, other than Ontario and Saskatchewan**, is one of the following and **has so indicated by identifying the applicable subsection and, if a close personal friend or close business associate, has completed, executed and delivered Exhibit 2 to this Subscription Agreement**:
- (A) a director, executive officer or control person (as defined in NI 45-106 and reproduced in Appendix A to Exhibit 1 hereto) of the Corporation, or of an affiliate (as defined in NI 45-106 and reproduced in Appendix A to Exhibit 1 hereto) of the Corporation; or
- _____
- (B) a spouse, parent, grandparent, brother, sister, child or grandchild of any person referred to in subclause (A) above; or
- _____
- (C) a parent, grandparent, brother, sister, child or grandchild of the spouse of any person referred to in subclause (A) above; or
- _____

(D) a close personal friend of any person referred to in subclause (A) above and, if requested by the Corporation or its counsel, will provide a signed statement describing the relationship to any such persons. For the purposes of this subparagraph (D) "close personal friend" means that you have directly known such individual well enough and for a sufficient period of time and in a sufficiently close relationship (where such relationship is direct and extends beyond being a relative or member of the same organization, association or religious group or a client, customer or former client or customer or being a close personal friend of a close personal friend of such individual) to be in a position to assess the capabilities and the trustworthiness of such individual;
_____ or

(E) a close business associate of any person referred to in subclause (A) and, if requested by the Corporation or its counsel, will provide a signed statement describing the relationship to any such persons. For the purposes of this subparagraph (E) "close business associate" means that you have had a direct sufficient prior business dealings with such individual (where such relationship is direct and extends beyond being a casual business associate or person introduced or solicited for the purpose of purchasing securities or a client, customer or former client or customer or being a close business associate of a close business associate of such individual) to be in a position to assess the capabilities and trustworthiness of such individual; or

(F) a founder (as defined in NI 45-106 and reproduced in Appendix A to Exhibit 1 hereto) of the Corporation or a spouse, parent, grandparent, brother, sister, child, close personal friend or close business associate of a founder of the Corporation; or

(G) a parent, grandparent, brother, sister, child or grandchild of a spouse of a founder of the Corporation; or

(H) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in subsections (A) to (G) above; or

(I) a trust or estate of which all of the beneficiaries or a majority of the trustees are persons described in subsections (A) to (G) above; and

(iii) it is resident in or otherwise subject to applicable securities laws of **Ontario or Saskatchewan**, is one of the following and **has so indicated by identifying the applicable subsection and has completed, executed and delivered the Form 45-106F12 Risk Acknowledgement Form attached hereto as Exhibit 3, as well as the Confirmation attached as Appendix A to Exhibit 3:**

_____ (A) a director, executive officer or control person (as defined in NI 45-106 and reproduced in Appendix A to Exhibit 1 hereto) of the Corporation, or of an affiliate (as defined in NI 45-106 and reproduced in Appendix A to Exhibit 1 hereto) of the Corporation; or

_____ (B) a spouse, parent, grandparent, brother, sister, child or grandchild of any person referred to in subclause (A) above; or

_____ (C) a parent, grandparent, brother, sister or child of the spouse of any person referred to in subclause (A) above; or

_____ (D) a close personal friend of any person referred to in subclause (A) above and, if requested by the Corporation or its counsel, will provide a signed statement describing the relationship to any such persons. For the

purposes of this subparagraph (D) “close personal friend” means that you have directly known such individual well enough and for a sufficient period of time and in a sufficiently close relationship (where such relationship is direct and extends beyond being a relative or member of the same organization, association or religious group or a client, customer or former client or customer or being a close personal friend of a close personal friend of such individual) to be in a position to assess the capabilities and the trustworthiness of such individual; or

- ____ (E) a close business associate of any person referred to in subclause (A) and, if requested by the Corporation or its counsel, will provide a signed statement describing the relationship to any such persons. For the purposes of this subparagraph (E) “close business associate” means that you have had a direct sufficient prior business dealings with such individual (where such relationship is direct and extends beyond being a casual business associate or person introduced or solicited for the purpose of purchasing securities or a client, customer or former client or customer or being a close business associate of a close business associate of such individual) to be in a position to assess the capabilities and trustworthiness of such individual; or
 - ____ (F) a founder (as defined in NI 45-106 and reproduced in Appendix A to Exhibit 1 hereto) of the Corporation or a spouse, parent, grandparent, brother, sister, child, close personal friend or close business associate of a founder of the Corporation; or
 - ____ (G) a parent, grandparent, brother, sister, child or grandchild of a spouse of a founder of the Corporation; or
 - ____ (H) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in subsections (A) to (G) above; or
 - ____ (I) a trust or estate of which all of the beneficiaries or a majority of the trustees are persons described in subsections (A) to (G) above; or
- (iv) if it is resident or otherwise subject to applicable securities laws of **any jurisdiction referred to in the preceding subsections** but not purchasing thereunder, and it is acquiring Shares for an Aggregate Subscription Price of a minimum of \$150,000, it has executed and delivered the Minimum Amount Exemption Certificate in the form attached hereto as **Exhibit 4** and it is not an individual; or
- (v) if it is a resident of or otherwise subject to applicable securities laws of **any jurisdiction referred to in the preceding subsections** but not purchasing thereunder, it or any beneficial purchaser for whom it is acting is purchasing pursuant to an exemption from prospectus and registration requirements (particulars of which have been enclosed herewith by it) available to it under applicable securities legislation of the jurisdiction of its residence and shall deliver to the Corporation such further particulars of the exemption(s) and its qualifications thereunder as the Corporation or its counsel may request; or
- (vi) if it or any beneficial purchaser for whom it is acting is resident in or otherwise subject to applicable securities laws of a jurisdiction **other than Canada or the United States**, the Subscriber confirms, represents and warrants that:

- (A) the Subscriber is knowledgeable of, or has been independently advised as to, the applicable securities laws of the jurisdiction in which the Subscriber is resident (the “**International Jurisdiction**”) and which would apply to the acquisition of the Shares;
- (B) the Subscriber is purchasing the Shares pursuant to exemptions from prospectus or registration requirements or equivalent requirements under applicable securities laws or, if such is not applicable, the Subscriber is permitted to purchase the Shares under the applicable securities laws of the International Jurisdiction without the need to rely on any exemptions and the Subscriber complies with the provisions of section 6(d)(i)(A) hereof as if it is a resident of the province of Ontario and it has concurrently executed and delivered a Representation Letter in the form attached as **Exhibit 1** to this Subscription Agreement and has initialed or placed a check mark in **Appendix A** thereto indicating the Subscriber satisfies one of the categories of “accredited investor” set forth in such definition; and if the Subscriber is an individual, it has executed and delivered the Form 45-106F9 Risk Acknowledgement Form attached as **Appendix B to Exhibit 1**, as well as the Confirmation attached as **Appendix C to Exhibit 1**;
- (C) the applicable securities laws of the International Jurisdiction do not require the Corporation to make any filings or seek any approvals of any kind whatsoever from any securities regulator of any kind whatsoever in the International Jurisdiction in connection with the issue and sale or resale of the Subscriber’s Securities; and
- (D) the purchase of the Shares by the Subscriber does not trigger:
 - (i) any obligation to prepare and file a prospectus or similar document, or any other report with respect to such purchase in the International Jurisdiction;
 - (ii) any obligation of the Corporation to register any of the Securities or to be registered with any governmental authority; or
 - (iii) any continuous disclosure reporting obligation of the Corporation in the International Jurisdiction; and

the Subscriber will, if requested by the Corporation or its counsel, deliver to the Corporation, a certificate or opinion of local counsel from the International Jurisdiction which will confirm the matters referred to in subsections (B), (C) and (D) above to the satisfaction of the Corporation or its counsel, acting reasonably; and

- (e) it acknowledges that:
 - (i) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Securities;
 - (ii) there is no government or other insurance covering the Securities;
 - (iii) there are risks associated with the purchase of the Shares;
 - (iv) there are restrictions on the Subscriber's ability to resell the Securities and it is the responsibility of the Subscriber to find out what those restrictions are and to comply with them before selling the Securities;
 - (v) the Corporation has advised the Subscriber that the Corporation is relying on an exemption from the requirements to provide the Subscriber with a prospectus and to sell securities through a person or company registered to sell securities under the *Securities Act* (Ontario) and other applicable securities laws and, as a consequence of acquiring Shares pursuant to this exemption, certain protections, rights and remedies provided by the *Securities Act* (Ontario) and other applicable

securities laws, including statutory rights of rescission or damages, may not be available to the Subscriber; and

- (f) the certificate(s) representing the Securities shall be endorsed by a legend, if applicable, stating that the Securities shall be subject to restrictions on resale in accordance with applicable securities legislation; and
- (g) it has not received any financial assistance of any kind from the Corporation, directly or indirectly, in connection with its purchase of Shares hereunder; and
- (h) it does not own, directly or together with, (i) any person who the Subscriber does not deal at arm's length with, (ii) any partnership of which the Subscriber is a member, or (iii) any trust of which the Subscriber is a beneficiary, 10% or more of the issued shares of any class of shares in the capital stock of the Corporation; and
- (i) it has not and will not enter into any voting trust or similar agreement that has the effect of directing the manner in which any votes attached to the Shares purchased pursuant to this Subscription Agreement may be voted following the Closing Date; and
- (j) it is aware that the Securities have not been and will not be registered under the *United States Securities Act of 1933*, as amended (the "**1933 Act**") or the securities laws of any state of the United States and that these securities may not be offered or sold, directly or indirectly, in the United States without registration under the 1933 Act and applicable state securities laws or in compliance with requirements of an exemption from registration or an exemption from such registration exemption is available and the applicable laws of all applicable states and it acknowledges that the Corporation has no present intention of filing a registration statement under the 1933 Act or applicable state securities laws in respect of the Securities; and
- (k) it undertakes and agrees that it will not offer or sell the Securities in the United States unless such securities are registered under the 1933 Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements is available, and further that it will not resell the Securities, except in accordance with the provisions of applicable securities legislation, regulations, rules, policies and orders and stock exchange rules; and
- (l) if the Subscriber is a corporation, partnership, unincorporated association or other entity, it has the legal capacity and competence to enter into and be bound by this Subscription Agreement and to perform all of its obligations hereunder, and if the Subscriber is a body corporate, the Subscriber is duly incorporated or created and validly subsisting under the laws of the jurisdiction of its incorporation, and further certifies that all necessary approvals of directors, shareholders, partners or otherwise have been given and obtained; and
- (m) if the Subscriber is an individual, it is of the full age of majority in the jurisdiction in which the Subscription Agreement is executed and is legally competent to execute this Subscription Agreement and take all action pursuant hereto; and
- (n) this Subscription Agreement has been duly and validly authorized, executed and delivered by and constitutes a legal, valid, binding and enforceable obligation of the Subscriber; and
- (o) the Subscriber acknowledges that this Subscription Agreement is not enforceable by the Subscriber until the Subscription Agreement has been accepted by the Corporation; and
- (p) in the case of a subscription by it for Shares acting as agent for a disclosed principal beneficial purchaser, it is duly authorized to execute and deliver this Subscription Agreement and all other necessary documentation in connection with such subscription on behalf of such principal beneficial purchaser and this Subscription Agreement has been duly authorized, executed and delivered by or on behalf of, and constitutes a legal, valid and binding and enforceable agreement of, such principal/beneficial purchaser and the Subscriber acknowledges that the Corporation may be required by law to disclose to certain regulatory authorities the identity of each principal/beneficial purchaser for whom the Subscriber may be acting; and

- (q) each principal/beneficial purchaser for who the Subscriber is acting has such knowledge in financial and business affairs as to be capable of evaluating the merits and risks of its investment in the Securities and it, or, where it is not purchasing as principal, each beneficial purchaser, is able to bear the economic risk of loss of its investment; and
- (r) the Subscriber has relied solely upon publicly available information relating to the Corporation and not upon any verbal or written representation as to fact or otherwise made by or on behalf of the Corporation and acknowledges that the Corporation's counsel is acting as counsel to the Corporation and not as counsel to the Subscriber; and
- (s) it understands and acknowledges that the Shares are being offered for sale only on a "private placement" basis and that the sale and delivery of the Shares is conditional upon such sale being exempt from the requirements as to the filing of a prospectus or registration statement or upon the issuance of such orders, consents or approvals as may be required to permit such sale without the requirement of filing a prospectus or registration statement; and
- (t) if required by or advisable under applicable securities legislation, regulations, rules, policies or orders or by any securities commission, stock exchange or other regulatory authority, the Subscriber will execute, deliver, file and otherwise assist the Corporation in filing, such reports, undertakings and other documents with respect to the issue of the Securities as may be required, including, without limitation:
 - (i) **in the case of an "accredited investor" resident in or otherwise subject to applicable securities laws of Canada**, a fully executed and completed Representation Letter in the form of **Exhibit 1** with **Appendix A to Exhibit 1** fully completed; and if the Subscriber is an individual, a fully executed and completed Form 45-106F9 Risk Acknowledgement Form attached hereto as **Appendix B to Exhibit 1** as well as the Confirmation attached hereto as **Appendix C to Exhibit 1**; and
 - (ii) **in the case of investors resident in or otherwise subject to the applicable securities laws of an International Jurisdiction**, a fully executed and completed Representation Letter in the form of **Exhibit 1** with **Appendix A to Exhibit 1** fully completed; and if the Subscriber is an individual, a fully executed and completed Form 45-106F9 Risk Acknowledgement Form attached hereto as **Appendix B to Exhibit 1** as well as the Confirmation attached hereto as **Appendix C to Exhibit 1**; and
 - (iii) **in the case of a "close personal friend" or "close business associate" resident or otherwise subject to applicable securities laws of any jurisdiction of Canada other than Ontario or Saskatchewan**, a Close Personal Friend and/or Close Business Associate Questionnaire attached as **Exhibit 2**; and
 - (iv) **for a Subscriber that is "family", a "close personal friend" or a "close business associate" resident or otherwise subject to applicable securities laws of Ontario or Saskatchewan**, a Form 45-106F12 Risk Acknowledgement Form attached as **Exhibit 3** and the Confirmation attached as **Appendix A to Exhibit 3**; and
 - (v) **in the case of a Subscriber resident in or otherwise subject to applicable securities laws of Canada and subscribing pursuant to the \$150,000 minimum amount investment exemption**, a fully executed and completed Minimum Amount Exemption Certificate attached hereto as **Exhibit 4**; and
- (u) it will not resell the Securities except in accordance with the provisions of applicable securities legislation and stock exchange rules, if applicable, in the future; and
- (v) the entering into of this Subscription Agreement and the transactions contemplated hereby will not result in a violation of any of the terms or provisions of any law applicable to the Subscriber, or if the Subscriber is

not a natural person, any of the Subscriber's constating documents, or any agreement to which the Subscriber is a party or by which it is bound; and

- (w) none of the funds the Subscriber is using to purchase the Shares represent proceeds of crime for the purposes of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)* (the “**PCMLTFA**”) and the Subscriber acknowledges that the Corporation may in the future be required by law to disclose the Subscriber's name and other information relating to this Subscription Agreement and the Subscriber's Subscription hereunder, on a confidential basis, pursuant to the PCMLA. To the best of its knowledge, the Aggregate Subscription Price to be provided by the Subscriber: (i) has not been or will not be derived from or related to any activity that is deemed criminal under the law of Canada, the United States of America, or any other jurisdiction; and (ii) is not being tendered on behalf of a person or entity who has not been identified to the Subscriber. It shall promptly notify the Corporation if the Subscriber discovers that any of such representations ceases to be true, and to provide the Corporation with appropriate information in connection therewith; and
- (x) none of the funds that the Subscriber is using to purchase the Shares are, to the knowledge of the Subscriber, proceeds obtained or derived, directly or indirectly, as a result of illegal activities; and
- (y) the Subscriber understands and acknowledges that the Shares are being purchased pursuant to exemptions from the prospectus requirements contained in applicable securities legislation in Canada and, as a result:
 - (i) the Subscriber is restricted from using most of the civil remedies available under applicable securities legislation in Canada;
 - (ii) the Subscriber may not receive information that would otherwise be required to be provided to the Subscriber under applicable securities legislation; and
 - (iii) the Corporation is relieved from certain obligations that would otherwise apply under applicable securities legislation;
 - (iv) the common law may not provide an adequate remedy in the event that the Subscriber suffers investment losses in connection with the Shares acquired pursuant to the Offering; and
- (z) the Subscriber acknowledges that it has been encouraged to and should obtain independent legal, income tax and investment advice with respect to its subscription for Shares, including and not limited to the applicable resale restrictions, and accordingly, has been independently advised, or has waived such independent advice, as to the meanings of all terms contained herein relevant to the Subscriber for purposes of giving representations, warranties and covenants under this Subscription Agreement; and
- (aa) the Subscriber's offer to subscribe for Shares has not been induced by any representations with regard to the present or future worth of the Securities; and
- (bb) the Subscriber, either alone or together with the Subscriber's financial advisor, has sufficient financial knowledge and experience to evaluate the merit and risks of an investment in the Corporation and the Securities on the basis of information available to the Subscriber; and
- (cc) except for its knowledge regarding its subscription for the Shares hereunder, the Subscriber has no knowledge of a “material fact” or a “material change” (as those terms are defined in the *Securities Act* (Ontario) and which generally means a fact or change which would reasonably be expected to have a significant effect on the market price of the Corporation's shares) in the affairs of the Corporation that has not been generally disclosed; and
- (dd) the Subscriber is aware that there is no market and may never be a market for the Shares; and

- (ee) the Subscriber acknowledges and confirms that none of the Corporation or any of its directors, employees, officers, affiliates, advisors or representatives, have made any representations (written or oral) to the Subscriber other than as set out in the Offering Memorandum:
 - (i) regarding the future value or price of the Securities;
 - (ii) that any person will resell or repurchase any of the Securities;
 - (iii) that any person will refund the purchase price of the Shares; or
 - (iv) that the Shares will ever be listed on any stock exchange or that application has been or will ever be made for such listing for the Shares; and
- (ff) the Subscriber acknowledges that the Corporation may complete additional financings in the future in order to develop the proposed business of the Corporation and to fund its ongoing development; that there is no assurance that such financings shall be available and, if available, on reasonable terms; any such future financings may have a dilutive effect on current security holders, including the Subscriber; and
- (gg) the Subscriber is not a “control person” of the Corporation, as that term is defined in *Securities Act* (Ontario), will not become a “control person” of the Corporation by purchasing the number of Shares subscribed for under this Subscription Agreement, and does not intend to act jointly or in concert with any other person to form a control group in respect of the Corporation; and
- (hh) the delivery of this Subscription Agreement, the acceptance hereof by the Corporation and the issuance of the Shares to the Subscriber complies or will comply with all applicable laws of the Subscriber’s jurisdiction of residence and domicile and will not cause the Corporation or any of its officers or directors to become subject to or require any disclosure, prospectus or other reporting requirement; and
- (ii) the Subscriber does not act jointly or in concert with any other person for the purposes of the acquisition of the Shares; and
- (jj) the Subscriber acknowledges that the Subscriber or the Corporation may be required to provide the applicable securities regulatory authorities with a list setting forth the identities of the beneficial purchasers of the Shares and notwithstanding that the Subscriber may be purchasing the Shares as agent for a principal, it will provide, on request of the Corporation or its counsel, particulars as to the identity of such principal as may be required by the Corporation (in order to comply with the foregoing); and
- (kk) the information set forth on the face page of this Subscription Agreement is complete, true and correct.

Closing

7. The Subscriber agrees to deliver to the Corporation at 80 Acadia Avenue, Suite 211, Markham Ontario L3R 9V1, not later than 4:30 p.m. (Toronto time) on the day that is two business days before the Closing Date: (a) this duly completed and executed Subscription Agreement; (b) a bank draft payable to “Portfolio Strategies Corporation In Trust” for the Aggregate Subscription Price of the Shares subscribed for under this Subscription Agreement or payment of the same amount in such other manner as is acceptable to the Corporation; (c) **if the Subscriber is an “accredited investor”** resident in or otherwise subject to applicable securities laws of Canada, a fully executed and completed Representation Letter in the form of **Exhibit 1** with **Appendix A to Exhibit 1** fully completed; and if the Subscriber is an individual, a fully executed and completed Form 45-106F9 Risk Acknowledgement Form attached hereto as **Appendix B to Exhibit 1** as well as the Confirmation attached hereto as **Appendix C to Exhibit 1**; (d) if the Subscriber is **resident in or otherwise subject to the applicable securities laws of an International Jurisdiction**, a fully executed and completed Representation Letter in the form of **Exhibit 1** with **Appendix A to Exhibit 1** fully completed; and if the Subscriber is an individual, a fully executed and completed Form 45-106F9 Risk Acknowledgement Form attached hereto as **Appendix B to Exhibit 1** as well as the Confirmation attached hereto as **Appendix C to Exhibit 1**; (e) **if the Subscriber is purchasing as a “close personal friend” or “close business**

associate” resident in or otherwise subject to applicable securities laws of any jurisdiction of Canada other than Ontario or Saskatchewan, a Close Personal Friend and/or Close Business Associate Questionnaire attached as **Exhibit 2**; (f) **if the Subscriber is resident in Saskatchewan and subscribing pursuant to the exemption contained in subsection 6(d)(ii),** a Risk Acknowledgement Form attached hereto as **Exhibit 3**; (g) **if the Subscriber is “family”, a “close personal friend” or a “close business associate” resident or otherwise subject to applicable securities laws of Ontario,** a Form 45-106F12 Risk Acknowledgement Form attached as **Exhibit 4** and the Confirmation attached as **Appendix A to Exhibit 4**; and (h) **if the Subscriber is resident in or otherwise subject to the applicable securities laws of Canada** and subscribing pursuant to the \$150,000 minimum amount investment exemption in subsection 6 (d)(iv), a fully executed and completed Minimum Amount Exemption Certificate attached hereto as **Exhibit 4**.

8. The sale of the Shares pursuant to this Subscription Agreement will be completed in one or more closings at the offices of the Corporation at 80 Acadia Avenue, Suite 211, Markham Ontario L3R 9V1 at 10:00 a.m. (Toronto time) or such other time as the Corporation shall stipulate (the “**Closing Time(s)**”), or such other date as the Corporation shall stipulate (the “**Closing Date**”). At the Closing Time(s), the Corporation shall accept all completed Subscription Agreements that the Corporation desires to accept, possibly including this Subscription Agreement, and a bank draft payable to “Portfolio Strategies Corporation In Trust” in payment of the Aggregate Subscription Price against delivery by the Corporation of the certificates representing the Shares. If a Closing Date has not occurred within 10 business days of the Subscriber delivering the subscription proceeds as provided for herein, then, at the written request of the Subscriber, the subscription proceeds shall be returned in full to the Subscriber, without interest or deduction, unless the Subscriber has agreed, in writing, to a delayed or extended Closing Date. The Subscriber acknowledges and agrees that the Corporation shall be entitled to accept and take up subscriptions received and monies remitted for the Shares, in whole or in part, at any time and from time to time, during the course of this continuous Offering, which may occur in a series of individual tranches from time to time. All subscriptions accepted during the course of this Offering shall be deemed part of this Offering.

9. The Corporation shall be entitled to rely on delivery of a facsimile or electronic copy of executed subscriptions, and acceptance by the Corporation of such facsimile or electronic subscriptions shall be legally effective to create a valid and binding agreement between the Subscriber and the Corporation in accordance with the terms hereof. In addition, this Subscription Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same document.

General

10. The Subscriber (on its own behalf and, if applicable, on behalf of each person on whose benefit the Subscriber is contracting) agrees that the representations, warranties and covenants of the Subscriber (and, if applicable, on behalf of each person for whom it is contracting) herein will be true and correct both as of the execution of this Subscription Agreement and as of the Closing Time as if made at that time and will survive the completion of the issuance of the Shares and the closing of the transactions contemplated hereby. The representations, warranties and covenants of the Subscriber (and, if applicable, on behalf of each person for whom it is contracting) herein are made with the intent that they be relied upon by the Corporation and its counsel in determining the eligibility of a purchaser of Shares and the Subscriber agrees to indemnify and hold harmless the Corporation and its affiliates, shareholders, directors, officers, partners, employees and agents (including its legal counsel) from and against any and all loss, liability, claim, damage and expense whatsoever including, but not limited to, any fees, costs and expenses whatsoever reasonably incurred in investigating, preparing or defending against any litigation, administrative proceeding or investigation commenced or threatened or any claim whatsoever arising out of or based upon any representation or warranty of the Subscriber contained herein or in any document furnished by the Subscriber to the Corporation in connection herewith being untrue in any material respect or any breach or failure by the Subscriber to comply with any covenant or agreement made by the Subscriber herein or in any document furnished by the Subscriber to the Corporation in connection herewith. The Subscriber undertakes to immediately notify the Corporation, at 80 Acadia Avenue, Suite 211, Markham, Ontario, L3R 9V1, Attention: Stephen Tung, Co-CEO, (Fax: 905-940-8692) of any change in any statement or other information relating to the Subscriber set forth herein which takes place prior to the Closing Time.

11. The Subscriber acknowledges and agrees that all costs incurred by the Subscriber (including any fees and disbursements of any counsel retained by the Subscriber) relating to the sale of the Shares to the Subscriber shall be borne by the Subscriber.

12. This Subscription Agreement requires the Subscriber to provide certain personal information to the Corporation and its counsel. Such information is being collected by the Corporation and its counsel for the purposes of completing the Offering described herein, which includes, without limitation, determining the Subscriber's eligibility to purchase the Shares under applicable securities legislation, preparing and registering certificates/instruments representing the Shares to be issued to the Subscriber and completing filings required by any stock exchange, securities commission or securities regulatory authority or taxation authorities. Certain securities commissions have been granted the authority to indirectly collect this personal information pursuant to securities legislation and this personal information is also being collected for the purpose of administration and enforcement of securities legislation. If it is a resident of or otherwise subject to applicable securities laws of Ontario, the Subscriber acknowledges that it has been notified by the Corporation (i) of the delivery to the Ontario Securities Commission (the "OSC") of the full name, residential address and telephone number of the Subscriber, the number and type of securities purchased, the total purchase price, the exemption relied upon and the date of the distribution; (ii) that this information is being collected indirectly by the OSC under the authority granted to it in securities legislation; (iii) that this information is being collected for the purposes of the administration and enforcement of the securities legislation of Ontario; and (iv) that the Administrative Support Clerk can be contacted at Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario, M5H 3S8 (Fax Number: 416-593-8122; Toll Free Telephone Number: 1-877-785-1555), regarding any questions about the OSC's indirect collection of this information. The Subscriber acknowledges and confirms by its signing of **Exhibit 5** attached hereto that its personal information may be disclosed to applicable securities regulatory authorities.

13. The contract arising out of this Subscription Agreement and all documents relating thereto shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. The parties irrevocably attorn to the exclusive jurisdiction of the courts of the Province of Ontario. Time shall be of the essence hereof.

14. This Subscription Agreement represents the entire agreement of the parties hereto relating to the subject matter hereof and there are no representations, covenants or other agreements relating to the subject matter hereof except as stated or referred to herein.

15. The terms and provisions of this Subscription Agreement shall be binding upon and ensure to the benefit of the Subscriber and the Corporation and their respective heirs, executors, administrators, successors and assigns; provided that, except for the assignment by a Subscriber who is acting as nominee or agent for the beneficial owner and as otherwise herein provided, this Subscription Agreement shall not be assignable by any party without prior written consent of the other parties.

16. Except as otherwise provided herein, neither this Subscription Agreement nor any provision hereof shall be modified, changed, discharged or terminated except by an instrument in writing signed by the party against whom any waiver, change, discharge or termination is sought.

17. The invalidity, illegality or unenforceability of any provision of this Subscription Agreement shall not affect the validity, legality or enforceability of any other provision hereof.

18. The Subscriber, on its own behalf and, if applicable, on behalf of others for whom it is contracting hereunder, agrees that this subscription is made for valuable consideration and may not be withdrawn, cancelled, terminated or revoked by the Subscriber, on its own behalf and, if applicable, on behalf of others for whom it is contracting hereunder.

19. The headings used in this Subscription Agreement have been inserted for convenience of reference only and shall not affect the meaning or interpretation of this subscription agreement or any provision hereof.

20. The covenants, representations and warranties contained herein shall survive the closing of the transactions contemplated hereby.

21. In this Subscription Agreement (including Exhibits), references to "\$" or "Cdn. \$" are to Canadian dollars, unless expressly stipulated otherwise.

22. The parties hereto acknowledge and confirm that they have requested that this Subscription Agreement as well as all notices and other documents contemplated hereby be drawn up in the English language. Les parties aux présentes reconnaissent et confirment qu'elles ont convenu que la présente convention de souscription ainsi que tous les avis et documents qui s'y rattachent soient rédigés dans la langue anglaise.

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EXHIBIT 1

REPRESENTATION LETTER

(FOR ACCREDITED INVESTORS)

TO: ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION (THE “CORPORATION”)

In connection with the purchase of Shares of the Corporation as defined in the attached Subscription Agreement by the undersigned subscriber or, if applicable, the principal on whose behalf the undersigned is purchasing as agent (the “**Subscriber**” for the purposes of this Exhibit 1), the Subscriber hereby represents, warrants, covenants and certifies to the Corporation that:

1. The Subscriber is resident in the jurisdiction as set forth on the face page of this Subscription Agreement or is subject to the securities laws of such jurisdiction;
2. The Subscriber is purchasing the Shares as principal for its own account;
3. The Subscriber has read and understands the initialed criterion of an accredited investor as set out in Appendix “A” and Appendix “B” attached to this Representation Letter, as applicable.
4. The Subscriber is, and at the time of closing shall be, an “accredited investor” within the meaning of National Instrument 45-106 entitled “Prospectus Exemptions” (“**NI 45-106**”) by virtue of satisfying the initialed criterion as set out in Appendix “A” attached to this Representation Letter;
5. The Subscriber was not created or used solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the attached Appendix “A” of this Exhibit 1; and
6. Upon execution of this Exhibit 1 by the Subscriber, this Exhibit 1 shall be incorporated into and form a part of the Subscription Agreement.

Dated: _____, 20__

Print name of Subscriber

By: _____
Signature

Print name of Signatory (if different from Subscriber)

Title

**IMPORTANT: PLEASE INITIAL THE CATEGORY OR CATEGORIES
IN APPENDIX “A” ON THE NEXT PAGE THAT DESCRIBES YOU**

APPENDIX A

TO EXHIBIT 1

NOTE: THE INVESTOR MUST INITIAL BESIDE THE APPLICABLE PORTION OF THE DEFINITION BELOW.

Accredited Investor - (defined in National Instrument 45-106) means:

- _____ (a) a Canadian financial institution, or a Schedule III bank, or
 - _____ (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) or (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; or
 - _____ (d) a person registered under the securities legislation of a jurisdiction of Canada, as an adviser or dealer; or
 - _____ (e) an individual registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (d); or
 - _____ (e.1) an individual formerly registered under the securities legislation of a jurisdiction of Canada other than an individual formerly registered solely as a representative of a limited market dealer under one or both of the Securities Act (Ontario) or the Securities Act (Newfoundland and Labrador); or
 - _____ (f) the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly-owned entity of the Government of Canada or a jurisdiction of Canada; or
 - _____ (g) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec; or
 - _____ (h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government; or
 - _____ (i) a pension fund that is regulated by the Office of the Superintendent of Financial Institutions (Canada), a pension commission or similar regulatory authority of a jurisdiction of Canada; or
 - _____ (j) an individual who, either alone or with a spouse, beneficially owns financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds \$1,000,000; or
 - _____ (j.1) an individual who beneficially owns financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds \$5,000,000; or
 - _____ (k) an individual whose net income before taxes exceeded \$200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of the two most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year; or
- (Note: if individual accredited investors wish to purchase through wholly-owned holding companies or similar entities, such purchasing entities must qualify under paragraph (t) below, which must be initialed.)
- _____ (l) an individual who, either alone or with a spouse, has net assets of at least \$5,000,000; or

- (m) a person, other than an individual or investment fund, that has net assets of at least \$5,000,000 as shown on its most recently prepared financial statements; or
 - (n) an investment fund that distributes or has distributed its securities only to:
 - (i) a person that is or was an accredited investor at the time of the distribution, or
 - (i) a person that acquires or acquired securities in the circumstances referred to in sections 2.10 or 2.19 of National Instrument 45-106, or
 - (ii) a person described in paragraph (i) or (ii) that acquires or acquired securities under section 2.18 of National Instrument 45-106; or
 - (o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Quebec, the securities regulatory authority, has issued a receipt; or
 - (p) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be; or
 - (q) a person acting on behalf of a fully managed account managed by that person, if that person is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction; or
 - (r) a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded; or
 - (s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) or paragraph (i) in form and function; or
 - (t) a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are accredited investors (as defined in National Instrument 45-106); or
- (Note: if you are purchasing as an individual accredited investor, paragraph (k) or (l) above must be initialed rather than paragraph (t)).*
- (u) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser; or
 - (v) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Quebec, the regulator as an accredited investor; or
 - (w) a trust established by an accredited investor for the benefit of the accredited investor's family members of which a majority of the trustees are accredited investors and all of the beneficiaries are the accredited investor's spouse, a former spouse of the accredited investor or a parent, grandparent, brother, sister, child or grandchild of that accredited investor, of that accredited investor's spouse or of that accredited investor's former spouse.

For the purposes hereof:

- (a) **“affiliate”** means an issuer connected with another issuer because
 - (i) one of them is the subsidiary of the other; or
 - (ii) each of them is controlled by the same person;
- (b) **“Canadian financial institution”** means
 - (i) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act, or
 - (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;
- (c) **“consultant”** means, for an issuer, a person, other than an employee, executive officer, or director of the issuer or of a related entity of the issuer, that
 - (i) is engaged to provide services to the issuer or a related entity of the issuer, other than services provided in relation to a distribution;
 - (ii) provides the services under a written contract with the issuer or a related entity of the issuer; and
 - (iii) spends or will spend a significant amount of time and attention on the affairs and business of the issuer or a related entity of the issuer
 - (iv) for an individual consultant, a corporation of which the individual consultant is an employee or shareholder, and a partnership of which the individual consultant is an employee or partner; and
 - (v) for a consultant that is not an individual, an employee, executive officer, or director of the consultant, provided that the individual employee, executive officer, or director spends or will spend a significant amount of time and attention on the affairs and business of the issuer or a related entity of the issuer;
- (d) **“control person”** means
 - (i) a person or company who holds a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the control of the issuer, and if a person or company holds more than 20% of the voting rights attached to all outstanding voting securities of an issuer, the person or company is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of the issuer, or
 - (ii) each person or company in a combination of persons or companies acting in concert by virtue of an agreement, arrangement, commitment or understanding, who holds in total a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the control of the issuer, and if a combination of persons or companies holds more than 20% of the voting rights attached to all outstanding voting securities of an issuer, the combination of persons or companies is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of the issuer;

- (e) **“director”** means:
- (i) a member of the board of directors of a company or an individual who performs similar functions for a company, and
 - (ii) with respect to a person that is not a company, an individual who performs functions similar to those of a director of a company;
- (f) **“eligibility adviser”** means
- (i) a person that is registered as an investment dealer and authorized to give advice with respect to the type of security being distributed, and
 - (ii) in Saskatchewan and Manitoba, also means a lawyer who is a practicing member in good standing with a law society of a jurisdiction of Canada or a public accountant who is a member in good standing of an institute or association of chartered accountants, certified general accountants or certified management accountants in a jurisdiction of Canada provided that the lawyer or public accountant must not
 - (A) have a professional, business or personal relationship with the issuer, or any of its directors, executive officer, founders, or control persons, and
 - (B) have acted for or been retained personally or otherwise as an employee, executive officer, director, associate or partner of a person that has acted for or been retained by the issuer or any of its directors, executive officers, founders or control persons within the previous 12 months;
- (g) **“executive officer”** means, for an issuer, an individual who is
- (i) a chair, vice-chair or president,
 - (ii) a vice-president in charge of a principal business unit, division or function including sales, finance or production, or
 - (iii) performing a policy-making function in respect of the issuer;
- (h) **“financial assets”** means
- (i) cash,
 - (ii) securities, or
 - (iii) a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purposes of securities legislation;
- (i) **“foreign jurisdiction”** means a country other than Canada or a political subdivision of a country other than Canada;
- (j) **“founder”** means, in respect of an issuer, a person who,
- (i) acting alone, in conjunction, or in concert with one or more persons, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of the issuer, and
 - (ii) at the time of the distribution or trade is actively involved in the business of the issuer;

- (k) **“foreign jurisdiction”** means a country other than Canada or a political subdivision of a country other than Canada;
- (l) **“fully managed account”** means an account of a client for which a person makes the investment decisions if that person has full discretion to trade in securities for the account without requiring the client's express consent to a transaction;
- (m) **“investment fund”** means a mutual fund or a non-redeemable investment fund and for greater certainty in British Columbia, includes an EVCC and a VCC (as such capitalized terms are defined in National Instrument 81-106 *Investment Fund Continuous Disclosure*);
- (n) **“jurisdiction”** means a province or territory of Canada except when used in the term foreign jurisdiction;
- (o) **“local jurisdiction”** means the jurisdiction in which the Canadian securities regulatory authority is situate;
- (p) **“non-redeemable investment fund”** has the same meaning as in National Instrument 81-106 *Investment Fund Continuous Disclosure*;
- (q) **“permitted assign”** means, for a person that is an employee, executive officer, director or consultant of an issuer or of a related entity of the issuer,
 - (i) a trustee, custodian, or administrator acting on behalf of, or for the benefit of the person,
 - (ii) a holding entity of the person,
 - (iii) a RRSP, RRIF, or TFSA of the person,
 - (iv) a spouse of the person,
 - (v) a trustee, custodian, or administrator acting on behalf of, or for the benefit of the spouse of the person,
 - (vi) a holding entity of the spouse of the person, or
 - (vii) a RRSP, RRIF, or TFSA of the spouse of the person;
- (r) **“person”** includes
 - (i) an individual,
 - (ii) a corporation,
 - (iii) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not, and
 - (iv) an individual or other person in that person's capacity as a trustee, executor, administrator or personal or other legal representative;
- (s) **“regulator”** means, for the local jurisdiction, the Executive Director as defined under securities legislation of the local jurisdiction;
- (t) **“related entity”** means, for an issuer, a person that controls or is controlled by the issuer or that is controlled by the same person that controls the issuer;

- (u) **“related liabilities”** means
 - (i) liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets, or
 - (ii) liabilities that are secured by financial assets;
- (v) **“RRIF”** means a registered retirement income fund as defined in the *Income Tax Act* (Canada);
- (w) **“RRSP”** means a registered retirement savings plan as defined in the *Income Tax Act* (Canada)
- (x) **“Schedule III bank”** means an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);
- (y) **“spouse”** means, an individual who,
 - (i) is married to another individual and is not living separate and apart within the meaning of the *Divorce Act* (Canada), from the other individual,
 - (ii) is living with another individual in a marriage-like relationship, including a marriage-like relationship between individuals of the same gender, or
 - (iii) in Alberta, is an individual referred to in paragraph (i) or (ii) above, or is an adult interdependent partner within the meaning of the *Adult Interdependent Relationships Act* (Alberta);
- (z) **“subsidiary”** means an issuer that is controlled directly or indirectly by another issuer and includes a subsidiary of that subsidiary; and
- (aa) **“TFSA”** means a tax-free savings account as described in the *Income Tax Act* (Canada).

All monetary references are in Canadian Dollars.

APPENDIX B

TO EXHIBIT 1

FORM 45-106F9

FORM FOR INDIVIDUAL ACCREDITED INVESTORS

WARNING!

This investment is risky. Don't invest unless you can afford to lose all the money you pay for this investment.

SECTION 1 TO BE COMPLETED BY THE ISSUER OR SELLING SECURITY HOLDER	
1. About your investment	
Type of securities: Class A Preferred Shares	Issuer: Atlantic Advantage Mortgage Investment Corporation
Purchased from: The issuer	
SECTIONS 2 TO 4 TO BE COMPLETED BY THE PURCHASER	
2. Risk acknowledgement	
This investment is risky. Initial that you understand that:	Your initials
Risk of loss – You could lose your entire investment of \$_____. <i>[Instruction: Insert the total dollar amount of the investment.]</i>	
Liquidity risk – You may not be able to sell your investment quickly – or at all.	
Lack of information – You may receive little or no information about your investment.	
Lack of advice – You will not receive advice from the salesperson about whether this investment is suitable for you unless the salesperson is registered. The salesperson is the person who meets with, or provides information to, you about making this investment. To check whether the salesperson is registered, go to www.aretheyregistered.ca .	
3. Accredited investor status	
You must meet at least one of the following criteria to be able to make this investment. Initial the statement that applies to you. (You may initial more than one statement.) The person identified in section 6 is responsible for ensuring that you meet the definition of accredited investor. That person, or the salesperson identified in section 5, can help you if you have questions about whether you meet these criteria.	Your initials
<ul style="list-style-type: none"> Your net income before taxes was more than \$200,000 in each of the 2 most recent calendar years, and you expect it to be more than \$200,000 in the current calendar year. (You can find your net income before taxes on your personal income tax return.) 	
<ul style="list-style-type: none"> Your net income before taxes combined with your spouse's was more than \$300,000 in each of the 2 most recent calendar years, and you expect your combined net income before taxes to be more than \$300,000 in the current calendar year. 	
<ul style="list-style-type: none"> Either alone or with your spouse, you own more than \$1 million in cash and securities, after subtracting any debt related to the cash and securities. 	
<ul style="list-style-type: none"> Either alone or with your spouse, you have net assets worth more than \$5 million. (Your net assets are your total assets (including real estate) minus your total debt.) 	

4. Your name and signature	
By signing this form, you confirm that you have read this form and you understand the risks of making this investment as identified in this form.	
First and last name (please print):	
Signature:	Date:
SECTION 5 TO BE COMPLETED BY THE SALESPERSON	
5. Salesperson information	
<i>[Instruction: The salesperson is the person who meets with, or provides information to, the purchaser with respect to making this investment. That could include a representative of the issuer or selling security holder, a registrant or a person who is exempt from the registration requirement.]</i>	
First and last name of salesperson (please print):	
Telephone:	Email:
Name of firm (if registered):	
SECTION 6 TO BE COMPLETED BY THE ISSUER OR SELLING SECURITY HOLDER	
6. For more information about this investment	
Name of issuer:	Atlantic Advantage Mortgage Investment Corporation
Address of issuer:	80 Acadia Avenue, Suite 211, Markham, ON L3R 9V1
Contact Person Name:	Stephen Tung
Telephone Number:	+1 (905) 940-2783
Email Address:	info@aamic.ca
Website Address:	www.aamic.ca
For more information about prospectus exemptions, contact your local securities regulator. You can find contact information at www.securities-administrators.ca.	

Form instructions:

1. This form does not mandate the use of a specific font size or style but the font must be legible.
2. The information in sections 1, 5 and 6 must be completed before the purchaser completes and signs the form.
3. The purchaser must sign this form. Each of the purchaser and the issuer or selling security holder must receive a copy of this form signed by the purchaser. The issuer or selling security holder is required to keep a copy of this form for 8 years after the distribution.

APPENDIX C

TO EXHIBIT 1

FORM 45-106F9

CONFIRMATION

TO BE COMPLETED BY PURCHASER

I confirm that the salesperson and/or the issuer has explained the alternative qualification criteria for the accredited investor exemption to my satisfaction.

I further confirm that the salesperson and/or the issuer has asked me questions about my income and/or assets to verify my accredited investor status as set out in the attached Form 45-106F9: Form For Individual Accredited Investors.

Purchaser first and last name (please print):	SIN #:
Signature:	Date:

TO BE COMPLETED BY SALESPERSON OR ISSUER REPRESENTATIVE

I confirm that the information set out above is accurate.

Salesperson or issuer representative first and last name (please print):	
Signature:	Date:

EXHIBIT 2

CLOSE PERSONAL FRIEND AND/OR CLOSE BUSINESS ASSOCIATE QUESTIONNAIRE

TO: ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION (THE “CORPORATION”)

To be completed by Subscribers to whom the “close personal friend” or the “close business associate” aspect of subsections 6(d)(ii)(D), (E), (F), (H) or (I) of the Subscription Agreement applies. For the purposes of this certificate “close personal friend” means that you have directly known such individual well enough and for a sufficient period of time and in a sufficiently close relationship (where such relationship is direct and extends beyond being a relative or member of the same organization, association or religious group or a client, customer or former client or customer or being a close personal friend of a close personal friend of such individual) to be in a position to assess the capabilities and the trustworthiness of such individual. For the purposes of this certificate “close business associate” means that you have had a direct sufficient prior business dealings with such individual (where such relationship is direct and extends beyond being a casual business associate or person introduced or solicited for the purpose of purchasing securities or a client, customer or former client or customer or being a close business associate of a close business associate of such individual) to be in a position to assess the capabilities and trustworthiness of such individual.

Name of director, executive officer, control person or founder:

Length of Relationship:

Details of Relationship:

Prior Business Dealings (if applicable):

The undersigned understands that the Corporation is relying on this information in determining to sell securities to the undersigned in a manner exempt from the prospectus and registration requirements of the applicable securities laws.

The undersigned has executed this Questionnaire as of the _____ day of _____, 20__.

If a Corporation, Partnership or other Entity:

If an Individual:

Name of Entity

Signature of Person Signing

Signature

Title of Person

Name of Individual

EXHIBIT 3

**FORM 45-106F12
RISK ACKNOWLEDGEMENT FORM FOR FAMILY, FRIEND AND
BUSINESS ASSOCIATE INVESTORS**

WARNING!

This investment is risky. Don't invest unless you can afford to lose all the money you pay for this investment.

SECTION 1 TO BE COMPLETED BY THE ISSUER	
1. About your investment	
Type of securities: Class A Preferred Shares	Issuer: Atlantic Advantage Mortgage Investment Corporation
SECTIONS 2 TO 4 TO BE COMPLETED BY THE PURCHASER	
2. Risk acknowledgement	
This investment is risky. Initial that you understand that:	Your initials
Risk of loss – You could lose your entire investment of \$ _____. <i>[Instruction: Insert the total dollar amount of the investment.]</i>	
Liquidity risk – You may not be able to sell your investment quickly – or at all.	
Lack of information – You may receive little or no information about your investment. The information you receive may be limited to the information provided to you by the family member, friend or close business associate specified in section 3 of this form.	
3. Family, friend or business associate status	
You must meet one of the following criteria to be able to make this investment. Initial the statement that applies to you, and complete Appendix A:	Your initials
<p>A) You are:</p> <p>1) <i>[check all applicable boxes]</i></p> <p><input type="checkbox"/> a director of the issuer or an affiliate of the issuer</p> <p><input type="checkbox"/> an executive officer of the issuer or an affiliate of the issuer</p> <p><input type="checkbox"/> a control person of the issuer or an affiliate of the issuer</p> <p><input type="checkbox"/> a founder of the issuer</p> <p>OR</p> <p>2) <i>[check all applicable boxes]</i></p> <p><input type="checkbox"/> a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, (i) individuals listed in (1) above and/or (ii) family members, close personal friends or close business associates of individuals listed in (1) above</p> <p><input type="checkbox"/> a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are (i) individuals listed in (1) above and/or (ii) family members, close personal friends or close business associates of individuals listed in (1) above</p>	
<p>B) You are a family member of _____ <i>[Instruction: Insert the name of the person who is your relative either directly or through his or her spouse]</i>, who holds the following position at the issuer or an affiliate of the issuer: _____, and complete Appendix A.</p> <p>You are the _____ of that person or that person's spouse. <i>[Instruction: To qualify for this investment, you must be (a) the spouse of the person listed above or (b) the parent, grandparent, brother, sister, child or grandchild of that person or that person's spouse.]</i></p>	

<p>C) You are a close personal friend of _____ <i>[Instruction: Insert the name of your close personal friend]</i>, who holds the following position at the issuer or an affiliate of the issuer: _____, and complete Appendix A.</p> <p>You have known that person for _____ years.</p>		
<p>D) You are a close business associate of _____ <i>[Instruction: Insert the name of your close business associate]</i>, who holds the following position at the issuer or an affiliate of the issuer: _____, and complete Appendix A.</p> <p>You have known that person for _____ years.</p>		
<p>4. Your name and signature</p> <p>By signing this form, you confirm that you have read this form and you understand the risks of making this investment as identified in this form. You also confirm that you are eligible to make this investment because you are a family member, close personal friend or close business associate of the person identified in section 5 of this form.</p> <p>First and last name (please print):</p>		
<p>Signature:</p>		<p>Date:</p>
<p>SECTION 5 TO BE COMPLETED BY PERSON WHO CLAIMS THE CLOSE PERSONAL RELATIONSHIP, IF APPLICABLE</p>		
<p>5. Contact person at the issuer or an affiliate of the issuer</p> <p><i>[Instruction: To be completed by the director, executive officer, control person or founder with whom the purchaser has a close personal relationship indicated under sections 3B, C or D of this form.]</i></p> <p>By signing this form, you confirm that you have, or your spouse has, the following relationship with the purchaser: <i>[check the box that applies]</i></p> <p> <input type="checkbox"/> family relationship as set out in section 3B of this form <input type="checkbox"/> close personal friendship as set out in section 3C of this form <input type="checkbox"/> close business associate relationship as set out in section 3D of this form </p> <p>First and last name of contact person <i>[please print]</i>:</p> <p>Position with the issuer or affiliate of the issuer (director, executive officer, control person or founder):</p>		
<p>Telephone:</p>		<p>Email:</p>
<p>Signature:</p>		<p>Date:</p>
<p>SECTION 6 TO BE COMPLETED BY THE ISSUER</p>		
<p>6. For more information about this investment</p> <p> Name of issuer: Atlantic Advantage Mortgage Investment Corporation Address of issuer: 80 Acadia Avenue, Suite 211, Markham, ON L3R 9V1 Contact Person Name: Stephen Tung Telephone Number: +1 (905) 940-2783 Email Address: info@aamic.ca Website Address: www.aamic.ca </p> <p>For more information about prospectus exemptions, contact your local securities regulator. You can find contact information at www.securities-administrators.ca.</p>		
<p>Signature of executive officer of the issuer (other than the purchaser):</p>		<p>Date:</p>

Form instructions:

1. This form does not mandate the use of a specific font size or style but the font must be legible.
2. The information in sections 1, 5 and 6 must be completed before the purchaser completes and signs the form.
3. The purchaser, an executive officer who is not the purchaser and, if applicable, the person who claims the close personal relationship to the purchaser must sign this form. Each of the purchaser, contact person at the issuer and the issuer must receive a copy of this form signed by the purchaser. The issuer is required to keep a copy of this form for 8 years after the distribution.
4. The detailed relationships required to purchase securities under this exemption are set out in section 2.5 of National Instrument 45-106 Prospectus Exemptions. For guidance on the meaning of “close personal friend” and “close business associate”, please refer to sections 2.7 and 2.8, respectively, of Companion Policy 45-106CP Prospectus Exemptions.

AAMIC

APPENDIX A
TO EXHIBIT 3
FORM 45-106F12
CONFIRMATION

TO BE COMPLETED BY PURCHASER

My family relationship with *[Instruction: Insert name]* is _____; or

I have come to know my close personal friend/close business associate _____

_____ *[Instruction: Insert name]* through _____

_____.

[Instruction: Explain your family relationship or how you know your close personal friend/close business associate. Describe nature and length of your relationship with person. e.g. frequency of contact and level of trust and reliance]

Purchaser first and last name (please print):	SIN #:
Signature:	Date:

TO BE COMPLETED BY FAMILY, FRIEND OR BUSINESS ASSOCIATE AT THE ISSUER

I confirm that the information set out in the attached Form 45-106F12: Risk Acknowledgement Form For Family, Friend and Business Associate Investors completed by the Purchaser is accurate.

Family, Friend or Business Associate at the issuer first and last name (please print):	
Signature:	Date:

Notes:

* "close personal friend" means an individual who has known the named director, executive officer, control person or founder well enough and for a sufficient period of time to be in a position to assess the capabilities and trustworthiness of that person. An individual's relationship with the named director, executive officer, control person or founder must be direct. An individual is not a "close personal friend" solely because that individual is a relative, a member of the same club, organization, association or religious group, a co-worker, colleague or associate at the same workplace, a client, customer, former client or former customer, a mere acquaintance, or connected through some form of social media, such as Facebook, Twitter or LinkedIn.

** "close business associate" means an individual who has had sufficient prior business dealings with the named director, executive officer, control person or founder to be in a position to assess the capabilities and trustworthiness of that person. An individual's relationship with the named director, executive officer, control person or founder must be direct. An individual is not a "close business associate" solely because that individual is a member of the same club, organization, association or religious group, a co-

worker, colleague or associate at the same workplace, a client, customer, former client or former customer, a mere acquaintance, or connected through some form of social media, such as Facebook, Twitter or LinkedIn.

*** **“family member”** means the spouse of the named director, executive officer, control person or founder, or (b) the parent, grandparent, brother, sister, child or grandchild of that person or that person’s spouse. [NTD: From Section 3(B) of Exhibit 3 above.]

AAMC

EXHIBIT 4

**ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION
MINIMUM AMOUNT EXEMPTION CERTIFICATE**

To Be Completed By All Non-Individual Subscribers Subscribing For \$150,000 Aggregate Subscription Price or More

TO: ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION (the “Issuer”)

In connection with the purchase by the undersigned Subscriber of the Shares, the Subscriber, on its own behalf and on behalf of each disclosed principal for whom the Subscriber is acting (collectively, the “Subscribers”), hereby represents, warrants, covenants and certifies to the Issuer (and acknowledges that the Issuer and its counsel are relying thereon) that:

- (a) the Subscriber is not an individual;
- (b) the Subscriber is resident in or subject to the securities laws of one of the provinces or territories of Canada;
- (c) the Subscriber is purchasing the Shares as principal for its own account and not for the benefit of any other person;
- (d) the Shares have an acquisition cost to the Subscriber of not less than \$150,000, payable at the closing of the investment;
- (e) the Subscriber was not created and is not being used solely to purchase or hold securities in reliance on the prospectus exemptions provided under Section 2.10 of NI 45-106, and it pre-existed and has a bona fide purpose other than investment in the Shares; and
- (f) upon execution, this Exhibit 4 is incorporated into and forms a part of the Subscription Agreement to which it is attached.

The foregoing representations contained in this certificate are true and accurate as of the date of this certificate and will be true and accurate as of the Closing Date (as defined in the Subscription Agreement to which this is attached) and the Subscriber acknowledges that this minimum amount exemption certificate is incorporated into and forms a part of the Subscription Agreement to which it is attached. If any such representations shall not be true and accurate prior to the Closing Date, the undersigned shall give immediate written notice of such fact to the Issuer prior to the Closing Date.

Dated _____, 20____

For Non-Individual Investors

Full Name of Non-Individual Investor
(please print)

Signature of Authorized Signatory

EXHIBIT 5

CONSENT TO DISCLOSURE OF PERSONAL INFORMATION

TO: Atlantic Advantage Mortgage Investment Corporation

The undersigned hereby acknowledges and consents to the collection and disclosure to applicable securities regulatory authorities of personal information relating to the purchase of shares in the capital of Atlantic Advantage Mortgage Investment Corporation.

This information is being collected indirectly by the Securities Commissions under the authority granted to them in securities legislation for the purposes of the administration and enforcement of the securities legislation.

Dated as of the _____ day of _____, 20_____

Print name of Subscriber

By: _____

Signature

Print name of Signatory (if different from Subscriber)

Title

For more information on the indirect collection of information (based on province of residency) please contact:

Alberta

Alberta Securities Commission,
Suite 600, 250–5th St. SW
Calgary, AB T2P 0R4
Tel: (403) 297-6454
Tel: 1-877-355-0585
Web: www.albertasecurities.com
Inquiries: inquiries@asc.ca

British Columbia

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
Vancouver, BC V7Y 1L2
Tel: (604) 899-6500
Tel: 1-800 373-6393
Web: www.bcsc.bc.ca
Inquiries: inquiries@bcsc.bc.ca

Manitoba

The Manitoba Securities Commission
500 - 400 St. Mary Avenue
Winnipeg, MB R3C 4K5
Tel: (204) 945-2548
Web: www.mbsecurities.ca
Inquiries: securities@gov.mb.ca

Newfoundland and Labrador

Office of the Superintendent of Securities Service
Newfoundland and Labrador
Service Newfoundland & Labrador
St. John's, NL A1B 4J6
Tel: (709) 729-4189
Web: www.servicenl.gov.nl.ca

Nova Scotia

Nova Scotia Securities Commission
Suite 400, 5251 Duke Street
Halifax, Nova Scotia B3J 1P3
Tel: (902) 424-7768
Web: nssc.novascotia.ca
Inquiries: NSSCinquiries@novascotia.ca

Quebec

Autorité des marchés financiers
800, rue du square-Victoria,
Montréal (Québec) H3C 0B4
Tel: (514) 395-0337
Tel: (877) 525-0337
Web: lautorite.qc.ca

New Brunswick

Financial and Consumer Services Commission
Suite 300, 85 Charlotte Street
Saint John, NB E2L 2J2
Tel: 1-866-933-2222
Web: www.fcnb.ca
Inquiries: info@fcnb.ca

Northwest Territories

Office of the Superintendent of Securities
Department of Justice Government of Northwest Territories
Yellowknife, NT X1A 2L9
Tel: (867) 767-9305
Web: www.justice.gov.nt.ca

Ontario

Ontario Securities Commission
20 Queen Street West
Toronto, ON M5H 3S8
Tel: (416) 593-8314
Tel: 1-877-758-1555
Web: www.osc.gov.on.ca
Inquiries: inquiries@osc.gov.on.ca

Saskatchewan

Financial and Consumer Affairs Authority of Saskatchewan
4th Floor, 2365 Albert Street
Regina, SK S4P 4K1
Tel: (306) 787-5645
Web: www.fcaa.gov.sk.ca

**SCHEDULE “B” – CONSENT TO ELECTRONIC DELIVERY OF
DOCUMENTS**

AAMIC

CONSENT TO ELECTRONIC DELIVERY OF DOCUMENTS

1. I, the undersigned Subscriber, consent to receiving all documents of Atlantic Advantage Mortgage Investment Corporation (the “**Corporation**”) to which I am entitled, electronically rather than by mail. I understand the documents I am entitled to receive are determined by the class of Shares I hold and may include:
 - Transaction statements;
 - Quarterly account statements; and
 - Other information about the Corporation.
2. I understand and agree that the documents I am entitled to receive will be sent to me at my e-mail address set out below.
3. I acknowledge that access to the Internet, e-mail and the worldwide web is required in order to access a document electronically and I confirm that I have such access and I have the ability to access, view, download, and print documents from my computer, including documents in Adobe’s Portable Document Format (PDF). (The Adobe Acrobat Reader software is required to view a document in PDF format and is available free of charge from Adobe’s website at www.adobe.com).
4. I understand that I may revoke or modify my consent to receive documents electronically; that I may change my e-mail address to which documents are delivered; or request a paper copy of a document for which I have consented to electronic delivery by sending in such notification or request:
 - (a) by email to: admin@aamic.ca
 - (b) by fax to:
Atlantic Advantage Mortgage Investment Corporation
80 Acadia Avenue, Suite 211
Markham, Ontario, L3R 9V1
Fax: (905) 940-8692
5. I understand and agree that at any time and without giving me advance notice, the Corporation may elect not to send me a document electronically, in which case a paper copy of the document will be mailed to me.
6. I understand I am not required to consent to electronic delivery.

Dated _____, 20____

Print name of Subscriber

By: _____
Signature

Print name of Signatory (if different from Subscriber)

Title

Email Address

**SCHEDULE “C” – ENROLMENT FORM FOR DIRECT
DEPOSIT**

AAMC

Enrolment Form for Direct Deposit

By signing this form, the undersigned agrees to have dividends accrued on Class A Preferred Shares of Atlantic Advantage Investment Mortgage Corporation ("Atlantic") directly deposited to the bank account specified below.

This authorization shall remain in effect until Atlantic has received written notification of its change or termination. This notification must be received at least ten (10) business days before the next scheduled deposit at 80 Acadia Avenue, Suite 211, Markham, Ontario, L3R 9V1, Fax: 905-940-8692.

It is anticipated that dividends will be paid no less frequently than on a quarterly basis.

Investor Information (Please Print Clearly)

Name (s)

Address

Phone

Email

These services are for (check one)

☐ Personal

☐ Business

Bank Account Information (Please attach "Void" cheque)

Financial Institution Number

Branch/Transit Number

Account Number

Financial Institution Name

Branch Address

Signature of Authorized Signatory on Account

Signature of Authorized Signatory on Joint
Account (if applicable)

Name (please print)

Name (please print)

Date

Date

SCHEDULE “D” – ANNUAL REPORT



Atlantic Advantage
Mortgage Investment
Corporation

2023 ANNUAL REPORT

CAPITAL PRESERVATION, STABILITY & GROWTH

Atlantic Advantage Mortgage Investment Corporation (the “AAMIC” or the “Corporation”) was incorporated in February 2014 and started attracting accredited investors in November 2014. Our vision is to build and grow AAMIC as a prudent, high yield investment vehicle of choice to affluent accredited investors with a clear risk-averse investment strategy.

Our investment mandate is focused on capital preservation, strong stable returns, and growth by retaining and developing talent to ensure risk-based service excellence and operational simplicity and scalability in a cost-effective environment superior to our peers.

AAMIC owns all of its short-term mortgages that originated through our Investment Manager, Atlantic (HS) Financial Corporation. AAMIC also has an agreement with Atlantic Advantage Management Inc. (the “Manager”) to oversee its day-to-day operations.

LETTERS TO SHAREHOLDERS



With COVID-19 very much in the rear mirror and business activities trending back to normalcy, there are certainly head winds facing the real estate and mortgage markets due to all the rate hikes by Bank of Canada (highest rate in the last 20 year). AAMIC is doubling its effort in identifying Grade A deals to invest in while doing its best to balance the number of deals and risk. We are currently sitting on a \$2,000,000 war chest but have a few deals in the pipeline. There are speculations from various economists that 5% rate is here to stay and won't come down for at least another year. But one thing is certain, rate we saw two years ago is not coming back.

What we are experiencing currently:

The reason for AAMIC to sit on over \$2,000,000 war chest is partly due to more borrowers choosing to sell their properties and pay off the loans to us. It's also taking us longer time to find the right deals to invest in. I'd like to seize this opportunity to answer a question raised by a few investors: why our interest rate doesn't float with what the banks are now charging? The simple answer is: it all boils down to affordability. AAMIC would have to start charging 14+% interest instead of 10+% in the "perfect world". It is prohibitive for anyone to pay this kind of interest, at least not from Grade A mortgagors. High rates and challenging affordability definitely weigh on demand. Simply put, the last several years of ultra-low-rate environment had us all spoiled and probably won't come back anytime soon.

Implications of the rise of interest rate and the drop of housing activities:

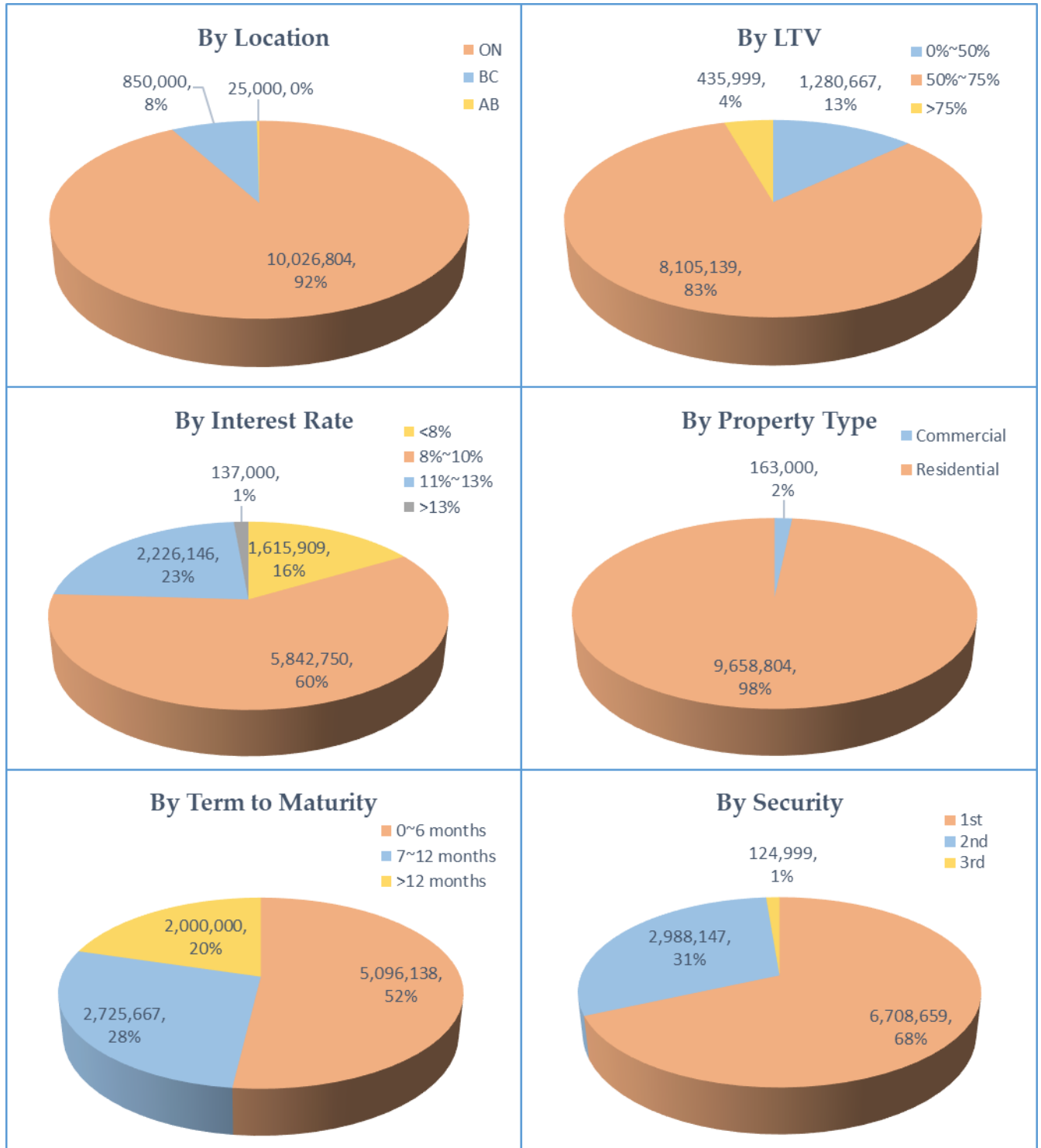
Major banks have been doing their part to alleviate mortgagors' pain by allowing them to keep the same monthly mortgage payments while their mortgages increased in size (negative amortization). This might explain why we are not seeing a widespread default on mortgages with banks and a deep drop in real estate prices even though we are witnessing more listings.

At 2023-year end (June 30th), AAMIC has a net loss of \$130,399 (2022 - \$361,604). It is expected to keep improving as we continue to deploy the remaining cash on hand (\$2Mil). Currently, our portfolio LTV is 57.0% based on the most current appraisal (maintained the same level as previous year). Given the term of two mortgages total \$2.5Mil out of our \$10.9Mil portfolio is 24 months, the average term-to-maturity is 11.8 months; weight average is 13.7 months. While the average remaining-month-to-maturity is 6 months; weight average is 7.7 months.



Frank S. Pa
President & Chief Executive Officer
Nov 01, 2023

PERFORMANCE HIGHLIGHTS



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For the Year Ended June 30, 2023

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1. RESPONSIBILITY OF MANAGEMENT

This Management's Discussion and Analysis ("MD&A") for AAMIC should be read in conjunction with the audited financial statements and notes thereto for the year ended June 30, 2023, included herein which has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Investment in AAMIC is subject to certain risks and uncertainties described in the AAMIC Offering Memorandum, which should be read in conjunction with this MD&A. These documents are available on our website at www.aamic.ca.

Management is responsible for the information disclosed in this MD&A. AAMIC has in place appropriate procedures, systems, and controls to ensure such information is materially complete and reliable. In addition, the Board of AAMIC has reviewed and approved the MD&A and the audited financial statements and notes thereto for the year ended June 30, 2023.

This MD&A contains certain forward-looking statements and non-IFRS financial measures, see "Forward-Looking Statements" and "Non-IFRS Financial Measures".

2. FORWARD LOOKING STATEMENTS

This MD&A may contain forward-looking statements relating to anticipated future events, results, performance, expectations, or circumstances that are not historical facts but instead represent our beliefs regarding future events and are subject to inherent risks and uncertainties. We caution readers of this MD&A not to place undue reliance on our forward-looking statements. Actual results may differ materially from management expectations projected in such forward-looking statements for a variety of reasons, including but not limited to, general market conditions, interest rates, regulatory and statutory developments, the effects of competition in areas that AAMIC may invest in and the risks detailed from time to time in the Corporation's public disclosures.

We caution that the foregoing list of factors is not exhaustive and that when relying on forward looking statements to make decisions with respect to investing in the Corporation, investors and others should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, AAMIC and Atlantic Advantage Management Inc. (the "Manager") do not undertake, and specifically disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

3. NON-IFRS FINANCIAL MEASURES

This MD&A contains certain non-IFRS financial measures. A non-IFRS financial measure is defined as a numerical measure of the Corporation's historical or future financial performance, financial position, or cash flows that excludes amounts or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with IFRS in the financial statements or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most

directly comparable measure so calculated and presented. Non-IFRS financial measures disclosed herein are meant to provide additional information and insight regarding the historical operating results and financial position of AAMIC. These measures are not in accordance with, or a substitute for IFRS and may be different from or inconsistent with non-IFRS financial measures used by others.

4. CORPORATION & INDUSTRY OVERVIEW

AAMIC is committed to establishing itself in the mortgage investment industry as a prudent and risk-adverse registered plan eligible mortgage investment vehicle for Canadians. AAMIC growth will always operate within this mandate in order to ensure capital preservation, stable income and effective operational infrastructure controls for the benefit of investors and stakeholders. As such, AAMIC is not suitable for those searching for high-risk-high-return or as a short-term investment.

AAMIC generates monthly mortgage interest revenue from its portfolio of mortgages that is secured by real properties consisting primarily of residential properties but also multi-residential, office, retail, industrial or other commercial properties in Canada. Mortgages are either first ranking, a junior position in a first ranking, or a second ranking mortgage. Individual mortgages may be secured by more than one property owned by the same mortgagor, often referred to as a blanket mortgage. AAMIC may invest in mortgages on a participation basis with parties related to the Manager.

5. BUSINESS APPROACH

The Manager and AAMIC are dogmatic in establishing AAMIC as a solid, prudent alternative investment vehicle to our Accredited Investors. We continuously evaluate and proactively enhance our operational underpinning ahead of our business needs. AAMIC consistently applied mortgage underwriting parameters and organic adjudication approach will continue to allow prudent adaptation to constantly changing Canadian real estate and mortgage underwriting environment.

6. FINANCIAL PERFORMANCE

For the year ended June 30, 2023, mortgage interest income amounted to \$883,334 (2022-\$700,824) and other interest income totaled \$29,135 (2022-\$13,042). Total expenses before dividend for the period was \$50,629 (2022-\$97,589) of which \$Nil (2022-\$3,452) was management fees paid to Atlantic Advantage Management Inc. Resultant comprehensive income before dividend on Class A Preferred Shares was \$861,840 (2022-\$610,657).

7. MORTGAGE PORTFOLIO

As at June 30, 2023, the AAMIC had 34 mortgages with a gross value of \$10,901,804 (2022-23 mortgages totaling \$7,232,649). During the year, the Corporation funded 32 new mortgages \$9,315,224 (2022-16, \$4,901,250), renewed 18 mortgages totaling \$5,192,250 (2022-24, \$9,526,900) and discharged 18 totaling \$5,646,070 (2022-25, \$8,735,200). Total allowance for loan losses was \$24,620, representing 24.1 bps (2022-\$18,832, 26.0 bps) of the \$10,211,805 carrying value of AAMIC mortgage portfolio not financed through mortgage advance funding from the Manager.

	City	Prov.	Property Value	Original Loan \$	LTV	Interest Rate	Months Remain
Anchusa Drive	Richmond Hill	ON	1,285,891	500,000	38.9%	5.99%	3
Caboto Trail	Markham	ON	1,070,000	202,000	18.9%	7.49%	1
Loughlin Hill Crescent	Ajax	ON	1,270,000	136,000	80.0%	11.99%	1
Cody Avenue	Whitby	ON	995,000	49,999	80.4%	11.99%	1
173A Street	Surrey	BC	2,600,000	200,000	79.8%	11.99%	2
Cherokee Blvd	Toronto	ON	727,000	210,000	63.0%	7.99%	1
West King Edward Ave	Vancouver	BC	1,000,000	650,000	65.0%	8.49%	6
(1) Mudminnow Cres (2) Glastonbury Walk	Ottawa	ON	1,867,021	765,000	52.5%	9.24%	2
Rupert Ave	Stouffville	ON	595,000	50,000	81.0%	10.49%	3
Lorne Avenue	Hamilton	ON	540,000	405,000	75.0%	7.99%	4
Neville Park Blvd	Toronto	ON	3,000,000	2,000,000	66.7%	8.99%	16
(1) Victoria St S. (2) Eden Ave	(1) Aylmer (2) London	ON	1,015,000	361,000	58.2%	9.99%	4
York Street	Toronto	ON	525,000	193,480	72.0%	12.00%	4
Cody Avenue	Whitby	ON	1,125,000	100,000	67.7%	10.99%	5
Marcombe Crescent NE	Calgary	AB	550,000	25,000	61.4%	10.99%	6
Garment Street	Kitchener	ON	505,000	298,909	59.2%	7.99%	5
North Park Ave	Hamilton	ON	275,000	178,750	65.0%	8.50%	2
Dundas St E	Toronto	ON	400,000	230,000	57.5%	8.49%	6
Dundas St E	Toronto	ON	445,000	270,000	60.7%	8.49%	6
Military Trail	Toronto	ON	745,000	130,000	62.8%	10.99%	7
Elgin Street	Toronto	ON	680,000	420,000	61.8%	8.49%	9
Cass Avenue	Scarborough	ON	545,000	82,500	47.0%	10.00%	7
Harrison Road	Toronto	ON	3,500,000	216,167	49.7%	10.00%	7
Hwy 7 E.	Markham	ON	570,000	163,000	69.7%	12.00%	1
Bur Oak	Markham	ON	850,000	160,000	53.0%	9.99%	7
Bur Oak	Markham	ON	850,000	75,000	61.8%	10.99%	10
Bulwer Street	Toronto	ON	1,400,000	380,000	54.5%	9.99%	10
Bulwer Street	Toronto	ON	1,400,000	137,000	64.3%	13.99%	10
42 Street NW	Calgary	ON	180,000	108,000	60.0%	8.49%	5
Hughson Dr	Markham	ON	2,050,000	600,000	59.7%	10.49%	12
Baif Blvd	Richmond Hill	ON	880,000	205,000	46.0%	10.99%	12
Minoru	Richmond Hill	ON	430,000	320,000	74.4%	8.50%	12
Bathurst Street	Toronto	ON	17,000,000	800,000	4.7%	8.00%	6
McCarty Crescent	Markham	ON	1,800,000	280,000	70.0%	10.99%	6
				10,901,804	57.0%	9.20%	7.7

8. BALANCE SHEET HIGHLIGHTS

Total assets as at June 30, 2023 were \$13,469,621 (2022-\$12,490,827), primarily of mortgages, short-term bank balances, accrued interest receivables and prepaids.

Total liabilities (excluding Class A Preferred Shares) of \$1,455,396 (2022-\$144,075) as at June 30, 2023 consisted mainly of Class A Preferred Shares accrued dividends of \$37,818 (2022-\$45,380).

AAMIC issued 82,670 (2022-104,390) Class A (non-voting) Preferred Shares to 3 (2022-6) new and existing investors during the year. At the same time, 5 investors (2022-Nil) requested redemptions totaling 155,239 shares (2022-Nil) giving a net decrease of 72,569 (2022-104,390 increase) issued shares. Total issued Class A (non-voting) Preferred Shares as at June 30, 2023 was 1,248,336 shares (2022-1,268,548) to 63 investors (2022-66). Of all AAMIC Class A Preferred Shares investors, 33 (2022-32) have registered plan (RRSP, TFSA, RESP, etc...) with invested amounts totaling \$5,757,152 (2022-\$4,807,450). The Corporation made distribution of \$992,239 (including reinvested dividends) for the fiscal year (2022-\$972,261) representing a net yield of 8% to its investors on an annualized basis.

9. LIQUIDITY & CAPITAL RESOURCES

AAMIC manages its capital structure in a manner that allows it to support ongoing operations while focusing on its primary objectives of capital preservation and building itself as a reputable, risk adverse investment vehicle for eligible investors in Canada. AAMIC reviews and adjusts its capital structure on an ongoing basis in response to mortgage investment opportunities, availability of capital and anticipated changes in general economic conditions.

Access to liquidity is crucial for AAMIC as it allows the Corporation to grow by making full use of mortgage market opportunities under the risk-controlled capital preservation mandate and continued adherence as an eligible MIC within section 130.1 of the Income Tax Act (Canada). The Corporation did not enter into any credit facility with any financial institution or issue any debenture shares. Instead, the founders (holders of AAMIC common shares) have agreed and committed to providing demand loans to AAMIC via the Manager in order to secure mortgage lending on a short-term basis and repayable by the Corporation to the Manager with new Class A (non-voting) Preferred Shares investor funds. These inter-company loans are further discussed under Related Party Transactions in the accompanying audited financial statements.

10. RELATED PARTY TRANSACTIONS

Manager

AAMIC is managed by Atlantic Advantage Management Inc. (the “Manager”), a related party by virtue of common management. The Manager is responsible for the management and administration of the Corporation’s mortgage investment portfolio. The Manager has been in the mortgage industry and operated as a mortgage broker for over 27 years and handled more than

36,000 mortgage loans totaling over \$13.6 billion over the last 19 years and provided conduits in excess of \$106 million for mortgage investors. It has originated over \$134 million of loans since its inception, with a 0.3% loss experience.

Pursuant to the Management Agreement, the Manager is entitled to a Management Fee of up to 4.00% per annum of the investors' pool of the Corporation, calculated daily and paid monthly in arrears. Upon approval by the AAMIC Board, the Manager is also entitled to receive a performance fee equal to 12.50% of AAMIC net operating income remaining after distribution of dividend to its Class A Preferred Shares shareholders of at least 8% on a per annum basis, failing which no performance fee shall be payable to the Manager for such annual period. The Manager will calculate the final Performance Fee of a completed calendar year based on the audited financial statements for that year. This Performance Fee will become payable to the Manager within 15 days after the issuance of the Corporation's audited financial statements for that year. During this fiscal period, the Manager earned management fees of \$Nil (2022-\$3,452), equivalent to Nil% (2022-0.05%) average percentage of investor pool balance during the year.

Common Control

Mr. Frank S. Pa is the President and CEO of the Corporation, the Manager, and the Investment Manager. In addition, the Manager and the Investment Manager are related to the Corporation through common control.

Mortgage Funding Advances

As part of mortgage lending liquidity management, the founders (holders of AAMIC common shares) have agreed and committed to providing demand loans to AAMIC via the Manager in order to secure mortgage lending on a short-term basis and repayable by the Corporation to the Manager with new Class A (non-voting) Preferred Shares investor funds. Where such mortgage funding advance is utilized for the acquisition of individual mortgage assets, that portion of mortgage interest income supported by such outstanding mortgage funding advance, calculated on a daily basis is payable to the Manager.

Since inception in 2014, AAMIC partially relies on funding advances from its Manager to address immediate mortgage funding need shortfall from otherwise available Class A Preferred Shares uninvested funds. AAMIC's mortgage portfolio as at June 30, 2023, 5 (2022 – Nil) mortgages were partially funded by such mortgage funding advance. The total outstanding balance to the Manager was \$1,380,000 (2022 - \$Nil).

11. COMMITMENTS & CONTINGENCIES

In the ordinary course of business activities, AAMIC may be contingently liable for litigation and claims arising from its mortgage investing operations. Where required, management records adequate provisions in the accounts. As at June 30, 2023, AAMIC did not have and was not aware of any outstanding litigations against the Corporation or its Board and Executives pertaining to matters of the Corporation.

AAMIC evaluates potential mortgages as well as new investors on an ongoing basis. Subsequent to June 30, 2023, and up to the date of this report, the Corporation has funded 6 mortgages totaling \$3,735,000, 14 renewals totaling \$3,109,229, and, concurrently, 6 discharges totaling \$2,026,000. AAMIC executed \$119,854 redemption requests from 2 investors during this period.

12. OFF-BALANCE SHEET ARRANGEMENTS

AAMIC does not utilize off-balance sheet arrangements.

13. RISK MANAGEMENT

AAMIC is exposed to various financial instrument risks in the normal course of business. The Manager of the Corporation has put in place various procedures and safeguards to mitigate these risks in order to ensure the preservation of capital as well as the achievement of acceptable and consistent rates of return. For details on financial instrument risks and management's response to these risks, please see note 4 of the audited financial statements.

14. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. The allowance for loans losses is the most important estimate, taking into consideration assumptions regarding local real estate market conditions, interest rates movement, the availability of credit, impact of present or future legislation and regulation as well as the maturity, duration, past and anticipated performance, and well-being of each mortgage in the mortgage portfolio of the Corporation. Accordingly, by their nature, estimates of provision for loan losses are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated provision for loan losses could vary by a material amount.

15. ADDITIONAL INFORMATION

We are projecting 2023 to be a profitable year as we are now able to deploy most, if not all, cash holdings to generate interest revenue. AAMIC is open again for more investors.

Stephen Tung
Co-CEO

Phone: (905) 940-2783

Atlantic Advantage Mortgage Investment Corporation

80 Acadia Avenue, Suite 211

Markham, Ontario L3R 9V1

Tel: 905-940-2783

Email: info@aamic.ca

Website: www.aamic.ca

Nov 01, 2023

BOARD OF DIRECTORS & OFFICERS

Frank S. Pa, AMP

President & CEO, Corporate Director

Markham ON Canada

Director since 2014

Stephen Tung, B.A.

Co-CEO

Markham ON Canada

Officer since 2021

Shing B. Tung, B.A.

Corporate Director, Secretary

Markham ON Canada

Director since 2014

Dr. Collin Hong, M.D., F.R.C.S. (C)

Corporate Director

Toronto ON Canada

Director since 2014

Debbie M.K. Lui

Corporate Director

Toronto ON Canada

Director since 2014

LEGAL COUNSEL

Harris + Harris LLP

Barristers & Solicitors

295 The West Mall

6th Floor

Etobicoke ON M9C4Z4

Tel: 905-629-7800

AUDITORS

Levy Consulting, Accounting & Tax

941 Rutherford Road,

Suite 311, Vaughan ON L6A1S2

ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION
Financial Statements
Year Ended June 30, 2023



ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION
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Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Atlantic Advantage Mortgage Investment Corporation

Opinion

We have audited the financial statements of Atlantic Advantage Mortgage Investment Corporation (the Corporation), which comprise the statement of financial position as at June 30, 2023, and the statements of comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at June 30, 2023, and the financial performance and 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 ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

(continues)

Independent Auditor's Report to the Shareholders of Atlantic Advantage Mortgage Investment Corporation
(continued)

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.

L. Levy

Vaughan, Ontario
November 15, 2023

Levy Consulting Accounting and Tax PC
Chartered Professional Accountants
Licensed Public Accountants



ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Statement of Financial Position

June 30, 2023

	2023	2022
ASSETS		
Cash	\$ 1,646,665	\$ 5,018,187
Interest receivable	105,272	240,117
Other receivables and prepaid expenses	840,500	9,582
Mortgage receivable (Note 4)	10,901,804	7,232,649
Allowance for loan losses	(24,620)	(18,832)
Due from related parties (Note 5)	-	9,124
	\$ 13,469,621	\$ 12,490,827
LIABILITIES		
Management fees payable (Note 5)	\$ -	\$ 34,914
Accounts payable and accrued liabilities	27,428	50,802
Due to related parties (Note 5)	1,390,150	12,979
Dividends accrued	37,818	45,380
Redeemable shares: Class A preferred shares (Note 6)	12,483,360	12,685,487
	13,938,756	12,829,562
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 6)	100	100
Deficit	(469,235)	(338,835)
	(469,135)	(338,735)
	\$ 13,469,621	\$ 12,490,827

APPROVED ON BEHALF OF THE BOARD

Frank Pa (President & CEO)

Stephen Tung (co-CEO)



ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Statement of Comprehensive Loss

Year Ended June 30, 2023

	2023	2022
REVENUE		
Mortgage interest income	\$ 883,334	\$ 700,824
Other income	29,135	13,042
Loss on property foreclosure sale	-	(5,620)
	912,469	708,246
EXPENSES		
Bank charges	2,256	3,219
Securities filing fees	25,200	25,200
Accounting and audit	2,050	53,675
Insurance	10,801	10,801
PSC commission	4,534	4,820
Consulting fees	-	3,664
Management fees (Note 5)	-	3,452
Allowance for loan losses (Note 4)	5,788	(7,242)
	50,629	97,589
COMPREHENSIVE INCOME BEFORE DIVIDENDS ON CLASS A PREFERRED SHARES	861,840	610,657
DIVIDENDS ON CLASS A PREFERRED SHARES		
Cash dividend on Class A preferred shares	(486,766)	(563,224)
Reinvested dividend on Class A preferred shares	(505,473)	(409,037)
	(992,239)	(972,261)
COMPREHENSIVE LOSS	\$ (130,399)	\$ (361,604)



ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Statement of Changes in Equity

Year Ended June 30, 2023

	Share capital	Deficit	Total equity
As at July 1, 2021	\$ 100	\$ 22,769	\$ 22,869
Comprehensive loss for the year	-	(361,604)	(361,604)
As at June 30, 2022	\$ 100	\$ (338,835)	\$ (338,735)
As at July 1, 2022	\$ 100	\$ (338,836)	\$ (338,736)
Comprehensive loss for the year	-	(130,399)	(130,399)
As at June 30, 2023	\$ 100	\$ (469,235)	\$ (469,135)



ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Statement of Cash Flows

Year Ended June 30, 2023

	2023	2022
OPERATING ACTIVITIES		
Net loss	\$ (130,399)	\$ (361,604)
Item not affecting cash:		
Allowance for loan losses	5,788	(7,242)
	(124,611)	(368,846)
Changes in non-cash working capital:		
Other receivables and prepaid expenses	(830,918)	-
Interest receivable	134,845	86,345
Mortgage receivable	(3,669,155)	3,833,950
Management fees payable	(34,914)	3,452
Accounts payable and accrued liabilities	(23,374)	(35,847)
Dividends accrued	(7,562)	(29,928)
	(4,431,078)	3,857,972
Cash flow from (used by) operating activities	(4,555,689)	3,489,126
FINANCING ACTIVITIES		
Advances from related parties	1,386,294	(671,530)
Issuance of preferred shares	1,350,259	1,452,937
Redemption of preferred shares	(1,552,386)	(315,000)
Cash flow from financing activities	1,184,167	466,407
INCREASE (DECREASE) IN CASH FLOW	(3,371,522)	3,955,533
Cash - beginning of year	5,018,187	1,062,654
CASH - END OF YEAR	\$ 1,646,665	\$ 5,018,187



ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended June 30, 2023

1. NATURE OF BUSINESS

Atlantic Advantage Mortgage Investment Corporation (the "Corporation" or "AAMIC") was incorporated provincially under the Business Corporations Act of Ontario on February 24, 2014. The Corporation's principal place of business and registered office is at 80 Acadia Avenue, Suite 211, Markham, Ontario, Canada.

The Corporation's main activity is that of a mortgage investment corporation ("MIC") operating solely in Canada as defined in Section 130.1(6) of the Income Tax Act (Canada) ("ITA"). The Corporation generates an income stream for holders of preferred shares by advancing mortgage loans secured against real properties in Canada.

The Corporation is managed by Atlantic Advantage Management Inc. (the "Manager"). The mortgage broker for the Corporation is Atlantic (HS) Financial Corporation (the "Investment Manager").

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Corporation has been prepared by the Manger in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board and under the historical cost convention, except as disclosed in the accounting policies below. The financial statements are presented in Canadian dollars, which is the functional and presentation currency of AAMIC.

New Accounting Pronouncements

New Standards, Amendments and Interpretations Adopted

Several standards and amendments and interpretations to published standards that become effective for AAMIC's financial year beginning on July 1, 2021, were not relevant or not significant to AAMIC's operations and accordingly did not impact AAMIC.

New Standards, Amendments and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for June 30, 2023, reporting periods and have not been early adopted by AAMIC. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Cash

For the purposes of the statements of cash flows, cash comprises of cash in hand and the balance in the bank under chequing account as at the reporting date.

(continues)



ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended June 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial Recognition and Measurement

Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at Fair Value through Profit or Loss ("FVTPL"), transaction costs are added to, or subtracted from, this amount.

AAMIC classifies financial assets, at initial recognition, in the following measurement categories: at amortization cost, Fair Value through Other Comprehensive Income ("FVOCI") and FVTPL. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and AAMIC's business model for managing them. AAMIC initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

For a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are Solely Payments of Principal and Interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

AAMIC's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular-way trades) are recognized on the trade date, which is the date that AAMIC commits to purchase or sell the assets.

Financial Assets Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in two categories under IFRS 9, Financial Instruments ("IFRS 9"):

- Financial assets at amortized cost
- Financial assets at FVTPL

Financial Assets at Amortized Cost

The category is the most relevant to AAMIC. AAMIC's financial assets at amortized cost include mortgage investments in the statement of financial position. AAMIC measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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 SPPI on the principal amount outstanding. Financial assets at amortized cost are subsequently measured using the Effective Interest Rate ("EIR") method and are subject to impairment. Gains and losses are recognised as part of net income in the statement of comprehensive income (loss) when the asset is derecognised, modified or impaired by comparing proceeds from the sale of the asset or collateral to the carrying amount.

(continues)



ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended June 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily require to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, include separated embedded derivatives, are also classified as held for trading. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at FVTPL are carried in the statements of financial position at fair value with net changes in fair value recognized in net income in the statements of comprehensive loss, and this category includes derivative instruments.

Financial Asset Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of AAMIC of similar financial assets) is primarily derecognized (i.e., removed from AAMIC's statement of financial position) when:

- The rights to receive cash flow from the asset has expired; or
- AAMIC has transferred the rights to receive cash flow from the asset or has assumed an obligation to pay the received cash flows in fully without material delay to a third party under a "pass-through" arrangement; and either (a) AAMIC has transferred substantially all the risks and rewards of the asset; or (b) AAMIC has neither transferred control of the asset.

When AAMIC has transferred its rights to receive cash flow from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, AAMIC continues to recognize the transferred asset to the extent of its continuing involvement. In that case, AAMIC also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that AAMIC has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that AAMIC could be required to repay.

(continues)



ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended June 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provision for Loan Losses - Expected Credit Loss Model

IFRS 9 requires the Corporation to record an allowance for Expected Credit Losses ("ECL") for all mortgage investments and other debt financial assets not held at FVTPL together with mortgage commitments and financial guarantee contracts not measured at FVTPL.

Overview of ECL Principals

IFRS 9 introduces a new forward-looking three-stage ECL model that requires the recognition of an unbiased and probability-weighted impairment amount reflecting a range of possible outcomes. The ECL model applies to all financial assets that are debt instruments classified as amortized cost or FVOCI, and for all loan commitments and financial guarantees not measured at FVTPL. The application of the new ECL model will result in causing lifetime credit losses, if any, to be recognized on a timely manner.

The ECL model consists of the following three stages:

- Stage 1 includes performing financial assets and is measured using a 12-month ECL, with interest income being recognized on the gross carrying value of the asset.
- Stage 2 includes financial assets that have experienced a Significant Increase in Credit Risk ("SICR") since initial recognition and is measured using a lifetime ECL, with interest income being recognized on the gross carrying value of the asset.
- Stage 3 includes financial assets that are impaired and is measured using a lifetime ECL, with interest income being recognized on the net carrying value of the asset.

Lifetime ECL is the ECLs that result from all possible default events over the expected life of a financial instrument. A 12-month ECL is the portion of lifetime ECL that represents the ECLs that result from default events on the financial instrument that are possible within the 12 months following the reporting date. The ECL allowances are calculated through forward-looking scenarios that measure the expected cash shortfalls on the financial assets related to default events that are either (i) over the next 12 months; or (ii) over the expected life based on the maximum contractual period over which the Corporation is exposed to credit risk. In principle, the probability weights and the associated scenarios are to be determined through a management review process that involves significant judgment and review by the Corporation.

Assessment of SICR and Calculation of ECL

In adopting IFRS 9, the Corporation has determined that unemployment rates, housing price index and interest rates both at the provincial and national levels are key drivers in the determination of credit losses. The Corporation also considers forward-looking information in the measurement of ECLs.

The Corporation has a mortgage portfolio of weight average duration to maturity of substantially under 12 months and a weight average Loan-to-Value ("LTV") below 65%. As such, the Credit Committee and management of the Corporation concluded that there is no discernible difference in credit risk at the initial acquisition of each mortgage asset and in the measurement of estimated lifetime ECL.

(continues)



ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended June 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Write-offs

Financial assets are written off either partially or in their entirety only when the Corporation has stopped pursuing the recovery. If the amount to be written off is greater than accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to provisions for losses.

Financial Liabilities - Initial Recognition and Measurement

Financial liabilities are measured and recognised initially at fair value, except in the case of financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. AAMIC's financial liabilities includes management fee payable, due to related parties, redeemable Class A preferred shares and accounts payable and accrued liabilities.

Financial Liabilities - Subsequent Measurements

Financial liabilities are classified and subsequently measured at amortized cost, except for financial liabilities at FVTPL.

Financial Liabilities - Derecognition

Financial liabilities are derecognised when they are extinguished (i.e., when the obligation specified in the contract is discharged, cancelled or expires).

Provisions

Provisions are recognised when AAMIC has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Interest income

Interest income is recognized in the statements of comprehensive loss on an accrual basis.

Dividends to Holders of Redeemable Class A Preferred Shares

Dividends payable to holders of redeemable Class A Preferred Shares are recognized in the statements of comprehensive loss when they are authorized.

(continues)



ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended June 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Income taxes

The Corporation is a MIC pursuant to the ITA. As such, the Corporation is entitled to deduct from its taxable income dividends paid to shareholders during the year or within 90 days of the end of the year to the extent that the dividends were not deducted previously. The Corporation intends to maintain its status as a MIC and intends to distribute sufficient dividends in the year and in future years to ensure that the Corporation is not subject to income taxes. Accordingly, for financial statement reporting purposes, the tax deductibility of the Corporation's dividends results in the corporation being effectively exempt from taxation, and no provision for current or future income taxes is required. As at June 30, 2023, the Corporation had non-capital losses for income tax purposes of \$515,623 (2022 - \$396,450). The non-capital losses carried forward will expire in 2039.

Class A Preferred Shares

Class A Preferred Shares are classified as liabilities.

Use of Estimates and Judgment

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

The most significant estimates that management is required to make relate to the provision for loan losses for the mortgage portfolio. These estimates may include assumptions regarding local real estate market conditions, interest rates and availability of credit, cost and terms of financing, the impact of present or future legislation or regulation, prior encumbrances and other factors affecting the investments in mortgages and underlying security of the mortgages.

3. PRESENTATION OF PREFERRED SHARES

As noted in note 6, the holders of Class A Preferred Shares have certain redemption rights and as a result they are treated as liabilities under IAS 32, *Financial Instruments: Presentation*. Accordingly, this is presented as a liability on the statements of financial position and the related dividends are presented as an expense on the statement of comprehensive loss. Dividends paid are included in cash flows from operating activities in the statements of cash flows.



ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended June 30, 2023

4. MORTGAGE RECEIVABLE

	2023	2022
ON Residential - 1st mortgage (2023 - 14; 2022 - 11)	\$ 6,858,659	\$ 4,656,150
ON Residential - 2nd mortgage (2023 - 14; 2022 - 10)	2,880,147	1,776,500
ON Residential - 3rd mortgage (2023 - 2; 2022 - 0)	124,999	-
BC Residential - 1st mortgage (2023 - 1; 2022 - 1)	650,000	650,000
BC Residential - 2nd mortgage (2023 - 1; 2022 - 0)	200,000	-
AB Residential - 1st mortgage (2023 - 1; 2022 - 0)	25,000	-
ON Commercial - 2nd mortgage (2023 - 1; 2022 - 1)	163,000	150,000
	\$ 10,901,805	\$ 7,232,650

The mortgage and other loans are for terms ranging from six months to two years with interest rates ranging from 5.99% to 20.00%. Prior year with interest rates ranging from 7.77% to 15.00%.

The mortgage loans are secured by first and second mortgages on residential and commercial real estate. The other loans are secured by second mortgages and/or collateral agreements on investments held by the borrowers.

Allowance for credit losses

Allowance on performing loans

The mortgage investments are assessed at each reporting date to determine whether there is objective evidence of expected credit losses. The ECL model requires the recognition of credit losses based on 12 months of expected losses for performing loans (Stage 1) and the recognition of lifetime expected losses on performing loans that have experienced a significant increase in credit risk since origination (Stage 2). As at June 30, 2023, the allowance for expected credit losses on the mortgage investments allocated to Stage 2 was \$Nil (2022 - \$Nil).

Allowance on impaired loans

Allowance for impaired loans (Stage 3) are recorded for individually identified impaired loans to reduce their carrying value to the expected recoverable amount. As at June 30, 2023, the allowance for loan losses on impaired loans was \$Nil (2022 - \$Nil).



ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended June 30, 2023

5. RELATED PARTY TRANSACTIONS AND BALANCES

The Corporation has the following agreements and transactions with service providers:

1. Management agreement with the Manager, entitles the manager to earn a fee up to 4.00% per annum of the issued Class A (non-voting) Preferred Shares of the Corporation calculated daily and payable monthly in arrears. A director who is also the president of the Manager is a director and shareholder of the Corporation. During the fiscal year, the Corporation paid fees of \$Nil (2022 - \$3,452) under the management agreement with the Manager.

Upon approval of by the Corporation's Board of Directors, the Manager is also entitled to receive a performance fee equal to 12.50% of the Corporation's net operating income remaining after distribution of dividends to its Class A Preferred Share shareholders of at least 8.00% on a per annum basis, failing which no performance fee shall be payable to the Manager for such annual period. The Manager will calculate the final performance fee of a completed calendar year based on the year-end financial results for that year. This performance fee will become payable to the Manager within 15 days after the issuance of the Corporation's audited financial statements for that year.

2. Mr. Frank S. Pa is the President and CEO of the Corporation, the Manager and the Investment Manager. In addition, the Manager and the Investment Manager are related to the Corporation through common control.
3. All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related party. The Corporation will invest in mortgages on its own right or on a participation basis with parties related to the Manager. In addition, certain mortgage broker duties are performed by the Investment Management.
4. As part of mortgage lending liquidity management, the Manager has agreed and committed to provide interest-free demand loans to the Corporation in order to secure mortgage lending on a short-term basis and repayable as the Corporation acquires new or additional investment funds from new or existing investors. In turn, the Manager is entitled to the mortgage interests earned on that portion of outstanding balances funded by such loans calculated on a daily basis, and only that portion of earned mortgage interests attributable to the Corporation invested principal is earned by the Corporation.



ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended June 30, 2023

6. SHARE CAPITAL

As of the date of incorporation of February 24, 2014, there were an unlimited number of Voting Common Shares and 10 million Class A (non-voting) Preferred Shares (nominal value of \$10 each) authorized, of which 100 Voting Common Shares were issued and outstanding.

	2023	2022
Issued and outstanding:		
1,248,336 Class A (non voting) preferred shares (2022 - 1,268,549)	\$ 12,483,360	\$ 12,685,487
100 Share capital	100	100
	\$ 12,483,460	\$ 12,685,587

Voting Common Shares

The holder of Common shares shall be extended to receive notice of and to attend all meetings of shareholder of the Corporation and to exercise one vote for each share, in person or by proxy, at all such meetings of shareholder of Corporation.

Class A (Non-Voting) Preferred Shares

The holder of the Class A Preferred Shared shall not be entitled to receive notice of or to attend or vote at meetings of the shareholders of the Corporation, but shall be entitled to notice of meetings of shareholders called for the purpose of authorizing the dissolution of the Corporation or the sale of its undertaking or a substantial part thereof.

The holders of the Class A (non-voting) Preferred Shares shall be entitled to receive dividends in such amounts and at such times as and when declared by the directors of the Corporation. In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of property or assets of the Corporation among its shareholders for the purposes of winding-up its affairs, the holders of the Class A (non-voting) Preferred Shares shall be entitled to receive, in priority to any distribution to the holders of the Common Shares or any other shares ranking junior to the Class A Preferred Shares, an amount equal to the Redemption Amount (as hereinafter defined) thereof together with all declared and unpaid dividends. After payment to the holders of the Class A Preferred Shares of the amounts so payable to them as above provided, they shall not be entitled to share or participate in any further distribution of the property or assets of the Corporation.

Monthly and annual redemptions for shareholders of Class A (non-voting) Preferred Shares will be according to the following procedures:

i) Redemption by the Corporation

The Corporation may redeem all or any part of its outstanding Class A (non-voting) Preferred Shares upon due notice or consent from the holder of the Class A (non-voting) Preferred Shares. The amount to be paid by the Corporation in respect of each share to be redeemed shall be an amount equal to the original amount paid up on the Class A (non-voting) Preferred Shares to be redeemed together with all dividends declared thereon and unpaid as at the Redemption Date.

ii) Retraction Rights of Shareholders

(continues)



ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended June 30, 2023

6. SHARE CAPITAL *(continued)*

A Class A Preferred Share shareholder may apply to the Corporation for redemption of all or part of the shareholder's shares, provided the date of application for redemption is at least 90 days prior to the redemption date, subject to certain conditions:

- No retraction during the first four months from first issuance date.
- The Corporation has the discretion to reject or defer any redemption application by a holder of Class A (non-voting) Preferred Shares 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.
- The Board of Directors of the Corporation has the sole discretion, including after receiving a redemption request, to suspend the ability of a shareholder to obtain redemption of their shares, where in the reasonable opinion of the Board of Directors, the payments to be made by the Corporation on the exercise of redemption request by the Shareholders would be prejudicial to the interest of the Corporation as a whole.
- Upon notification in writing to the Corporation of the death of a shareholder, the corporation undertakes to have the shares redeemed within 90 days of such notification subject only to the corporation being able to do so under applicable laws.
- The Redemption Amount is further subject to the following reduction:
 - i) During the period that is four months and one day up to and including that date that is 12 months from the date of issuance of the shares to be redeemed (the "Issuance date"), the Redemption Amount shall be reduced by 5%;
 - ii) During the period that is 12 months and one day up to and including that date that is 24 months from the Issuance date, the Redemption Amount shall be reduced by 3%;
 - iii) During the period that is 24 months and one day up to and including that date that is 36 months from the Issuance date, the Redemption Amount shall be reduced by 2%; and
 - iv) Where a holder of a Class A (non-voting) Preferred Shares is a Substantial Shareholder (as defined in the Income Tax Act) and holds a total number of shares equal to or greater than 10% of the total number of Class A (non-voting) Preferred Shares outstanding, such as Substantial Shareholder will be restricted to redeeming no more than 20% of its shares in any quarter.

As a result of the above, the Corporation has recorded the Class A (non-voting) Preferred Shares as a liability on the statements of financial position. Dividends thereon are presented as an expense on the statements of comprehensive loss. Dividends paid are included in cash flows from operating activities in the statements of cash flows.

Movement in Class A Preferred Shares is as follows:

(continues)



ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended June 30, 2023

6. SHARE CAPITAL (continued)

	2023		2022	
	Shares	Amount	Shares	Amount
<u>Class A Preferred Shares</u>				
Opening balance	1,268,548	\$ 12,685,487	1,154,755	\$ 11,547,550
Issuance from cash	135,025	1,350,259	145,293	1,452,937
Redemptions	(155,237)	(1,552,386)	(31,500)	(315,000)
Ending balance	1,248,336	\$ 12,483,360	1,268,548	\$ 12,685,487

7. KEY MANAGEMENT PERSONNEL COMPENSATION

The Corporation paid nil to the members of the Board of Directors and Independent Review Committee for their services to the Corporation. The compensation to senior management and staff of the Manager is remunerated through the management fees paid to the Manager (Note 5-1).

8. SUBSEQUENT EVENTS

Subsequent to June 30, 2023, and up to the date of the report, the Corporation has funded six mortgages totalling \$3,735,000, fourteen renewals totalling \$3,109,229 and, concurrently, six discharges totalling \$2,026,000. AAMIC executed \$119,854 redemption requests from two investors during this period.

9. CONTINGENT LIABILITIES

In the ordinary course of business activities, the Corporation may be contingently liable for litigation and claims arising from its operations including the investing in mortgages and loans. Where required, management records adequate provisions in the accounts. As at June 30, 2023, the Corporation did not have and was not aware of any outstanding litigations against the Corporation or its Board of Directors and Executives pertaining to matters of the Corporation.

10. CAPITAL MANAGEMENT

The Corporation's objectives when managing capital is to safeguard its ability to continue as a going concern so that it can provide returns for its shareholders and benefits for other stakeholders. The Corporation considers the items included in shareholders' equity and cash as capital. The Corporation manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the operations of the Corporation. The Corporation is not subject to externally imposed capital requirements.



ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended June 30, 2023

11. FINANCIAL INSTRUMENTS

The Corporation is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition and operating results. Many of these risk factors are beyond the Corporation's direct control. Management and Board of Directors play an active role in monitoring the Corporation's key risks and in determining the policies that are best suited to manage these risks.

The Corporation's business activities, including its use of financial instruments, exposes the Corporation to various risks, the most significant of which are interest rate risk, credit risk, and liquidity risk.

The Corporation has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk

The Corporation's strategy is to acquire and maintain a diversified portfolio of mortgages on real property in Canada that preserves capital and generates attractive returns in order to permit the Corporation to pay monthly distributions to its common shareholders and preferred shareholders.

Management has been given discretionary authority to manage the assets in line with the Corporation's investment restrictions and objectives. Compliance with the target asset allocations and the composition of the portfolio is monitored by the Board of Directors on an ongoing basis.

i) 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, resulting in a financial loss to the Corporation. This risk arises principally from the mortgages held, and also from cash, and receivables. For risk management reporting purposes the Corporation considers and consolidates all elements of credit risk exposure, such as loan to value, sector risk, location risk, and individual obligor default risk.

The Corporation minimizes its exposure to counterparties' credit risk by adherence to established credit policies and underwriting approval procedures of the Corporation. The Corporation credit risk exposure is further reduced by the short-term nature of its mortgage portfolio, with the vast majority of mortgages having a duration to maturity of 12 months or less.

Credit risk is monitored on an on-going basis by the management of the Corporation in accordance with policies and procedures in place.

The Corporation's maximum credit risk exposure (without taking into account collateral and other credit enhancements) at June 30, 2023 is \$10,901,805 (2022 - \$7,232,650).

ii) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

(continues)



ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended June 30, 2023

11. FINANCIAL INSTRUMENTS *(continued)*

The Corporation's policy and the Manager's approach to managing liquidity are to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemption of shares, without incurring unacceptable losses or risking damage to the Corporation's reputation.

As part of mortgage lending liquidity management, the founders (holders of AAMIC common shares) have agreed to provide demand loans to AAMIC via the Manager in order to secure mortgage lending on a short-term basis and repayable by the Corporation to the Manager with new Class A (non-voting) Preferred Shares. Where such mortgage funding advance is utilized for the acquisition of individual mortgage assets, that portion of mortgage interest income supported by such outstanding mortgage funding advance, calculated on a daily basis, is payable to the Manager.

The Corporation's Offering Memorandum provides for the monthly cancellation of shares, and the Corporation is therefore exposed to liquidity risk in meeting shareholder redemptions at each redemption date.

The Corporation's financial assets include a portfolio of mortgages, which are generally illiquid. As a result, the Corporation may not be able to liquidate some of its investments in these instruments in due time in order to meet its liquidity requirements.

The Corporation's liquidity risk is managed on an ongoing basis by management of the Corporation in accordance with the policies and procedures in place. The Corporation's overall liquidity is monitored on an annual basis by the Board of Directors.

The Corporation's redemption policy only allows for redemption from the 10th to the 15th day of the month with a payment to be provided on or before the 15th day of the following month. It is the Manager's policy to have liquid assets comprising cash or access to shareholder loans from founders of the Corporation and bank facilities in order to meet anticipated redemptions. As at June 30, 2023, the Corporation has not entered into any banking facilities agreement with financial institutions

All assets and liabilities are classified under demand/short or within the twelve months of period since all the assets and liabilities are expected to be settled within twelve months except the redeemable Class A Preferred shares on the statement of financial position date.

The following are the contractual maturities of financial liabilities as of June 30, 2023 and June 30, 2022:

	<u>Carrying values</u>	<u>Contractual cash flows</u>	<u>Contractual term to maturity</u>
<u>2023</u>			
Accounts payable and accrued liabilities	\$ 16,203	\$ 16,203	Payable within a year
Dividends distribution payable	37,818	37,818	Payable within a year
<u>2022</u>			
Accounts payable and accrued liabilities	\$ 23,753	\$ 23,753	Payable within a year
Dividends distribution payable	45,380	45,380	Payable within a year

(continues)



ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended June 30, 2023

11. FINANCIAL INSTRUMENTS (*continued*)

Market risk

Market risk is the risk that changes in market factors, such as interest rates, currency and other price risks will affect the Corporation's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

The Corporation's strategy for the management of market risk is driven by the Corporation's primary investment objective which is to invest in a diversified portfolio of mortgages on real property located within Canada that preserves capital and generates returns in order to permit the Corporation to pay monthly distributions to its common shareholders.

The Corporation's market risk is managed on a daily basis by the management of the Corporation in accordance with policies and procedures in place.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Corporation is not currently exposed to currency risk.

Interest rate risk

The Corporation is exposed to the risk that the fair value of future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. In respect of the Corporation's interest-bearing financial instruments, the Corporation's policy is to maintain an overall duration to maturity of its mortgage investment portfolio in the short term of no more than 12 months, and the mortgage investment agreements for all mortgages held by the Corporation stipulate an interest rate floor for the respective mortgage.

Accordingly, the Corporation would be subject to limited exposure to fair value or cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates.

