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Continuous Private Placement Offering

September 22, 2023

OFFERING MEMORANDUM



EQUITYLINE MORTGAGE INVESTMENT CORPORATION

	Minimum	Maximum
Series B Preferred Shares	None	\$100,000,000 (10,000,000 shares)
Series F Preferred Shares	None	None
Series I Preferred Shares	None	None
Series H Non-Voting Shares	\$1,000,000 (100,000 shares)	\$20,000,000 (2,000,000)
Secured Debentures	None	None

The Issuer

Name: Equityline Mortgage Investment Corporation (the “**Corporation**”)
Head office: 550 Highway 7 Ave E. Suite 338, Richmond Hill, Ontario, L4B 3Z4
Phone #: Toll Free: 1-888-269-1988 Office: 416-999-3993 Fax: 416-999-3336
Website: www.EquityLineMic.com
E-mail address: info@equitylinemic.com

Currently listed or quoted: No. **These securities do not trade on any exchange or market in Canada.**
Reporting issuer: No.
SEDAR filer: Yes, but only as required pursuant to section 2.9 of National Instrument 45-106 – *Prospectus Exemptions* (“**NI 45-106**”). The Corporation is not a reporting issuer and does not file continuous disclosure documents on SEDAR that are required to be filed by reporting issuers.

The Offering

Securities Offered: The offering by the Corporation (the “**Offering**”) consists of:

- (a) Series B Preferred Shares;
- (b) Series F Preferred Shares;
- (c) Series I Preferred Shares; and
- (d) Series H Non-Voting Shares,
(collectively, the “**Offered Shares**”), and
- (e) Secured Debentures.

(collectively with the Offered Shares, the “**Offered Securities**”).

The Offered Shares are all non-voting, preferred shares of the Corporation. The Non-Voting Shares rank junior to the Preferred Shares of all series. The Corporation may also issue Interim Debentures (as defined herein) to subscribers for Offered Shares in certain circumstances in order to ensure that its status as a mortgage investment corporation is maintained.

Price per Security:

Series B Preferred Shares: \$10.00 per share.

Series F Preferred Shares: \$10.00 per share.

Series I Preferred Shares: \$10.00 per share.

Series H Non-Voting Shares: \$10.00 per share.

Secured Debentures: To be issued in negotiated amounts per Secured Debenture.

Minimum Offering:

There is no minimum Offering for the Series B Preferred Shares, the Series F Preferred Shares, the Series I Preferred Shares or the Secured Debentures. You may be the only subscriber and, due to that or due to the size of a proposed subscription for Offered Shares, you may therefore receive Interim Debentures.

There is a minimum Offering of \$1,000,000 (100,000 shares) for the Series H Non-Voting Shares.

Maximum Offering:

There is a maximum Offering of \$100,000,000 in Series B Preferred Shares (4,000,000 Series B Preferred Shares) and a maximum Offering of \$20,000,000 in Series H Non-Voting Shares (2,000,000 Series H Non-Voting Shares).

There is no maximum Offering for the Series F Preferred Shares, Series I Preferred Shares or the Secured Debentures. The Corporation is targeting an Offering of \$100,000,000 in Series F Preferred Shares (10,000,000 Series F Preferred Shares) and \$100,000,000 in Series I Preferred Shares (10,000,000 Series F Preferred Shares).

Funds available under the Offering may not be sufficient to accomplish the Corporation’s investment objectives.

Minimum Subscription Amount:

Series I Preferred Shares: \$25,000 (2,500 Offered Shares), subject to the Manager’s right, at its sole discretion, to accept a subscription which is for less than the minimum subscription amount.

All Other Offered Shares: \$5,000 (500 Offered Shares), subject to the Manager’s right, at its sole discretion, to accept a subscription which is for less than the minimum subscription amount.

There is no minimum for the Secured Debentures.

Payment Terms:

Other than subscriptions for Offered Shares made via the FundSERV network and the Secured Debentures, the purchase price may be paid by cheque, bank draft, wire transfer or such manner as is acceptable to the Manager in its sole discretion.

The subscription price for the Offered Shares via the FundSERV network is payable upon subscription, by electronic funds transfer (www.fundserv.com) or other means satisfactory to the Manager.

See Item 5.2 "Subscription Procedure".

Closing Dates: The Offered Shares will be offered for sale on a continuous basis. Closings will occur every Thursday of each calendar month, on subscriptions received up to the date that is three (3) Business Days prior to any such closing, unless otherwise determined by the Manager in its sole discretion, in respect of the Series B Preferred Shares, until the date on which the Aggregate Gross Proceeds in the amount of \$100,000,000 has been raised by the Corporation for such series, and in respect of the Series H Non-Voting Shares, until the date on which the Aggregate Gross Proceeds in the amount of \$20,000,000 has been raised by the Corporation.

Selling Agents: A person has received or may receive compensation for the sale of Offered Shares, other than Series H Non-Voting Shares and the Secured Debentures, under this Offering. No selling agents will be retained by the Corporation for the Offering of Series H Non-Voting Shares.

The Offered Securities, other than Series H Non-Voting Shares and the Secured Debentures, offered under this Offering will be distributed through (a) one or more registered dealers, dealing representatives, financial advisors, salespersons, brokers, intermediaries or other eligible persons, who are involved in the purchase and sale of the Offered Securities in connection with the Offering (each being an "**Agent**") on a best efforts basis; or (b) through the settlement network operated by FundSERV Inc. It is expected that selling commissions to the Agents will consist of an aggregate of up to 7% of the subscription price.

Starting on the date that is 36 months following the date of issuance of a Series B Preferred Share, the Corporation will pay to each Agent (or other registered dealer) a servicing fee equal to 1% of the Series B Preferred Share Purchase Price per annum (payable at the end of each fiscal quarter) in respect of each such Series B Preferred Share that is held by clients of such Agent (or other registered dealer) (the "**Series B Trailer Fee**"), provided that the Series B Preferred Share on which the Series B Trailer Fee is paid has not been redeemed at the time payment is to be made. For clarity, the Series B Trailer Fee is payable only in respect of Series B Preferred Shares that are held for at least 36 months.

The Corporation will pay to each Agent (or other registered dealer) a servicing fee equal to 1% of the Series I Preferred Share Purchase Price per annum in respect of each such Series I Preferred Share that is held by clients of such Agent (or other registered dealer) paid following the end of each fiscal quarter that such Series I Preferred Share is held (being 0.25% for each such fiscal quarter) (the "**Series I Trailer Fee**"), provided that the Series I Preferred Share on which the Series I Trailer Fee is paid has not been redeemed at the time payment is to be made. The initial Series I Trailer Fee on any Series I Preferred Share shall be paid within 30 days following the date that is the end of the first fiscal quarter following the date of issuance of such Series I Preferred Share and then thereafter at the end of each fiscal quarter, provided that the Series I Preferred Share on which the Series I Trailer Fee is paid has not been redeemed at the time payment is to be made. For clarity, the Series I Trailer Fee is payable only in respect of Series I Preferred Shares that are held for at least 3 months.

See Item 9 "Compensation Paid to Sellers and Finders".

FundSERV: Subscriptions for the Offered Shares, other than the Series H Non-Voting Shares and the Secured Debentures, may be effected through the settlement network operated by FundSERV Inc. using the FundSERV code. Orders will be processed by electronic means through FundSERV Inc., provided that the eligibility criteria for such Offered Shares are satisfied.

Redemptions may be submitted through the FundSERV system at least 30 days prior to the applicable Redemption Date. Payment of redemption proceeds are made within 30 days following the applicable Redemption Date in accordance with the terms of the applicable Offered Shares.

Redemption Matters: You will have a right to require the Corporation to repurchase the Offered Shares from you, but this right is qualified by restrictions. As a result, you might not receive the amount of proceeds that you requested under your redemption notice. However, any limitation on redemptions will be applied equally to all Offered Shares of the applicable series such that

redemption proceeds will be allocated pro rata to holders. See below and Item 5.1 “Terms of Securities”.

Set out below is an example of how funds would be provided to holders of a series of Preferred Shares with an initial aggregate capital amount equal to \$40,000,000, such that the limit on redemptions is \$1,200,000 for the first month, and where the aggregate redemption requests are equal to \$1,300,000 in that month, resulting in proportionate reductions in the amount that can be paid in respect of such redemption requests. The following months do not exceed the limit.

Month 1

Share Capital at Beginning of Month: \$40,000,000

Redemption Limit for Month: \$1,200,000

Proportionate Redemption: 92.3%

	CARRY FORWARD (Previous Month)	REDEMPTION REQUESTS	AMOUNT ALLOWABLE TO BE PAID	AMOUNT TO CARRY FORWARD
Investor 1		\$500,000.00	\$461,538.46	\$38,461.54
Investor 2		\$250,000.00	\$230,769.23	\$19,230.77
Investor 3		\$250,000.00	\$230,769.23	\$19,230.77
Investor 4		\$300,000.00	\$276,923.08	\$23,076.92
		\$1,300,000.00	\$1,200,000.00	\$100,000.00

Month 2

Share Capital at Beginning of Month: \$38,400,000

Redemption Limit for Month: \$1,164,000

Proportionate Redemption: 100%

	CARRY FORWARD (Previous Month)	REDEMPTION REQUESTS	AMOUNT ALLOWABLE TO BE PAID	AMOUNT TO CARRY FORWARD
Investor 1	\$38,461.54		\$38,461.54	-
Investor 2	\$19,230.77		\$19,230.77	-
Investor 3	\$19,230.77		\$19,230.77	-
Investor 4	\$23,076.92		\$23,076.92	-
Investor 5		\$ 100,000.00	\$100,000.00	-
Investor 6		\$ 50,000.00	\$50,000.00	-
Investor 7		\$ 150,000.00	\$150,000.00	-
	\$ 100,000.00	\$ 300,000.00	\$400,000.00	-

Month 3

Share Capital at Beginning of Month: \$38,400,000

Redemption Limit for Month: \$1,152,000.00

Proportionate Redemption: 100%

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	CARRY FORWARD <i>(Previous Month)</i>	REDEMPTION REQUESTS	AMOUNT ALLOWABLE TO BE PAID	AMOUNT TO CARRY FORWARD
Investor 8		\$600,000.00	\$600,000.00	-
Investor 9		\$250,000.00	\$250,000.00	-
		\$350,000.00	\$350,000.00	-

Series B Preferred Shares: Cash redemptions are limited to the greater of \$500,000 and 3% of the total capital of the issued and outstanding Series B Preferred Shares determined at the beginning of such calendar month (the “**Series B Preferred Share Redemption Limit**”). To the extent the Corporation has received notices of redemption where the aggregate number of Series B Preferred Shares (including previously submitted notices of redemption that have not been satisfied due to the Series B Preferred Share Redemption Limit being applied in a previous month (the “**Series B Cutback Redemption Requests**”)) would exceed the Series B Preferred Share Redemption Limit, the Corporation shall only be legally required to redeem only such aggregate number of Series B Preferred Shares equal to the Series B Preferred Share Redemption Limit. However, the Manager, in its sole discretion, may provide for cash redemptions in excess of the Series B Preferred Share Redemption Limit at any time and from time to time. The Manager, on behalf of the Corporation, shall administer the foregoing and any cutbacks on a proportionate basis with respect to the aggregate number of Series B Preferred Shares represented by redemption notices for a given calendar month. Any redemption notices (or portions thereof) which are not honoured shall be honoured at the next following Series B Monthly Redemption Date (as defined in this Offering Memorandum) with the Corporation redeeming the Series B Cutback Redemption Requests from the oldest to the newest before redeeming any Series B Preferred Shares for the current month, subject in all cases to the Corporation’s right to suspend redemptions and the Series B Preferred Share Redemption Limit described herein. See Item 5.1 “*Terms of Securities – Series B Preferred Shares – Cash Limit on Redemptions by Shareholder*”.

Series F Preferred Shares: Cash redemptions are limited to the greater of \$500,000 and 3% of the total capital of the issued and outstanding Series F Preferred Shares determined at the beginning of such calendar month (the “**Series F Preferred Share Redemption Limit**”). To the extent the Corporation has received notices of redemption where the aggregate number of Series F Preferred Shares (including previously submitted notices of redemption that have not been satisfied due to the Series F Preferred Share Redemption Limit being applied in a previous month (the “**Series F Cutback Redemption Requests**”)) would exceed the Series F Preferred Share Redemption Limit, the Corporation shall redeem only such aggregate number of Series F Preferred Shares equal to the Series F Preferred Share Redemption Limit. However, the Manager, in its sole discretion, may provide for cash redemptions in excess of the Series F Preferred Share Redemption Limit at any time and from time to time. The Manager, on behalf of the Corporation, shall administer the foregoing and any cutbacks on a proportionate basis with respect to the aggregate number of Series F Preferred Shares represented by redemption notices. Any redemption notices (or portions thereof) which are not honoured shall be honoured at the next following Series F Monthly Redemption Date (as defined in this Offering Memorandum) with the Corporation redeeming the Cutback Redemption Requests from the oldest to the newest before redeeming any Series F Preferred Shares for the current month, subject in all cases to the Corporation’s right to suspend redemptions and the Series F Preferred Share Redemption Limit described herein. See Item 5.1 “*Terms of Securities – Series F Preferred Shares – Cash Limit on Redemptions by Shareholder*”.

Series I Preferred Shares: Cash redemptions are limited to the greater of \$500,000 and 3% of the total capital of the issued and outstanding Series I Preferred Shares determined at the beginning of such calendar month (the “**Series I Preferred Share Redemption Limit**”). To the extent the Corporation has received notices of redemption where the aggregate number of Series I Preferred Shares (including previously submitted notices of redemption that have not been satisfied due to the Series I Preferred Share Redemption Limit being applied in a previous month (the “**Series I Cutback Redemption Requests**”)) would exceed the Series I

Preferred Share Redemption Limit, the Corporation shall redeem only such aggregate number of Series I Preferred Shares equal to the Series I Preferred Share Redemption Limit. However, the Manager, in its sole discretion, may provide for cash redemptions in excess of the Series I Preferred Share Redemption Limit at any time and from time to time. The Manager, on behalf of the Corporation, shall administer the foregoing and any cutbacks on a proportionate basis with respect to the aggregate number of Series I Preferred Shares represented by redemption notices. Any redemption notices (or portions thereof) which are not honoured shall be honoured at the next following Series I Monthly Redemption Date (as defined in this Offering Memorandum) with the Corporation redeeming the Cutback Redemption Requests from the oldest to the newest before redeeming any Series I Preferred Shares for the current month, subject in all cases to the Corporation's right to suspend redemptions and the Series I Preferred Share Redemption Limit described herein. See Item 5.1 "Terms of Securities – Series I Preferred Shares – Cash Limit on Redemptions by Shareholder".

Series H Non-Voting Shares: Cash redemptions are limited to the greater of \$500,000 and 3% of the total capital of the issued and outstanding Non-Voting Shares determined at the beginning of such calendar month (the "**Series H Non-Voting Share Redemption Limit**"). To the extent the Corporation has received notices of redemption where the aggregate number of Series H Non-Voting Shares (including the Cutback Redemption Requests) would exceed the Series H Non-Voting Share Redemption Limit, the Corporation shall redeem only such aggregate number of Series H Non-Voting Shares equal to the Series H Non-Voting Share Redemption Limit. However, the Manager, in its sole discretion, may provide for cash redemptions in excess of the Series H Non-Voting Share Redemption Limit at any time and from time to time. The Manager, on behalf of the Corporation, shall administer the foregoing and any cutbacks on a proportionate basis with respect to the aggregate number of Series H Non-Voting Shares represented by redemption notices. Any redemption notices (or portions thereof) which are not honoured shall be honoured at the next following Series H Monthly Redemption Date (as defined in this Offering Memorandum) with the Corporation redeeming the Cutback Redemption Requests from the oldest to the newest before redeeming any Series H Non-Voting Shares for the current month, subject in all cases to the Corporation's right to suspend redemptions and the Series H Non-Voting Share Redemption Limit described herein. However, no Series H Non-Voting Shares may be redeemed if the Board has suspended the redemption of any series of Preferred Shares or if there are any Preferred Shares of any series that have been tendered for redemption but that may not be redeemed due to any applicable limits on such redemptions under the terms of the applicable shares, under the law or as a result of a decision or other action of the Board. See Item 5.1 "Terms of Securities – Series H Non-Voting Shares – Cash Limit on Redemptions by Shareholder".

**Ownership
Restrictions:**

No shareholder of the Corporation is permitted to hold at any time, directly or indirectly, together with Related Persons, more than 25% of any class or series of the issued shares of the Corporation. See Item 5.1 "Terms of Securities – Series A Preferred Shares – Restrictions on Ownership", Item 5.1 "Terms of Securities – Series B Preferred Shares – Restrictions on Ownership", Item 5.1 "Terms of Securities – Series F Preferred Shares – Restrictions on Ownership", Item 5.1 "Terms of Securities – Series I Preferred Shares – Restrictions on Ownership" and Item 5.1 "Terms of Securities – Series H Non-Voting Shares – Restrictions on Ownership".

**Limits on
Subscriptions;
Interim
Debentures:**

In the event that a purchaser's subscription would be for Offered Shares of a class in an amount that exceeds 25% of the issued shares of that class or series, the subscription may be completed to the amount of 25% of the shares of that class or series but the balance will be structured in a manner compliant with section 130.1 of the *Income Tax Act* (Canada) (the "**Tax Act**") as a subscription for a separate class or series or as a debt instrument, compliant with the conditions of section 130.1 of the Tax Act. The subscription will be in accordance with the terms of this Offering and the negotiated debt issue will be on the basis of terms substantially similar as to rights and return to those of the Offered Shares under this Offering. The amount that constitutes 25% of the issued shares of a class or series will, as of the initial closing and for a period of time thereafter, depend on the aggregate number and amounts of other subscriptions and therefore may be substantially less than the amount that is subscribed for. A purchaser's full subscription amount may need to be for another class or series or a debt instrument. Shares of one class or series may not be converted into another class or series. Purchasers seeking to switch classes or series when permissible will need to redeem

their shares (subject to restrictions thereon) and subscribe for the other class or series. At present, it is expected that, if necessary, the Corporation will issue to the purchaser an unsecured, non-convertible debenture (an “**Interim Debenture**”) in the form provided with or as a supplement to the subscription agreement for subscriptions of Offered Shares that exceed the 25% Limit. The Interim Debentures will not be convertible but will be repaid by the Corporation at such time as such amount may be applied to the purchase of Offered Shares. If Interim Debentures are to be issued to the purchaser, then the following applies:

- i. The Corporation will notify the purchaser that the purchaser will be issued Interim Debentures and the principal amount of such Interim Debentures as are to be issued.
- ii. The purchaser’s subscription agreement shall be deemed to be for Interim Debentures, to the extent that Interim Debentures are to be issued, and for the applicable Offered Shares, if permitted to be issued, and references in that subscription agreement and in this Offering Memorandum to what is to be issued and what is subscribed for shall be deemed to be so amended.
- iii. Upon notice (the “**MIC Qualification Repayment Notice**”) from the Corporation to the purchaser that the subscription proceeds used to purchase Interim Debentures may be used to purchase Offered Shares as originally subscribed for pursuant to the criteria for qualification as a mortgage investment corporation under the *Tax Act*, the Interim Debentures shall be deemed repaid and the amount to be repaid shall be considered payment for a subscription for the Offered Shares pursuant to the subscription agreement that have not already been issued. The purchaser will be responsible for confirming that all information in the subscription agreement remains correct at such time.

The terms and conditions of the Secured Debentures are different than those of the Interim Debentures.

**Resale
Restrictions:**

You will be restricted from selling your securities for an indefinite period. See Item 10 “Resale Restrictions”. However, the Offered Shares are redeemable in certain circumstances. See Item 5.1 “Terms of Securities”.

**Purchaser’s
Rights:**

For purchasers purchasing the Offered Shares under the offering memorandum exemption pursuant to section 2.9 of NI 45-106, you have 2 Business Days to cancel your subscription agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to damages or to cancel the subscription agreement, subject to the securities legislation applicable in your province.

Certain jurisdictions in Canada (e.g., British Columbia, Alberta and Quebec) do not offer statutory rights of action if there is a misrepresentation in this Offering Memorandum if a purchaser who purchase the Offered Shares or Secured Debentures under an exemption other than the OM Exemption (the “**Other Prospectus Exemptions**”). In such circumstances, the Corporation will offer such purchasers in those jurisdictions who purchase the Offered Shares or Secured Debentures under the Other Prospectus Exemptions the same rights of action as purchasers in Ontario who acquire such securities under the Other Prospectus Exemptions.

See Item 13 “Purchasers’ Rights”.

**Certain Related
Party
Transactions:**

This Offering Memorandum contains disclosure with respect to one or more transactions between the Corporation and a related party, where the Corporation paid more to a related party than the related party paid for a business, asset or real property. See Item 2.3 “Development of the Business – Real Estate Purchase” and Item 2.9 “Related Party Transactions”.

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See Item 10 “Risk Factors”.

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GLOSSARY

The following terms appear throughout this Offering Memorandum. Care should be taken to read each term in the context of the particular provision of this Offering Memorandum in which such term is used.

“Advance Rate” means, with respect to First Lien Eligible Mortgages, 80.00%, and with respect to Second Lien Eligible Mortgages, 50.00%.

“Adverse Proceeding” means, with respect to any Person, any action, suit, proceeding (whether administrative, judicial or otherwise), any governmental investigation, exam or inquiry or any arbitration (whether or not purportedly on behalf of such Person), at law or in equity, or before or by any Governmental Authority, domestic or foreign, whether pending or, to the knowledge of such Person, threatened against or affecting such Person or its properties.

“Affiliate” has the meaning given to it under the *Securities Act* (Ontario).

“Agent” has the meaning given to it under Item 9 *“Compensation Paid to Sellers and Finders”*.

“Agents’ Fee” has the meaning given to it under Item 9 *“Compensation Paid to Sellers and Finders”*.

“Aggregate Funded and Committed Assets” means (a) all existing mortgage investments and interim investments comprising the Portfolio; plus (b) all mortgage investments previously approved and mortgage investments committed by or on behalf of the Corporation; plus (c) in the context of a mortgage loan approval review, the proposed mortgage investment being considered for approval; plus (d) cash and cash equivalents.

“Aggregate Gross Proceeds” means, collectively, the aggregate gross proceeds raised for each of the Offered Shares.

“Alt-A Mortgages” means mortgages on second homes, investment properties and rural real estate.

“Amount Available for Distribution” means all amount received from each Investment, less the aggregate of: (i) all expenses incurred in connection with the ownership of the Investments (on an Investment specific basis, including all amounts payable under the Management Agreement); (ii) general expenses of legal, accounting and similar third party services; and (iii) the amount of such additional reserves as the Manager or the General Partner, acting reasonably, shall determine to hold and including sale proceeds to the extent not retained for reinvestment.

“Applicable Securities Laws” means the securities laws, regulations and rules in each province of Canada where the Offered Shares are sold and the requirements, rules and policies of the Canadian securities regulatory authorities that are then applicable to the Corporation in the circumstances.

“Approved by the Limited Partners”, “Approve”, “Approval”, “Approved” or “Approval of the Limited Partners” means a resolution of the Limited Partners that is approved as follows:

- (i) by not less than a majority of the dollar amount of the aggregate Capital Contributions by votes cast by those Limited Partners on a vote per dollar basis and who, being entitled to do so, vote in person or by proxy at a duly convened meeting of Partnership, or any adjournment thereof, called in accordance with this Agreement; or
- (ii) in writing (for which purpose counterparts and signatures by facsimile or other electronic transmission may be used) signed by Limited Partners holding not less than a majority of the dollar amount of the aggregate Capital Contributions by votes cast by those Limited Partners on a vote per dollar basis and who are entitled to vote on the resolution.

“Articles of the Corporation” means the articles of incorporation of the Corporation filed under the OBCA, as amended or amended and restated from time to time, which set out the attributes of the authorized share capital of the Corporation, including the Voting Shares, the Non-Voting Shares and the Preferred Shares.

“Automatic Repurchase” has the meaning given to it under Item 5.1 *“Terms of Securities – Series A Preferred Shares – Restrictions on Ownership”*.

“Automatic Repurchase Shareholder” has the meaning given to it under Item 5.1 “Terms of Securities – Series A Preferred Shares – Restrictions on Ownership”.

“Back-Up Servicer Agreement” means the back-up servicer agreement to be entered into between the Lender, Paradigm Quest Inc. (Canada) (the “Back-Up Servicer”) and SPV LP, as it may be amended, supplemented, restated, replaced or otherwise modified from time to time in accordance with the terms thereof.

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

“Borrowing Base” means, as of any date of determination, an amount equal to (a) the product of (i) the applicable Advance Rate, multiplied by (ii) the Eligible Mortgage Balance, minus (b) Reserves with respect to SPV LP. In no event shall exposure to (A) Second Lien Eligible Mortgages exceed 25% of the Maximum Available Amount at such time, (B) Second Lien Eligible Mortgages in Non-Urban Centres exceed 10% of the Maximum Available Amount at such time, (C) Eligible Mortgages that are secured against condominiums (other than townhouse condominiums) exceed 10% of the Maximum Available Amount at such time, (D) Eligible Mortgages that are secured against non-owner occupied properties exceed 15% of the Maximum Available Amount at such time or (E) any single Obligor exceed 5% of the Maximum Available Amount at such time.

“Borrowing Base Certificate” means a certificate, substantially in the form of Exhibit A of the SPV Credit Facility, executed by an authorized officer of SPV LP and delivered to the Lender, which sets forth the calculation of the Borrowing Base, including a calculation of each component thereof. The Borrowing Base Certificate will include, without limitation, a monthly report including: (a) opening and contractual principal balances of the Eligible Mortgages; (b) principal and interest collections on the Eligible Mortgages and application of funds; (c) various performance and metrics relating to delinquency and charged off amounts; (d) loan level status reporting; (e) weighted average Mortgage portfolio beacon score; and (f) any additional reporting requirements that the Lender may reasonably request.

“Borrowing Base Deficiency” means, as of any date of determination, the amount by which the Facility Amount exceeds the Borrowing Base.

“Business Day” means any day which is not a Saturday, Sunday or statutory holiday in the Province of Ontario.

“Capital” means, as at any date, the Capital Contributions of a Limited Partner as at a date less any distributions of capital made to such Limited Partner prior to such date.

“Capital Contribution” means the amount of the capital contribution at the time of determination made by a Limited Partner attributed to the Units including any additional advances contributed by such Limited Partner from time to time pursuant to the LPA.

“Capital Lease” means, as applied to any Person, any lease of any property (whether real, personal or mixed) by that Person (a) as lessee that, in conformity with GAAP, is or should be accounted for as a capital lease on the balance sheet of that Person or (b) as lessee which is a transaction of a type commonly known as a “synthetic lease” (i.e., a transaction that is treated as an operating lease for accounting purposes but with respect to which payments of rent are intended to be treated as payments of principal and interest on a loan for federal income tax purposes).

“Cash” means money, currency or a credit balance in any demand or deposit account.

“Change of Control” means, at any time, (a) with respect to SPV LP, EquityLine Mortgage Investment Corporation shall cease to beneficially own and control 100% on a fully diluted basis of the economic and voting interest in the capital stock of SPV LP, and (b) with respect to the General Partner, Equityline Services Corp. or any other Person acting as Servicer under the Mortgage Sale and Servicing Agreement shall cease to beneficially own and control 100% on a fully diluted basis of the economic and voting interest in the capital stock of the General Partner.

“Charged-Off Mortgage” means a Mortgage in respect of which (a) any amount payable thereunder remains due and unpaid for a period of 365 days or more, (b) any legal process has been commenced in respect of a breach or default under such Mortgage against the Related Property or any related Mortgagor (which, for greater certainty, shall not include the issuance by SPV LP or Servicer of a letter demanding payment of amounts due or overdue), (c) the Mortgagor of

which, to the knowledge of the Seller, has taken any action, or suffered any event to occur, of or similar to the type described in the definition of "Insolvency Proceedings", or (d) any amount payable thereunder is charged off in accordance with the Seller's provisioning policy.

"Collateral" means, collectively, all of the personal property in which Liens are purported to be granted pursuant to the Collateral Documents as security for the Obligations; provided, however, that any Mortgage that is repurchased in accordance with and pursuant to the terms and conditions of the SPV Credit Facility shall no longer constitute Collateral from and after the date of such repurchase.

"Collateral Document" or **"Collateral Documents"** means the SPV Credit Facility, the Security Agreement, the Pledge Agreements, the Guarantee, the Back-Up Servicer Agreement, the Collection Account Agreement, the Title Custodian Agreement (each as defined in the SPV Credit Facility) and all other instruments, documents and agreements delivered by any Credit Party pursuant to the SPV Credit Facility or any of the other Credit Documents in order to grant to the Lender a Lien on any real, personal or mixed property of such Credit Party as security for the Obligations.

"Collections" means without duplication (i) the aggregate amount of payments received on the Purchased Mortgages from and including the related Cut-Off Date representing payment of principal and the aggregate of interest accruing and received and all fees, penalties, indemnifications and bonuses that may be charged by the Seller to a Mortgagor under a Purchased Mortgage in the event such Mortgagor prepays all or any portion of the principal amount of such Purchased Mortgage (collectively, **"Prepayment Charges"**) from and including the related Cut-Off Date and, for greater certainty, shall include partial prepayments, liquidation proceeds, finance charges, prepayment bonuses, payments on account of indemnities or guarantees, penalties and all other charges under the Purchased Mortgages and arrears as received and all scheduled payments of principal and interest due and received on the maturity of each such Purchased Mortgage but excluding administrative fees charged to borrowers in respect of the Mortgages; (ii) all amounts received in respect of a Purchased Mortgage after it became a Delinquent Mortgage, including Liquidation Proceeds; (iii) all insurance (including mortgage impairment insurance and title insurance) proceeds in respect of the Purchased Mortgages or the Related Properties with respect thereto (to the extent not required by the relevant casualty insurer or such Purchased Mortgages to be applied to repair the damages for which they compensate); (iv) all cash proceeds of any Related Security; and (v) any other amounts which, pursuant to the terms of the Mortgage Sale and Servicing Agreement, are required to be deposited to the Collection Account (as defined in the Mortgage Sale and Servicing Agreement).

"Compliance Certificate" means a certificate, substantially in the form attached to the SPV Credit Facility, executed by an authorized officer of SPV LP and delivered to the Lender.

"Conflict of Interest Matter" means (a) a situation where a reasonable person would consider the Corporation, the Manager, or an entity related to the Corporation or the Manager, to have an interest which may conflict with their ability to act in good faith and in the best interests of the Corporation; or (b) a conflict of interest or self-dealing provision set out in Part XXI of the *Securities Act* (Ontario) that restricts or prohibits the Corporation, the Manager or an entity related to the Manager from proceeding with a proposed action.

"Conflicts Policy" has the meaning given to it under Item 2.2 *"The Business – Conflicts of Interest and Independence of Equityline Group Members"*.

"Conventional Mortgages" means mortgage loans for which the principal amount of the loan, at the time of commitment, together with all other equal and prior ranking mortgages, does not exceed 80% of the value of the underlying real property securing the loan.

"Corporation" means Equityline Mortgage Investment Corporation, a corporation incorporated under the OBCA.

"Credit Document" or **"Credit Documents"** means any of (a) the SPV Credit Facility, the Collateral Documents and the Related Agreements, and (b) all other documents, instruments or agreements executed and delivered by any Credit Party for the benefit of the Lender in connection therewith.

"Credit Policies" means the credit policies and practices and underwriting guidelines of the Originator in effect as of the date of the SPV Credit Facility, as such guidelines may be amended from time to time in accordance with the terms of the SPV Credit Facility.

“Custodial Agreement” means the custodial agreement entered into between the Corporation, the Manager and the Custodian effective as of August 24, 2018.

“Custodian” means Computershare Trust Company of Canada.

“Custodian Indemnitees” has the meaning given to it under Item 2.8 “Material Agreements – Custodial Agreement – Indemnity”.

“Default” means a condition or event that, after notice or lapse of time or both, would constitute an Event of Default.

“Delinquency Ratio” means the sum of the Monthly Delinquency Ratios for the preceding 3 months divided by 3, tested monthly on the last Business Day of such month.

“Delinquent Mortgage” means a Mortgage in respect of which the related Obligor (a) has failed to pay, within 60 days of when due, all or any portion of any amounts required to be paid by such Obligor under such Mortgage, or (b) has not fully performed any of its other contractual obligations under such Mortgage, including, a Mortgage in respect of which the related Obligor has (i) failed to maintain, or provide upon request (prior to expiration) proof of adequate and proper insurance coverage for a minimum value of not less than the outstanding principal amount of such Mortgage, (ii) failed to pay when due any realty taxes on the related Underlying Collateral, or (iii) abandoned the related Underlying Collateral.

“Deposited Property” means, as such term is used in the Custodial Agreement, legal and registered title to a mortgage loan or a pool of mortgage loans of the Corporation and any proceeds arising therefrom with respect to mortgage loans of the Corporation for which legal title is identified as being registered in the name of the Custodian.

“Distribution Account” means a deposit account of the Lender, designated from time to time by the Lender.

“DPSP” has the meaning given to it under Item 8.3 “Eligibility for Investment”.

“Eligible Mortgage” means those Mortgages originated by the Originator in the ordinary course of its business which are satisfactory to the Lender in its reasonable discretion (including renewals of such Mortgages), and with respect to which all of the Eligibility Criteria (as detailed in the SPV Credit Facility and as summarized in the “Eligibility” section of this summary) are satisfied (i) as of the date on which the related Borrowing Base Certificate (on which such Mortgage (or any renewal thereof) was first reflected) was furnished to the Lender in connection with an Advance and (ii) as of any applicable date of determination thereafter.

“Eligible Mortgage Balance” means, as of any date of determination, an amount equal to the aggregate unpaid principal balance of the Eligible Mortgages as of such date.

“Equityline Financial” has the meaning given to it under Item 2.1 “Structure”.

“Equityline Group Members” has the meaning given to it under Item 2.2 “The Business – Conflicts of Interest and Independence of Equityline Group Members”.

“Event of Default” has the meaning given to it under Item 2.8 “Material Contracts”.

“Facility Amount” means, as of any date of determination, an amount equal to the aggregate principal amount of all Advances outstanding.

“First Lien Eligible Mortgages” means those Eligible Mortgages which constitute a first charge over the Underlying Collateral.

“forward-looking statements” has the meaning given to it under “Forward-Looking Statements”.

“Governmental Authority” means any federal, state, provincial, territorial, municipal, national or other government, governmental department, commission, board, bureau, court, agency or instrumentality or political subdivision thereof or any entity or officer exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any

government or any court, in each case whether associated with Canada, a province or territory of Canada, or any other foreign entity or government, and which has jurisdiction over the applicable Credit Party.

“Guarantee” means the unlimited recourse guarantee to be entered into by EquityLine Services Corp. in favor of the Lender, as the same may be amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof.

“Guarantor” means EquityLine Services Corp.

“Indebtedness” as applied to any Person, means, without duplication, (a) all indebtedness for borrowed money, (b) that portion of obligations with respect to Capital Leases that is properly classified as a liability on a balance sheet in conformity with GAAP, (c) notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money, (d) any obligation owed for all or any part of the deferred purchase price of property or services, which purchase price is (i) due more than six (6) months from the date of incurrence of the obligation in respect thereof or (ii) evidenced by a note or similar written instrument, (e) all indebtedness secured by any Lien on any property or asset owned or held by that Person regardless of whether the indebtedness secured thereby shall have been assumed by that Person or is nonrecourse to the credit of that Person, (f) the face amount of any letter of credit issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings, (g) the direct or indirect guarantee, endorsement (otherwise than for collection or deposit in the ordinary course of business), co-making, discounting with recourse or sale with recourse by such Person of the obligation of another, (h) any obligation of such Person the primary purpose or intent of which is to provide assurance to an obligee that the obligation of the obligor thereof will be paid or discharged, or any agreement relating thereto will be complied with, or the holders thereof will be protected (in whole or in part) against loss in respect thereof, (i) any liability of such Person for an obligation of another through any agreement (contingent or otherwise) (A) to purchase, repurchase or otherwise acquire such obligation or any security therefor, or to provide funds for the payment or discharge of such obligation (whether in the form of loans, advances, stock purchases, capital contributions or otherwise) or (B) to maintain the solvency or any balance sheet item, level of income or financial condition of another if, in the case of any agreement described under subclauses (A) or (B) of this definition (i), the primary purpose or intent thereof is as described in clause (h) above, and (j) all obligations of such Person in respect of any exchange traded or over the counter derivative transaction, whether entered into for hedging or speculative purposes.

“Independent” means the person in question has no Material Relationship with the Manager, the Corporation, or an entity related to the Corporation and/or the Manager.

“Interim Debenture” means an unsecured, non-convertible debenture of the Corporation issued in the circumstances described under “Limits on Subscriptions; Interim Debentures” on the cover page of this Offering Memorandum.

“Insolvency Law” means the *Bankruptcy and Insolvency Act* (Canada), the *Companies’ Creditors Arrangement Act* (Canada), the *Winding-Up and Restructuring Act* (Canada) or any other like, equivalent or analogous legislation of any jurisdiction, domestic or foreign, including any applicable corporations legislation to the extent the relief sought under such corporations legislation relates to or involves the compromise, settlement, adjustment or arrangement of debt;

“Insolvency Proceeding” means, with respect to a Person, any of the following:

- (a) such Person shall generally not pay its debts as they become due or shall admit in writing its inability to pay its debts generally;
- (b) any proceeding contemplated by any application, petition, assignment, filing of notice or other means, whether voluntary or involuntary, under any Insolvency Law seeking any moratorium, reorganization, adjustment, composition, proposal, compromise, arrangement, administration or other like or similar relief in respect of any or all of the obligations of that Person, seeking the winding up, liquidation or dissolution of that Person or all or any part of its property, seeking any judgment or order declaring, finding or adjudging that Person insolvent or bankrupt, seeking the appointment (provisional, interim or permanent) of any trustee, receiver, manager, receiver and manager, custodian, liquidator, assignee sequestrator or similar official or resulting by operation of law, in the bankruptcy of that Person, and, if such proceeding has been instituted against such Person, either the proceeding has not been stayed or dismissed within 20 days or any of the actions sought in such

proceeding (including the entry of an order for relief or the appointment of a trustee, receiver, manager, receiver and manager, custodian, liquidator, assignee sequestrator or similar official) are granted in whole or in part;

- (c) if a trustee, receiver, manager, receiver and manager, custodian, liquidator, assignee sequestrator or similar official is privately appointed in respect of such Person or any material part of its property or all or any substantial part of its property shall be seized or repossessed by any secured party, under any process of execution or otherwise by or on behalf of any creditor;
- (d) a general assignment for the benefit of creditors, or becoming insolvent, or failing to, or admitting in writing its inability to, pay its debts generally as they become due; or
- (e) taking any corporate or other action to authorize any of the foregoing actions.

“Investment” means (a) any direct or indirect purchase or other acquisition by SPV LP of, or of a beneficial interest in, any of the Securities of any other Person, (b) any direct or indirect redemption, retirement, purchase or other acquisition for value, from any Person, of any capital stock of such Person, and (c) any direct or indirect loan, advance or capital contributions by SPV LP to any other Person, including all Indebtedness and accounts receivable from that other Person that are not current assets or did not arise from sales to that other Person in the ordinary course of business. The amount of any Investment shall be the original cost of such Investment plus the cost of all additions thereto, without any adjustments for increases or decreases in value, or write ups, write downs or write offs with respect to such Investment.

“IPP” means individual pension plan.

“JSE” means the Jamaica Stock Exchange.

“Lender Fees” means the mortgage origination and servicing fees generated in connection with mortgages sourced and managed by the Manager and acquired by the Corporation.

“Lien” means (a) any lien, mortgage, pledge, assignment, security interest, hypothec, charge or encumbrance of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, and any lease in the nature thereof) and any option, trust or other preferential arrangement having the practical effect of any of the foregoing, and (b) in the case of Securities, any purchase option, call or similar right of a third party with respect to such Securities.

“Liquidated Mortgage” means any Purchased Mortgage enforced and liquidated by Servicer or agents or representatives thereof through the sale, foreclosure or other disposition of the Related Property, sale or other disposition of such Purchased Mortgage, through enforcement of a judgment or otherwise or through any combination of the foregoing.

“Liquidation Proceeds” means, with respect to any Liquidated Mortgage, the moneys collected in respect thereof from whatever source (including, without limitation, (a) proceeds of the sale or other disposition of such Liquidated Mortgage or the Related Property, (b) proceeds of the sale or other disposition of other collateral or property of the related mortgagor and available to be applied to such Liquidated Mortgage, (c) any amount received in respect of such Liquidated Mortgage resulting from expropriation proceedings relating to the Related Property, and (d) payments made by any related Mortgagor pursuant to such Liquidated Mortgage), net of the sum of any amounts required by applicable law to be remitted to the mortgagor or to a Governmental Authority, and net of reasonable expenses of Servicer relating to the liquidation of such Liquidated Mortgage to the extent contemplated in the Mortgage Sale and Servicing Agreement.

“Loss Ratio” means as at the last day of each month, the ratio of (i) the monthly aggregate amount of all Eligible Mortgages which become Charged-Off Mortgages (as at the last day of such month), to (ii) the average monthly aggregate Eligible Mortgage Balance (as at the last day of such month) of all Mortgages financed hereunder (without regard to any Charged-Off Mortgages, as defined in the SPV Credit Facility), tested monthly on the last Business Day of each month, provided, however, that the Loss Ratio shall:

- (a) for each of the first twelve months following the Closing Date, be multiplied by twelve divided by the number of calendar months since the Closing Date; and

(b) for the thirteenth month after the Closing Date and thereafter, be measured on the basis of a 12 month rolling average.

“**LP Act**” means the Limited Partnerships Act (Ontario).

“**Major Decisions**” means the decisions in respect of the Partnership relating to:

- (a) the entering into of any material amendments to or any extensions of the LPA;
- (b) the entering into any material contract, agreement or commitment out of the ordinary course of business which results in any material change in or termination or suspension of any material part of the Investments in aggregate or otherwise makes it impossible to carry on the business of the Partnership;
- (c) any material change in the business that is expected by the Manager acting reasonably to have a materially adverse effect on value or revenue;
- (d) any determination, step or action taken to terminate or wind up the Partnership or to sell all or substantially all of its assets.

“**Management Agreement**” means the management and administration agreement entered into between the Manager and the Corporation with respect to the management of the Corporation, effective as of January 31, 2018 and as amended and restated as of January 1, 2020.

“**Management Fee**” has the meaning given to it under Item 2.2 “The Business – Management Fees and Operating Expenses”.

“**Manager**” means Equityline Services Corp., a corporation incorporated under the OBCA.

“**Manager and GP Operating Expenses**” means, collectively, the day-to-day operating and administrative expenses, including overhead and compensation of employees, whether incurred by the General Partner or the Manager as more particularly set out in the Management Agreement.

“**Manager Indemnitees**” has the meaning given to it under Item 2.7 “Material Agreements – Management Agreement – Indemnification”.

“**Material Contract**” means any contract or other arrangement to which a Credit Party is a party (other than the Credit Documents) for which breach, non-performance, cancellation or failure to renew could reasonably be expected to have a Material Adverse Effect.

“**Material Adverse Effect**” means, a material adverse effect on (a) the business, operations, assets, condition (financial or otherwise) or liabilities of a Credit Party, (b) the ability of a Credit Party to fully and timely perform its obligations under the Credit Documents (including, without limitation, the Obligations of SPV LP), (c) the legality, validity, binding effect, or enforceability against a Credit Party of any Credit Document to which it is a party, or (d) the rights, remedies and benefits, taken as a whole, available to, or conferred upon, the Lender, under any Credit Document.

“**Material Relationship**” means a relationship which could reasonably be perceived to interfere with the person’s judgement regarding a Conflict of Interest Matter.

“**Maximum Available Amount**” means \$55,000,000.

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

“**MIC Portfolio**” means the portfolio of mortgages and related assets of the Corporation.

“**Monthly Delinquency Ratio**” means as at the last day of each month, the quotient of (i) the Eligible Mortgage Balance of all Delinquent Mortgages at the end of such month, divided by (ii) the Eligible Mortgage Balance of all Mortgages financed hereunder at the end of such month.

"mortgage" means, generally, an interest in a mortgage, a mortgage of a leasehold interest (or other like instrument, including an assignment of or an acknowledgement of an interest in a mortgage), a hypothecation, a deed of trust, a charge or other security interest of or in real property used to secure obligations to repay money by a charge upon the real property.

"Mortgage" means, for the purposes of the SPV Credit Facility, a residential mortgage securing real property entered into by an Obligor in favour of the Originator and sold by the Originator to SPV LP pursuant to the terms of the Mortgage Sale and Servicing Agreement.

"Mortgage Commitment" means the commitment originated by EquityLine Financial Corp. to be acquired and funded by the Participants;

"Mortgage Documents" means:

- (a) the Mortgage Commitment and the mortgage evidencing and securing the Mortgage Loans;
- (b) the Mortgage Participation Agreement evidencing the participation;
- (c) all instruments constituting collateral security for the Mortgage Loans and/ or the Mortgage Participation Agreement including any assignment of residency agreements;
- (d) all policies of insurance relating to the Mortgaged Property and/or the Mortgage Loans; and
- (e) all instruments supplemental or ancillary to any of the foregoing.

"Mortgage File" means, with respect to any Mortgage, electronic copies of (a) the fully executed copy of the document evidencing such Mortgage; (b) the duplicate registered form of Mortgage; (c) fully executed copies of the other loan and/or security agreements, if any, securing the Mortgage; (d) the original credit application fully executed by the related Obligor and all other credit information provided by the related Obligor in connection with the Mortgage; (e) a copy of a title insurance policy from an Approved Title Insurer (e.g. First Canadian Title Company Limited, or such other insurer approved by the Lender) evidencing that SPV LP has a first priority mortgage over such Underlying Collateral; (f) the insurance policy or certificate of insurance evidencing a blanket policy of insurance insuring the related Underlying Collateral showing the Originator as first mortgagee and loss payee and SPV LP as an additional insured; and (g) any and all other documents (including all electronic documents) that the Originator, the Servicer, the Title Custodian or SPV LP shall keep on file relating to such Mortgage, the related Obligor or the related Underlying Collateral.

"Mortgage Loans" means the Mortgage Loans made pursuant to the Mortgage Commitment by the Participants and all principal, interest (including interest on interest), and other monies from time to time owing thereunder; all security therefore (whether direct, collateral, or otherwise); and all rights and powers of the mortgagee thereunder.

"Mortgaged Property" means the lands and premises identified in the Mortgage Documents and includes all improvements thereon and all appurtenances thereto.

"Mortgage Repurchase Event" means (a) with respect to any Mortgage, the failure of such Mortgage to satisfy the Eligibility Criteria as of the related Advance Date, or (b) certain required repurchases of a Mortgage pursuant to the Mortgage Sale and Servicing Agreement.

"Mortgage Repurchase Price" means, with respect to any Mortgage and any date of determination, the unpaid Eligible Mortgage Balance of such Mortgage, plus all accrued and unpaid interest on the unpaid Eligible Mortgage Balance of such Mortgage at the applicable Interest Rate through the date on which such Mortgage is repurchased.

"Mortgagor" means, with respect to any Mortgage, the Person who owes or owed payment under such Mortgage and any other Person obligated to make payments pursuant to such Mortgage including any co-borrower or co-mortgagor or guarantor.

"NI 45-106" means National Instrument 45-106 – *Prospectus Exemptions*.

"Non-Conventional Mortgages" means mortgage loans that do not satisfy the criteria for Conventional Mortgages.

"Non-Urban Centre" means a location that is within 25 kilometres of a Tier 1 Urban Centre or a Tier 2 Urban Centre.

“Non-Voting Shares” means the non-voting common shares of the Corporation, with the rights, privileges and restrictions as set forth herein.

“Non-Urban Centre” means a location that is within 25 kilometres of a Tier 1 Urban Centre or a Tier 2 Urban Centre.

“OBCA” means the *Business Corporations Act* (Ontario), as may be amended from time to time.

“Obligations” means all obligations of every nature of SPV LP from time to time owed to the Lender under any Credit Document, whether for principal, interest (including interest which, but for the filing of a petition in bankruptcy with respect to SPV LP, would have accrued on any Obligation, whether or not a claim is allowed against SPV LP for such interest in the related bankruptcy proceeding), fees, expenses, indemnification or otherwise.

“Offered Securities” means collectively, the Offered Shares and the Secured Debentures.

“Offered Shares” means, collectively, the Series B Preferred Shares, the Series F Preferred Shares and the Series H Non-Voting Shares.

“Offering” means the offering of Offered Shares pursuant to this Offering Memorandum.

“OM Marketing Materials” has the meaning ascribed thereto in NI 45-106.

“Outstanding Principal Balance”, in respect of a Mortgage at any time, means the amount of the principal payment obligation represented thereby that is outstanding and owing to the mortgagee thereof.

“Partnership Expenses” has the meaning attributed to it in the Management Agreement.

“Permitted Liens” means:

- (a) Liens arising in favor of the Lender under the Collateral Documents;
- (b) Liens arising in favor of SPV LP under the Mortgage Sale and Servicing Agreement;
- (c) Liens imposed by law for taxes, assessments or other governmental charges payable by SPV LP that are not yet due or are being contested in compliance with Section 5.3 of the SPV Credit Facility; and
- (d) Other Liens consented to in writing by the Lender.

“Permitted Program Amount” means \$25,000,000 or, subject to approval by the Lender, such other amount as may be agreed to by the Seller and SPV LP.

“Plans” has the meaning given to it under Item 8.3 *“Eligibility for Investment”*.

“Pledge Agreements” means the pledge agreement to be entered into by each of EquityLine Mortgage Investment Corporation (with respect to the limited partnership units of SPV LP) and Sergiy Shchavyelyev (with respect to the shares of the General Partner), each in favor of the Lender, as the same may be amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof.

“Prime Rate” means on any day, the variable rate of interest per annum, calculated on the basis of a calendar year consisting of 365 or 366 days, as applicable, equal to the rate of interest determined and published by the Lender on such day as its prime rate for Canadian dollar commercial loans, being a variable per annum reference rate of interest adjusted automatically upon any change by the Lender to such new rate.

“Pool Balance” means, at any time, the aggregate Outstanding Principal Balance of all Purchased Mortgages at such time.

“Portfolio” means the consolidated portfolio of mortgages and related assets of the Corporation and the SPV, being the MIC Portfolio and the SPV Portfolio.

“Portfolio Restrictions” means, collectively, the set of investment guidelines governing the allocation of investments in which the Corporation’s assets are placed, as set out in the Corporation’s Credit Risk Policy and summarized under Item 2.2 *“The Business – Portfolio Restrictions”*.

“Preferred Shares” means the preferred shares of the Corporation, with the rights, privileges and restrictions as set forth in the Articles of the Corporation (as amended).

“Priority Payable” means, for the purposes of the SPV Credit Facility, at any time:

- (a) the amount past due and owing by any Credit Party (or any other Person for which any Credit Party has joint and several liability) or the accrued amount for which any Credit Party has an obligation, whether to remit to a Governmental Authority or other Person, pursuant to applicable law, rule or regulation, in respect of (i) pension fund obligations, (ii) employee employment insurance, (iii) goods and services taxes, harmonized sales taxes, sales taxes, employee income taxes and other taxes payable or to be remitted or withheld, (iv) workers’ compensation, (v) wages, salaries, commission or compensation, including vacation pay, and (vi) other like charges and demands, and in each case, in respect of which any Governmental Authority or other Person may claim a security interest, hypothecation, prior claim, trust or other claim or Lien ranking or capable of ranking in priority to or *pari passu* with one or more of the Liens granted pursuant to the Credit Documents; and
- (b) the aggregate amount of any liabilities, whether payable, accrued, or inchoate at such time, of each Credit Party (or other Person for which any Credit Party has joint and several liability), without duplication of those included in (a) above, (i) in respect of which a trust has been or could be imposed on Collateral of any Credit Party to provide for payment or (ii) which are secured by a security interest, hypothecation, prior claim, pledge, charge, right or claim or other Lien on any Collateral of any Credit Party, in each case, pursuant to any applicable law, rule or regulation, and which trust, security interest, hypothecation, prior claim, pledge, charge, right or claim or other Lien ranks or is capable of ranking in priority to or *pari passu* with one or more of the Liens granted in the Credit Documents.

“Proposed Amendments” has the meaning given to it under Item 8.2 *“Certain Canadian Federal Income Tax Considerations”*.

“Purchase” means each purchase of Mortgages made pursuant to Section 2.2 of the Mortgage Sale and Servicing Agreement.

“Purchase Date” means, for the purpose of the Mortgage Sale and Servicing Agreement, for each Purchase, the date specified therefor in the Purchase Notice relating to such Purchase.

“Purchase Notice” means a notice substantially in the form of Schedule A to the Mortgage Sale and Servicing Agreement delivered by the Seller to the Purchaser (each as defined therein) in accordance with Section 2.1 of the Mortgage Sale and Servicing Agreement.

“Purchase Price” means, with respect to the Purchased Mortgages that are the subject of any Purchase, the amount set out as the Purchase Price on the applicable Purchase Notice equal to the Outstanding Principal Balance of such Purchased Mortgages as of the Cut-Off Date, and is inclusive of all sales, use, value added and other taxes, if any, eligible with respect to the Purchase of the Purchased Mortgages.

“Purchase Termination Date” means, for the purpose of the Mortgage Sale and Servicing Agreement, the date that an Event of Default occurs.

“Purchased Mortgage” means, at any time, any Mortgage purchased by SPV LP from the Seller pursuant to the Mortgage Sale and Servicing Agreement, together with all obligations of the Mortgagors under the Mortgages, as applicable, and all Collections thereunder from and including the date specified therefor in the Purchase Notice relation to such Purchase (the “Cut-Off Date”), subject to the exclusions prescribed in the Mortgage Sale and Servicing Agreement.

“Qualifying Property” has the meaning given to it under Item 2.2 *“The Business – Structure of a Mortgage Investment Corporation”*.

“real property” means land, rights or interest in land in Canada (including, without limitation, leaseholds, air rights and rights in condominiums, but excluding mortgages) and any buildings, structures, improvements and fixtures located thereon.

“Records” means all contracts, books, records and other documents and information (including computer programmes, tapes, diskettes, data processing software and related property and rights) maintained by or on behalf of the Seller evidencing or otherwise relating to the Purchased Mortgages, or relating to the related Mortgagors, the Related Security, Collections or the Collection Account, including, without limitation, the Mortgage Loan File with respect to such Mortgage, and all such records, information and material maintained or required to be maintained by the Servicer in respect thereof.

“Related Agreements” means, collectively, the Mortgage Sale and Servicing Agreement and each Purchase Notice.

“Related Party” means “related party” as defined in NI 45-106, which means any of the following: (a) a director, officer, promoter or control person of the Corporation; (b) in regard to an individual referred to in paragraph (a), a child, parent, grandparent, sibling or other relative living in the same residence; (c) in regard to an individual referred to in paragraph (a) or (b), the individual’s spouse; (d) an insider of the Corporation; (e) a person controlled by a person referred to in paragraphs (a) to (d), or controlled by a person referred to in paragraphs (a) to (d) acting jointly or in concert with another person; (f) in the case of a person referred to in paragraph (a) or (d) that is not an individual, a person that, alone or together with one or more persons acting jointly or in concert, controls that person.

“Related Persons” has the meaning as defined in the Tax Act.

“Related Property” means, with respect to each Purchased Mortgage, the real or immovable property mortgaged, charged or hypothecated pursuant to such Mortgage, including all fixtures attached thereto.

“Related Security” means, with respect to any Purchased Mortgage:

- (a) all right, title and interest in the related Mortgage Loan Files (as defined in the Mortgage Sale and Servicing Agreement) including the mortgage, charge or hypothec and any security interest granted by the related Mortgagors in the Related Property as security for or pursuant to such Purchased Mortgage;
- (b) any related Assignment of Rents and Leases;
- (c) all other security interests (including hypothecs) or liens and property subject thereto from time to time purporting to secure payment of such Purchased Mortgage, together with all PPSA financing statements or other filings relating thereto;
- (d) all guarantees, indemnities, insurance and other agreements (including the mortgage, charge or hypothec) or arrangements of whatever character from time to time supporting or securing payment of such Purchased Mortgage or otherwise relating to such Purchased Mortgage, including any related mortgage insurance policy, any related title insurance policy and any related fire and/or all perils insurance policy in respect of the Related Property;
- (e) all agreements, acknowledgements, instruments and other documents relating to such Purchased Mortgage;
- (f) all Records relating to such Purchased Mortgage or to any of the foregoing; and
- (g) all proceeds of or relating to the foregoing, including to such Purchased Mortgage.

“Reporting Period” means, for the purposes of the Mortgage Sale and Servicing Agreement, and with respect to each Purchase, a calendar month.

“Repurchased Shares” has the meaning given to it under Item 5.1 “Terms of Securities – Terms of Series A Preferred Shares – Restrictions on Ownership”.

“Reserves” means, for the purposes of the SPV Credit Facility, such reserves for unpaid and accrued sales tax, reserves for banker's liens, rights of setoff or similar rights and remedies as to deposit accounts, reserves for employee matters, reserves for potential liabilities with respect to any litigation, reserves for taxes, fees, assessments, and other governmental charges and reserves for Priority Payables that the Lender from time to time determines in its good faith business judgment as be appropriate to reflect:

- (a) the impediments to the Lender's ability to realize upon the Collateral included in the Borrowing Base in accordance with the Credit Documents;
- (b) claims and liabilities that will need to be satisfied, or will dilute the amounts received by the Lender, in connection with the realizations upon such Collateral; or
- (c) criteria, events, conditions, contingencies or risks that adversely affect any component of the Borrowing Base, the Collateral included therein or the validity or enforceability of the Credit Documents or any material remedies of the Lender under the Credit Documents with respect to such Collateral.

“Respective Interest” or **“Respective Interests”** means, for the purposes of the Mortgage Participation Agreement, the interests of each of the Participants in the Mortgage Loans and the Mortgage Documents.

“Second Lien Eligible Mortgages” means those Eligible Mortgages which constitute a second charge over the Underlying Collateral.

“Second Debentures” means secured, non-convertible debentures of the Corporation, as described under Item 5.1 “Terms of Securities – Secured Debentures”.

“Securities” means, for the purposes of the SPV Credit Facility, any stock, shares, partnership interests, limited liability company interests, voting trust certificates, certificates of interest or participation in any profit sharing agreement or arrangement, options, warrants, bonds, debentures, notes, or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as “securities” or any certificates of interest, shares or participations in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to, purchase or acquire, any of the foregoing.

“Series A Corporation Redemption Start Date” has the meaning given to it under Item 5.1 “Terms of Securities – Series A Preferred Shares – Redemption by Corporation”.

“Series A Dividend Payment Date” has the meaning given to it under Item 5.1 “Terms of Securities – Series A Preferred Shares – Dividends”.

“Series A Preferred Share Dividend Period” means the period from and including the initial issue date of the Series A Preferred Shares to but excluding the last day of the month following the month in which the Series A Preferred Shares are initially issued, and thereafter, the next succeeding period that is from and including the last day of such month, to but excluding the last day of the next succeeding month.

“Series A Preferred Share Redemption Price” means US\$2.00 per Series A Preferred Share.

“Series A Preferred Shares” means the series A Preferred Shares of the Corporation, with the rights, privileges and restrictions as set forth in the Articles of the Corporation (as amended).

“Series A Redemption Period” has the meaning given to it under Item 5.1 “Terms of Securities – Series A Preferred Shares – Redemption by Shareholder”.

“Series A Shareholder Redemption Start Date” has the meaning given to it under Item 5.1 “Terms of Securities – Series A Preferred Shares – Redemption by Shareholder”.

“Series A Threshold” has the meaning given to it under Item 5.1 “Terms of Securities – Series A Preferred Shares – Redemption by Shareholder”.

“Series B Additional Return Dividends” has the meaning given to it under Item 5.1 “Terms of Securities – Series B Preferred Shares – Target Return Dividends”.

“Series B Corporation Redemption Start Date” has the meaning given to it under Item 5.1 “Terms of Securities – Series B Preferred Shares – Redemption by Corporation”.

“Series B Cutback Redemption Requests” has the meaning given to it under Item 5.1 “Terms of Securities – Series B Preferred Shares – Cash Limit on Redemptions by Shareholder”.

“Series B Dividend Payment Date” has the meaning given to it under Item 5.1 “Terms of Securities – Series B Preferred Shares – Dividends”.

“Series B Monthly Redemption Date” means the last Business Day of a calendar month.

“Series B Monthly Redemption Notice Deadline” means 4:00 p.m. (Toronto time) on the 30th day preceding the Series B Monthly Redemption Date.

“Series B Monthly Redemption Payment Date” means the 30th day following the relevant Series B Monthly Redemption Date.

“Series B Preferred Share Dividend Period” means the period from and including the initial issue date of the Series B Preferred Shares to but excluding the last day of the month following the month in which the Series B Preferred Shares are initially issued, and thereafter, the next succeeding period that is from and including the last day of such month, to but excluding the last day of the next succeeding month.

“Series B Preferred Share Purchase Price” has the meaning given to it under Item 5.1 “Terms of Securities – Series B Preferred Shares – Purchase Price”.

“Series B Preferred Share Redemption Limit” has the meaning given to it under Item 5.1 “Terms of Securities – Series B Preferred Shares – Cash Limit on Redemptions by Shareholder”.

“Series B Preferred Share Redemption Price” means \$10.00 per Series B Preferred Share.

“Series B Preferred Shares” means the series B Preferred Shares of the Corporation, with the rights, privileges and restrictions as set forth in the Articles of the Corporation (as amended), as set out in Appendix A attached hereto.

“Series B Trailer Fee” has the meaning given to it under Item 9 “Compensation Paid to Sellers and Finders”.

“Series F Additional Return Dividends” has the meaning given to it under Item 5.1 “Terms of Securities – Series F Preferred Shares – Target Return Dividends”.

“Series F Cutback Redemption Requests” has the meaning given to it under Item 5.1 “Terms of Securities – Series F Preferred Shares – Cash Limit on Redemptions by Shareholder”.

“Series F Dividend Payment Date” has the meaning given to it under Item 5.1 “Terms of Securities – Series F Preferred Shares – Dividends”.

“Series F Monthly Redemption Date” means the last Business Day of a calendar month.

“Series F Monthly Redemption Notice Deadline” means 4:00 p.m. (Toronto time) on the 30th day preceding the Series F Monthly Redemption Date.

“Series F Monthly Redemption Payment Date” means the 30th day following the relevant Series F Monthly Redemption Date.

“Series F Preferred Share Dividend Period” means the period from and including the initial issue date of the Series F Preferred Shares to but excluding the last day of the month following the month in which the Series F Preferred Shares are initially issued, and thereafter, the next succeeding period that is from and including the last day of such month, to but excluding the last day of the next succeeding month.

“Series F Preferred Share Purchase Price” has the meaning given to it under Item 5.1 “Terms of Securities – Series F Preferred Shares – Purchase Price”.

“Series F Preferred Share Redemption Limit” has the meaning given to it under Item 5.1 “Terms of Securities – Series F Preferred Shares – Cash Limit on Redemptions by Shareholder”.

“Series F Preferred Share Redemption Price” means \$10.00 per Series F Preferred Share.

“Series F Preferred Shares” means the series F Preferred Shares of the Corporation, with the rights, privileges and restrictions as set forth in the Articles of the Corporation (as amended).

“Series H Additional Return Dividends” has the meaning given to it under Item 5.1 “Terms of Securities – Series H Non-Voting Shares – Target Return Dividends”.

“Series H Corporation Redemption Start Date” has the meaning given to it under Item 5.1 “Terms of Securities – Series H Non-Voting Shares – Redemption by Corporation”.

“Series H Dividend Payment Date” has the meaning given to it under Item 5.1 “Terms of Securities – Series H Non-Voting Shares – Minimum Dividend”.

“Series H Dividend Period” means the period from and including the initial issue date of the Series H Non-Voting Shares to but excluding the last day of the month following the month in which the Series H Non-Voting Shares are initially issued, and thereafter, the next succeeding period that is from and including the last day of such month, to but excluding the last day of the next succeeding month.

“Series H Monthly Dividends” has the meaning given to it under Item 5.1 “Terms of Securities – Series H Non-Voting Shares – Minimum Dividend”.

“Series H Monthly Redemption Date” means the last Business Day of a calendar month.

“Series H Monthly Redemption Notice Deadline” means 4:00 p.m. (Toronto time) on the 30th day preceding the Series H Monthly Redemption Date.

“Series H Monthly Redemption Payment Date” means the 30th day following the relevant Series H Monthly Redemption Date.

“Series H Non-Voting Share Purchase Price” has the meaning given to it under Item 5.1 “Terms of Securities – Series H Non-Voting Shares – Purchase Price”.

“Series H Non-Voting Share Redemption Limit” has the meaning given to it under Item 5.1 “Terms of Securities – Series H Preferred Shares – Cash Limit on Redemptions by Shareholders”.

“Series H Non-Voting Share Redemption Price” has the meaning given to it under Item 5.1 “Terms of Securities – Series H Preferred Shares – Redemption by Shareholder”.

“Series H Non-Voting Shares” means the series H Non-Voting Shares of the Corporation, with terms of issue as set forth in the Articles of the Corporation (as amended), as set out in Appendix A attached hereto.

“Series I Cutback Redemption Requests” has the meaning given to it under Item 5.1 “Terms of Securities – Series I Preferred Shares – Cash Limit on Redemptions by Shareholder”.

“Series I Dividend Payment Date” has the meaning given to it under Item 5.1 “Terms of Securities – Series I Preferred Shares – Dividends”.

“Series I Monthly Redemption Date” means the last Business Day of a calendar month.

“Series I Monthly Redemption Notice Deadline” means 4:00 p.m. (Toronto time) on the 30th day preceding the Series I Monthly Redemption Date.

“Series I Monthly Redemption Payment Date” means the 30th day following the relevant Series I Monthly Redemption Date.

“Series I Preferred Share Dividend Period” means the period from and including the initial issue date of the Series I Preferred Shares to but excluding the last day of the month following the month in which the Series I Preferred Shares are initially issued, and thereafter, the next succeeding period that is from and including the last day of such month, to but excluding the last day of the next succeeding month.

“Series I Preferred Share Purchase Price” has the meaning given to it under Item 5.1 “Terms of Securities – Series I Preferred Shares – Purchase Price”.

“Series I Preferred Share Redemption Limit” has the meaning given to it under Item 5.1 “Terms of Securities – Series I Preferred Shares – Cash Limit on Redemptions by Shareholder”.

“Series I Preferred Share Redemption Price” means \$10.00 per Series I Preferred Share.

“Series I Preferred Shares” means the Series I Preferred Shares of the Corporation, with the rights, privileges and restrictions as set forth in the Articles of the Corporation (as amended).

“Series I Trailer Fee” has the meaning given to it under Item 9 “Compensation Paid to Sellers and Finders”.

“Series Net Assets” at any particular time, means in respect of a particular series of shares of the Corporation, those assets of the Corporation which are referable to that series at the relevant time less those liabilities of the Corporation that are referable to that series or to such assets at that time.

“Servicer” has the meaning given to it under Item 2.7 “Material Agreements – Custodial Agreement – Limitation of Liability of Custodian”.

“Servicer” means the Person acting as servicer under the Mortgage Sale and Servicing Agreement, being Equityline Services Corp.

“Servicing Report” means a report to be delivered by the Servicer to the Lender in such form as is acceptable to the Lender in its sole discretion.

“Settlement Date” means (a) the tenth (10th) calendar day of each month or, if any such date is not a Business Day, the next following Business Day, and (b) the Demand Date.

“Shareholders” means the holders of the outstanding shares in the capital of the Corporation.

“Special Resolution” means a resolution of the Limited Partners that is approved by the Limited Partners holding not less than 66 2/3 % of the dollar amount of the aggregate Capital Contributions of the Partnership and who, being entitled to do so, vote:

(i) in person or by proxy at a duly convened meeting of Limited Partners, or any adjournment thereof, called in accordance with this Agreement; or

(ii) in writing (for which purpose counterparts and signatures by facsimile may be used) by signing a copy of such written resolution.

“SPV Credit Facility” has the meaning given to it under Item 1.1 “Funds”.

“SPV LP” means Equityline SPV Limited Partnership.

“**SPV Net Profits**” shall mean the net profits of the Partnership, determined in the ordinary course, in accordance with GAAP.

“**SPV Net Losses**” shall mean the net losses of the Partnership, determined in the ordinary course, in accordance with GAAP.

“**SPV Portfolio**” means the portfolio of mortgages and related assets of SPV LP.

“**Tax Act**” means the Income Tax Act (Canada), as amended from time to time.

“**Termination Date**” means the last Business Day of the 60th month from the initial issuance date of the Series A Preferred Shares.

“**Tier 1 Urban Centre**” means a city or town with a minimum population of 100,000.

“**Tier 2 Urban Centre**” means a city or town with a minimum population of 50,000, as well as Innisfil, Ontario, Collingwood, Ontario and Bradford, Ontario.

“**Title Custodian**” means, for the purposes of the SPV Credit Facility, Computershare Trust Company (Canada), or such other trust company approved by the Lender.

“**Triggering Transaction**” has the meaning given to it under Item 5.1 “Terms of Securities – Series A Preferred Shares – Restrictions on Ownership”.

“**Underlying Collateral**” means, with respect to a Mortgage, any real property of an Obligor pledged to secure such Mortgage.

“**Voting Shares**” means the voting common shares of the Corporation.

CANADIAN CURRENCY

All dollar amounts stated herein, unless otherwise stated, are expressed in currency of Canada.

CAUTIONARY STATEMENTS

Other than as disclosed in this Offering Memorandum and any OM marketing materials, no person has been authorized to give any information or make any representation in respect of the Corporation or the securities offered herein and any such information or representation must not be relied upon. Information on the Corporation’s website or information about the Corporation on the website of the JSE is not incorporated by reference in and does not form part of this Offering Memorandum.

FORWARD LOOKING STATEMENTS

Certain statements contained in this Offering Memorandum, constitute forward-looking statements and forward-looking information (collectively referred to herein as “**forward-looking statements**”) within the meaning of Applicable Securities Laws. Such forward-looking statements relate to future events or the Corporation’s future performance. All statements other than statements of historical fact may be forward-looking statements. Such forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “budget”, “plan”, “continue”, “estimate”, “expect”, “forecast”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this Offering Memorandum should not be unduly relied upon. These forward-looking statements speak only as of the date of this Offering Memorandum or as of the date specified in the documents incorporated by reference into this Offering Memorandum, as the case may be.

In particular, this Offering Memorandum contains forward-looking statements, pertaining to the following:

- the Corporation's intentions or expectations about its ability to raise capital under this Offering (including the issue and sale of the Offered Securities) or otherwise, including the ability of the Corporation to complete the Offering;
- long-term or short-term plans and objectives of the Corporation for future operations or refinancing of the properties, forecast business results and anticipated financial performance, including any targeted returns to purchasers of Offered Shares;
- the Corporation's intentions or expectations about its ability to distribute cash (if any) to Shareholders and holders of Secured Debentures and any targeted returns to Shareholders and holders of Secured Debentures;
- the use of proceeds from this Offering; and
- the annualized yield of the Corporation that the Manager is targeting and the amount and the timing of the payment of targeted dividends or of interest.

Although the forward-looking statements contained in this Offering Memorandum are based upon assumptions which management of the Corporation believes to be reasonable, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this Offering Memorandum, the Corporation has made assumptions regarding, but not limited to:

- the Corporation's ability to fulfill all of the conditions and obtain all of the approvals required in relation to the Offering (to the extent applicable);
- the proceeds from the Offering;
- the ongoing ability of the Corporation to maintain a portfolio of mortgages capable of generating the necessary annual yield or returns to enable the Corporation to achieve its investment objective and to pay targeted dividends;
- the ongoing ability of the Corporation to establish and maintain relationships and agreements with key strategic and financial partners;
- the ongoing qualification of the Corporation as a MIC under the Tax Act at all relevant times;
- the ongoing maintenance of prevailing interest rates at favourable levels;
- the ongoing ability of borrowers to service their obligations under the mortgages of the Corporation;
- the ongoing ability of the Manager to effectively perform its obligations owed to the Corporation;
- anticipated costs and expenses;
- competition from other investment opportunities;
- changes in general economic conditions;
- no material variations in the current tax and regulatory environments; and
- future levels of indebtedness and the current economic conditions remaining unchanged.

The Corporation's actual results could differ materially from those anticipated in the forward-looking statements as a result of the risk factors set forth herein, including but not limited to:

- general business, economic, competitive, political and social uncertainties;

- general capital market conditions and market prices for securities;
- delay or failure to receive regulatory approvals;
- the actual results of future operations;
- competition;
- changes in legislation, including environmental legislation, affecting the Corporation;
- the timing and availability of external financing on acceptable terms;
- conclusions of economic evaluations and appraisals;
- lack of qualified, skilled labour or loss of key individuals;
- changes in operating and capital costs;
- the availability of mortgages;
- discretion in the use of proceeds of the Offering;
- interest and exchange rate changes;
- fluctuations in dividends;
- unforeseen potential liabilities of mortgages acquired by the Corporation; and
- other factors, many of which are beyond the control of the Corporation, which are discussed under Item 10 "Risk Factors" in this Offering Memorandum.

Forward-looking statements and other information contained herein concerning the residential mortgage industry in Canada and the Corporation's general expectations concerning this industry are based on estimates prepared by management of the Corporation using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry, which the Corporation believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Corporation is not aware of any material misstatements regarding any industry data presented herein, the mortgage industry involves numerous risks and uncertainties and is subject to change based on various factors.

Management of the Corporation has included the above summary of assumptions and risks related to forward-looking information provided in this Offering Memorandum in order to provide investors with a more complete perspective on the Corporation's current and future operations and such information may not be appropriate for other purposes. The Corporation's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that the Corporation will derive therefrom.

Investors are cautioned that the foregoing list of important factors is not exhaustive and they should not unduly rely on the forward-looking statements included in this Offering Memorandum. These forward-looking statements are made as of the date of this Offering Memorandum and the Corporation disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise. All forward looking statements contained in this Offering Memorandum are expressly qualified by this cautionary statement.

MARKETING MATERIALS

Any “**OM Marketing Materials**” (as such term is defined in NI 45-106) related to each distribution under this Offering Memorandum and delivered or made reasonably available to a prospective Shareholder before the termination of the distribution is, and is deemed to be, incorporated by reference into this Offering Memorandum. Notwithstanding the foregoing, OM Marketing Materials incorporated by reference as described above are no longer incorporated by reference, and no longer form part of this Offering Memorandum, to the extent to which such materials have been modified or superseded by a statement or statements contained in (i) an amendment to this Offering Memorandum, or an amended and restated offering memorandum, or (ii) subsequent OM Marketing Materials delivered to or made reasonably available to a prospective Shareholder prior to the execution of the subscription agreement by the Shareholder. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded is not deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum.

MARKET AND INDUSTRY DATA

This Offering Memorandum, and OM Marketing Materials incorporated by reference herein, may contain statistical data, market research and industry forecasts that were obtained from government or other industry publications and reports or are based on estimates derived from such publication and reports. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. While the Corporation believes this data to be reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Corporation has not independently verified any of the data from independent third-party sources referred to in this Offering Memorandum or ascertained the underlying assumptions relied upon by such sources.

Item 1: Use of Available Funds

1.1 Funds

The Corporation has enhanced its access to capital and liquidity by establishing a captive securitization-based credit facility (the “**SPV Credit Facility**”) accessed through a special purpose entity, Equityline SPV Limited Partnership (“**SPV LP**”). The SPV Credit Facility is a \$55 million credit facility with a Schedule I Canadian chartered bank. The Corporation and SPV LP have also entered into a mortgage participation agreement with respect to co-investments in mortgages, as described below.

Due to its lower credit risk profile, SPV LP is able to obtain more debt funding per mortgage than the Corporation, and do so at a lower rate than would be available to the Corporation. Pursuant to a mortgage participation agreement, SPV LP, using funding under the SPV Credit Facility, and the Corporation, using funding from the Offering and other sources, will jointly fund mortgages sourced by Equityline Financial in proportions to be agreed, subject to limits under the SPV Credit Facility. SPV LP holds the mortgages subject to the security granted for the debt. Under the Mortgage Participation Agreement, SPV LP acquires its percentage beneficial interest in the mortgages using the amount of the debt it obtains, which partially funds the mortgage, with the balance of the mortgages in excess of the funded amount of the debt being funded by the Corporation. The result is a co-owned mortgage between SPV LP and the Corporation subject to the secured debt. The mortgages are serviced by the Manager under a servicing agreement.

As senior participant, SPV LP is entitled to receive amounts in respect of interest paid on the mortgages (after payment of the management fee to the Manager) equal to amounts it pays on the SPV Credit Facility, plus 0.25%. The Corporation is entitled to receive all remaining amounts respect of interest paid on the mortgages. The use of SPV LP to contribute to mortgage funding is intended to provide the economic benefits of enhanced spread income to the Corporation, being the spread not only on its proportionate interest in the mortgages, but that of the SPV LPs proportionate interest. The SPV Credit Facility provides the ability for the Corporation to increase portfolio size and assets under management for the Equityline Group and have the beneficial interest in the mortgages acquired in excess of the funded debt of SPV LP without taking on its own debt risk.

A total of \$20.5 million has been drawn on the SPV Credit Facility to make mortgage loans jointly with the Corporation, where the Corporation is providing the balance of the mortgage funding amounts from its own fund and funding sources. The Corporation is the sole limited partner of SPV. See Item 2.3 “Development of Business” for further details.

Overall Offering

		Assuming Minimum Offering	Assuming Maximum Offering
A.	Amount to be raised by this Offering ⁽¹⁾	\$10,000,000	\$320,000,000
B.	Selling commissions and fees ⁽¹⁾⁽²⁾	\$0	\$22,400,000
C.	Estimated Offering costs (including legal, accounting, and audit) ⁽³⁾	\$300,000	\$500,000
D.	Available funds: D = A - (B+C)	\$9,700,000	\$297,100,000
E.	Additional Sources of Funding Required (Available)		
	Cash on Hand ⁽⁴⁾	\$180,000	\$180,000
F.	Working Capital Deficiency ⁽⁵⁾	-	-
G.	Total: G = (D + E) – F	\$9,880,000	\$297,280,000

Notes:

- (1) The maximum proceeds assumes the maximum offering of Series B Preferred Shares, Series I Preferred Shares and Series H Non-Voting Shares and the target of \$100,000,000 for the Series F Preferred Shares and of \$100,000,000 for the Series I Preferred Shares. The table above assumes, however, that the total gross proceeds are from the sale of Series B Preferred Shares, which have the largest up from cost. This is presented for illustrative purposes only.
- (2) In consideration of the services rendered by the Agents in connection with the offering of Series B Preferred Shares, the Corporation has agreed to pay any such Agent a cash fee equal to 7% of the Aggregate Gross Proceeds from the sale of the Series B Preferred Shares. In addition, Starting on the date that is 36 months following the date of issuance of a Series B Preferred Share, the Corporation will pay to each Agent (or other registered dealer) a servicing fee equal to 1% of the Series B Preferred Share Purchase Price per annum (payable at the end of each fiscal quarter) in respect of each such Series B Preferred Share that is held by clients of such Agent (or other registered dealer) (the “**Series B Trailer Fee**”), provided that the Series B Preferred Share on which the Series B Trailer Fee is paid has not been redeemed at the time payment is to be made. For clarity, the Series B Trailer Fee is payable only in respect of Series B Preferred Shares that are held for at least 36 months. The exact amount of the Series B Trailer Fee will be determined by the Manager from time to time. See Item 9 “Compensation Paid to Sellers and Finders” for details with respect to other Offered Shares.
- (3) Offering costs as shown are estimated, and include legal and accounting costs, printing and other administrative costs associated with the offering pursuant to this Offering Memorandum. These costs will be paid as a general expense from revenues generated after investment of the net proceeds of the Offering. The figures presented do not include the Management Fee, as it will not be paid out of the net proceeds of the Offering. The Management Fee will be paid out of the Corporation’s Aggregate Funded and Committed Assets.
- (4) As of August 31, 2023.

1.2 Use of Available Funds

The available funds will be used by the Corporation for the purposes set forth in the table below.

The net proceeds from the sale of Offered Securities will be used to invest in accordance with the investment objectives and strategies of the Corporation, subject its Portfolio Restrictions and lending criteria. Under the Mortgage Participation Agreement, the Corporation and SPV LP co-invest in mortgages. No funds are provided by the Corporation to SPV LP or to Equityline Financial. SPV LP acquires its percentage beneficial interest in the mortgages using the amount of the debt it obtains under the SPV Credit Facility, which partially funds the mortgage, with the balance of the mortgages in excess of the funded amount of the debt being funded by the Corporation.

Description of intended use of available funds listed in order of priority ⁽¹⁾⁽²⁾	Assuming Minimum Offering	Assuming Maximum Offering
General working capital purposes and operational expenses, including interest on the mortgage on the Corporation's real estate asset	\$500,000	\$3,000,000
Mortgages for the MIC Portfolio including the beneficial interest in mortgages that it and SPV LP co-invest in	\$9,380,000	\$294,280,000
Total:	\$9,880,000	\$297,280,000

Notes:

- (1) Net proceeds may also be used to fund redemptions. The amount required for such purpose cannot be determined until notices requesting such redemptions are received.
- (2) The Secured Debentures listed under Item 4.2 "Long Term Debt" are all due within 12 months. The Corporation expects all such debentures to be extended and not repaid based on its recent experience with holders seeking to remain invested. A total of \$4,050,402 of such amount as of August 31, 2023 is due to Related Parties. All such debt was incurred for the purpose of investing in mortgages for the MIC Portfolio.

1.3 Proceeds Transferred to Other Issuers

Under the Mortgage Participation Agreement, the Corporation and SPV LP co-invest in mortgages. No funds are provided by the Corporation to SPV LP or Equityline Financial. SPV LP acquires its percentage beneficial interest in the mortgages using the amount of the debt it obtains under the SPV Credit Facility, which partially funds the mortgage, with the balance of the mortgages in excess of the funded amount of the debt being funded by the Corporation. Each co-investment with SPV LP would be in the ordinary course of the business of the Corporation. The Mortgage Participation Agreement, to the extent it is a Conflict of Interest Matter, has been approved in accordance with the Conflicts Policy. All brokerage fees paid to Equityline Financial are paid by the mortgagor under the mortgage and not by the Corporation or SPV LP.

Item 2: Business of the Corporation

2.1 Structure

The Corporation was incorporated under the OBCA by articles of incorporation dated January 18, 2018. The head and registered office of the Corporation is located at 550 Highway 7 Avenue East, Suite 338, Richmond Hill, Ontario L4B 3Z4. The Corporation's business and affairs are also regulated by By-Law No. 1 adopted by the Board on January 18, 2018. The Corporation does not have any subsidiaries.

Equityline Services Corp. is the Manager of the Corporation pursuant to the terms of the Management Agreement. It is a corporation incorporated under the OBCA on January 18, 2018. The Manager's head and registered office is located at 550 Highway 7 Avenue East, Suite 338, Richmond Hill, Ontario L4B 3Z4. The Manager provides its services directly or indirectly through Equityline Financial Corporation ("**Equityline Financial**"), an affiliated company to the Manager.

On July 11, 2019, the Corporation filed an amendment to its Articles of the Corporation to amend the rights, privileges, restrictions and conditions attaching to the Non-Voting Shares.

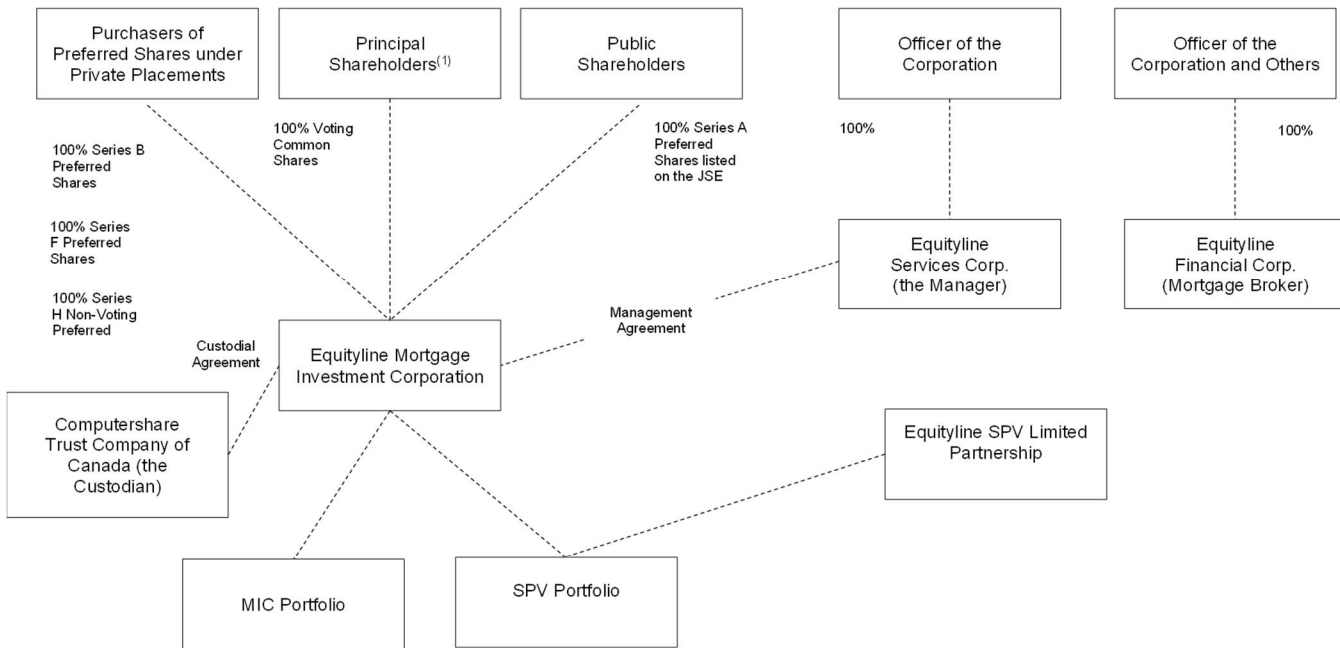
On March 5, 2020, the Corporation filed amendments to its Articles of the Corporation to amend the rights, privileges, restrictions and conditions attaching to the Non-Voting Shares and to create the Series B Preferred Shares and the rights, privileges, restrictions and conditions attaching thereto. See Item 5.1 "Terms of Securities".

In January 2021, the Corporation filed an amendment to its Articles of the Corporation to amend the rights, privileges, restrictions and conditions attaching to the Non-Voting Shares and Series B Preferred Shares.

On May 7, 2021, the Corporation filed an amendment to its Articles of the Corporation to create the Series F Preferred Shares.

On September 18, 2023, the Corporation filed an amendment to its Articles of the Corporation to create the Series I Preferred Shares.

The current relationships between the Corporation, the Manager, Equityline Financial and the Custodian are set out below.



(1) See Item 3.1 "Interest of Directors, Management, Promoters and Principal Holders – Compensation and Securities Held" for the principal holders and their ownership percentage.

2.2 The Business

General

The Corporation qualifies as a MIC and accordingly, the Corporation is a non-bank provider of residential, and to a lesser extent, commercial, real estate finance. The Corporation finances loans that are secured by real estate assets but that may be identified as too risky by conventional bank lenders or loans which need to be funded quicker or are more customized than conventional bank lenders can accommodate.

The Corporation's investment objective is, with a primary focus on capital preservation, to acquire and maintain a diversified portfolio of mortgage loan investments that generates attractive, stable returns in order to permit the Corporation to pay monthly distributions to its shareholders. Investing predominantly in short-term residential, and to a lesser extent, commercial, real estate mortgage loans, the Corporation seeks to make loans in the alternative mortgage market principally in the residential mortgage market.

Home Equity Lines of Credit

The mortgages provided by the Corporation are in many circumstances “home equity lines of credit”, which are second mortgages that have interest rates that fluctuate with the prime rate. The Corporation’s home equity lines are revolving credit lines that provide property owners with additional financing for debt consolidation, renovations and other uses. The mortgages typically involve an interest only payment each month and can be called at anytime.

Qualification as MIC under Tax Act

The Corporation intends to carry on its business in a manner so that it qualifies and continues to qualify as a MIC under the Tax Act. As a MIC, when calculating its income tax payable in Canada, the Corporation may deduct dividends that are paid from income to reduce corporate income tax. The Corporation intends to make distributions to the extent necessary so that it will generally have no taxes payable under Part I of the Tax Act. Taxable dividends (other than capital gains dividends) are treated as interest income to Shareholders for Canadian federal income tax purposes. See Item 8 “Income Tax Consequences and RRSP Eligibility”.

Corporation is not a Trust Company or Investment Fund

The Corporation is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. The Offered Shares are not “deposits” within the meaning of the *Canadian Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation. For greater certainty, the Corporation is not considered to be an investment fund or mutual fund under applicable Canadian securities legislation. Consequently, the Corporation is not subject to certain policies and regulations that apply to publicly offered investment funds or mutual funds and accordingly is permitted to invest in mortgages to borrow funds.

Series A Preferred Shares are Listed on the Jamaican Stock Exchange

The Corporation’s Series A Preferred Shares are listed on the JSE and trade under the symbol “ELMIC”. The Corporation filed a prospectus dated November 21, 2018 for the offering of 2,683,400 Series A Preferred Shares at US\$2.00 per Series A Preferred Share for gross aggregate proceeds of US\$5,366,800. Information about the Corporation and the Series A Preferred Shares can be found on the website of the JSE at <https://www.jamstockex.com/tag/equityline-mortgage-investment-corporation/>, however, such information is not incorporated by reference into, and its does not form part of this Offering Memorandum.

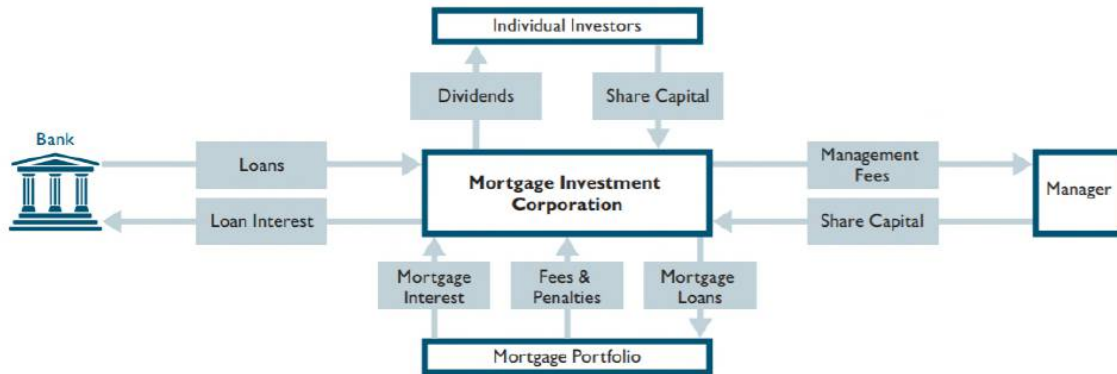
The Manager

The Manager is responsible for directing the affairs and managing the business of the Corporation and is licensed as a mortgage administrator with the Financial Services Regulatory Authority of Ontario. The Manager has experience sourcing, underwriting, and structuring mortgages. The Manager provides directly or indirectly through licensed service providers, principally Equityline Financial (an Affiliate), mortgage management and day-to-day mortgage administration services, including the sourcing, structuring and management of mortgages on behalf of the Corporation. The Manager directly or indirectly sources mortgages, evaluates projects, collects payments from borrowers, deals with enforcement proceedings and administers the mortgages. The Manager may charge Lender Fees (as hereinafter defined) directly to borrowers as compensation for such services. Through direct marketing to the industry, and through a network of mortgage brokers, the Manager sources real estate investment opportunities for which the Corporation can provide loans. The Corporation charges premium interest rates due to the inefficient nature of this marketplace and its focus on Non-Conventional Mortgages, Alt-A Mortgages and off-market terms sectors.

Equityline Financial

Equityline Financial offers mortgage brokering services and services and is licensed as a mortgage broker with the Financial Services Regulatory Authority. Equityline Financial is controlled by the Corporation’s CEO, Sergiy Shchavyelyev.

Structure of a Mortgage Investment Corporation



A MIC must meet the requirements of section 130.1 of the Tax Act throughout each taxation year, which include the following:

- the corporation was a Canadian corporation as defined in the Tax Act;
- the corporation's only undertaking was the investing of funds of the corporation and it did not manage or develop any real or immovable property;
- no debts were owed to the corporation by non-residents of Canada unless such debts were secured on real or immovable property situated in Canada;
- the corporation did not own shares of corporations not resident in Canada;
- the corporation did not hold real or immovable property situated outside Canada, or any leasehold interests in such property;
- no debts were owed to the corporation that were secured on real or immovable property situated outside Canada;
- the cost amount to the corporation of the corporation's property represented by debts owing to the corporation that were secured, whether by mortgages, hypothecs or in any other manner, on houses (as defined in section 2 of the *National Housing Act*) or on property included within a housing project (as defined in that section as it read on June 16, 1999), together with any money of the corporation and deposits standing to the corporation's credit in the records of (1) a bank or any other corporation whose deposits are insured by the Canada Deposit Insurance Corporation or the Régie de l'assurance-dépôts du Québec, or (2) a credit union (collectively, the "**Qualifying Property**") was at least 50% of the cost amount to it of all of its property;
- the cost amount to the corporation of all real or immovable property, including leasehold interests therein (but excluding real or immovable property acquired by the corporation by foreclosure or otherwise after default made on a mortgage, hypothec or agreement of sale of real or immovable property) did not exceed 25% of the cost amount to it of all of its property;
- there were 20 or more shareholders of the corporation (a corporation will be deemed to have complied with this requirement throughout its first taxation year if the corporation complied with this requirement on the last day of that taxation year) and no person would have been a "specified shareholder" for purposes of paragraph 130.1(6)(d) of the corporation at any time in the taxation year;
- holders of preferred shares had a right, after payment to them of their preferred dividends, and payment of dividends in a like amount per share to the holders of the common shares of the corporation, to participate *pari passu* with the holders of common shares in any further payment of dividends; and

- where at any time in the year the cost amount to it of its Qualifying Property was less than 2/3 of the cost amount to it of all of its property, the corporation's liabilities did not exceed three times the amount by which the cost amount to it of all of its property exceeded its liabilities, and in any other case, the corporation's liabilities did not exceed five times the amount by which the cost amount to it of all of its property exceeded its liabilities.

The Corporation's Mortgage Offering

In order to achieve the Corporation's investment objective, the Manager will invest primarily, but not exclusively, in first and subordinate charge Non-Conventional Mortgages and Alt-A Mortgages, including by co-investing with SPV LP. The mortgages provided by the Corporation can benefit a borrower by providing:

- loan terms in line with the real estate investor's investment model;
- the ability to execute quickly on real estate investment opportunities;
- potentially lower monthly payments; and
- access to credit for more challenged borrowers and properties.

As a result of the above, borrowers are willing to pay the higher interest rates that the Corporation charges for mortgages.

Competitors to the Corporation's Offering

The Corporation (and SPV LP) competes with individuals, other mortgage lending entities including all Canadian mortgage investment corporations and financial institutions for investment opportunities in the financing of real property. Certain of these competitors may have greater resources than the Corporation and may therefore operate with greater flexibility or with better terms.

Investment Objectives

The investment objective of the Corporation is, with a focus on capital preservation, to acquire and maintain a diversified portfolio of mortgages (expected to consist primarily of (i) Non-Conventional Mortgages and (ii) Alt-A Mortgages) that generate attractive, stable returns in order to permit the Corporation to pay distributions to its Shareholders. However, there is no assurance that the Corporation will be able to declare any dividends in any period or at all. See Item 10 "Risk Factors".

Investment Strategies

The Corporation works to achieve its investment objective by investing in a portfolio consisting primarily of residential, and to a lesser extent, commercial, mortgages that are secured by residential (including multi-residential) or commercial (if applicable) real property. The Corporation will seek to invest in first and second mortgages that combine the highest yields and lowest loan to value ratios it can reasonably source. The Corporation's Portfolio Restrictions (as described below) restrict the Corporation from making a mortgage loan with a loan-to-value ratio in excess of 80%. The Corporation intends to focus its investments primarily in urban markets and their surrounding areas, which the Corporation believes are typically more liquid and provide less volatile security for mortgage loans. Independent appraisals produced by an accredited member of the Appraisal Institute of Canada are obtained for properties on which the Corporation seeks to invest in mortgages. The Corporation focuses its investments in Ontario, particularly the Greater Toronto Area and Ottawa. However, the Corporation's Portfolio Restrictions permit the Corporation to invest in mortgages across Canada, if the Manager determines it to be advisable. As at the date of this Offering Memorandum, the Corporation has not engaged and does not currently intend to engage licensed mortgage brokers outside of Ontario. The Corporation's focus on short-term (6 to 12 months) mortgages, such as home equity lines, and high value and high value-to-loan mortgages requiring prepayment of interest is primarily designed to reduce risk in the MIC Portfolio and increase liquidity of the investments.

The Manager believes that these combined strategies combined provide the Corporation with opportunities to:

- obtain favourable yields and maximize returns through efficient sourcing and management of mortgage loans secured by real property;

- take advantage of yield benefits which arise from the Corporation's quick access to capital through efficient processing and management of opportunities;
- take advantage of yield benefits which arise from the Corporation's ability to offer more flexibility with the loans;
- gain access to a continuous supply of mortgage investment opportunities; and
- mitigate risk in the investment selection process through the significant experience and comprehensive underwriting practices of the Corporation and Manager.

The long-term strategy of the Corporation is to grow the Consolidated Portfolio by continuing to fund mortgages. The mortgages that have been sourced and funded over the past four years have had an average interest rate of above 10%. The return on the Corporation's currently funded mortgages from January 1, 2022, to December 31, 2022 was 9.74% and net leverage portfolio yield for the same period was 14.7%. Over the same time the average loan-to-value ratio was 74.47%. The continued growth will enhance the economies of scale and returns achieved by the Corporation as a whole. Moreover, the Manager expects that a larger size Portfolio will provide the Corporation with greater diversification of mortgages and increased mortgage funding capacity and flexibility. However, past Portfolio investment returns are not indicative of future Portfolio returns.

In order to facilitate the timely funding of mortgages, bridging the maturity of mortgages and to manage working capital timing requirements, the Corporation may obtain a loan facility with a financial institution or other lender. This facility shall not exceed 30% of the Corporation's total assets. As at the date of this Offering Memorandum, the Corporation does not have a loan facility outstanding and has not entered into any discussions with lenders regarding any potential loan facilities.

Investment Process

The Corporation utilizes an investment process that is characterized by a macro-to-micro approach to identify attractive mortgage investment opportunities, beginning first with a macro-level economic analysis of various geographic housing markets and properties, and second with the identification of individual mortgage investment opportunities and the assessment of specific details of each project and borrower.

Mortgage investments will be sourced by the Manager directly, through Equityline Financial and through independent third-party mortgage brokers. Equityline Financial has an extensive broker network of external mortgage brokers. The Corporation will fund mortgage loans that meet the Corporation's lending criteria and the Portfolio Restrictions, resulting from: (i) the reputation, experience and marketing ability of the Manager; (ii) the timely credit analysis and decision-making processes followed by the Manager; and (iii) significant demand for capital in the market segments in which the Corporation will provide loans. At an early stage of the identification and evaluation process, the Manager will confirm that a mortgage opportunity satisfies the Corporation's lending criteria and Portfolio Restrictions.

Once determined by the Manager to be satisfactory based on an initial review, the Manager is required to perform comprehensive due diligence of the underlying assets. This due diligence process revolves around the Manager's system of underwriting loans, and evaluating properties and borrowers. The due diligence procedures undertaken by the Manager generally include, but are not limited to, the following considerations:

Duties Performed	Matters Considered
A. General Market Analysis	<ul style="list-style-type: none"> • Macroeconomic variables <ul style="list-style-type: none"> ○ Demographic characteristics ○ Socioeconomic outlook
B. Local Market Analysis	<ul style="list-style-type: none"> • Assessment of local market conditions <ul style="list-style-type: none"> ○ Level of infrastructure development ○ Assessment of potential liquidity of local market
C. Project Analysis	<ul style="list-style-type: none"> • Financial status of borrower
D. Type of Due Diligence	<ul style="list-style-type: none"> • Financial due diligence

Duties Performed	Matters Considered
	<ul style="list-style-type: none"> ○ Legal due diligence - including title and off-title searches (property tax payments, work orders, fire code compliance, etc.) ○ Analysis of taxes/utilities/expenses ○ Independent valuation/appraisal report produced by an accredited member of the Appraisal Institute of Canada

Funding Mortgages

Equityline Financial and its broker network source mortgages. Those mortgages may be funded by the Corporation alone or jointly with SPV LP, as described under Item 2.3 “*Development of the Business*”. The Corporation is not precluded from making any purchases from third parties. The Manager may source additional mortgages through various methods, including, but not limited to, asset acquisitions, origination, syndication with other participants or in such other manner deemed advisable. As of the date of this Offering Memorandum, the Corporation intends to allocate funds to investing in mortgages jointly with SPV LP as set out under Item 1.2 “*Use of Available Funds*” to the maximum extent possible.

As at January 1, 2023, the Corporation currently has approximately \$21.5 million of assets under management (including real property and its interests in mortgages funded through co-investments with SPV LP) and SPV LP has \$20.8 million of assets under management. The Manager considers each mortgage lending opportunity and makes the lending decision on behalf of the Corporation. Mortgages that are determined to be satisfactory by the Manager upon completion of its due diligence and that comply with its lending criteria and meet the requirements of the Portfolio Restrictions (on a stand-alone basis as well as in the context of the Aggregate Funded and Committed Assets), or which are otherwise considered desirable due to certain attractive features, are funded, subject to the Corporation seeking to maximize funding mortgages through co-investments with SPV LP.

Portfolio Restrictions/Lending Criteria: The Corporation

The Manager has adopted the Portfolio Restrictions to manage the risk profile of the MIC Portfolio. Accordingly, the Manager actively and regularly evaluates the Aggregate Funded and Committed Assets for compliance with the Portfolio Restrictions.

The Portfolio Restrictions are a dynamic investment tool that assists the Manager in its development and maintenance of the MIC Portfolio with a view to achieving the investment objectives of the Corporation.

The Portfolio Restrictions, as summarized below, dictate the allocation of the Aggregate Funded and Committed Assets based upon various criteria as set out below:

1. Maximum percentage allocation to a mortgage loan secured by any one property – not more than 10% of the Aggregate Funded and Committed Assets can be allocated to a mortgage loan secured by any one property.
2. Maximum percentage allocation to a mortgage with any one borrower/borrower group – not more than 20% of the Aggregate Funded and Committed Assets can be allocated to a mortgage loan with any one borrower or group of related borrowers.
3. Average term to maturity on mortgage loans – the average term to maturity on mortgage loans, comprising the Aggregate Funded and Committed Assets, shall not exceed 12 months. The target term to maturity on any one mortgage investment shall be 6-12 months.
4. Maximum allocation to second mortgage positions – not more than 80% of the Aggregate Funded and Committed Assets shall be secured by second mortgage positions.
5. Geographic restriction – not more than the following percentages set out below of the Aggregate Funded and Committed Assets can be invested in the corresponding regions:

Ontario 100%

6. Product type restriction – not more than the following percentages set out below of the Aggregate Funded and Committed Assets can be invested in mortgages secured by the product type set out below:

Residential	70%
Multi-Residential Buildings	30%
Commercial	30%

7. Maximum loan-to-value ratio of any one mortgage loan – on the date of funding, the maximum loan-to-value ratio of any one mortgage loan comprising the Aggregate Funded and Committed Assets shall not exceed 80%.

Based on evolving market conditions and the investment history of the MIC Portfolio specifically, and the Consolidated Portfolio generally, the Portfolio Restrictions may be amended from time to time by the Manager, subject to the unanimous approval of the Independent directors, in order to maintain the currency and relevance of the model on the overall investment approach of the Corporation, provided the unanimous approval of the Independent directors is required: (a) for changes to items 1 and 2 above and (b) if any lending criteria would be made materially less restrictive, which for a percentage or numerical threshold, is a change of more than a factor of 15%. All such changes also require the approval of the Board of Directors.

The Portfolio Restrictions will be assessed prior to the funding of each mortgage loan, assuming the subject mortgage loan is made. The Corporation uses mortgage portfolio monitoring and tracking software to assist in ensuring the Portfolio Restrictions are being met at the time a mortgage is made. Exceptions to the Corporation's Portfolio Restrictions may be made by the Manager, subject to the unanimous approval of the Independent directors, provided that (i) each individual exception upon funding a subject mortgage, excluding the effect of any subsequent exceptions, must be remedied within 120 days from the date of funding of the subject mortgage; and (ii) in the aggregate at any given time, permitted exceptions to the Portfolio Restrictions shall not represent more than 10% of the Corporation's Total Assets.

Portfolio Restrictions/Lending Criteria: SPV LP

SPV LP may only invest in Eligible Mortgages. The Eligibility Criteria that are required to be met for a Mortgage to be an Eligible Mortgage is set out in the SPV Credit Facility, and includes the following:

- (a) All necessary registrations relating to such mortgage have been made and are in good standing and such mortgage constitutes a First Lien Eligible Mortgage or a Second Lien Eligible Mortgage.
- (b) The Underlying Collateral with respect to such mortgage is residential in nature and consists of dwellings containing no more than 4-bedrooms.
- (c) Such mortgage is title insured by an approved title insurer.
- (d) The loan-to-value with respect to the Underlying Collateral shall not exceed 80%.
- (e) The Underlying Collateral is located in Ontario.
- (f) The Underlying Collateral is located within a Tier 1 Urban Centre, a Tier 2 Urban Centre, a Non-Urban Centre or the Greater Toronto Area.
- (g) The mortgage does not exceed, where it is (i) a Second Lien Eligible Mortgage, \$500,000, (ii) a First Lien Eligible Mortgage in a Tier 1 Urban Centre, \$1,000,000, (iii) a First Lien Eligible Mortgage in a Tier 2 Urban Centre, \$750,000, (iv) a First Lien Eligible Mortgage in a Non-Urban Centre, \$500,000 and (v) a First Lien Eligible Mortgage in the Greater Toronto Area, \$1,500,000.
- (h) Such mortgage has a maximum term of 12 months.
- (i) Such mortgage is not used for the purpose of financing the construction of a new residence.

- (j) Such mortgage is secured by Underlying Collateral that is used primarily for ongoing commercial operations.
- (k) The borrower is the beneficial owner of the mortgage.
- (l) Such mortgage is not cross-collateralized or cross-defaulted to any other security.

Management Fees and Operating Expenses

For acting as manager of the Corporation, the Manager receives from the Corporation a management fee (the “**Management Fee**”) equal to 1% per annum of the Aggregate Funded and Committed Assets of the Corporation, calculated daily, aggregated and paid monthly in arrears, plus applicable taxes. In addition, the Manager charges, collects and retains certain “Lender Fees” from borrowers. Lender Fees are charged as compensation for services rendered by the Manager in the origination, undertaking and oversight of mortgages. Generally, the Lender Fees charged to the borrower will equal 2% of the approved loan amount.

The Manager is also entitled to statement fees, early pre-payment, discharge fees, bonus fees, inspection fees and all other fees which could be included in the commitment upon the origination of the mortgage loan.

The Manager is related to the Corporation.

Governance Matters

The Corporation has 8 directors of which 4 are “independent” as defined by standard applicable to companies listed on the JSE and under the Conflicts Policy. See Item 3 “*Compensation and Security Holdings of Certain Parties*”.

One way the Corporation facilitates the exercise of Independent supervision over management is by ensuring that the majority of the Board is composed of directors who are Independent from management of the Corporation. The Board of Directors currently has eight directors, four of whom are considered to be Independent under the Conflicts Policy (Messrs. Klein, Handler, Hathaway and Chadda). Three directors are officers of the Corporation or hold positions at Equityline Financial or the Manager (as noted herein), and one of whom, Mr. Koscak, has provided consulting services to the Corporation, and are therefore not considered Independent.

All of the directors, both non-Independent and Independent, are required by applicable law at all times to act in good faith and with a view to the best interests of the Corporation and are required to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. All of the directors of the Corporation are sensitive to conflicts of interest and are required under applicable corporate law and by the terms of By-Law No. 1 of the Corporation to provide full written disclosure of any conflicts to the Corporation and recuse themselves from deliberations and voting relating to any conflicts of interest. The extensive knowledge of the Independent directors of the Corporation’s business is beneficial to both the other directors and the Corporation, and their participation as directors is an important element in the overall effectiveness of the Board of Directors. Although the Board of Directors considers independence from the Corporation as a factor in assessing its own effectiveness as well as the qualification of potential candidates, the Board of Directors’ primary objective is to ensure that directors are qualified candidates and are selected on the basis of their overall qualifications and ability to contribute to the effective governance of the Corporation. It is believed that all of the directors make a valuable contribution to the Board of Directors and the Corporation.

Mortgage Approvals

Each mortgage loan that is made by the Corporation directly or with the SPV shall be subject to the following approvals:

Principal Amount of \$1,500,000 or more	Principal Amount of less than \$1,500,000
A total of 3 directors must approve: Any two directors of the Corporation, plus one Independent director.	Any two directors of the Corporation must approve.

Conflicts of Interest and Independence of Equityline Group Members

The Corporation, the Manager and Equityline Financial (collectively, the “**Equityline Group Members**”) have each adopted a conflicts of interest policy (collectively, the “**Conflicts Policy**”). Under the Conflicts Policy, an Equityline Group Member will not proceed with any Conflict of Interest Matter unless such matter has obtained the prior unanimous approval of the Independent directors, in addition to the approval of the Board of Directors.

The Independent directors of an Equityline Group Member may review applicable valuations required or conducted from time to time and, if it disagrees with such valuation(s) or conclusions it may refer the issue to the auditor of the Corporation, or such other independent professional as deemed appropriate by the Independent directors in such circumstances.

The Independent directors of an Equityline Group Member may meet, as needed, to monitor and assess the performance of the Corporation relative to the investment objectives stated herein.

Before taking any action, the Independent directors of an Equityline Group Member may obtain legal or other advice, as to the effect of its proposed action.

Conflicts Policy

The following is a summary of the Conflicts Policy and is subject to the complete terms and provisions of the Conflicts Policy, which may be requested from the Corporation during normal business hours at the offices of the Corporation at 550 Highway 7 Ave E., Suite 338, Richmond Hill, Ontario, L4B 3Z4 or by contacting the Corporation at 1-888-269-1988 or info@equitylinemic.com, and a copy of such requested Conflicts Policy will be e-mailed to a prospective investor.

The Equityline Group Members have each adopted a Conflicts Policy to address and manage Conflicts of Interest Matters and, if the Corporation is a reporting issuer in a jurisdiction of Canada, certain transactions involving “related parties” (as defined in the Conflicts Policy to mean a “related party” under Multilateral Instrument 61-101 *Related Party Transactions*). When carrying out their obligations, directors, officers, senior management and employees must conduct themselves in a manner that avoids conflicts of interest with the Corporation and the Corporation must itself manage conflicts and comply with applicable legal requirements.

Pursuant to the Conflicts Policy, all directors, in connection with any Conflict of Interest Matter, the conflicted director or officer shall disclose in writing to the directors of the Corporation or request to have entered into the minutes of meetings of the directors of the Corporation, the nature and extent of the conflict as follows:

- (a) the disclosure required in the case of a director shall be made:
 - (i) at the meeting of directors or the applicable committee thereof, as the case may be, at which a Conflict of Interest Matter is first considered;
 - (ii) if such director was not then interested in a Conflict of Interest Matter, at the first such meeting after such director becomes so interested;
 - (iii) if such director becomes interested after an agreement pertaining to the Conflict of Interest Matter is entered into, at the first such meeting after such director becomes so interested; or
 - (iv) if an individual who is interested in a material transaction later becomes a director, at the first such meeting after such director becomes a director;
- (b) the disclosure required in the case of an officer, who is not a director, shall be made:
 - (i) forthwith after such officer becomes aware that the Conflict of Interest Matter is to be considered or has been considered at a meeting of the directors, or the applicable committee thereof, as the case may be;

- (ii) if such officer becomes interested after an agreement pertaining to the Conflict of Interest Matter is entered into, forthwith after such officer becomes aware that he or she has become so interested; or
 - (iii) if an individual who is interested in a Conflict of Interest Matter later becomes an officer of the Corporation, forthwith after such individual becomes an officer; and
- (c) notwithstanding the foregoing, (i) the holding of shares of the Corporation by the Corporation, the Manager or any of their respective affiliates shall not be deemed to be a Conflict of Interest Matter, and (ii) if a Conflict of Interest matter is one that, in the ordinary course of the affairs of the Corporation or the Manager, would not require approval by the directors or the shareholders of the Corporation, a director or officer shall disclose, in writing to the directors or applicable committee thereof, as the case may be, the nature and extent of his interest immediately after he becomes aware of the Conflict of Interest Matter.

If a matter is determined to be a Conflict of Interest Matter, the Equityline Group Member will not proceed with such Conflict of Interest Matter unless such matter has obtained the prior unanimous approval of the Independent directors. The unanimous approval of the Independent Directors holding office at such time who have no interest in the Conflict of Interest Matter set out below, shall be required with respect to any decision:

- (a) to approve any Conflict of Interest Matter, including, but not limited to, entering into any agreement or transaction in which any related party has a material interest or making a material change to any such agreement or transaction;
- (b) relating to a claim by or against any related party; and
- (c) relating to a claim in which the interests of a related party differ from the interests of the Corporation or the Manager.

Senior management will also determine which proposed transactions are potential related party transactions, and will review them before they are entered into by the Corporation. If there is reason to believe that another party to a transaction is a related party of the Corporation, the Corporation will take all reasonable steps to obtain from such other party full disclosure, in writing, of any interest, direct or indirect, that would make the other party a related party of the Corporation. Senior management will determine (based on legal advice) and record whether or not related party transactions are subject to or exempt from the requirements of applicable securities laws or corporate laws, and will provide a current report on related party transactions (and summarizing such determinations) to each meeting of the Board of Directors. The Corporation shall not effect a related party transaction unless the transaction is determined to be on commercially reasonable terms by, and is approved by, the Independent directors who have no interest in such transaction.

Directors and senior management are required to disclose relationships that they believe may result in the determination that the person making disclosure, or about whom disclosure is made, is a related party of the Corporation. Particular attention will be paid to ensuring the directors, senior management, and senior officers understand the potential application of the related party transaction provisions to certain investments and family members.

Under the Conflicts Policy, senior management will maintain a current listing of (a) persons and entities which are believed to be related parties of the Corporation; and (b) agreements currently in place between the Corporation and related parties. Senior management will report all Conflict of Interest Matters to the Board at its next regularly scheduled meeting.

Each director and member of senior management is required to complete a declaration indicating that:

- (i) they have read and understood the Conflicts Policy;
- (ii) they are not party to a material contract or proposed contract as defined in the Conflicts Policy; and
- (iii) they have listed all companies that they have a significant interest in or are directors or officers of.

This declaration will be completed annually and given to the Board, who will arrange for the declaration to be included in the Corporation's records.

Under the Conflicts Policy, a director will not vote on any resolution to approve a contract that he or she may have a material interest in. The Board of Directors and the Independent Directors have approved:

- The arrangements with SPV LP including the Mortgage Participation Agreement, which involve co-investing with an entity in which the general partner is wholly owned by Sergiy Shchavyelyev and in which he is an officer and director, and that is managed by the Manager, which is also wholly owned by Sergiy Shchavyelyev, and each of which he is an officer and director.
- The purchase of the Real Estate Property, which involved transactions with Velev Capital GP Inc. (including the Property Repurchase Agreement and the Property Management Agreement) which is wholly owned by Sergiy Shchavyelyev, and each of which and in which he is an officer and director.
- Related party transactions as described under Item 2.9 "Related Party Transactions" and those with the Manager and the Velev Capital GP Inc. described in the financial statements

Additionally, pursuant to the Conflicts Policy, as the Manager secures mortgage funding opportunity from a client it will seek to fund that mortgage in the following order:

- (i) first, to the Corporation or jointly with SPV LP, with the Corporation seeking to co-invest with SPV LP to the maximum extent possible;
- (ii) if the Corporation or SPV LP is unable or unwilling to fund such mortgage, then to Velev Capital Limited Partnership and its affiliates, or other funds that the Manager has an interest in (collectively, "**Related Funds**"); and
- (iii) if the Related Funds are unable or unwilling to fund such mortgage, then to any other third party mortgage provider as may be selected by the Corporation.

The Conflicts Policy and its associated processes and controls will be reviewed and updated, if required, and at least annually. The review will be completed in order to ensure that the Conflicts Policy remains consistent with business strategy, internal practices, industry practices and applicable regulatory requirements.

2.3 Development of Business

The Corporation was incorporated on January 18, 2018 under the OBCA. See Item 2.2 "The Business".

The Corporation entered into the Custodial Agreement with Computershare Trust Company of Canada dated August 24, 2018. Computershare is a federally regulated trust company duly licensed to provide trust services throughout Canada. As custodian, Computershare will hold title to the mortgages, providing additional assurance to the investors of the acquisition, and holding of the mortgages acquired. The form of the agreement is consistent with the form mandated by the government agency, Canada Mortgage and Housing Corporation.

Offering of Series A Preferred Shares and Listing on Jamaican Stock Exchange

On January 18, 2019, the Corporation completed an offering of 2,683,400 Series A Preferred Shares to purchasers in Jamaica at a price of US\$2.00 per share for gross proceeds of US\$5,366,800. The offering was made pursuant to a prospectus of the Corporation dated November 21, 2018 that was filed with the Financial Services Commission of Jamaica and the JSE. The Series A Preferred Shares are currently listed for trading on the JSE and trade under the symbol "ELMIC". The net proceeds from the issuance of the Series A Preferred Shares were used to acquire an initial mortgage portfolio.

Expansion of the Consolidated Portfolio

Equityline SPV Limited Partnership

The Corporation has enhanced its access to capital and liquidity through a co-investing arrangement with SPV LP. SPV LP established the SPV Credit Facility, a captive securitization-based credit facility. The SPV Credit Facility is a \$55 million credit facility with a Schedule I Canadian chartered bank. The Corporation and SPV LP entered into the Mortgage Participation Agreement with respect to co-investments in mortgages, as described below, which leverages the credit available under the SPV Credit Facility.

Due to its lower credit risk profile, SPV LP is able to obtain more debt funding per mortgage than the Corporation, and do so at a lower rate than would be available to the Corporation. Pursuant to the Mortgage Participation Agreement, SPV LP, using funding under the SPV Credit Facility, and the Corporation, using funding from the Offering and other sources, will jointly fund mortgages sourced by Equityline Financial in proportions to be agreed, subject to debt limits under the SPV Credit Facility (as described below).

SPV LP holds the mortgages subject to the security granted for the debt. Under the Mortgage Participation Agreement, SPV LP acquires its percentage beneficial interest in the mortgages using the amount of the debt it obtains, which partially funds the mortgage. The lender under the SPV Credit Facility has agreed to fund mortgages based on the Borrowing Base amount. “**Advance Rate**” means, with respect to First Lien Eligible Mortgages, 80.00%, and with respect to Second Lien Eligible Mortgages, 50.00%. The result is that SPV LP funds 80% of first mortgages and 50% of second mortgages. The balance of the mortgages in excess of the funded amount of the debt is funded by the Corporation. The result is a co-owned mortgage between the SPV LP and the Corporation subject to the secured debt. The mortgages are serviced by the Manager under a servicing agreement.

As senior participant, SPV LP is entitled to receive amounts in respect of interest paid on the mortgages (after payment of the management fee to the Manager) equal to amounts it pays on the SPV Credit Facility, plus 0.25%. The Corporation is entitled to receive all remaining amounts respect of interest paid on the mortgages. The use of SPV LP to contribute to mortgage funding is intended to provide the economic benefits of enhanced spread income to the Corporation, being the spread not only on its proportionate interest in the mortgages, but that of the SPV LPs proportionate interest. The SPV Credit Facility provides the ability for the Corporation to increase portfolio size and assets under management for the Equityline Group and have the beneficial interest in the mortgages acquired in excess of the funded debt of SPV LP without taking on its own debt risk.

The Corporation is the sole limited partner of SPV LP, Equityline SPV GP Inc., which is wholly owned by Sergiy Shchavyelyev, a director, and the President, Chief Executive Officer and Secretary of the Corporation, is the general partner of SPV LP.

A total of \$20.5 million has been drawn on the SPV Credit Facility to make mortgage loans jointly with the Corporation, where the Corporation is providing the balance of the mortgage funding amounts from its own fund and funding sources.

Portfolio Activity

The Corporation has specifically targeted investments in mortgages where the yield and other fees generated from the mortgages enable it to pay out the monthly cumulative dividends on its issued shares and the interest on its debentures.

The Consolidated Portfolio as of December 31, 2022 is described in Schedule 2. The current Consolidated Portfolio consists of a diversified pool of mortgages or interests therein, as well as certain interests in real property, and is consistent with the criteria established in the Portfolio Restrictions. The mortgage loans comprising the Consolidated Portfolio as of December 31, 2022 include the following attributes:

- 99.6% of the mortgages are secured by residential, and 0.4% by commercial properties;
- primarily home equity lines of credit with interest only payment terms;
- approximately 81% of the Consolidated Portfolio that is mortgage loans consists of first mortgages and 19% consists of second mortgages; within the MIC Portfolio is a real estate asset valued at \$10,800,000;
- terms of up to 12 months, with a historic average of 10 months;

- average mortgage size of \$392,544;
- loan-to-value ratios of no more than 80%, with a historic average of 71% to 75%;
- invested primarily in urban markets in Ontario; and
- secured by the properties to which they relate, typically accompanied by corporate and/or personal guarantees of the borrowers.

100% of the Consolidated Portfolio is invested in Ontario urban markets. Regulatory changes, including the B20 guidelines, have resulted in most residential-focused lenders tightening up on income qualification. The resulting difficulty in qualifying for institutional loans has forced borrower migration to private lenders, as demonstrated through a large demand increase for private mortgage products nationwide.

During the year ended December 31, 2022, the Corporation, alone or with SPV LP, funded 71 new mortgages totaling \$31.8 million. As of December 31, 2022, the Consolidated Portfolio consisted of 73 residential mortgages and 1 commercial mortgage, with a value of \$31.6 million. For the 12 months ended December 31, 2022, 99.6% of the mortgage deals funded were residential mortgages, with 0.4% being commercial mortgages.

The Management Fee payable by the Corporation is equal to 1% per annum of the Aggregate Funded and Committed Assets of the Corporation, calculated daily, aggregated and paid monthly in arrears, plus applicable taxes. For the year ended December 31, 2022, the Corporation and SPV LP incurred management fees of \$278,658, which fees were waived by the Manager (in comparison to \$133,847 incurred in 2021).

Portfolio Summary

Certain details with respect to the Consolidated Portfolio are set out below. This data is as of July 31, 2023.

The average of the interest rates payable under the mortgages, weighted by the principal amount of the mortgages	10.95%	
the average of the terms to maturity of the mortgages, weighted by the principal amount of the mortgages	4.31	
the average loan-to-value ratio of the mortgages, calculated for each mortgage by dividing the total principal amount of the issuer's mortgage and all other loans ranking in equal or greater priority to the issuer's mortgage by the fair market value of the property, weighted by the principal amount of each mortgage	74.28%	
the principal amount, and the percentage of the total principal amount of first priority mortgages	\$23,391,200	\$23,391,200
the principal amount, and the percentage of the total principal amount of second priority mortgages	\$5,712,000	\$5,712,000
the principal amount, and the percentage of the total principal amount of third priority mortgages	Nil	Nil
the principal amount, and the percentage of the total principal amount of the mortgages, that is attributable to each jurisdiction of Canada, each state or territory of the United States of America and each other foreign jurisdiction:		
Jurisdiction	Principal Amount	Percentage
Ontario	\$29,103,200	100%

a breakdown by property type, and the principal amount, and the percentage of the total principal amount of the mortgages, that is attributable to each property type;		
Property type	Principal Amount	Percentage
Single Family Detached	\$21,530,950	73.98%
Lot / Land	\$662,500	2.28%
Condominium	\$2,349,750	8.07%
Semi-Detached	\$890,000	3.06%
Townhouse	\$3,670,000	12.61%
with respect to mortgages that will mature in less than one year, the percentage that those mortgages represent of the total principal amount of the mortgages		100%
with respect to mortgages with payments more than 90 days overdue, the number of those mortgages, the principal amount of those mortgages, and the percentage that those mortgages represent of the total principal amount of the mortgages		Nil
with respect to mortgages that have an impaired value, the principal amount, and the percentage that those mortgages represent of the total principal amount of the mortgages		Nil
for any mortgages that are not impaired or in default, but for which the issuer has made accommodations to respond to financial difficulties of the borrower, if the accommodations would be material to a reasonable investor, a summary of the accommodations, and the principal amount, and the percentage that those mortgages represent of the total principal amount of the mortgages		Nil
the average credit score of the borrowers, weighted by the principal amount of the mortgages		697

No single mortgage comprises 10% or more of the total principal amount of the mortgages. The Corporation does not hold any self-liquidating financial assets other than mortgages.

Portfolio Performance

(1) For the 10 most recently completed financial years of the issuer ended more than 120 days before the date of the offering memorandum, provide performance data for the issuer's portfolio.

	2019	2020	2021	2022	2023 (6 months)
<i>Series A Preferred</i>	8.0%	8.0%	8.0%	8.0%	8.0%
<i>Series B Preferred</i>	N/A	N/A	8.0%	8.0%	8.0%
<i>Series F Preferred</i>	N/A	N/A	8.5%	8.5%	8.5%

(2) Describe the methodology used with respect to the following:

(a) determining the value of the securities in the portfolio for the purposes of calculating the performance data;

The performance data is calculated by dividing the dividend payments for each share series by the purchase price thereof. For part years, such data is annualized.

(b) calculating the performance data of the portfolio.

The performance data is calculated by dividing the dividend payments for each share series by the purchase price thereof. For part years, such data is annualized.

The dividend payment performance of the portfolio has been consistent for years 2019 through July 31, 2023, with no variation from year to year, other than per series. Therefore, the performance of the portfolio has been stable. No additional dividends have been paid.

Ongoing Disclosure

The Corporation will not provide any specific updates to the disclosure in this Offering Memorandum regarding the composition of the Consolidated Portfolio, other than as may be included in period financial reports, including annual and quarterly financial statements and related management discussion that is filed in accordance with applicable securities laws in Canada or in Jamaica and available on the Corporation's website.

Real Estate Property

Description of Real Property

The Corporation holds one real property interest, being a property located at 478-490 Kingston Road, Pickering, Ontario, L1V 1A4 (the "**Real Estate Property**"). The property consists of an Esso Gas Bar with a 2,000 ft² "On the Go" Convenience Store and a Tim Horton's, as well as a detached, three-story 6,842 ft² office building. The office building consists of the following units offered for lease:

Main floor:

- One unit – 1589.39 ft²

Second floor:

- Two units of 1200 ft² and 1250 ft² respectively.

Third floor:

- Two units of 1200 ft² and 1250 ft² respectively.

The office building is 80% leased as of July 31, 2023. The property is approximately 8 years old. It was constructed with block and concrete. Velev Capital GP Inc. ("**Velev**") manages the Real Estate Property.

The Real Estate Property is being held for investment purposes. The Corporation determined the purchase price of the Real Estate represented an undervalued acquisition opportunity. The appraised value at the time of purchase was \$10.8 million and the purchase price was \$10.2 million, representing a \$600,000 unrealized gain. Plus, upon review, the acquisition price represented less than 25% of the assets within the MIC Portfolio (as required within the MIC guidelines). Velev has the right to repurchase the Real Estate Property until December 31, 2024, at a purchase price of \$13,000,000, and must repurchase the Real Estate Property if the Manager obtains a re-zoning to permit a mid-rise condominium to be constructed on the property.

The Corporation holds the beneficial interest in the Real Estate Property. The Manager is recorded on title as the registered owner. The Manager holds title as trustee for the Corporation. The Real Estate Property is subject to a mortgage in favour of ELLE Mortgage Corporation in the amount of \$6,500,000.

There are no environmental liabilities, hazards or contamination on the Real Estate Property. There are no tax arrears. There are no legal proceedings related to the Real Estate Property.

Transfers

The Real Estate Property was originally owned by 2545174 Ontario Inc., which was subject to receivership proceedings. Velev acquired the property out of receivership on August 9, 2022, pursuant to a vesting order of the Ontario Superior Court of Justice, paying a total of \$7,300,000. The Manager was recorded as the registered owner. The Manager was holding title in trust for Velev. Velev subsequently made payments totaling \$2,900,000 in respect of accrued interest on the Real Estate Property's mortgage and related fees to the mortgagee, legal fees related to the receivership and the

purchase of the Real Estate Property. Velev sold its beneficial interest in the Real Estate Property to the Corporation on August 15, 2022 for a total of \$10,200,000, being the aggregate of the original purchase price of \$7,300,000 plus the additional amounts paid by Velev.

Date of transfer	Legal name of seller	Legal name of buyer	Amount and form of consideration
August 9, 2022	BDO Canada Limited (as receiver)	Equityline Services Corp., in trust for Velev Capital GP Inc.	\$7,300,000
August 15, 2022	Velev Capital GP Inc.	Equityline Mortgage Investment Corporation (Equityline Services Corp. continues to hold registered title)	\$10,200,000

Appraisal

The Real Estate Property was appraised by Jennifer Skimm of Musso Appraisals Inc. with an effective date of April 27, 2023. The appraised value was \$10,800,000. This appraisal is required to be delivered to the purchaser at the same time or before this offering memorandum is delivered to the purchaser.

The most recent assessment of the Real Estate Property by the Ontario Municipal Property Assessment Corporation was dated November 17, 2022 and assessed its value at \$2,706,000.

Risk Factors

There are inherent risks with the Real Estate Property. Investments in real estate assets are subject to varying degrees of risk, in particular for issuers such as the Corporation that have a need to generate distributable cash and may be subject to demands for redemptions from securityholders. An investment in real estate cannot generally be quickly converted to cash, limiting the ability to promptly convert real estate assets into cash or other permitted assets in response to changing economic, financial and investment conditions.

Real estate investments may not generate revenues sufficient to meet related operating expenses, including mortgage costs, or, even if sufficient in that regard, sufficient to meet dividend and interest obligations on the capital used to finance its acquisition. A property's net operating income can be affected by, among other things:

- increases in interest rates, real estate tax rates and other operating expenses;
- poor property management decisions;
- property location and condition;
- competition from comparable types of properties;
- changes in specific industry segments; and
- declines in regional or local real estate values, or occupancy rates.

All or a majority of the revenues from the Real Estate Property depend on rental rates and occupancy levels, and lease terminations could have an adverse effect. In addition, defaults on lease payment obligations by tenants would cause lost revenue and, depending on the level, require the Corporation to find an alternative source of revenue to pay mortgage indebtedness and prevent a foreclosure action. In addition, periods of economic slowdown or recession, or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or increased defaults under existing leases.

Investments in real estate assets also are subject to adverse changes in general and specific economic conditions which can affect the value of real estate, including by affecting the demand for rental space. While there is an obligation on the part of Velev to repurchase the Real Estate Property, if the Manager does not obtain a re-zoning Real Estate Property and does not otherwise purchase it, then the assets will be subject to all the risks inherent in holding real estate and the value thereof. Factors also affect the value of real estate assets include:

- local conditions such as an oversupply of space or reduced demand for real estate assets of the type owned;
- inability to collect rent from tenants;
- vacancies or inability to rent space on favorable terms;
- inflation and other increases in operating costs, including insurance premiums, utilities and real estate taxes;
- adverse changes in the laws and regulations applicable to the property or the holding of real estate;
- the relative illiquidity of real estate investments;
- changing market demographics;
- an inability to finance or re-finance a property on favorable terms;
- acts of God, such as earthquakes, floods or other uninsured losses; and
- changes or increases in interest rates and availability of permanent mortgage funds.

In addition, because the Corporation is a MIC, it must rely on third parties to operate any real estate owned. Thus, we have retained Velev to operate the Real Estate Property. While Velev is controlled by the Corporation's CEO, the Corporation does not have the authority to directly control any particular aspect of daily operations and the Corporation may not be able to require change to the method of operation that it believes are necessary for income or value preservation. Even if we terminate or replace any manager, there is no assurance that we will be able to find another manager or that we will be able to enter into new management agreements favorable to us.

Defaults on the mortgage on the Real Estate Property may result in the Corporation losing the property as a result of foreclosure actions initiated by the lender.

Highlights of Financial Performance for 2022

The Corporation ended its year end 2022 with a net income and comprehensive income of \$(1,522,951) for the period (in comparison to \$(1,308,780) net income and comprehensive loss earned in 2021). The total Consolidated Portfolio had a book value of \$42.5 million as of December 31, 2022, compared to \$14.6 million as of December 31, 2021. The Consolidated Portfolio generated interest income of \$2,757,833 for the year ended December 31, 2022, compared to \$1,518,288 for the year ended December 31, 2022.

The annual Statement of Loss and Comprehensive Income for the year ended December 31, 2022 can be found in the attached Annual Financial Statements for the year ended 2022.

The accounting standards prescribe that capital issued with a redemption option must be reported as a liability, and costs associated with the issuance of the same capital be amortized over the expected redemption period. As such, the Preferred Shares have been classified as a long-term liability, and therefore dividends paid on those shares are recorded as expenses and associated expenses are recorded as accretion of transaction.

Management's Assessment of the COVID-19 Pandemic in relation to the Business of the Corporation

As of the date of this Offering Memorandum, the Corporation's strategy for the deployment of capital into mortgages has not changed due to the COVID-19 pandemic as, in the Manager's view, the fundamentals for underwriting mortgages have not shifted materially. In the Manager's opinion, the Consolidated Portfolio has not been impacted by the COVID-19

pandemic, demonstrated by the fact that there have been no mortgage defaults in the Consolidated Portfolio. The Manager has not offered any mortgage deferrals to mortgagees. Notwithstanding the Manager's belief, there can be no guarantee that the Manager's views will be accurate, and they may materially differ from actual events or results. Although the Manager believes its views are reasonable, future results cannot be guaranteed since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies, particularly in light of the COVID-19 Pandemic. Many factors could cause actual results to differ materially from the Manager's views.

For the fiscal year ended December 31, 2022, COVID-19 had a minimal effect on the Corporation's income, evidenced by the fact that there were no foreclosures within the Consolidated Portfolio.

There continues to exist the possibility of on-going or renewed local or national shutdowns if the spread and danger of COVID-19 re-emerges, and if it did there is no guarantee that the investment strategy of the Corporation can be effectively implemented in a manner to provide a positive return to investors of the Corporation and/or the return of their investment capital.

2.4 Long Term Objectives

See Item 2.2 "The Business – Investment Objectives" and Item 2.2 "The Business – Investment Strategies".

In order for the Corporation to accomplish its long-term objectives, the following must occur:

- a) the Corporation must complete its short-term objectives described under Item 2.5 "Short Term Objectives and How We Intend to Achieve Them" below; and
- b) the Manager must prudently manage the business and affairs of the Corporation and the Portfolio on an ongoing basis, subject to the lending criteria and the Portfolio Restrictions.

2.5 Short Term Objectives

The Corporation's objectives over the next twelve months are to raise sufficient funds to expand the Corporation's diversified Portfolio of mortgages and to build a larger shareholder base. These would principally be achieved through the Offering of the Offered Shares.

The costs associated with achieving the Corporation's short-term objectives include the costs of the Offering and ongoing compliance and administrative costs, including the organizational costs of the Corporation, the fees payable to the Manager and its Affiliates and the commissions paid by the Corporation, if any, to the Agents in connection with the distribution of the Offered Shares or through other financings.

Actions to be Taken	Target Completion Date	Cost to Complete ⁽¹⁾
Raise proceeds up to the maximum Offering for each of the Offered Shares as applicable.	Ongoing	Up to \$22,900,000 ⁽²⁾
Deploy net proceeds from the Offering in a manner consistent with the Corporation's investment objectives, investment strategies and Portfolio Restrictions to expand the Consolidated Portfolio and to build a larger shareholder base, as stated under Item 1.2 " <u>Use of Available Funds</u> ".	Ongoing	Up to \$297,280,000 ⁽³⁾

Notes:

- (1) Assumes a maximum Offering of \$320,000,000 (based on the target offering for the Series F Preferred Shares and Series I Preferred Shares) and that, for purposes of costs, all issued securities are Series B Preferred Shares. See Item 1.2 "Use of Available Funds".
- (2) Consists of commissions and Offering costs. See Item 1.1 "Funds".

(3) Consists of the net proceeds to be used to invest in mortgages. See Item 1.2 "Use of Available Funds".

2.6 Insufficient Funds

The funds raised by the Corporation pursuant to the Offering may not be sufficient to accomplish all of the Corporation's proposed objectives and there is no assurance that alternative financings will be available.

In order to facilitate the timely funding of mortgages, bridging the maturity of mortgages and to manage working capital timing requirements, the Corporation may enter a demand operating loan facility with a financial institution or another lender. This facility may be collateralized by a general security agreement that provides the lender with a first charge on all of the Corporation's assets and undertakings. No such facility has been entered into as of the date of this Offering Memorandum. See Item 2.2 "The Business – Investment Strategies".

2.7 Additional Disclosure for Issuers Without Significant Revenue

Not applicable.

2.8 Material Contracts

The following summarizes all material contracts, and the material terms thereof, to which the Corporation is currently a party or which have been entered into with an Affiliate. Prospective investors may inspect a copy of each of the material agreements described below, to the extent any such agreement has been entered into by the parties thereto, during normal business hours at the offices of the Corporation at 550 Highway 7 Ave E. Suite 338, Richmond Hill, Ontario, L4B 3Z4 or by contacting the Corporation at 1-888-269-1988 or info@equitylinemic.com, and a copy of such requested material agreements will be e-mailed to a prospective investor.

Management Agreement

The Corporation and the Manager have entered into the Management Agreement, which is summarized below. The Manager is controlled by Mr. Shchavyelyev.

This is a summary only and is subject to the complete terms and conditions of the Management Agreement.

General

Pursuant to the Management Agreement, Equityline Services Corp. was appointed as the Manager of the Corporation. The Manager will manage and control the mortgage investments and activities of the Corporation (directly or indirectly) and to provide administrative and management services, and as appropriate, act as agent or trustee for the Corporation in exchange for compensation in the amount of the Management Fee.

The Management Agreement, unless terminated as described below, will continue until the dissolution and winding-up of the Corporation. Pursuant to the Management Agreement, the Manager agrees to act on a basis which is fair and reasonable and exercise its powers and duties under the Management Agreement honestly, prudently, in good faith and in the best interests of the Corporation and, in connection therewith, to exercise the degree of care, diligence and skill that might reasonably be expected from a prudent manager of a business of similar nature, having similar responsibilities, and in the same general business. The Manager will not be liable in connection with the performance of its activities under the Management Agreement except in cases of wilful misconduct, bad faith, negligence, breach of its standard of care owed under the Management Agreement or material breach or default of its obligations under the Management Agreement.

Management Services

The Manager shall provide full management services for the Corporation in relation to the business and activity of the Corporation, consisting of the day-to-day supervision, management and operation of mortgage investments and real estate as follows:

- 1) comply with the portfolio diversification requirements, investment restrictions and investment objectives and strategies of the Corporation;

- 2) supervise the preparation of mortgage agreements, security documents and opinions and the disbursement of funds;
- 3) conduct monitoring of the investment exposures and covenant compliance of each mortgage investment; and
- 4) provide day-to-day management and administration of the portfolio of investments, including monitoring and servicing the collection.

As to the management of the portfolio of investments, the Manager will:

- 1) undertake the day-to-day management, including the following but excluding those activities which require licensing as a mortgage broker or administrator which activities will be delegated to a duly licensed Affiliate or third party:
 - a) preparation of a monthly report on the costs and expenses incurred by the Corporation, the balance of the Corporation's bank accounts and the contributions and distributions during the previous month such report to be delivered by the 15th day of each calendar month using data from the previous month;
 - b) quarterly unaudited accounting and reporting of the performance of the Portfolio investments and the activity of the Corporation, such quarterly report or review to be prepared by the 15th day after the last day of each of April, July and October in each calendar year during the term of the Management Agreement; and
 - c) quarterly reviews of (i) the Portfolio; and (ii) each Portfolio investment, such quarterly report or review to be prepared by the 20th day of each April, July and October in each calendar year during the term of the Management Agreement.
- 2) manage the minimization of losses, including the monitoring of all investments which form the activity of the Corporation, and with credit oversight pursuant to the credit and collection policy of the Corporation and Manager in furtherance of appropriate monitoring and oversight for similar businesses;
- 3) ensure that each investment in the MIC Portfolio is undertaken in accordance with the requirements for a compliant portfolio for a MIC and so as to achieve the intended credit quality, including undertaking portfolio acquisitions specifically in accordance with the portfolio diversification requirements of the Corporation;
- 4) prepare an annual report and review of the activity of the Corporation, including audited annual financial statements; and
- 5) recommend to the Corporation and manage the dividend payments to the shareholders of the Corporation.

As to the general management of the Portfolio of investments, the Manager will do the following:

- 1) undertaking matters in relation to: (i) the proactive investment origination (identification and evaluation of prospects, relationship management with prospects, investment opportunity evaluation and initial due diligence, etc.); and (ii) the acquisition of investments forming the activity of the Corporation;
- 2) evaluation of investment proposals from brokers, agents and other sources;
- 3) negotiation, preparation and presentation of investment documentation, including negotiation of terms and conditions (subject to the involvement of duly licensed mortgage brokers and administrators as required by the law);
- 4) coordinating and supervising the provision of services of any person or company retained on behalf of or as agent of the Corporation or including mortgage brokerage and administration;
- 5) enforcing any rights of the Corporation or defending any claims made against the Corporation on such terms and conditions as the Manager may in its sole discretion deem satisfactory;

- 6) taking all such action as may be required to maintain the existence of the Corporation; and
- 7) providing such other advice and services as the Corporation may from time to time request in connection with the activity of the Corporation and the investments held.

Administrative Services

The Manager shall provide administrative services for the Corporation as follows:

- 1) at all times maintain appropriate books of account and records for the Corporation in accordance with good accounting practice;
- 2) deliver financial information and reports in the form and at the times as are reasonably required;
- 3) provide the clerical, administrative and operational services necessary for the proper head office administration of the Corporation, including, without limitation, the provision of office accommodation and office equipment and facilities and personnel for the performance of such head office services, in accordance with the provisions of the Management Agreement and provision of such other facilities as may be required for the purpose of fulfilling the Manager's duties;
- 4) perform the duties of keeping accounts and records of banking activities of the Corporation and the investments;
- 5) prepare and file all tax and securities law filings required to be filed in connection with the activity of the Corporation and the investments and determine tax instalments payable, if any;
- 6) deal with and reply to all correspondence and other communications addressed to the Corporation or relating to the activity of the Corporation and the investments;
- 7) maintain and permit any duly authorized representative of the Corporation to inspect documents or records kept in possession of the Manager in connection with the activity of the Corporation and the investments;
- 8) satisfy and maintain all such requirements, consents and approvals as are needed to comply with privacy legislation throughout Canada, such that each of the Manager, the Corporation, the auditors and accountants of the Corporation, shall have a right to review the credit files and appropriate consents as to the release of any personal or confidential information, which consents will comply with all applicable privacy legislation;
- 9) maintain all of the books, records, materials or otherwise, created or arising in connection with the provision of the management services under the Management Agreement, for and on behalf of the Corporation, subject to appropriate systems designed to ensure the continuation of the management activities provided for;
- 10) ensure that the maintenance of all books, records, and the receipt and disbursement of any information by or on behalf of the Corporation meets privacy, security and confidentiality standards which are in compliance with all privacy legislation, and is in compliance with the laws, statutes, regulations and guidelines governing the Corporation, and making available for audit and inspection all such books, records and materials, to the Corporation;
- 11) be responsible for all capital markets activities, including all activities in relation to the offering of securities of the Corporation in accordance with the applicable provisions of the Corporation's offering documents (whether under prospectus or otherwise) and Articles of the Corporation and by-laws and the laws of all relevant and applicable jurisdictions;
- 12) actively and regularly evaluate the Portfolio in the context of the investment objectives and for compliance with the Portfolio Restrictions and the investment restrictions and monitor regularly on an ongoing basis the Corporation's compliance with applicable laws and regulatory requirements, and with the requirements under the Tax Act to qualify as a "mortgage investment corporation" thereunder;
- 13) negotiate contractual arrangements with third-party providers of services to the Corporation including, but not limited to, registrars, transfer agents, auditors and printers, and appoint, supervise and remove such third-party service providers and any replacements upon such terms as the Manager shall think fit;
- 14) manage and administer the payment to be made by the Corporation to its providers of goods and services;

- 15) instruct and supervise legal counsel in the drafting, execution and registration of valid and enforceable mortgage security for each loan;
- 16) recommend to the Board the amount of distributions to be made by the Corporation to holders of Offered Shares, if necessary; and
- 17) do all such acts (including such advising and management services with respect to the Portfolio), take all such proceedings, execute all such documents and exercise all such rights and privileges, although not specifically mentioned here, as the Manager may deem necessary or ancillary to administer the Corporation and its affairs, and to carry out the purposes of the Corporation in order for the Corporation to seek to achieve its investment objectives or as the Corporation may from time to time reasonably request.

Accounts

The Manager will undertake all collection activities for, and deposit the funds as received by, the Corporation into a trust account established for the benefit of the Corporation, to be received and maintained in accordance with the terms of the Management Agreement.

Insurance

The Manager will maintain such insurance as it reasonably considers necessary, at the expense of the Corporation.

Fees

As remuneration for its services to be rendered under the Management Agreement, the Corporation shall pay to the Manager a fee equal to 1% per annum of the Aggregate Funded and Committed Assets of the Corporation, calculated daily, aggregated and paid monthly in arrears, plus applicable taxes. In connection with each mortgage funded by the Corporation, the Corporation acknowledges that the Manager shall negotiate a Lender Fee, being a mortgage origination and servicing fee payable by the borrower at the time of the negotiation and commitment of a mortgage and renewal fees at the time of renewal of any mortgage. Lender Fees are expected to be between 2% - 5% of the gross value of a mortgage. The Manager is also entitled to be reimbursed by the Corporation for certain expenses incurred in performing its obligations, subject to the provisions of the Management Agreement.

Termination

The Management Agreement shall be terminated if: (i) the Manager resigns; (ii) the Corporation is wound-up or substantially all of the investments of the Corporation are sold; (iii) the Manager consents to or makes a general assignment for the benefit of creditors, or makes a proposal to creditors under any Insolvency Law, or is declared bankrupt or if a liquidator, trustee in bankruptcy, custodian or receiver or receiver and manager or interim receiver or other officer with similar powers is appointed to administer the property of the Manager; (iv) the Manager is convicted of fraud; or (v) the Manager is validly removed pursuant to the Management Agreement and the Articles of the Corporation.

The Corporation or the Manager may terminate the Management Agreement if the other party is in material default of its material obligations under the Management Agreement and does not remedy such breach within 60 days after written notice of such default is provided by a non-defaulting party.

Indemnification

To the extent permitted by applicable law, the Corporation shall indemnify and hold harmless the Manager and its directors, officers, employees and representatives (each, a "**Manager Indemnitee**", and collectively, the "**Manager Indemnitees**") from and against any loss (other than loss of profits), expense, damage or injury suffered or sustained by any of the Manager Indemnitees by reason of any acts, omission or alleged acts or omissions arising out of their activities on behalf of the Corporation or in furtherance of the interests of the Corporation, including but not limited to any judgment, award, settlement, reasonable attorneys' fees and disbursements and other costs or expenses incurred in connection with the defence of any actual or threatened action, proceeding or claim (a "**Claim**"), provided that the acts, omissions or alleged acts or omissions upon which such Claim is based were within the scope of the authority of the Manager in accordance with the Management Agreement and were to the result of such indemnitees' wilful misconduct, bad faith, negligence,

breach by the Manager Indemnitee of its standard of care owed under the Management Agreement, or breach or default by the Manager Indemnitee of its obligations under the Management Agreement. Any such indemnification shall only be from the assets of the Corporation.

Custodial Agreement

The Corporation and the Custodian entered into a custodial agreement on August 24, 2018, which is summarized below.

This is a summary only and is subject to the complete terms and conditions of the Custodial Agreement.

General

Pursuant to the Custodial Agreement, Computershare Trust Company of Canada was appointed as custodian, agent nominee and bailee for and on behalf of the Corporation to hold registered title to mortgage loans of the Corporation as agent, nominee and bailee.

The Custodian will continue to act as custodian and perform its duties and obligations under the Custodial Agreement until its resignation or removal and the appointment of a successor Custodian pursuant to the Custodial Agreement, it being acknowledged that the Corporation may appoint itself as successor Custodian. Pursuant to the Custodial Agreement, the Custodian undertakes to perform such duties and only such duties as are specifically set forth in the Custodial Agreement, with the degree of skill, care and diligence as would a prudent custodian.

Register of Mortgages

The Custodian will maintain a register of mortgages (the "**Register**") in accordance with the Custodial Agreement and, upon request, will provide confirmation to the Corporation of all mortgage loans being held pursuant to the Register. The Custodian will update the Register from time to time, and in every case in accordance with the terms of the Custodial Agreement.

Ownership of Deposited Property

The Deposited Property with respect to each mortgage loan of the Corporation and the proceeds thereof, are at all times the sole and exclusive property of the Corporation, as the sole beneficial owner thereof. Such ownership interest in the Deposited Property entitles the Corporation solely and exclusively to the proceeds from the Deposited Property and to the assignment and transfer of such Deposited Property in accordance with the Custodial Agreement.

Fees

The fees in connection with the services provided by the Custodian are industry standard. In addition, the Custodian is to be reimbursed, upon request, for all reasonable expenses and disbursements incurred or made by the Custodian in the administration of its services and duties under the Custodial Agreement, subject to the terms therein.

Limitation of Liability of Custodian

Pursuant to the Custodial Agreement, neither the Corporation nor any person appointed by the Corporation to administer, collect and enforce mortgage loans of the Corporation as servicer (a "**Servicer**") nor the successors or assigns of any of such person, has or will have any claim, remedy or right to proceed against the Custodian in its individual corporate capacity for the payment of any liability resulting from any fraud, gross negligence, bad faith or wilful misconduct by any person other than the Custodian or those for whom it is in law responsible, of any representation, warranty, covenant or other agreement of any nature whatsoever in the Custodial Agreement. The Custodian is not responsible for the accuracy or content of any order, request, resolution, certificate, statement, writing, direction, instruction, opinion, report, document or other instrument furnished by the Corporation or a Servicer to and accepted by the Custodian in good faith, pursuant to the Custodial Agreement. The Custodian will not be liable for any error of judgement, or for any act done or omitted by it in good faith, or for any mistake of fact or law, or for anything which it may do or omit from doing in connection herewith, except its own fraud, wilful misconduct, bad faith or gross negligence.

Indemnity

Without limiting any protection or indemnity of the Custodian under any other provision of the Custodial Agreement, or otherwise at law, the Corporation agrees to indemnify and hold harmless the Custodian, its directors, officers, employees, and agents, and all of their respective representatives, heirs, successors and assigns (collectively the “**Custodian Indemnitees**”) from and against any and all liabilities, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including reasonable legal or adviser fees and disbursements, of whatever kind and nature which may at any time be imposed on, incurred by or asserted against the Custodian Indemnitees in connection with the performance of the Custodian's duties and obligations hereunder, other than such liabilities, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements arising by reason of the gross negligence, bad faith, wilful misconduct or fraud of the Custodian.

Termination

The Custodian will continue to act as custodian and perform its duties and obligations under the Custodial Agreement until its resignation or removal and the appointment of a successor custodian pursuant to the Custodial Agreement, it being acknowledged that the Corporation may appoint itself as successor custodian.

The Custodian may resign at any time after giving not less than 60 days prior written notice to the Corporation. No resignation of the Custodian is effective until the appointment by the Corporation of, and acceptance of such appointment by, a successor custodian and the transfer of all Deposited Property to such successor custodian. Until such appointment, acceptance and transfer of all Deposited Property, the Custodian continues to have all of its obligations and responsibilities under this Custodial Agreement; provided, however, that the Corporation will use reasonable and commercial efforts to promptly appoint a successor custodian as soon as possible and in no event will the Custodian be obliged to continue as custodian under the Custodial Agreement for more than 180 days next following the giving of such written notice of resignation.

The Custodian may be removed at any time by notice in writing given by the Corporation to the Custodian if, at any time, the Custodian no longer satisfies all of the requirements of status and legal compliance as set out in the Custodial Agreement or is declared bankrupt or insolvent or enters into liquidation, whether compulsory or voluntary, and not being a voluntary liquidation for the purposes of amalgamation or reconstruction, or if the assets of the Custodian otherwise become liable to seizure or confiscation by any public or governmental authority, or for any other reason and otherwise upon 30 days' written notice. No decision to remove a Custodian under the Custodial Agreement becomes effective until the appointment by the Corporation of, and acceptance of such appointment by, a successor custodian in the place of the Custodian to be removed.

Equityline SPV Limited Partnership

SPV Credit Facility

SPV LP, as borrower, and its general partner, Equityline SPV GP Inc. (the “**General Partner**”) have entered into the SPV Credit Facility (the “**SPV Credit Facility**”) with a Canadian Chartered Bank (the “**Lender**”).

Pursuant to the SPV Credit Facility, the Lender extended a senior secured revolving credit facility to SPV LP, consisting of Advances (as defined below and in the SPV Credit Facility) up to an aggregate principal amount of \$25,000,000 (the “**Facility**”). On October 7, 2022, the Facility was increased to \$55,000,000. The purpose of the Advances is for SPV LP to acquire Eligible Mortgages originated through Equityline Financial Corp. (the “**Originator**”). To secure its obligations, SPV LP has granted the Lender a first priority lien over all of its assets.

This is a summary only and is subject to the complete terms and conditions of the SPV Credit Facility

Advances

Subject to the terms and conditions of the SPV Credit Facility, SPV LP may, not more than four (4) times per month, request that the Lender make a loan to SPV LP (each, an “**Advance**” and collectively, the “**Advances**”). The amount of each Advance may not be less than \$500,000. The aggregate amount of all Advances will not at any time exceed the lesser of (i) the Maximum Available Amount, and (ii) the Borrowing Base at such time. Advances under the SPV Credit Facility may be repaid and re-borrowed, however, the acceptance of any Advance shall be at the lender's sole and absolute discretion. The Lender may also cancel the undrawn portion of the Facility at any time without notice. Each Advance bears interest on the unpaid principal amount from the date made through repayment at the variable rate of interest equal to the Prime Rate plus 1.50% per annum (the “**Interest Rate**”).

The obligation of the Lender to make any Advance is subject to the satisfaction or waiver of certain conditions precedent, including the following:

- (a) each Credit Document shall be in full force and effect, shall include terms and provisions reasonably satisfactory to the Lender and no provision thereof shall have been amended, restated, supplemented, modified or waived in any respect determined by the Lender to be material, in each case, without the consent of the Lender;
- (b) the Lender shall have received a fully executed Funding Notice at least two (2) Business Days prior to the date of such advance (the “**Advance Date**”), setting forth the amount of the requested together with a schedule of Mortgages listing the Mortgages to be pledged in connection with the Advance;
- (c) the Lender shall have received a copy of those Mortgage Files pertaining to Eligible Mortgages that are the subject matter of such Advance that have been requested by Lender, acting reasonably;
- (d) the Lender shall have received any updated financial information or portfolio information as it may reasonably request;
- (e) as of such Advance Date, immediately prior to and after giving effect to such Advance, a Borrowing Base Deficiency shall not exist;
- (f) as of such Advance Date, the representations and warranties made by the applicable Credit Parties contained in the SPV Credit Facility and in the other Credit Documents to which it is a party shall be true and correct in all material respects on and as of that Advance Date to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects on and as of such earlier date; and
- (g) as of such Advance Date, after giving effect to such Advance, no event shall have occurred and be continuing or would result from the consummation of the applicable Advance that would constitute an Event of Default or a Default.

Fees

Pursuant to the SPV Credit Facility, SPV LP agreed to pay the Lender an upfront fee of \$87,500. The Lender received \$43,750 from SPV LP on June 15, 2021. An additional fee of \$52,500 was paid on May 15, 2023.

SPV LP also pays the Lender an annual review fee in the amount equal to 10 basis points of the Maximum Available Amount, in addition to a draw fee simultaneously with each Advance of \$250.

Finally, SPV LP pays the Lender a standby fee on each Settlement Date and Demand Date (as defined therein and below), calculated and accruing daily from the date of execution of the SPV Credit Facility at the rate per annum calculated on the basis of a year of 365 days or 366 days in the case of a leap year, equal to 0.1% times the aggregate of the unutilized portion of the Maximum Available Amount during the previous month or other period, as the case may be.

Prepayment

Pursuant to the SPV Credit Facility, SPV LP retains the right to prepay the total principal amount of all Advances outstanding, together with all accrued and unpaid interest, at any time and without penalty.

Upon the occurrence of a Mortgage Repurchase Event, the Originator will be compelled to repurchase each affected Mortgage in accordance with the terms of the Mortgage Sale and Servicing Agreement. The price paid for the Mortgage will be equal to the Mortgage Repurchase Price, and the funds associated will be deposited directly into a collection account that is maintained by the “Collection Account Bank.” In lieu of this election, SPV LP may instead replace the affected Mortgage with an Eligible Mortgage of equal or greater value, in accordance with the terms of the SPV Credit Facility.

Demand Obligations

The aggregate Obligations outstanding under the Facility will be repaid by SPV LP to the Lender on written demand being made by the Lender (such date of demand hereinafter referred to as the “**Demand Date**”). Expressly, SPV LP has acknowledged and agreed that the Facility is a true demand loan, and that the Lender may terminate any further use of

the Facility and demand payment of the outstanding Obligations at any time after the Demand Date and, upon such written demand, all of the outstanding Obligations will be due and payable.

Reports

The Credit Parties are additionally subject to prescribed reporting obligations for which they are obligated to deliver to the Lender the following documents:

1. A Borrowing Base Certificate in the form prescribed by the SPV Credit Facility, which includes (a) the opening and contractual principal balances of the Eligible Mortgages, (b) principal and interest collections on the Eligible Mortgages and application of funds and (c) various performance metrics relating to delinquency and charged off amounts;
2. A Compliance Certificate which includes, without limitation, the information included in the Borrowing Base Certificate, as well as a calculation of the Delinquency Ratio and the Loss Ratio;
3. Delivery by Equityline Services Corp of a Servicing Report;
4. Upon a Credit Party obtaining knowledge of any condition or event that constitutes an Event of Default or Material Adverse Effect, prompt notification to the Lender about the nature of such event or condition and what action the applicable Credit Party has taken, is taking and proposes to take with respect thereto;
5. Upon a Credit Party obtaining actual knowledge of any Adverse Proceeding or material development in any Adverse Proceeding against any Credit Party that, if adversely determined, is reasonable likely to result in a judgment in an amount in excess of \$150,000, prompt notification to the Lender about the nature of such proceeding together with such other information as may be reasonably available to the Credit Parties to enable the Lender and its counsel to evaluate such matters;
6. Upon any Credit Party becoming aware of a material breach with respect to any representation or warranty made by any Credit Party under the SPV Credit Facility and the transactions contemplated thereby, a certificate of an authorized officer of such Credit Party specifying the nature and period of existence of such breach and what action such Credit Party has taken, is taking and proposes to take with respect thereto;
7. Prior to acquiring any Collateral outside of the jurisdictions where the Lender has a validly registered and perfected security interest or moving any Collateral from one jurisdiction to another jurisdiction where the movement of such Collateral would cause the Lien created by the Security Agreement (i.e. the general security agreement entered into by SPV LP and the Lender, as amended, supplemented or otherwise modified from time to time) over such Collateral to cease to be perfected under applicable law, the applicable Credit Party (a) shall first give ten (10) days prior written notice thereof to the Lender, and (b) shall first execute and deliver to the Lender all security agreements or related instruments and all financing or registration statements in form and substance satisfactory to the Lender together with such supporting certificates, resolutions, opinions and other documents as the Lender may deem necessary or desirable in connection with such security and registrations;
8. Each Credit Party will furnish to the Lender at least ten (10) Business Days prior written notice of any change to its (i) corporate name, or (ii) identity, organizational structure or jurisdiction of organization. Each Credit Party agrees not to effect or permit any change referred to in the preceding sentence unless all filings have been made under the PPSA or otherwise that are required in order for the Lender to continue at all times following such change to have a valid, legal and perfected security interest in all the Collateral. Each Credit Party agrees to promptly notify the Lender if any material portion of the Collateral is damaged or destroyed;
9. In any event within fifteen (15) days following filing, SPV LP will provide the Lender copies of each income tax return or information return or report filed by or on behalf of SPV LP;
10. The Originator shall provide at least ten (10) Business Days prior written notice to the Lender of any material change to the Credit Policies, and in the event of any non-material change to the Credit Policies, prompt written notice; and
11. SPV LP will arrange for an annual field exam of its assets by an external accounting firm (which shall not be the same accounting firm preparing the Originator's, SPV LP or Equityline Services Corp.'s year-end audited financial statements). The cost of the field exam shall be the sole responsibility of SPV LP.

Insurance

SPV LP is obligated to maintain (a) an "errors and omissions" insurance policy in an amount not less than \$2,000,000, (b) an employee fidelity insurance policy in an amount not less than \$2,000,000, and (c) property and casualty insurance in an amount reasonably acceptable to the Lender.

Express Covenants

SPV LP is obligated to abide by certain financial covenants, including the following:

1. At no time shall the Loss Ratio exceed 3.00%, tested monthly;
2. At no time shall the Delinquency Ratio exceed 5.00%, tested monthly;
3. The weighted average yield of the portfolio of Eligible Mortgages shall at all times be at least 1.00% greater than the Interest Rate, tested monthly; and
4. The Originator shall maintain a minimum contribution of equity equal to at least 5.00% of the Eligible Mortgage Balance.

In addition, SPV LP also expressly covenants not to do any of the following:

1. directly or indirectly, create, incur, assume or guarantee, or otherwise become or remain directly or indirectly liable with respect to any Indebtedness, except the Obligations;
2. directly or indirectly, create, incur, assume or permit to exist any Lien on or with respect to any property or asset of any kind (including any document or instrument in respect of goods or accounts receivable) of SPV LP whether now owned or hereafter acquired, or any income or profits therefrom, or file or permit the filing of, or permit to remain in effect, any financing statement or other similar notice of any Lien with respect to any such property, asset, income or profits under the PPSA or under any similar recording or notice statute, except (a) Liens in favor of the Lender granted pursuant to any Credit Document, and (b) Permitted Liens, as defined in the SPV Credit Facility;
3. make or own any Investment, except Investments in Cash and Mortgages and those Investments contemplated by the Credit Documents;
4. enter into any transaction of merger, amalgamation or consolidation, or liquidate, wind up in whole, or in part, or dissolve itself (or suffer any liquidation or dissolution);
5. convey, sell, lease or sub lease (as lessor or sublessor), exchange, transfer or otherwise dispose of, in one transaction or a series of transactions, all or any part of its business, assets (including, but not limited to, the Mortgages) or property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible, whether now owned or acquired after the effective date of the SPV Credit Facility, except for distributions to the Originator of funds received by SPV LP and as otherwise permitted in the Credit Documents;
6. file or consent to the filing of any petition, either voluntary or involuntary, or commence a case under any debtor relief laws, bankruptcy, liquidation or reorganization statute, or make an assignment for the benefit of creditors without the consent of the Independent Directors;
7. acquire by purchase or otherwise the business, property or fixed assets of, or stock or other evidence of beneficial ownership of, any Person or any division or line of business or other business unit of any Person, except Investments made in compliance with the SPV Credit Facility;
8. enter into any Material Contract with any Person, agree to any material amendment, restatement, supplement or other modification to, or waiver of, any of its material rights under any Related Agreement after the closing date of the SPV Credit Facility, or materially amend or permit any material amendments to its organizational documents, without in each case obtaining the prior written consent of the Lender to such entry, amendment, restatement, supplement, modification or waiver, as the case may be;
9. directly or indirectly become or remain liable as lessee or as a guarantor or other surety with respect to any lease of any property (whether real, personal or mixed), whether now owned or hereafter acquired, which SPV LP has sold or transferred or is to sell or to transfer to any other Person, or intends to use for substantially the same

purpose as any other property which has been or is to be sold or transferred by SPV LP to any Person in connection with such lease;

10. directly or indirectly, enter into or permit to exist any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any of its Affiliates other than the transactions contemplated by the Credit Documents;
11. engage in any business other than the businesses engaged in by SPV LP on the closing date of the SPV Credit Facility;
12. change its Fiscal Year without the prior written consent of the Lender;
13. directly or indirectly, voluntarily purchase, redeem, defease or prepay any principal of, premium, if any, interest or other amount payable in respect of any Indebtedness prior to its scheduled maturity, other than the Obligations; or
14. terminate or materially amend the Mortgage Sale and Servicing Agreement without the prior written consent of the Lender.

The Originator also expressly covenants not to directly or indirectly, create, incur, assume or permit to exist any Lien on or with respect to the Pledged Collateral (as defined in the SPV Credit Facility) except (a) Liens in favor of the Lender granted pursuant to any Credit Document, and (b) Permitted Liens.

All Credit Parties expressly covenant not to enter into any transaction of merger, amalgamation or consolidation in which such Credit Party is not the surviving entity, liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, lease or sub lease (as lessor or sublessor), exchange, transfer or otherwise dispose of, in one transaction or a series of transactions, all or substantially all of its business, assets (including, but not limited to, the Mortgages) or property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible, whether owned on the date of the SPV Credit Facility or thereafter acquired, except as otherwise permitted in the Credit Documents, in each case, without the prior written consent of the Lender. All Credit Parties are also barred from making or authorizing any material changes or modifications to the Credit Policies without the prior written consent of the Lender. Finally, no Credit Party can, nor can any of their respective subsidiaries, establish or commence contribution to or otherwise participate in any retirement or pension arrangement that provides defined benefits, acquire an interest in any Person if such Person sponsors, administers, participates in, or has any liability in respect of any retirement or pension arrangement that provides defined benefits.

Events of Default and Termination

The Events of Default (each an “**Event of Default**”) under the SPV Credit Facility include the following:

- (a) failure by SPV LP to make payments of any principal, interest or fees due to the Lender, including without limitation any amounts due on the Demand Date, or the failure of any of SPV LP, the General Partner or Equityline Services Corp. (the “**Credit Parties**”) to make any other payment or deposit required to be made under the SPV Credit Facility;
- (b) occurrence of any default by any of the Credit Parties or any of their respective Affiliates, which failure extends beyond any applicable grace period provided therefor, under any facility with respect to any Indebtedness in excess of \$50,000;
- (c) breach of enumerated covenants and representations of the Credit Parties;
- (d) voluntary or involuntary bankruptcy or receivership of any Credit Party;
- (e) money judgment, writ or warrant of attachment or similar process involving in the aggregate at any time an amount in excess of \$50,000 with respect to each Credit Party;
- (f) order, judgment or decree shall be entered against any Credit Party decreeing the dissolution, winding up or split up of such Credit Party and such order shall remain undischarged or unstayed for a period in excess of sixty (60) days;

- (g) a Change of Control shall occur or any Credit Party shall enter into any transaction of merger, amalgamation or consolidation in which it is not the surviving entity, in each case, without the prior written consent of the Lender, which consent shall not be unreasonably withheld;
- (h) a Borrowing Base Deficiency exists and is not cured within five (5) Business Days of the date such Borrowing Base Deficiency occurred;
- (i) the SPV Credit Facility or any Collateral Document ceases to be in full force and effect (other than by reason of a release of Collateral or satisfaction in full of the Obligations in accordance with the terms of the SPV Credit Facility) or shall be declared null and void or the enforceability thereof shall be impaired in any material respect, or the Lender shall not have or shall cease to have a valid and perfected Lien in any Collateral purported to be covered by the Collateral Documents with the priority required by the relevant Collateral Document, in each case for any reason other than the failure of the Lender to take any action within its control;
- (j) any of the Credit Documents for any reason, other than the satisfaction in full of all Obligations (other than contingent indemnification obligations), cease to be in full force and effect (other than in accordance with its terms) or be declared to be null and void or a party thereto, as the case may be, repudiates its obligations or contests the validity or enforceability of any Credit Document in writing;
- (k) a “Servicer Termination Event”, as defined in the Mortgage Sale and Servicing Agreement, has occurred and has not been cured in accordance with the Mortgage Sale and Servicing Agreement;
- (l) The auditor’s opinion accompanying the audited financial statements of any Credit Party delivered pursuant to the SPV Credit Facility or the Mortgage Sale and Servicing Agreement is qualified in any material manner;
- (m) The occurrence of any event (including a change in law or regulation) that could reasonably be expected to have a Material Adverse Effect; or
- (n) A decree or order is entered by an administrative body (including, without limitation, an administrative order of any Governmental Authority) or by a court of competent jurisdiction, whether or not such decree or order is appealable or is being appealed, in connection with a proceeding brought against any Credit Party or one or more of its Affiliates (i) for the payment of “restitution,” “disgorgement or compensation for unjust enrichment,” “refund of moneys or return of real property” and/or “payment of damages or other monetary relief,” or any similar characterization (other than for civil monetary penalties), (ii) for the payment of civil monetary penalties, or (iii) pursuant to which a Credit Party or one or more of its Affiliates consent or agree to remedies, whether conduct- or monetary-based, in connection with allegations by such administrative body, in such decree or order, resulting from (or relate to remediation of) unfair, deceptive or abusive acts or practices by such Credit Party or any such Affiliate, whether or not such Credit Party or such Affiliate admits that such acts or practices were, in fact, unfair, deceptive or abusive; which, in the case of any of (i), (ii), or (iii) above, results in a Material Adverse Effect on such Credit Party or one or more of its Affiliates;

Upon the occurrence of an Event of Default (and the continuance of those certain prescribed Events of Default in the SPV Credit Facility), the Lender may provide written notice to SPV LP providing that no additional Advances will be made, and that the unpaid principal amount of, and any accrued interest on, any Advances, and all other Advances made under the SPV Credit Facility, shall then become immediately due and payable without presentment, demand or protest by SPV LP. Additionally, upon the occurrence and during the continuance of an Event of Default, the principal amount of all Advances outstanding and any interest payments on the Advances or any fees or other amounts owed will thereafter bear interest at a rate that is 3.00% per annum in excess of the Interest Rate (the “**Default Interest Rate**”) otherwise payable under the SPV Credit Facility until no Event of Default is then continuing. Furthermore, the Lender will then also be entitled to enforce any and all Liens and security interests in respect of the Underlying Collateral pursuant to the exercise of any and all available remedies at law or equity.

Eligible Mortgage Criteria

In order for a Mortgage to be considered an “Eligible Mortgage” for the purposes of the SPV Credit Facility, it must conform to a prescribed set of criteria set out in Appendix B of the SPV Credit Facility. The criteria include the following:

1. The payments under the Mortgage have been made on a timely basis, and in no event are such payments or portions thereof 365 days or more past due,

2. SPV LP has maintained compliance with all of its obligations under the Mortgage,
3. No legal process has been commenced in respect of a breach or default under the Mortgage,
4. Any borrower under the Mortgage, or any other Person who owes or may be liable for payments under the Mortgage (an "**Obligor**"), deals with and continues to deal at arms' length with SPV LP, the Originator, Equityline Services Corp. and any affiliate thereof,
5. Such Mortgage (i) has been duly authorized, executed and delivered by the parties thereto, without any fraud or misrepresentation on the part of SPV LP, the Originator or the related Obligor, (ii) are in full force and effect and (iii) constitute a genuine, legal, valid and binding obligation of such Obligor, enforceable against such Obligor in accordance with its terms;
6. No right of rescission, cancellation, set-off, counter-claim or defence has been asserted or threatened with respect to, and no Person shall have asserted or contested the validity of, such Mortgage, and there are no facts which, with the giving of notice or lapse of time or both, would entitle the Obligor in respect thereof to any right of rescission, cancellation, set-off, counter-claim or defence under such Mortgage; and such Mortgage includes an express waiver of set-off by such Obligor or an express waiver of set-off by such Obligor as against any assignee of such Mortgage or any part thereof;
7. There exists no event of default under such Mortgage and no event has occurred which, with the giving of notice or lapse of time or both, would constitute an event of default thereunder and neither SPV LP nor the Originator has given any consents, approvals or waivers under or in respect of such Mortgage;
8. Such Mortgage has not been amended, cancelled or modified, except where such amendment or modification has been previously disclosed to the Lender;
9. The terms of such Mortgage do not contravene any laws or regulations applicable thereto;
10. There has been no prepayment under such Mortgage which has not been disclosed in writing to the Lender;
11. Such Mortgage is similar in all material respects to one of the standard forms which have been previously delivered to, and approved by, the Lender;
12. All necessary registrations relating to such Mortgage have been made and are in good standing and such Mortgage constitutes a First Lien Eligible Mortgage or a Second Lien Eligible Mortgage;
13. The real property of an Obligor pledged to secure the Mortgage is residential in nature and consists of dwellings containing no more than 4-bedrooms;
14. Such Mortgage is title insured by First Canadian Title Company Limited, or such other insurer approved by the Lender
15. The Loan to Value with respect to the Underlying Collateral shall not exceed 80%;
16. The Underlying Collateral is located in Ontario;
17. The Mortgage does not exceed, where it is (i) a Second Lien Eligible Mortgage, \$500,000, (ii) a First Lien Eligible Mortgage in a Tier 1 Urban Centre, \$1,000,000, (iii) a First Lien Eligible Mortgage in a Tier 2 Urban Centre, \$750,000, (iv) a First Lien Eligible Mortgage in a Non-Urban Centre, \$500,000 and (v) a First Lien Eligible Mortgage in the Greater Toronto Area, \$1,500,000;
18. Such Mortgage, in combination with all other Eligible Mortgages at such time, has a weighted average beacon score (a beacon score is a credit report summary of an individual's credit history) of at least 650;
19. Such Mortgage has a minimum beacon score of 620;
20. Such Mortgage has a maximum term of 12 months;
21. Such Mortgage is not be used for the purpose of financing the construction of a new residence;
22. Such Mortgage shall not be secured by Underlying Collateral that is used primarily for ongoing commercial operations;

23. SPV LP is the beneficial owner of the Mortgage;
24. Such Mortgage is not cross-collateralized or cross-defaulted to any other security;
25. The Mortgage conforms to the representations, warranties and covenants made by SPV LP and the Originator (as applicable) in the Collateral Documents.
26. The Underlying Collateral is located within a Tier 1 Urban Centre, a Tier 2 Urban Centre, a Non-Urban Centre or the Greater Toronto Area;
27. Such Mortgage arises from a bona fide mortgage made to the Obligor thereunder and, at the time of entering into such Mortgage and at all times up to the Advance Date, such Obligor was dealing and continues to deal at arms' length with the Originator, SPV LP, the Servicer, any Affiliate thereof or any officer, director or shareholder thereof;

The Lender may also apply additional criteria in good faith, subject to the exercise of reasonable business judgment.

Limited Partnership Agreement

The Corporation is party, as limited partner (a "**Limited Partner**") to a limited partnership agreement dated June 23, 2021, among the General Partner, the Manager and the Corporation. The Corporation is the sole Limited Partner (the "**LPA**" and, the limited partnership formed pursuant to the LPA, the "**Limited Partnership**" or the "**Partnership**").

SPV LP is engaged in the business of financing residential real estate mortgages. Each of the General Partner and the Manager are affiliated with other entities that engage in real estate investment (including the Corporation). The parties to the LPA engage in collective efforts to obtain and allocate mortgages for the portfolio of the Partnership to allocate mortgages to the Partnership that meet its investment criteria as "Eligible Mortgages" (as defined in the LPA and in the SPV Credit Facility).

This is a summary only and is subject to the complete terms and conditions of the Limited Partnership Agreement
Activity of the Partnership

The activity of the Partnership primarily consists of the residential real estate mortgage finance business (the "**Activity of the Partnership**").

The General Partner, the Manager and the Corporation are affiliated with one another, and work together to identify, originate and manage the mortgages intended for investment by the Partnership. Each uses reasonable efforts to obtain and allocate mortgages for the portfolio of the Partnership on a basis of allocating mortgages to the Partnership that meet the criteria described in the SPV Credit Facility for Eligible Mortgages.

The Partnership will not carry on any activity other than the Activity of the Partnership, and will carry on the Activity of the Partnership in such a manner as to ensure, to the greatest extent possible, the limited liability of the Limited Partners.

Limited Liability and Recourse to Contributed Capital

Subject to the provisions of the LP Act and of similar legislation in other jurisdictions of Canada, the liability of each Limited Partner for the debts, liabilities and obligations of the Partnership will be limited to its respective Capital Contributions and share of any undistributed income of the Partnership. Where a Limited Partner has received the return of all or part of its Capital Contribution, it is nevertheless liable to the Partnership or, where the Partnership is dissolved, to the creditors of the Partnership, for any amount, not in excess of the amount returned with interest, necessary to discharge the liabilities of the Partnership to all creditors who extended credit or whose claims otherwise arose before the return of the Capital Contribution. Following full payment of its Capital Contribution, a Limited Partner will not be liable for any further claims or assessments.

Notwithstanding the LPA or any other agreement or instrument entered into by a Limited Partner and/or its nominee in respect or in furtherance of the Activity of the Partnership or the LPA, the obligations of that Limited Partner to the other Partners (which for certainty means, collectively, the Limited Partners and the General Partner) pursuant to the LPA and all such other agreements and instruments will be limited to:

- (i) such Limited Partner's Capital;

- (ii) any unpaid capital contributions agreed to be paid in respect of his Interest in the Partnership; and
- (iii) together with any undistributed income,

provided, however, that each Limited Partner acknowledges and agrees that, if any part of its Capital Contributions are returned or limited partnership property is distributed to such Limited Partner, then such Limited Partner might, in accordance with applicable law and if so requested by the Manager or the General Partner, be obligated to return amounts previously distributed to such Limited Partner, to the extent that such distributions constitute a return of the amount such Limited Partner had agreed to contribute to the Partnership at a time when creditors had valid and unsatisfied claims against the Partnership.

Each Limited Partner acknowledges and agrees that the obligations created under the LPA and each agreement or instrument entered into by a Limited Partner or its Affiliates in respect or in furtherance of the Activity of the Partnership or the LPA are not personally binding upon, and resort will not be had to, nor will recourse or satisfaction be sought from the private property of, any (i) unitholder, shareholder, beneficial owner, grantor, trustee or constituent member of such Limited Partner or Affiliate, (ii) annuitants under a plan of which a unitholder of such Limited Partner or Affiliate thereof acts as a trustee or carrier; or (iii) any director, officer, trustee, employee or agent of such Limited Partner or its Affiliate. For the avoidance of doubt, pursuant to the terms of the LPA, no Partner or third party will have recourse for such obligations to any property, assets or undertaking of such Limited Partner except for that Limited Partner's Interest.

General Partner Liability

The General Partner has unlimited liability for the debts, liabilities and obligations of the Partnership.

Restrictions on Limited Partner Activity

The parties to the LPA have agreed to restrict certain Limited Partner activities, including as follows:

- (a) no Limited Partner may take part in the control or management of the Activity of the Partnership provided that each Limited Partner shall have the right from time to time to examine into the state and progress of the business and affairs of the Partnership to the extent provided under the LP Act;
- (b) no Limited Partner may execute any document which binds or purports to bind the Partnership, the General Partner or any other Limited Partner as such;
- (c) no Limited Partner may hold itself out as having the power or authority to bind or sign on behalf of the Partnership, the General Partner or any other Limited Partner as such; or
- (d) no Limited Partner has any authority to undertake any obligation or responsibility on behalf of the Partnership (except that the General Partner may act on behalf of the Partnership in that capacity notwithstanding that it may also be a Limited Partner).

However, save as specifically described in the LPA, nothing in the LPA will be deemed to restrict in any way the freedom of any Limited Partner or any principal or affiliate of a Limited Partner to conduct any business or activity whatsoever without any accountability to the other parties hereto. For the avoidance of doubt, each Limited Partner will have the absolute right to engage in any business venture for its own individual profit and the other parties hereto will not, by reason of the LPA, have any interest in any other property owned by such Limited Partner, or any business or venture engaged in by such Limited Partner or any Affiliate of such Limited Partner (whether or not similar to the Activity of the Partnership).

Authority of the General Partner

Subject to any provisions of the LPA requiring Approval of the Limited Partners:

- (a) the General Partner is authorized to carry on the Activity of the Partnership, to administer, manage, control and operate the Activity of the Partnership, and, if an investment is liquidated before the end of the term of the Partnership, the General Partner may, in its sole discretion, determine to hold and reinvest the proceeds as a replacement Investment rather than capital to be distributed;

(b) the General Partner for the Partnership may enter into debt secured credit facilities with Equitable Bank on the terms as determined by the General Partner and agreed with Equitable Bank from time to time; and

(c) in furtherance of the foregoing, the General Partner shall have all power and authority to do any act, take any proceeding, make any decision or execute and deliver any instrument, deed, agreement or document necessary for or incidental to carrying out the business for and on behalf of and in the name of the Partnership in accordance with the LPA.

No Person dealing with the Partnership will be required to inquire into the authority of the General Partner to do any act, take any proceeding, make any decision or execute and deliver any instrument, deed, agreement or document for and on behalf of or in the name of the Partnership.

Positive Obligations of the General Partner

The General Partner covenants and agrees that it will, at all times during the term of the LPA:

- (a) carry on the Activity of the Partnership in a commercially reasonable manner;
- (b) act in the utmost fairness and in good faith toward the Limited Partners in carrying out, and devote as much time as is reasonably necessary for the conduct of, its obligations hereunder;
- (c) maintain a system of accounting established and administered in accordance with GAAP, and keep adequate records and books of account in which accurate and complete entries will be made in accordance with such accounting principles reflecting all transactions required to be reflected by such accounting principles;
- (d) deliver to each Limited Partner, as soon as practicable and in any event (i) within 90 days after the end of each fiscal year, audited financial statements and partnership tax information and reporting slips; at any time that statements for the Investments are audited or reviewed by an independent accounting firm, the statements for the Partnership may be prepared on an internal basis, but in each instance, the financial statements delivered to the Limited Partners as to the Partnership will be certified by a duly authorized officer or director of the General Partner certifying that the financial statements have been prepared in accordance with the requirements of the LPA;
- (e) abide by all applicable laws relating to the withholding and remittance of taxes, including pursuant to the *Income Tax Act* (Canada), appropriately withholding and remitting payments, including withholding tax payable on any distributions to be made to a Limited Partner, as are required by the provisions of applicable tax law, including the *Income Tax Act* (Canada), and accordingly, each Limited Partner authorizes the withholding and remittance of withholding tax as and when such shall be required by the application of tax law; and
- (f) make the allocations and distributions contemplated by Article 6 of the LPA, and as detailed in the foregoing "Allocations" and "Distributions" sections to this summary.

Authority of the Manager

All decisions and determinations required to be made in respect of the Partnership, shall be made by the General Partner, and as delegated the Manager, acting reasonably and in compliance with the terms of the LPA, provided that:

- (a) all Major Decisions must be approved by the Limited Partners by way of Special Resolution as provided in the LPA; and
- (b) the following decisions will be made only with the approval of the Limited Partners holding at least 75% of the Units:
 - (i) any change in the allocations and entitlement to distributions pursuant to the LPA;
 - (ii) any change in the allocations of income or return of capital for purposes of allocation of taxable income or loss from that provided in the LPA; and
 - (iii) any material amendment to or termination of the Management Agreement.

Pursuant to the LPA, each Limited Partner thereby nominated, constituted and appointed the Manager, with full power of substitution, as its agent and true and lawful attorney with full power, and authority in its name, place and stead to execute and record or file as and where required all other instruments and documents as may be deemed necessary by the

Manager to carry out the powers, duties and matters Approved by the Limited Partners are provided in the LPA but subject to the terms of the Management Agreement.

The Partnership shall be bound by any actions made or taken by the Manager pursuant to the authority granted to the Manager hereunder and as Manager, including as to those matters Approved by the Partnership and the power of attorney and relating to the Partnership. In turn, each Partner waived any and all defences which may be available to negate or disaffirm the action of the Manager taken in good faith under the aforementioned power of attorney.

Indemnification

The General Partner indemnifies and holds harmless the Limited Partners for all costs, expenses, damages or liabilities suffered or incurred by the Limited Partners if the limited liability of the Limited Partners is lost for or by reason of the negligence of the General Partner in performing its duties and obligations in the LPA, provided that the General Partner will not indemnify a Limited Partner for the Limited Partner's own actions which are in contravention of the Act or the LPA.

Limited Partnership Units

The Limited Partners will contribute on a \$1 per Unit basis to pay on subscription for the Units. The number and class of limited partner units (the "**Units**") as issued will be set out in the Partnership records and will be certificated. The Units may be pledged and possession thereof delivered to Equitable Bank as the lender to the Partnership.

The Units shall each rank equally, and shall have no preference or right, over any other Unit. Each of the issued Units (but not committed but unissued Units), will, for all purposes, represent a right to participate in the revenue and distributions arising from the conduct of the Activity of the Partnership, and each Unit will represent a right to participate in the costs, expenses, SPV Net Profits, and SPV Net Losses of the Activity of the Partnership, on the basis set out in the section 3.6 of the LPA (and as detailed under the "Distributions" portion of this summary).

Each of the Units will have a right to one vote in respect of all matters to be decided by the Limited Partners. The attributes, rights, benefits, entitlements and votes attributed to all Units, are identical on a per Unit basis. The sum of the Units held by a Limited Partner is referred to in the LPA as the Interest of the Limited Partner (the "**Interest**").

Capital Contributions

Each Limited Partner subscribes for the Units (as defined in the LPA) by class acquired through an offering exempt from prospectus offering requirements. The subscription for Units is based on an issue at \$1 per Units to be issued against a subscription and capital contribution.

Accordingly, the General Partner will raise capital by the offering of Units, at such times, amounts and terms as the General Partner may determine. Additionally, the General Partner may, from time to time, hold funds raised in investments which are suitable while assembling funds for an Investment, including securities, interest-bearing accounts and guaranteed investment certificates.

Capital Accounts

The General Partner will record a separate capital account (each a "**Capital Account**") for each Limited Partner and will, on receipt of any contribution of Capital from a Limited Partner, credit the capital account of such Limited Partner with the amount contributed. As among the Limited Partners, no Limited Partner will be responsible for any requirement to contribute Capital for another Limited Partner, nor for losses allocated for another Limited Partner, nor share in the income or, if applicable, allocation of tax deductible expenses attributed to any other Limited Partner.

Each Capital Account shall be established and maintained in accordance with the following provisions:

- (i) Each Limited Partner's Capital Account (as defined in the LPA) shall be increased by:
 - (A) the cash amount of all Capital Contributions made by such Limited Partner to the Partnership;
 - (B) the amount of any net profit or other item of income or gain allocated to such Partner in accordance with the LPA; and
 - (C) any liabilities of the Partnership that are assumed by such Limited Partner or secured by any property distributed to such Limited Partner.

- (ii) Each Limited Partner's Capital Account shall be decreased by:
 - (A) the cash amount or book value of any property distributed to such Limited Partner;
 - (B) the amount of any net loss or other item of loss or deduction allocated to such Partner in accordance with the LPA; and
 - (C) the amount of any liabilities of such Limited Partner assumed by the Partnership or which are secured by any property contributed by such Limited Partner to the Partnership.

Distributions

Distributions will be made monthly, established on last Business Day of each month and paid 15 days after. The distributions will be made on the Units to the Limited Partners as determined by the General Partner, solely from revenue and proceeds available to the Partnership after payment of expenses pari passu and pro rata with other Units. The Manager will calculate the amount of Amounts Available for Distribution for each month and in the discretion of the General Partner distributions will be made using the funds comprising the Amounts Available for Distribution, taking account of reserves.

The distribution terms are as follows:

- (i) the general costs and fees for the Partnership are paid first, excluding any management fee payable as a percentage of capital invested and subject to any specific agreement as to fees and costs allocated to a class or series;
- (ii) the Amount Available for Distribution, net of the costs and fees, will then be calculated for the Units on a pro rata pari passu basis to each class;
- (iii) then annually only, an annual true up for the Fiscal year will be calculated and paid within 60 days of calendar year end; the true up is increase the distribution for each Unit pro rata pari passu until each Unit has received the revenue of the Partnership subject to a General Partner distribution of \$1,500.

Allocations

The SPV Net Profits and SPV Net Losses for each Fiscal Year shall be allocated among the Limited Partners as follows:

- (a) SPV Net Profits or SPV Net Losses for any Fiscal Year arising from a disposition of any interest in the Investments or from any other transaction giving rise to Amounts Available for Distribution will be allocated to the Limited Partners on the same basis as for distributions as set out above; and
- (b) SPV Net Profits or SPV Net Losses for any Fiscal Year other than SPV Net Profits or SPV Net Losses arising from a disposition of any interest in the Investments or any other transaction giving rise to Amounts Available for Distribution, will be allocated to the Limited Partners on the same basis as for distributions set out above.

Expenses of the Limited Partnership

Subject to the terms of the Management Agreement, the Partnership will be responsible for the following costs and expenses:

- (a) offering and organizational expenses;
- (b) for the acquisition of, and the ongoing management or operation of, the Investments;
- (c) all Partnership Expenses;
- (d) the costs of any litigation, director and officer liability or other insurance and indemnification or extraordinary expense or liability relating to the affairs of the Partnership;
- (e) all unreimbursed out-of-pocket costs relating to investments that are not consummated, including legal, accounting and consulting fees, and all extraordinary professional fees incurred in connection with the Partnership or the Investments; and
- (f) any taxes, fees, or other governmental charges levied against the Partnership and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Partnership or the Investments.

- (g) any fees paid by mortgagors for mortgages advanced in accordance with reasonable industry practice will be retained by the Manager.

The Manager and the General Partner will each be responsible for the Manager and GP Operating Expenses, which shall explicitly exclude brokerage and mortgage administration fees which the Manager or a third party may charge in addition, except to the extent that legal, accounting or other specialized consulting or professional services are required that the Manager or the General Partner (as applicable) would not normally be expected to render with its own professional staff.

Dissolution

The Partnership will follow the procedure for dissolution established in the LPA upon an election to dissolve the Partnership being approved by a Special Resolution. However, no Limited Partner will have the right to request the dissolution of the Partnership, the winding-up of its affairs, or the distribution of the Investments.

The Partnership shall not be dissolved or terminated by, and shall continue in existence notwithstanding, the change in Partnership composition, whether by withdrawal, expulsion or admission of any Partner. Except as expressly provided in the LPA, the Partnership shall also not be terminated by the happening of any act or event and, without limiting the generality of the foregoing, the Partnership shall not be terminated by reason of any one or more Partners having disposed of their Interest in the Partnership in accordance with the provisions of the LPA, by operation of law or in any other manner whatsoever, or having otherwise ceased to be Partners, or by reason of the admission of any one or more new Partners to the Partnership or the acquisition by any Person in accordance with the LPA of the Units of any Partner. Each Partner agrees not to dissolve the Partnership by the voluntary action of such Partner. The Partnership shall continue, notwithstanding the withdrawal of any Partner or any Partner providing such notice of intention to dissolve. The Partnership will not come to an end by reason of the death, disability, bankruptcy, insolvency, receivership, dissolution or winding-up of any Partner. The Partnership shall only be terminated by agreement of the Partners by decision by approval by Special Resolution. The Partnership shall be wound up as of the last day of the Fiscal Year or the last day of the first half of such Fiscal Year, as the case may be, next following such agreement or decision.

Upon the approval by Special Resolution to dissolve the Partnership, the General Partner (or, if the General Partner is unable or unwilling to act in such capacity or has become bankrupt, or if the Limited Partners otherwise wish to appoint someone other than the General Partner, such other Person as the Limited Partners may appoint by Approval by the Limited Partners) will act as a receiver and liquidator of the assets of the Partnership and will sell or otherwise dispose of the investments, all of the assets of the Partnership other than cash shall be offered for sale upon such terms as the General Partner shall determine, and cash shall be distributed as the General Partner reasonably thinks is best to maximize dissolution process and distributions, upon the best terms available in the open market.

A Partner shall not be precluded from negotiating or bidding for the purchase of any or all of the investments being sold provided the sale is completed by public auction or tender or the purchase by the Partner is Approved by the Limited Partners as being at fair market value, provided that the purchasing Partner shall not be entitled to vote on any such Approval of the Limited Partners.

The sale proceeds net of expenses of sale, distribution costs, taxes payable, and indebtedness owing on or in relation to any assets of the Partnership and all other cash and remaining assets shall be applied as follows:

- (a) pay or provide for the payment of the debts and liabilities and obligations of the Partnership, and liquidation expenses, including the payment of any Manager Fees (as such term is defined in the Management Agreement) that are unpaid and have accrued up to (and including) the date upon which the Partnership is to be dissolved; and
- (b) then distribute the balance to the Limited Partners in accordance with the LPA.

The General Partner shall file the declaration of dissolution prescribed by the Act and satisfy all applicable formalities in such circumstances as may be prescribed by the laws of other jurisdictions where the Partnership is registered. The General Partner shall also immediately publish, in the Ontario Gazette and in a newspaper of local circulation, notice of the dissolution and termination of the Partnership, in such a manner as to indicate the effective date of dissolution, and

with sufficient particularity as to avoid further liability or responsibilities for the Limited Partners, for the affairs of the Partnership.

Mortgage Sale and Servicing Agreement

SPV LP, as “Purchaser” is party to a Mortgage Sale and Servicing Agreement dated August 5, 2021, with EquityLine Financial Corp. (the “**Seller**”) and EquityLine Services Corp. (the “**Servicer**”).

Pursuant to the Mortgage Sale and Servicing Agreement, the Seller sells the right, title and interest to certain Mortgages, along with Related Security, to SPV LP. SPV LP finances Mortgages, the Related Security and their associated Collections, and all proceeds therefrom (the “**Purchased Assets**”) with funds borrowed under the SPV Credit Facility. In connection with such financing, SPV LP grants security interests in the Purchased Assets to the Lender, as more particularly described in the SPV Credit Facility. The Seller acts as broker and does not fund the Mortgages, which is done by the Corporation and SPV LP.

The principal purpose of the Mortgage Sale and Servicing Agreement, however, is to set out the engagement, rights and responsibilities of the Servicer. The Servicer’s role is to administer, service and collect the Mortgages” in accordance with the terms of the Mortgage Sale and Servicing Agreement, with such role including holding all Collections received under the Mortgage Sale and Servicing Agreement in trust for SPV LP.

This is a summary only and is subject to the complete terms and conditions of the Mortgage Sale and Servicing Agreement

Description of Services

SPV LP appoints and designates the Servicer for the purposes of administering, servicing and collecting the Mortgages in accordance with the terms of the Mortgage Sale and Servicing Agreement, and the Servicer accepts such appointment and agrees to hold all Collections received thereunder or under or in respect of the Mortgages and all Related Security in trust for SPV LP.

The Servicer shall, in administering each Mortgage and the Related Security on behalf of SPV LP, perform its duties using that degree of skill, attention, care and diligence that would be applied by a reasonably prudent Canadian mortgage administrator administering a pool of multi-family residential and commercial mortgages or that the Servicer exercises in managing, servicing, administering, collecting on and performing similar functions relating to comparable mortgages that it services for itself and other persons, whichever is more rigorous. The Servicer will not be required to advance funds for any purpose in connection with the Mortgages, and shall not be required to pay premiums of insurance, taxes, third party realty tax verification fees, credit bureau fees, charges for public utility services in arrears, fees payable to any land registry office, or costs of repairs or maintenance of the Mortgaged Property or costs of enforcement of any Mortgage; however, the Servicer may do so at its option in the event that funds are required in connection with the administration of, or the protection of, any Mortgaged Property or the enforcement of any Mortgage. Funds so advanced by the Servicer shall bear interest at the interest rate of the applicable Mortgage and may be recovered out of SPV LP’s funds held in trust by the Servicer to the extent that such funds are available. Upon receipt of notice from the Servicer, SPV LP shall forthwith reimburse the Servicer for any deficiency. Notwithstanding the forgoing, SPV LP shall not be required to reimburse the Servicer for any such amounts advanced in respect of a single Mortgage in excess of \$5,000 unless the prior written consent of SPV LP was obtained.

Without limiting the generality of the foregoing, the Servicer will, in respect of each Mortgage:

- (a) make commercially reasonable efforts to collect all payments due under the Mortgage, including, without limitation, any prepayment penalties, charges or bonus interest, and to require the mortgagors to perform their other obligations thereunder and shall not waive any amounts owing under a Mortgage, including prepayment penalties, without the express consent of SPV LP;
- (b) hold all Collections in trust and deposit same into the Collections Account pending remittance to or at the direction of SPV LP and remit all Collections in respect of realty taxes to the applicable taxing authority;
- (c) give such notice to the mortgagor and others in respect of amounts due or overdue on the Mortgage and in respect of other security documents as the Servicer considers necessary;

- (d) grant releases or partial releases of each Mortgage in accordance with the terms thereof and, with or without consideration, make any arrangement, consent to an agreement or amend the provisions of any Mortgage in the name of the Custodian (being Computershare Trust Company of Canada) without the consent of SPV LP provided that any such release, agreement, arrangement or amendment does not materially alter the terms of the Mortgage (the Servicer acknowledging that, without limiting the foregoing, any amendment to the principal amount, interest rate, term or prepayment provisions of a Mortgage is material for purposes of the Mortgage Sale and Servicing Agreement), provided same is in accordance with the Servicer's usual mortgage practice and is in no way prejudicial to the interests of SPV LP;
- (e) manage collections, power of sale, foreclosure and other legal proceedings in a timely fashion under Applicable Laws (as defined in the Mortgage Sale and Servicing Agreement) and contracts and in conformity with all Applicable Laws, procedures and regulations, it being acknowledged and agreed by SPV LP that if any such proceedings are to be initiated in respect of a Mortgage, title to such Mortgage shall be transferred from the Custodian to SPV LP, SPV LP shall bear and pay all costs associated with such proceedings, and SPV LP shall bear all risk of such proceedings not resulting in full recovery of all amounts owed under any Mortgage;
- (f) deposit directly into the Collections Account when received all Collections received from the mortgagor(s) or the guarantor(s) in respect of the Mortgage, including current principal and interest payments, past due principal and interest payments, prepayment penalties, all proceeds of any realization or enforcement, liquidation proceeds, and insurance proceeds pursuant to the Mortgage;
- (g) remit or cause to be remitted all Collections, other than any amounts collected from the Mortgagors in respect of realty taxes on the Mortgaged Properties that are payable to the applicable taxing authority, to the Distribution Account prior to 12:00pm on the second Business Day following receipt of such Collections;
- (h) perform all services in connection with the settlement of loss under insurance policies in the event of damage to or destruction of any Mortgaged Property secured by the Mortgage;
- (i) settle with the mortgagor and the expropriating authority the amount and disposition of any compensation payable upon expropriation of any part of or interest in any property related to a Mortgage;
- (j) upon request, from time to time, provide to SPV LP or the Custodian all Records (which may be satisfied by providing electronic access), and copies of any additional security related to the Mortgage, including assignments of rents and/or leases and deliver such Records to such person as SPV LP may from time to time direct;
- (k) report on any known changes to the fire and extended coverage insurance that is in place at the time of transfer of such Mortgage and upon receipt of actual notice of cancellation of any such insurance take such steps as may be necessary to ensure such insurance is replaced;
- (l) maintain proper records and accounts showing all receipts, payments and disbursements in respect of the Mortgage and, at the request of SPV LP, make available (or cause to be made available) and give unfettered access to any books, records or accounts that relate to the Mortgages to SPV LP and such other persons as SPV LP may from time to time designate for inspection, copying or obtaining;
- (m) maintain in good standing all blanket mortgage impairment policies of insurance with a nationally recognized insurer in respect of third party liability, fire and all perils, property and extended coverage claims, in each case, applicable to or relating to the Mortgages and the related Mortgaged Properties;
- (n) provide to all mortgagors and guarantors in respect of Mortgages renewed by or on behalf of SPV LP the applicable cost of borrowing disclosure in the prescribed manner and at the prescribed time or times;
- (o) maintain complete and accurate Records, including all applicable escrow accounts, with respect to each Mortgage and the Related Security, in a manner (i) necessary to account for all receipts, payments and disbursements in respect of the Mortgages, the Related Security and the related Mortgaged Property distinct from the remainder of the mortgage portfolio administered by the Servicer, showing all receipts, payments and disbursements under or in respect of the Mortgages, the Related Security and the Mortgaged Property, including all applicable escrow accounts; and (ii) which posts collections in respect of the Mortgages to individual Mortgages;

- (p) at the request of SPV LP, make or cause to be made such notations on the Records or any part thereof as may be requested by SPV LP to evidence the interests of SPV LP and store or cause to be stored the same according to mortgage numbers (which will be provided to SPV LP on request) and otherwise in such manner as to render them readily retrievable;
- (q) maintain and implement reasonable and prudent administrative and operating procedures (including, without limitation, storing and maintaining electronic Records and the ability to recreate such Records) to keep and maintain or cause to be kept and maintained all Records and other information reasonably necessary or advisable for the enforcement of the Mortgages and Related Security (including, without limitation, Records adequate to permit the daily identification of all Collections under and adjustments to each Mortgage);
- (r) at any time and from time to time during regular business hours, (i) assemble or cause to be assembled such of the Records as may be requested by SPV LP and make the same available to SPV LP at the principal place of business of the Servicer and permit SPV LP, its agents or representatives and any governmental authority having jurisdiction over SPV LP to examine, audit and make copies of any such Records in non-electronic form and to examine, audit and make copies and abstracts from any electronic copies of such Records; and (ii) permit SPV LP or its agents or agents of any governmental authority having jurisdiction over SPV LP or cause SPV LP or such agents to be permitted to visit the offices and properties of the Servicer for the purpose of discussing matters relating to the Mortgages and the Servicer's performance thereunder with any of the Servicer's officers or employees having knowledge of such matters;
- (s) permit SPV LP or agents of any governmental authority having jurisdiction over SPV LP at any reasonable time and from time to time to inspect the data processing systems used by the Servicer or its agents to service, administer and collect the related Mortgages;
- (t) make or cause to be made all filings, recordings, registrations and take all other actions in each jurisdiction necessary or appropriate to validate, preserve, perfect, protect and maintain the interests of SPV LP in the Mortgaged Properties (and the priority thereof) and the rights of SPV LP to collect amounts owing under any and all of the Mortgages, including, without limitation, the right to enforce the Related Security; and
- (u) perform its duties as Servicer in such a way as to ensure that SPV LP is able to comply with its covenants under the SPV Credit Facility that depend upon the servicing of the Purchased Mortgages within the time periods stipulated in the SPV Credit Facility.

Additionally, the Servicer also covenants to:

- (a) provide to SPV LP a standard set of reports in respect of the Mortgages in accordance with Schedule E affixed to the Mortgage Sale and Servicing Agreement;
- (b) not assign, pledge, charge or create a security interest in any Mortgage or the proceeds thereof;
- (c) not make any material change to the policies or procedures of the Servicer relating to the servicing of mortgages without giving at least ten (10) Business Days' prior written notice to SPV LP; and
- (d) not, without the prior written consent of SPV LP: (i) waive any late payment charge or any other fees or penalties that may be collected in the ordinary course of servicing a Mortgage (including prepayment penalties); (ii) decrease the interest rate of any Mortgage; or (iii) increase the number or reduce the amount of the scheduled payments due on any Mortgage. The Servicer will not, without the prior written consent of SPV LP, grant any other extensions, amendments, modifications or adjustments of or on a Mortgage, except, in each case, in accordance with the standard collection policies and procedures of the Servicer.

Purchase of Mortgages

The Seller may, from time to time prior to the Purchase Termination Date and at least four Business Days prior to each Purchase Date (or, in each case, such shorter period as may be agreed to between the Seller and SPV LP, such agreement to be conclusively evidenced by execution of the applicable Purchase Notice by each of them), deliver to SPV LP an executed Purchase Notice (meaning a notice substantially in the form of Schedule "A" to the Mortgage Sale and Servicing Agreement) requesting SPV LP to purchase all of the Seller's right, title and interest in, to and under the Eligible Mortgages

specified in Schedule A to the Purchase Notice, together with the Related Security and Collections related thereto and all proceeds of the foregoing, effective as of the relevant Cut-Off Date, excluding, for greater certainty, the right to interest accrued but not paid under each such Eligible Mortgage in respect of the period prior to the applicable Purchase Date (the "**Retained Interest Amount**"). The Purchase Notice or documents provided with the Purchase Notice shall set out all information prescribed therein, including a list of Eligible Mortgages and individual mortgage data specified in Exhibit A to Schedule A of the Mortgage Sale and Servicing Agreement.

Subject to Section 2.5 of the Mortgage Sale and Servicing Agreement, and subject to satisfaction of the conditions precedent set out in Section 3.1 of the Mortgage Sale and Servicing Agreement, and provided that no Event of Default has occurred and is continuing, upon receipt of a Purchase Notice, SPV LP may, in its sole discretion, agree to purchase the Eligible Mortgages by executing and returning such Purchase Notice to the Seller at least one Business Day before the proposed Purchase Date referred to in the Purchase Notice (or such lesser period as is agreed to by the Purchaser and the Seller). Upon its execution and return of such Purchase Notice, there shall exist a binding agreement between SPV LP and the Seller for the purchase of the Eligible Mortgages set out therein, together with all Related Security and all Collections in respect thereof from and including the applicable Cut-Off Date, excluding, for greater certainty, the Retained Interest Amount, at the Purchase Price subject to compliance by the Seller with the applicable conditions precedent set out in Section 3.1 of the Mortgage Sale and Servicing Agreement. SPV LP shall pay to the Seller the Retained Interest Amount for each such Purchased Mortgage from and to the extent of any cash payments received by the Purchaser pursuant to the SPV Credit Facility.

The Purchase Price for the Purchased Mortgages being purchased by SPV LP on any Purchase Date pursuant to Section 2.2 of the Mortgage Sale and Servicing Agreement will be equal to the aggregate Outstanding Principal Balances (as determined on the related Cut-Off Date) of all Eligible Mortgages listed in the related Purchase Notice.

The Purchase Price will be payable by SPV LP to the Seller by wire transfer to the Seller in immediately available funds and/or by SPV LP incurring Subordinated Indebtedness (as defined in the SPV Credit Facility) on the applicable Purchase Date.

If, at any time after any Purchase Date, SPV LP or the Seller determines that the Outstanding Principal Balance of the Purchased Mortgages as of the Cut-Off Date was less than or greater than the estimated Outstanding Principal Balance on the applicable Purchase Notice relating to such Purchase, the Seller or SPV LP, as applicable, shall pay to the other on the next following Settlement Date an adjustment to the Purchase Price (conclusively determined by SPV LP) to reflect such deficiency or excess, as the case may be; provided that SPV LP shall not be required to make any payment unless and until it can be made using available cash distributed to SPV LP in accordance with the priority of payments in the SPV Credit Facility.

However, no Purchase may be made under the Mortgage Sale and Servicing Agreement if, after giving effect to the same, the Pool Balance of all Purchased Mortgages would exceed the Permitted Program Amount. SPV LP shall not accept any Purchase Notice unless either (i) the Purchase Date occurs on a Settlement Date, or (ii) the Purchase Price thereunder is at least \$500,000, unless otherwise agreed by the Seller and SPV LP with the consent of the Lender. Additionally, (i) no Purchase may be made if on the Purchase Date, having regard to such Purchase, the average yield of all Purchased Mortgages would be less than the interest rate applicable to the Facility under the SPV Credit Facility on such date plus 1.0% per annum. Finally, no Purchase may be made following the Purchase Termination Date.

Covenant of the Purchaser

Pursuant to the Mortgage Sale and Servicing Agreement, SPV LP will provide or will cause the Custodian to provide all assistance as the Servicer from time to time reasonably requires to perform its duties under the Mortgage Sale and Servicing Agreement, including providing to the Servicer copies of any documents relating to the Mortgages which are in SPV LP's possession or control and which the Servicer requires in connection with the servicing or enforcing of Mortgages.

Right of First Refusal

If an Event of Default has occurred, then SPV LP may, subject to the terms of the Mortgage Sale and Servicing Agreement, sell, assign and transfer or otherwise dispose of any Purchased Mortgage to any Person in any manner permitted by law (whether by public or private sale or by auction, tender or negotiated transaction) and without the consent of the Seller.

Upon any such sale, assignment, transfer or disposition, the purchaser of such Purchased Mortgages shall be (i) fully subrogated to all rights, benefits and privileges of SPV LP thereunder with respect to such Purchased Mortgages and (ii) notwithstanding the provisions of the Mortgage Sale and Servicing Agreement, be entitled to enforce all representations, warranties and covenants of the Seller made or contained herein with respect to such Purchased Mortgages either directly or through SPV LP on behalf of such purchaser.

If SPV LP determines to sell, assign or transfer any Purchased Mortgage following an Event of Default as provided in Section 6.1(1) of the Mortgage Sale and Servicing Agreement, SPV LP shall give written notice of such determination (each, a “**Notice of Sale**”) to the Seller and the Servicer. The Seller will have the right of first refusal, exercisable by notice in writing given by the Seller to SPV LP within 10 Business Days of the Seller’s receipt of SVP LP’s Notice of Sale, to repurchase all, but not less than all, of the Purchased Mortgages which are the subject matter of such Notice of Sale on or before the 20th Business Day following the date upon which the Seller receives such Notice of Sale at a purchase price equal to the Repurchase Price (being the amount of all accrued and unpaid interest on such affected Mortgage to such date) of such Purchased Mortgages as of the close of business on the last day of the Reporting Period (which means, for the purposes of the Mortgage Sale and Servicing Agreement, with respect to each Purchase, a calendar month) immediately preceding such repurchase date, plus an amount equal to the costs incurred by SPV LP in connection with a corresponding prepayment of SPV LP’s obligations under the SPV Credit Facility. If the Seller exercises its right of first refusal to repurchase any Purchased Mortgages pursuant to Section 6.1(2) of the Mortgage Sale and Servicing Agreement, it shall deposit the Repurchase Price of such Purchased Mortgages, plus the amount of costs referred to in the preceding sentence, to the Distribution Account on such repurchase date, and, upon such deposit, all of SPV LP’s rights, title and interest in and to such Purchased Mortgages, and all Collections thereon and proceeds thereof, shall be sold, assigned and transferred to the Seller effective as of the last day of the Reporting Period immediately preceding the date of such deposit, without recourse, representation or warranty (whether express, implied, statutory or otherwise) to, against, by or on behalf of SPV LP save and except that (x) such Purchased Mortgages and the proceeds thereof are free and clear of any Lien created by SPV LP and (y) SPV LP has the power and authority to sell, transfer and assign such Purchased Mortgages and the proceeds thereof to the Seller as herein provided. SPV LP will, at the expense of the Seller, execute and deliver such assignments or other instruments of conveyance with respect to any Purchased Mortgage repurchased by the Seller pursuant to Section 6.1(2).

Provided that SPV LP has complied with Section 6.1(2), as replicated in the preceding paragraph, and the Seller did not exercise its right of first refusal under such section, SPV LP shall be free to sell all or any of the Purchased Mortgages and Related Security to any Person at any price.

Fees

In connection with the collection of amounts due and owing under the Mortgages, the Servicer may without the consent of SPV LP engage the services of legal counsel and licensed collection agents as agent for and on behalf of SPV LP, provided the legal counsel and collection agents have been previously approved by SPV LP. Under the Mortgage documentation, the mortgagor under each Mortgage will have the obligation to pay the fees and expenses of such third parties, but, to the extent not paid by the mortgagor, such fees and expenses will be the responsibility of SPV LP.

The Servicer will be entitled to charge borrowers under the Mortgages, and to retain for its own account, the standard reasonable fees that the Servicer charges its own multi-family residential and commercial borrowers in the Canadian market, provided such fees are permitted to be so charged under the terms of the particular Mortgage and at law. The Servicer is responsible for the remittance of any taxes (e.g. GST and HST) applicable to any fees charged.

All administrative fees (“**Administrative Charges**”) charged to borrowers in respect of the Mortgages, including without limitation, fees for discharges, assumptions, transfers, payment frequency changes, NSF cheques, mortgage statements and referred to in Schedule D of the Mortgage Sale and Servicing Agreement are for the account of the Servicer.

Termination

SPV LP may terminate EquityLine Services Corp. as the Servicer upon the happening of any one or more of the following events:

- (a) any failure by the Servicer to make any payment, remittance, transfer or deposit required to be made by it under the Mortgage Sale and Servicing Agreement within one Business Day after the date on which Servicer receives notice of such failure from SPV LP or the Servicer becomes aware thereof;

- (b) any failure by the Servicer to observe or perform any other covenants or agreements of the Servicer contained in the Mortgage Sale and Servicing Agreement (other than as specified in clause (a) above), and, if capable of being remedied, any such failure remains unremedied for 10 days after notice to the Servicer of such failure, requiring the same to be remedied;
- (c) any representation or warranty made by the Servicer in the Mortgage Sale and Servicing Agreement or in any certificate delivered pursuant thereto, or if the same shall prove to have been incorrect when made or delivered, and, if capable of being remedied, any such failure remains unremedied for 10 days after notice to the Servicer of such failure, requiring the same to be remedied;
- (d) the Mortgage Sale and Servicing Agreement shall have ceased to be a legally binding obligation of the Servicer enforceable against it in accordance with its terms subject to applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors' rights generally and to equitable principles of general application (regardless of whether enforcement is sought in a proceeding at law or in equity);
- (e) any failure of the Servicer to obtain all authorizations, consents, orders or approvals of or registrations or declarations with any Governmental Authority required to be obtained, effected or given by the Servicer in connection with the performance of the transactions contemplated by the Mortgage Sale and Servicing Agreement; or any default occurring under any loan agreement, indenture, trust deed or any other agreement or instrument to which the Servicer is party or by which it is bound; or
- (f) any breach or default by the Servicer under any indenture, mortgage, note, credit agreement or other document or instrument in respect of any indebtedness of the Servicer in excess of \$1,500,000.00 beyond the grace period, if any, provided therefor, if the effect of such breach or default is to cause, or to permit the holder or holders of that indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, that indebtedness to become or be declared due and payable (or subject to a compulsory repurchase or redeemable) prior to its stated maturity or the stated maturity of any underlying obligation, as the case may be;
- (g) any one or more final judgments, involving the payment of money in excess of \$1,000,000.00, has been rendered against the Servicer; or
- (h) the Servicer has become subject to an Insolvency Proceeding.

If the administration of the Mortgages by the Servicer is terminated in accordance with any of the aforementioned provisions, the Servicer will, within 1 Business Day of such termination, deliver to the Back-Up Servicer all information specified in Schedule F attached to the Mortgage Sale and Servicing Agreement in respect of each Mortgage affected.

Additionally, if the administration of the Mortgages by the Servicer is terminated, the Servicer will within 60 days of such termination (a) deliver to SPV LP (or to such other person as SPV LP may direct) all Records (including all records in paper, electronic or other form necessary for SPV LP to assume in an orderly manner the administration and servicing of the Mortgage), (b) immediately notify all or any mortgagors of SPV LP's interest in any or all Mortgages and direct such mortgagors to remit all payments due under the Mortgage to SPV LP or as SPV LP may direct and (c) provide such assistance as SPV LP may reasonably require in order to ensure an orderly transition of the servicing and administration of the Mortgage, in each case at the sole cost and expense of the Servicer. If the administration of Mortgages by the Servicer is terminated in accordance with any of the above events described in this "Termination" portion of the summary, the Servicer will deliver a final status report to SPV LP in a form to be agreed upon by the parties (the "**Status Report**"), which report will include remittance reports, arrears, maturities, fees related to the Mortgages and the Servicer's account, contingent liabilities and outstanding issues that would affect the administration of a Mortgage and reconciled within thirty days after termination of the Mortgage Sale and Servicing Agreement. SPV LP shall advise the Servicer in writing within thirty (30) days of receipt of this final Status Report if SPV LP takes issue with any of the matters set out therein. SPV LP acknowledges that it shall be estopped from disputing any information set out in the Status Report if it does not deliver the written notice of its disagreement pursuant to its right to do so as described in the preceding sentence, and same acknowledgement will survive the partial or entire termination of the Mortgage Sale and Servicing Agreement.

The Mortgage Sale and Servicing Agreement remains in full force and effect unless terminated in accordance with its terms or upon the first Settlement Date following the later of (A) the date on which the Purchased Mortgages have been fully collected or liquidated and (B) the date on which the outstanding amount of the Facility has been reduced to zero, which for certainty, requires that all accrued interest on the Facility has been paid in full, and any other amounts payable by the

Seller to SPV LP or any other Indemnified Party (being SPV LP and each of its officers, employees, agents, trustees and permitted assigns) has been paid.

Mortgage Participation Agreement

The Corporation, as the "Senior Participant", is party to a mortgage participation agreement dated August 26, 2021 (the "**Mortgage Participation Agreement**") with SPV LP, by its general partner, EquityLine SPV GP Inc., as "Junior Participant" (together with the Senior Participant, the "**Participants**") and the Servicer as the "Mortgage Servicer."

Through the Mortgage Participation Agreement, the Participants acquire Mortgage Loans. From time to time, and pursuant to the Mortgage Participation Agreement, the Participants and the Servicer enter into administration agreements (each a "**Mortgage Servicing Agreement**") setting out the administration and servicing of the Mortgage Loans on behalf of the Participants by the Mortgage Servicer.

This is a summary only and is subject to the complete terms and conditions of the Mortgage Participation Agreement

Acquisition of Mortgaged Property

The Servicer shall be responsible for the acquisition of the Mortgage Loans in accordance with the terms of the Mortgage Commitment and in connection therewith, shall perform and attend to all matters and things necessary to acquire the Mortgage Loans including, without limitation, the following:

- (a) arrange with solicitors acceptable to the Participants to undertake any and all steps necessary to complete the Mortgage Loans in a prudent manner and in accordance with the Mortgage Commitment, including, without limitation, all requisite title searches, the preparation, execution and delivery of all Mortgage Documents contemplated by the Mortgage Commitment, the receipt of all opinions and/or title insurance (if applicable) and to the making of such registrations and filings as may be necessary to ensure the first priority of the Mortgage Loans on the security of the Mortgaged Property, subject only to such encumbrances and other qualifications specifically permitted by the Mortgage Commitment;
- (b) ensure that builder's all-risk insurance, all risk fire and extended coverage insurance for the full replacement value of the buildings erected on the Mortgaged Property, boiler insurance, loss of income insurance, cost of construction insurance, and such other insurance as is required by the Mortgage Commitment, or is otherwise normally taken in transactions of the nature of the Mortgage Loans, is in place on closing, with the Mortgage Servicer and/or the Participants shown as additional insureds, or loss payees, as applicable thereunder; and
- (c) generally attend to the performance of such other things as the Mortgage Servicer would normally perform if the Mortgage Loans were for its own account.

Assignment of Mortgaged Property

Subject to the acquisition of the Mortgage Loans in accordance with the Mortgage Participation Agreement, the Mortgage Servicer assigns the Mortgage Commitment and all of its right, title and interest therein to the Participants to have and to hold same on and in accordance with the terms and conditions of the Mortgage Participation Agreement, and the Participants accept such assignment on and in accordance with the terms of the Mortgage Participation Agreement.

Each Participant shall have a beneficial interest in the Mortgage Loans and all Mortgage Documents to the extent of its Respective Interest which, for the purpose of the Mortgage Participation Agreement, is defined as the interests of each of the Participants in the Mortgage Loans and the Mortgage Documents. The Respective Interest shall be proportionate to the amount that each Participant has advanced and outstanding in relation thereto, as adjusted from time to time. Subject to the satisfaction of any conditions precedent to advance contained in the Mortgage Commitment, the Senior Participant and Junior Participant each, on not less than one (1) Business Day prior written notice from the Mortgage Servicer of the requirement to advance, will advance their agreed percentage.

Rights and Obligations of the Parties

Notwithstanding the fees and rates set out in the Mortgage Commitment and the Mortgage Documents, all amounts advanced and outstanding and due to the Senior Participant shall bear interest at the rate of the then applicable rate payable by the Senior Participant to its applicable lender plus 25 bps (the "**Senior Rate**") calculated against the Senior Participant's daily closing balance, being the proportionate amount of the Mortgage Loans that it has advanced. The balance of the applicable fees, and all interest paid by the Mortgagor over and above the Senior Rate, shall be paid to the Junior Participant.

The Participants will pay, in proportion to their Respective Interests, all costs and expenses incurred or relating to the Mortgage Participation Agreement and any expenditures relating to any default(s) under the Mortgage Documents, enforcement of the Mortgage Documents and subsequent sale of the Mortgaged Property, except that the Junior Participant shall be solely responsible for the normal costs and fees of the Mortgage Servicer (excluding with respect to defaults or enforcement proceedings).

The Participants agree that, in the absence of a continuing default by the Mortgagor, all payments received on account of the Mortgage Loans shall be applied and distributed as follows:

- (a) first, to the Senior Participant, such sum as is necessary to make current all interest to the amount of 8% per annum owing to the Senior Participant; and
- (b) second, to the Junior Participant, such sum as is necessary to make current all interest owing to the Junior Participant.

It is contemplated that the Mortgage Servicer pay amounts to be paid in first priority to the Senior Participant directly to the Senior Participant. However, if the Mortgage Servicer is unable or unwilling to make the payment in such manner, then the Mortgage Servicer shall receive the payments remitted by the Mortgage Servicer, holding such payments in trust, and will then remit to the Participants all amounts to which each Participant, in accordance with its Respective Interest, is entitled, not later than the next Business Day after clearing of the funds received. At the time of remitting payments to the Senior Participant, the Mortgage Servicer will ensure that the Participants are provided with a statement indicating all monies received and indicating the portion of such remittance respecting principal and the portion of such remittance respecting interest. The Mortgage Servicer will receive and hold all such payments, and any of the Mortgage Documents it shall at any time receive, in trust for the sole beneficial interest of the Participants. The Mortgage Servicer will forward and remit to the Participants, forthwith upon receipt, all of the required statements, notices, and accounts, which the Mortgage Servicer is required to provide pursuant to the Mortgage Servicing Agreement.

Default Mechanics

In the event of a continuing default by the Mortgagor, all payments received, so long as the default continues, shall be distributed, net of all fees and other amounts properly payable under the Mortgage Servicing Agreement, to the Senior Participant, to be applied first to all interest owing to the Senior Participant, and second, to principal owing to the Senior Participant, until the full amount of indebtedness to the Senior Participant has been discharged and, thereafter, all amounts shall then be paid to the Junior Participant.

Notwithstanding the foregoing, in the event of a continuing default by the Mortgagor, if the Senior Participant and Junior Participant are unable to agree, each acting reasonably, on the steps to be taken with respect to the Mortgagor, the Mortgaged Property, any guarantor and any other security or obligor in respect thereof, then the Junior Participant shall, at any time thereafter, have the right to acquire the Senior Participant's Respective Interest under the Mortgage Participation Agreement, the Mortgage Loans and the Mortgage Documents on at least two (2) Business Days prior written notice and by payment to the Senior Participant of the outstanding principal amount owing to the Senior Participant and all accrued and unpaid interest thereon at the Senior Rate up to and including the date of payment whereupon the interest of the Senior Participant in the foregoing shall automatically be and be deemed to be assigned to the Junior Participant.

If the Junior Participant does not so acquire the Senior Participant's Respective Interest, the Senior Participant shall have the sole right to direct the realization process and the Mortgage Servicer will be so directed.

The Mortgage Servicer will promptly inform the Participants of any default which may occur as to the Mortgage Loans. The Mortgage Servicer will provide to the Participants any notification, including notice of default, and demand, which it may be

issued in connection with the Mortgage Loans to the Mortgagor following default. Within five (5) days following the date of receipt of notice of default by the Mortgagor, the Participants shall meet with the Mortgage Servicer to discuss the remedies available in respect of the default as to the Mortgage Loans, and the strategy for pursuing such remedies against the Mortgagor, the Mortgaged Property and any other parties obliged under the Mortgage Documents. The right to direct realization will be subject to the terms described in the preceding three (3) paragraphs of this summary, failing the reaching of mutual agreement as to any process of realization.

2.9 Related Party Transactions

On December 31, 2022, the Corporation sold seven mortgages at their carrying value to Velev Capital GP Inc. for an aggregate amount of \$1,112,000. In 2021, the Corporation sold two mortgages at their carrying value to Velev Capital GP Inc. for an aggregate amount of \$3,322,984. The consideration received was applied against the outstanding balance of debentures owing to Velev Capital GP Inc.

Description of Business or Asset	Date of Transfer	Legal name of seller	Legal name of buyer	Amount and form of consideration exchanged in connection with transfer
Seven mortgages	December 31, 2022	Equityline Mortgage Investment Corporation	Velev Capital GP Inc.	\$1,112,000; settlement of amounts owed to buyer
Two mortgages	December 31, 2021	Equityline Mortgage Investment Corporation	Velev Capital GP Inc.	\$3,322,984; settlement of amounts owed to buyer

Item 3: Compensation and Security Holdings of Certain Parties

3.1 Compensation and Securities Held

The following table sets out information about:

- (a) each director, officer and promoter of the Corporation;
- (b) each person that has beneficial ownership of, or direct or indirect control over, or a combination of beneficial ownership and direct or indirect control over, 10% or more of any class of voting securities of the Corporation; and
- (c) any “related party” not specified in paragraph (a) or (b) that received compensation in the most recently completed financial year or is expected by the Corporation to receive compensation in the current financial year.

Full legal name and place of residence or, if not an individual, jurisdiction of organization	Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by issuer or related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the issuer held after completion of the minimum Offering ⁽²⁾	Number, type and percentage of securities of the issuer held after completion of the maximum Offering ⁽³⁾
Sergiy Shchavyelyev Toronto, ON	Non-Independent director, President and Chief Executive Officer of the Corporation and Manger since January 18, 2018; Secretary of the Corporation and Manager since October 16, 2019; holder of more than 10% of voting securities; promoter	\$0 / \$0	25,000,000 Voting Shares (25.0% of Voting Shares)	25,000,000 Voting Shares (25.0% of Voting Shares)
Mark Korol Toronto, ON	Chief Financial Officer of the Corporation since August 24, 2021	\$40,000/\$40,000	Nil	Nil
Sergiy Przhebelskyy Toronto, ON	Vice President and Non-Independent director of the Corporation	\$0 / \$0	Nil	Nil
Mark Simone Mitchell, ON	Chief Operating Officer of the Corporation since September 5, 2023	\$40,000/\$40,000	Nil	Nil
Arthur Smelyansky Toronto, ON	Portfolio Manager of the Corporation since January 1, 2020	\$0 / \$0	Nil	Nil
Robert C. Kay Toronto, ON	Executive Vice President of the Corporation since January 7, 2020; director since January 30, 2018; and holder of more than 10% of the voting securities since January 8, 2020	\$2,500 per Board meeting	25,000,000 Voting Shares (25.0% of Voting Shares)	25,000,000 Voting Shares (25.0% of Voting Shares)
Bruce Ewing King City, ON	Senior Vice President of the Corporation since August 15, 2023	\$0 / \$0	Nil	Nil
Philip Douglas Burlington, ON	Senior Vice President, Dealer Relations of the Corporation since September 13, 2023	\$0 / \$0 ⁽¹⁾	Nil	Nil
Eric Klein Toronto, ON	Independent director since March 1, 2019	\$2,500 per Board meeting	Nil	Nil

Full legal name and place of residence or, if not an individual, jurisdiction of organization	Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by issuer or related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the issuer held after completion of the minimum Offering ⁽²⁾	Number, type and percentage of securities of the issuer held after completion of the maximum Offering ⁽³⁾
Willie Handler Toronto, ON	Independent director since January 1, 2020	\$2,500 per Board meeting	Nil	Nil
Donald Hathaway Stratford, ON	Independent director since February 12, 2020	\$2,500 per Board meeting	Nil	Nil
Brian Koscak Sharon, ON	Director since November 10, 2022 Non-independent director since January 1, 2023	\$2,500 per board meeting	Nil	Nil
Ungad Chadda Toronto, ON	Independent director since February 12, 2020	\$2,500 per Board meeting	Nil	Nil
Yuliya Yashku Richmond Hill, ON	Holder of more than 10% of voting securities since October 16, 2019	\$0 / \$0	25,000,000 Voting Shares (25.0% of Voting Shares)	25,000,000 Voting Shares (25.0% of Voting Shares)
Igor Demitchev Toronto, ON	Holder of more than 10% of voting securities since January 18, 2018	\$0 / \$0	25,000,000 Voting Shares (25.0% of Voting Shares)	25,000,000 Voting Shares (25.0% of Voting Shares)
The Manager	Related party of the Corporation ⁽²⁾	\$0/\$1,200,000	Nil	Nil

Notes:

- (1) Mr. Douglas is paid a percentage of subscription funds received through registered dealers that he successfully obtains agreements to sell Offered Shares. That percentage is currently 1%.
- (2) The Manager will receive the Management Fee and Lender Fees generated by the Corporation. Subject to the Conflicts Policy, the Corporation will pay for all reasonable and verifiable expenses that the Corporation incurs or the Manager incurs on behalf of the Corporation in connection with the operation and management of the Corporation, including but not limited to, statement fees, early pre-payment, discharge fees, bonus fees, inspection fees and all other fees which could be included in the commitment upon the origination of the mortgage loan, as well as all remuneration of the directors of the Corporation. The sole shareholder of the Manager is Sergiy Shchavyelyev. See Item 2.2 "The Business – Management Fees and Operating Expenses".
- (3) No Voting Shares or Series A Preferred Shares will be offered under the Offering. The directors and officers and other principal holders of the Corporation may acquire Offered Shares as part of the Offering; however, the amount of Offered Shares that any director or officer or principal holders may acquire is not known as of the date of this Offering Memorandum.

3.2 Management Experience

The following table discloses the principal occupations of the directors and officers of the Corporation and the Manager over the past five years.

Full Legal Name	Principal occupation and description of experience associated with the occupation
Sergiy Shchavyelyev	<p><i>Director, President, Chief Executive Officer and Secretary of the Corporation, Chief Executive Officer and Director of the Manager; Principal Broker of Equityline Financial; Chief Executive Officer of EquityLine SPV GP Inc.</i></p> <p>Sergiy Shchavyelyev is the CEO and Founder of the Corporation and VeleV Capital. He also owns, in part, a family-operated real estate brokerage, EquityLine Financial Corp. As a real estate developer and mortgage broker with extensive lending and financial experience in real estate assets, Sergiy manages over \$110 million between funds and development projects.</p> <p>Sergiy has been an active Real Estate Broker since 2006 and a Mortgage Specialist since 2008. To date, Sergiy has completed over \$750 million in real estate transactions. Before working as a real estate broker, lender, and re-developer, Sergiy worked in a small claims court and land registry office as a paralegal for over two years. He has a Financial Accounting certificate from Harvard Business School and a Master of Law Degree from Mechnikov National University. He is a founding member of CAMLA (Canadian Alternative Mortgage Lender Association) and a former member of the advisory committee of the Private Capital Markets Association of Canada.</p>
Mark Korol , CPA, CFE, CFA, ABV, ICD.D	<p><i>Chief Financial Officer of the Corporation</i></p> <p>Mark Korol has over 20 years of experience as a Chief Financial Officer in various industries, including eight years of public company experience at Zenon Environmental, CDI Education Corp., and Char Technologies. He was also the CFO at the Arturos Group, an international vertically integrated hospitality business with 2,000 employees. Before that, he worked for the Xela Group of Companies and has experience at National Bank Financial as a Research Analyst. Mark is a Chartered Financial Analyst (CFA), a Certified Public Accountant (CPA), a Certified Fraud Examiner (CFE) and an Accredited Business Valuator (ABV). He holds the Institute of Corporate Directors designation (ICD.D).</p>
Robert C. Kay	<p><i>Executive Vice President of the Corporation and Non-Independent Director of the Corporation</i></p> <p>Robert C. Kay is a seasoned Corporate Director and Business Advisor. He combines business and legal skills with extensive experience in international commerce to develop and assess complex strategies with multinational companies and governments. Robert has served as a Corporate Director in both privately held and publicly listed companies, serving on Governance, Audit, Strategy, and ESG Committees. He is currently Chair, Advisory Board, the Migao Group (fertilizer manufacturing, clean energy, mining); Chair, Baycrest Hospital and Long-Term Care Residence (cumulatively 734 beds); Corporate Director, Baycrest Seniors Care Corp; Corporate Director, Lake Simcoe Regional Airport; Corporate Director, Canada- Eurasia Chamber of Commerce (Toronto). Notable governance roles have included: Chair-Canadian Commercial Corporation; Vice Chair and Lead Director-Migao Corporation; Chair-Migao Special Committee for Going Private; Chair-Swiss/Canadian Chamber of Commerce; Director in Residence-Institute of Corporate Directors; Board Director-Changfeng (CF) Energy Inc (gas distribution, clean energy); Board Director, Royal Canadian Military Institute; Board Director-American Chamber of Commerce (Ontario Council). Robert was a teaching Board</p>

Full Legal Name	Principal occupation and description of experience associated with the occupation
	Member in the Integrative Thinking Practicum of the MBA Degree Program at the University of Toronto. He is a former Deputy Judge, Superior Court of Justice of Ontario, SCC branch. Earlier in his career, Robert served as Personal Assistant to the Deputy Prime Minister of Canada. Robert contributed his time as Chair of the Royal Canadian Military Institute Audit Committee. Robert is also a Member of the American Judges Association, and the Institute of Corporate Directors.
Ungad Chadda	<p><i>Independent Director of the Corporation</i></p> <p>Ungad Chadda is a capital markets consultant. He was Senior Vice President of TMX Group (the parent company of the Toronto Stock Exchange) and Enterprise Head of Corporate Strategy, Development, and External Affairs. He was responsible for building and maintaining the TMX Group investor base and supporting its public interest mandate and strategies to grow as a company. Ungad joined TMX Group in 1997. During his tenure, Ungad held progressively senior roles, including Director of Listings, TSX Venture Exchange; Chief Operating Officer, TSX Venture Exchange; Vice President, Business Development, Toronto Stock Exchange and TSX Venture Exchange, Senior Vice President, Toronto Stock Exchange and President, Capital Formation.</p>
Donald Hathaway	<p><i>Independent Director of the Corporation, Chair of Governance Committee</i></p> <p>Don Hathaway has spent over forty years as a business CEO, a senior partner in two major international consultancies, and a corporate director on multiple boards while accumulating expertise in strategy, finance, risk management, marketing, and corporate governance. Key roles have included the inaugural President and CEO of the Ontario Centres of Excellence and of the Global Risk Institute in Financial Services, and as a Founder and the original Board Chair of Compute Canada, the national system of high-performance computers supporting research at all Canadian universities (he remains the Emeritus Chair). He has been a Governor of both York University and Ontario Tech University. He is a former Chair of the University of Waterloo Advisory Council; Board of Governors, The Ontario Free Trade Policy Advisory Council, and the Canadian Employment and Immigration Advisory Council. After undergraduate studies in electrical engineering and mathematics, he completed postgraduate studies in business at the Schulich School of Business. Later, he undertook the Economic Value Analysis program at the Kellogg School of Business and the program in corporate governance at the University of Toronto.</p>
Eric Klein , CPA, ICD, CBV, CA	<p><i>Independent Director of the Corporation, Chair of Audit Committee</i></p> <p>Eric Klein is currently President of Klein Advisory Services Inc., a firm that focuses on business strategy, complex mergers, acquisitions, divestitures, and financings for mid-sized Canadian corporations. With more than 30 years of experience, Eric focuses on providing results-driven corporate finance advisory services for midmarket Canadian companies. Recently, Eric was a senior executive with a Canadian public financial institution. Before that, he was the founder and Managing Director of the Corporate Finance, Valuations, and Transaction practice of Farber Financial Group. Eric graduated from McGill University with a B.Comm and a Graduate Diploma in Public Accounting. He holds designations as a Chartered Public Accountant and a Chartered Business Valuator and is a member of the</p>

Full Legal Name	Principal occupation and description of experience associated with the occupation
	<p>Institute of Corporate Directors. He has been and/or is currently a board director for the following entities: 79North Inc. (May 2022 to Present), INV Metals Inc. (January 2008 to July 2021), Ramm Pharmaceutical (October 2019 to Present), Braingrid Ltd. (December 2018 to April 2020), Dundee Corporation (May 2016 to January 2018), 12 Exploration Inc. (March 2019 to June 2020), Northquest Ltd. (December 2009 to June 2016), CryptoGlobal Corp. (January 2018 to July 2018), Liberty Silver Corporation (December 2013 to October 2016), Bonanza Blue Corp (June 2011 to December 2016), and FMX Ventures Inc. (May 2009 to December 2016).</p>
<p>Willie Handler</p>	<p><i>Independent Director of the Corporation, Chair of Compensation Committee</i></p> <p>Willie Handler has 28 years of experience in the insurance sector, with 20 years working on insurance regulatory policy with the Financial Services Commission of Ontario and eight years of experience operating his own consulting business. Willie has provided strategic advice to a wide range of clients dealing with an evolving regulatory environment. Willie holds a Bachelor of Science from the University of Toronto, a Master's degree in Health Administration from the Fox School of Business at Temple University, and a Master's degree in Public Administration from the Schulich School of Business at York University.</p>
<p>Brian Koscak, B.A.(Hon), M.A. (Judicial Administration), LL.B, J.D., LLM (Securities)</p>	<p><i>Director of the Corporation</i></p> <p>Mr. Koscak is a corporate securities lawyer and is licensed to practice law in the Provinces of Ontario and Alberta, providing legal services to a number of clients and serving as a director of a number of companies. He also serves as General Counsel of a private film financing company located in Toronto, Ontario.</p> <p>Mr. Koscak was previously the President, Chief Compliance Officer, and General Counsel of a large registered exempt market dealer, portfolio manager and investment fund manager located in Calgary Alberta. Mr. Koscak oversaw the company's day-to-day business and operations, with a particular focus on corporate finance, capital raising, compliance, registration, and legal matters.</p> <p>Mr. Koscak was invited to become a member of the Ontario Securities Commission's Exempt Market Advisory Committee, where he served from 2012 to 2017, and the Alberta Securities Commission's Exempt Market Dealer Advisory Committee where he served from 2015 to 2021. Mr. Koscak is the former Chair and current Vice Chair of the Private Capital Markets Association of Canada and an Executive Committee member for over a decade. He was also appointed as a member of the Expert Advisory Committee of the Ontario Government's Capital Markets Modernization Taskforce, which was established in 2020.</p> <p>Prior to July 2015, Mr. Koscak was a partner in the Toronto office of a national Canadian law firm where he practiced since his call to the Ontario Bar in 1999, specializing in capital markets and securities compliance and regulatory law with an emphasis on private and public financings, investment funds, and securities registration and compliance matters.</p> <p>Mr. Koscak obtained his Bachelor of Arts (Honours) in 1987 and Master of Arts (Judicial Administration) (from Brock University), his LL.B. from Windsor Law</p>

Full Legal Name	Principal occupation and description of experience associated with the occupation
	School and J.D. from University of Detroit Mercy School of Law and his LL.M. (Securities) from Osgoode Hall Law School.
Arthur Smelyansky , CIM, DMS, PFP	<p><i>Chief Portfolio Manager of the Corporation</i></p> <p>Arthur Smelyansky currently serves as the Chief Executive Officer and Portfolio Manager at Maccabi Capital Management LLC. He is a Portfolio Manager, Hedge Fund Trader, and Co-Founder of Maccabi Equity Income Fund. Arthur's responsibilities include credit analysis, market research for the Corporation, and direct management of a portfolio with assets over \$40 million. Arthur's specialty is options trading and using derivatives to preserve capital and lower portfolio volatility. Arthur was the Senior Analyst and Trader at Bonello Holdings Inc. from September 2012 to January 2018. The company improved investment returns from 6% to 9.71% during this time. Arthur holds the CIM (Chartered Investment Manager), DMS (Derivatives Market Specialist), Member of the National Futures Association and PFP (Personal Financial Planner) designations. Arthur is registered as a Chartered Investment Manager with the Canadian Securities Institute.</p>
Sergiy Przhebelskyy	<p><i>Vice President and Non-Independent Director of the Corporation</i></p> <p>Sergiy Przhebelskyy brings a wealth of banking sector knowledge, having spent time over seven years in the banking and financial sectors at TD and The National Bank of Canada. Sergiy was the Chief Operating Officer of the Corporation from October 16, 2019 until September 1, 2023. Throughout his career as a mortgage specialist, he has completed more than \$350 million in residential mortgage transactions. In 2014, Sergiy transitioned from the traditional mortgage lending channels to the Mortgage Broker channel. During this time, he gained experience and insights into alternative mortgage lending practices, including private mortgage financing. At the Corporation, Sergiy is involved in daily operations of underwriting, deal compliance, administration, and office management. Sergiy's ability to source and secure the best deals that match clients' needs continues to win him high praise. Sergiy's ability to source and secure the best deals that match clients' needs continues to win him high praise. He has an excellent knowledge of the real estate sector, appraisals reports, mortgage structuring, and funding processes.</p>
Mark Simone	<p><i>Chief Operating Officer of the Corporation</i></p> <p>Mark Simone is a business executive with extensive C-Suite experience in developing and managing insurance, finance, and medical businesses. Mark was a Vice President of the Corporation from January 1, 2020 until September 1, 2023. In the past, he was the President of Medipac International Insurance (Canada's largest retailer of long-term travel medical insurance), the Executive and Managing Director of the Canadian Snowbird Association (one of Canada's largest lifestyle affinity groups), and the President of Ontario Health Clinics, serving over fifty thousand patients. Most recently, he was the Vice President of Strategic Relations with Pinnacle Wealth Brokers, Canada's largest Exempt Market Dealer.</p>

Full Legal Name	Principal occupation and description of experience associated with the occupation
Bruce Ewing	<p><i>Senior Vice President</i></p> <p>Bruce Ewing has extensive experience in the equity market. Bruce has worked in various positions ranging from "board marker" to his most recent role as Head Equity Trader of the Special Handling Desk for Bank of Montreal Nesbitt Burns.</p> <p>Bruce's expertise lies in providing superior trade execution in compliance with UMIR and firm policies and procedures. He also served as a gatekeeper, assisting brokers in understanding and adhering to compliance policies for accurate transacting in block trades. Additionally, he has extensive experience in analyzing market conditions, social, economic, and financial data to provide valuable commentary. Risk management has always been a priority for Bruce, ensuring careful management of the firm's risk exposure when accumulating positions on behalf of clients in firm inventories while maintaining firm-defined limits. Over the course of Bruce's career, he has successfully completed the following: Canadian Securities Course (CSC); Conduct Practices Handbook (CPH); Derivatives and Options License (DOL); and Trader Trading Course (TTC).</p>
Philip Douglas	<p><i>Senior Vice President, Dealer Relations</i></p> <p>Philip joined Equityline Group in 2023 bringing close to 20 years of experience in the Asset Management industry. A well-connected Private Wealth professional in Canada with deep relationships with financial advisors, branch managers, Home Offices, Family Offices and Portfolio Managers.</p> <p>Philip is a highly organized and process-oriented senior sales leader who is best known for consistently achieving goals through team collaboration. Focused on enhancing the client experience to create enduring relationships. Philip's experience includes Senior roles at 2 of Canada's Largest Mutual Fund Companies, One of Canada's largest ETF firms as well as leading a major US Alternative asset manager in the Canadian market.</p>

3.3 Penalties, Sanctions and Bankruptcy

In the 10 years preceding the date of this Offering Memorandum, no director, officer or control person of the Corporation or the Manager has been subject to:

- (i) a penalty or other sanction imposed by a court relating to a contravention of securities legislation;
- (ii) a penalty or other sanction imposed by a regulatory body relating to a contravention of securities legislation;
- (iii) an order restricting trading in securities, not including an order that was in effect for less than 30 consecutive days.

In the 10 years preceding the date of this Offering Memorandum, no director, officer or control person of the Corporation or the Manager has been a director, officer, or control person of a person or company that is or has been subject to any matter described in paragraph (i), (ii), or (iii) above.

In the 10 years preceding the date of this Offering Memorandum, no director, officer or control person of the Corporation or the Manager has made or been subject to:

- (i) a declaration of bankruptcy;
- (ii) a voluntary assignment in bankruptcy;
- (iii) a proposal under bankruptcy or insolvency legislation;
- (iv) a proceeding, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets.

In the 10 years preceding the date of this Offering Memorandum, no director, officer or control person of the Corporation or the Manager has been a director, officer, or control person of a person or company that is or has been subject to any matter described in paragraph (i), (ii), (iii) or (iv) above.

In the 10 years preceding the date of this Offering Memorandum, no director, officer or control person of the Corporation or the Manager has pled guilty to or been found guilty of, and neither the Corporation nor the Manager has pled guilty to or been found guilty of:

- (i) a summary conviction or indictable offence under the *Criminal Code* (Canada);
- (ii) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction;
- (iii) a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory of the United States of America;
- (iv) an offence under the criminal legislation of any other foreign jurisdiction.

3.4 Certain Loans

As of August 31, 2023, there were secured debentures outstanding in the amount of \$10,125,000 to Related Parties, as set out below. The Corporation is the borrower in all cases. See the Corporation's audited annual financial statements under Item 12 "*Financial Statements*" for a summary of the material terms of the outstanding debentures. No material amendments or release, cancellation or forgiveness of these amounts has been effected during the last two financial years or during the period from January 1, 2023 to August 31, 2023.

Lender	Principal Amount	Term and Due Date	Interest Rate (per annum)
Velev Capital GP Inc.	Authorized amount \$9,000,000.00	Revolving; Due January 24, 2024	8%
Arthur Smelyansky	\$925,000.00	Open term	8%
Sergiy Przhebelskyy	\$200,000.00	Open term	8%
Total	10,125,000.00		

Item 4: Capital Structure

4.1 Securities Except for Debt Securities

Please see Item 5.1 for a description of the terms of the securities below.

Description of security	Number authorized to be issued	Price per security	Number outstanding as at August 31, 2023	Number Outstanding after the maximum Offering of Series B Preferred Shares	Number Outstanding after the target maximum Offering of Series F Preferred Shares ⁽¹⁾	Number Outstanding after the target maximum Offering of Series I Non-Voting Shares	Number Outstanding after the minimum Offering of Series H Non-Voting Shares	Number Outstanding after the maximum Offering of Series H Non-Voting Shares
Series A Preferred Shares	Unlimited	US\$2.00	2,683,400	2,683,400	2,683,400	2,683,400	2,683,400	2,683,400
Series B Preferred Shares	Unlimited	\$10.00	1,066,330	10,066,330	1,066,330	1,066,330	1,066,330	1,066,330
Series F Preferred Shares	Unlimited	\$10.00	3,738,000	3,738,000	11,797,000	3,738,000	3,738,000	3,738,000
Series I Preferred Shares	Unlimited	\$10.00	Nil	Nil	Nil	10,000,000	Nil	Nil
Series H Non-Voting Shares	Unlimited	\$10.00	Nil	N/A	N/A	N/A	100,000	2,000,000
Voting Shares (common shares)	Unlimited	\$0.0001	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000

Notes:

- (1) The Corporation is targeting an offering of \$100,000,000 of Series F Preferred Shares but may raise more or less than such target amounts.
- (2) The Corporation is targeting an offering of \$100,000,000 of Series I Preferred Shares but may raise more or less than such target amounts.

4.2 Long Term Debt

Description of Debt (including whether secured)	Interest Rate	Repayment Terms ⁽¹⁾	Amount outstanding as at August 31, 2023
Secured, non-convertible debentures ⁽²⁾⁽³⁾	8%	Due April 28, 2023	\$510,000
	8%	Due May 11, 2023	\$2,940,000
	8%	Due June 9, 2023	\$875,000
	8%	Due August 4, 2023	\$700,000
	8%	Due August 22, 2023	\$100,000
	8%	Due October 5, 2023	\$25,000
	8%	Due October 6, 2023	\$250,000
	9%	Due November 1, 2023	\$150,000
	9%	Due December 12, 2023	\$50,000
	8%	Due December 21, 2023	\$200,000
	8%	Due January 2, 2024	\$7,500
	8%	Due January 24, 2024	\$100,000
	8%	Due January 30, 2024	\$100,000
	8%	Due February 26, 2024	\$100,000
	8%	Due March 22, 2024	\$260,000
	8%	Due April 3, 2024	\$150,000
	8%	Due May 9, 2024	\$100,000
		8%	Due January 3, 2024
Total			\$7,082,264

Notes:

- (1) All of the debentures noted above are due within 12 months of the date hereof.
- (2) None of the currently outstanding debentures are Interim Debentures.
- (3) All debentures are secured by a general security agreement constituting a charge on all of the assets of the Corporation.
- (4) On January 3, 2020, the Corporation established a revolving debenture facility of \$9,000,000 with Velev Capital GP Inc. As at August 31, 2023, the balance of the facility was \$1,876,683.

4.3 Prior Sales

The Corporation has issued the following securities in the 12 months prior to the date of this Offering Memorandum (up to August 31, 2023).

Date of issuance	Type of security issued	Number of securities issued/principal amount	Price per security	Total funds received (gross)
September 27, 2022	Unsecured, non-convertible debentures	\$400,000	N/A	\$400,000

Date of issuance	Type of security issued	Number of securities issued/principal amount	Price per security	Total funds received (gross)
October 7, 2022	Unsecured, non-convertible debentures	\$500,000	N/A	\$500,000
November 1, 2022	Unsecured, non-convertible debentures	\$150,000	N/A	\$150,000
December 13, 2022	Unsecured, non-convertible debentures	\$50,000	N/A	\$50,000
December 21, 2022	Unsecured, non-convertible debentures	\$200,000	N/A	\$200,000
January 3, 2023	Unsecured, non-convertible debentures	\$52,500	N/A	\$52,500
January 25, 2023	Unsecured, non-convertible debentures	\$100,000	N/A	\$100,000
January 31, 2023	Unsecured, non-convertible debentures	\$100,000	N/A	\$100,000
February 27, 2023	Unsecured, non-convertible debentures	\$100,000	N/A	\$100,000
March 23, 2023	Unsecured, non-convertible debentures	\$260,000	N/A	\$260,000
April 4, 2023	Unsecured, non-convertible debentures	\$150,000	N/A	\$150,000
May 10, 2023	Unsecured, non-convertible debentures	\$100,000	N/A	\$100,000
June 16, 2023	Unsecured, non-convertible debentures	\$310,000	N/A	\$310,000
July 11, 2023	Unsecured, non-convertible debentures	\$100,000	N/A	\$100,000

Date of issuance	Type of security issued	Number of securities issued/principal amount	Price per security	Total funds received (gross)
October 6, 2022	Series B Preferred Shares	3,000	\$10.00	\$30,000
October 20, 2022	Series B Preferred Shares	5,000	\$10.00	\$50,000
October 20, 2022	Series B Preferred Shares	5,000	\$10.00	\$50,000
November 3, 2022	Series B Preferred Shares	5,000	\$10.00	\$50,000
November 3, 2022	Series B Preferred Shares	5,000	\$10.00	\$50,000
November 17, 2022	Series B Preferred Shares	7,000	\$10.00	\$70,000
November 17, 2022	Series B Preferred Shares	2,500	\$10.00	\$25,000
February 2, 2023	Series B Preferred Shares	3,200	\$10.00	\$32,000

Date of issuance	Type of security issued	Number of securities issued/principal amount	Price per security	Total funds received (gross)
April 20, 2023	Series F Preferred shares	35,000	\$10.00	\$350,000
April 20, 2023	Series F Preferred shares	8,000	\$10.00	\$80,000
April 20, 2023	Series F Preferred shares	12,000	\$10.00	\$120,000
April 20, 2023	Series F Preferred shares	12,000	\$10.00	\$120,000
April 20, 2023	Series F Preferred shares	8,000	\$10.00	\$80,000
May 4, 2023	Series F Preferred shares	5,000	\$10.00	\$50,000
May 18, 2023	Series F Preferred shares	12,000	\$10.00	\$120,000
May 18, 2023	Series F Preferred shares	13,000	\$10.00	\$130,000
May 18, 2023	Series F Preferred shares	13,000	\$10.00	\$130,000
May 18, 2023	Series F Preferred shares	20,000	\$10.00	\$200,000

Date of issuance	Type of security issued	Number of securities issued/principal amount	Price per security	Total funds received (gross)
May 18, 2023	Series F Preferred shares	30,000	\$10.00	\$300,000
June 1, 2023	Series F Preferred Shares	15,000	\$10.00	\$150,000
June 1, 2023	Series F Preferred Shares	5,000	\$10.00	\$50,000
June 1, 2023	Series F Preferred Shares	5,000	\$10.00	\$50,000
June 1, 2023	Series F Preferred Shares	5,000	\$10.00	\$50,000
June 1, 2023	Series F Preferred Shares	2,000	\$10.00	\$20,000
June 1, 2023	Series F Preferred Shares	5,000	\$10.00	\$50,000
June 1, 2023	Series F Preferred Shares	35,000	\$10.00	\$350,000
June 1, 2023	Series F Preferred Shares	10,000	\$10.00	\$100,000
June 1, 2023	Series F Preferred Shares	10,000	\$10.00	\$100,000
June 15, 2023	Series F Preferred Shares	10,000	\$10.00	\$100,000
July 27, 2023	Series F Preferred Shares	5,000	\$10.00	\$50,000
July 27, 2023	Series F Preferred Shares	5,000	\$10.00	\$50,000
July 27, 2023	Series F Preferred Shares	5,000	\$10.00	\$50,000
July 27, 2023	Series F Preferred Shares	2,500	\$10.00	\$25,000
July 27, 2023	Series F Preferred Shares	2,500	\$10.00	\$25,000
July 27, 2023	Series F Preferred Shares	5,000	\$10.00	\$50,000
July 27, 2023	Series F Preferred Shares	2,500	\$10.00	\$25,000
July 27, 2023	Series F Preferred Shares	2,500	\$10.00	\$25,000
August 10, 2023	Series F Preferred Shares	5,000	\$10.00	\$50,000
August 10, 2023	Series F Preferred Shares	2,500	\$10.00	\$25,000

Date of issuance	Type of security issued	Number of securities issued/principal amount	Price per security	Total funds received (gross)
August 10, 2023	Series F Preferred Shares	5,000	\$10.00	\$50,000
August 10, 2023	Series F Preferred Shares	5,000	\$10.00	\$50,000
August 10, 2023	Series F Preferred Shares	5,000	\$10.00	\$50,000
August 17, 2023	Series F Preferred Shares	1,000	\$10.00	\$10,000
August 17, 2023	Series F Preferred Shares	1,500	\$10.00	\$15,000
August 17, 2023	Series F Preferred Shares	6,500	\$10.00	\$65,000
August 17, 2023	Series F Preferred Shares	2,000	\$10.00	\$20,000
August 24, 2023	Series F Preferred Shares	1,500	\$10.00	\$15,000
August 24, 2023	Series F Preferred Shares	2,000	\$10.00	\$20,000
August 24, 2023	Series F Preferred Shares	25,000	\$10.00	\$250,000
August 31, 2023	Series F Preferred Shares	5,000	\$10.00	\$50,000
August 31, 2023	Series F Preferred Shares	5,000	\$10.00	\$50,000
August 31, 2023	Series F Preferred Shares	5,000	\$10.00	\$50,000
August 31, 2023	Series F Preferred Shares	2,500	\$10.00	\$50,000
August 31, 2023	Series F Preferred Shares	2,500	\$10.00	\$50,000

Item 5: Securities Offered

5.1 Terms of Securities

This is a summary only and is subject to the complete terms of the shares from the Articles of the Corporation, which may be requested from the Corporation during normal business hours at the offices of the Corporation at 550 Highway 7 Ave E., Suite 338, Richmond Hill, Ontario, L4B 3Z4 or by contacting the Corporation at 1-888-269-1988 or info@equitylinemic.com, and a copy of such requested Articles will be e-mailed to a prospective investor.

To the extent that there is any inconsistency between the summary below and the Articles of the Corporation, the provisions of the Articles of the Corporation shall prevail.

Series A Preferred Shares

Purchase Price	Each Series A Preferred Share shall be issued at a purchase price equal to US\$2.00 per share.
Priority	The Series A Preferred Shares shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, rank on a parity with the Preferred Shares of every other series, including the Series A Preferred Shares, and with respect to the distribution of assets be entitled to a preferred distribution and priority over the Voting Shares, the Non-Voting Shares and over any other shares of the Corporation ranking junior to the Preferred Shares in respect of dividends.
Voting Rights	The holders of Series A Preferred Shares will not be entitled to notice of or to attend, and will not be entitled to vote at, any meeting of shareholders, unless and until the Corporation shall have failed to fully pay an aggregate of three (3) monthly dividends on the Series A Preferred Shares in accordance with the terms of the Series A Preferred Shares, whether or not consecutive and whether or not such dividends were declared and whether or not there are any monies of the Corporation properly applicable to the payment of such dividends. Accordingly, such voting rights shall be applicable once there is accrued and unpaid an aggregate of \$0.04 per share. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series A Preferred Shares shall be entitled to receive notice of all meetings of shareholders of the Corporation and to attend thereat. The holders of the Series A Preferred Shares shall be entitled to vote together with all of the Voting Shares of the Corporation on the basis of one vote in respect of each Series A Preferred Share held by each such holder, until all such arrears of such dividends shall have been paid, whereupon such rights shall cease unless and until the Corporation shall again fail to pay the three (3) monthly dividends on the Series A Preferred Shares in accordance with the terms hereof, whether or not consecutive and whether or not such dividends were declared and whether or not there are any monies of the Corporation properly applicable to the payment of such dividends, in which event such voting rights shall become effective again and so on from time to time. The holders of Series A Preferred Shares shall be entitled to vote separately as a class on any resolution to wind-up, dissolve or liquidate the Corporation and as set out below under "Amendments and Modifications".
Dividends	<p><i>Priority:</i> The Series A Preferred Shares rank senior to the Voting Shares, the Non-Voting Shares and any other class of shares of the Corporation ranking junior to the Preferred Shares and rank on a parity with every other series of Preferred Shares as to dividends.</p> <p><i>General:</i> Holders of the Series A Preferred Shares shall be entitled to receive, and the Corporation shall pay thereon, if, as and when declared by the Board, out of moneys of the Corporation properly applicable to the payment of dividends, fixed, cumulative, preferential monthly cash dividends in an amount equal to an annual rate of 8% based on the purchase price of the Series A Preferred Shares, payable, with respect to each Series A Preferred Share Dividend Period, on the 15th day of each of the months of each year (the "Series A Dividend Payment Date") in</p>

respect of such Series A Preferred Share Dividend Period. Dividends on the Series A Preferred Shares shall accrue daily from and including the date of issue of such shares.

Initial Dividend and Dividend for Other than a Full Dividend Period

The holders of Series A Preferred Shares shall be entitled to receive, and the Corporation shall pay thereon, if, as and when declared by the Board out of moneys of the Corporation properly applicable to the payment of dividends, cumulative, preferential cash dividends for the initial Series A Preferred Share Dividend Period or any period which is less than a full Series A Preferred Share Dividend Period, as follows:

- (i) an initial dividend in respect of the period from and including the date of the initial issue of the Series A Preferred Shares to but excluding the first day of the next Series A Preferred Share Dividend Period in an amount per Series A Preferred Share equal to US\$0.16 multiplied by a fraction, the numerator of which is the number of calendar days from and including the date of the initial issue of the Series A Preferred Shares to but excluding the first day of the next Series A Preferred Share Dividend Period and the denominator of which is 365; and
- (ii) a dividend in an amount per share with respect to any Series A Preferred Share:
 - 1) which is issued or redeemed during any Series A Preferred Share Dividend Period;
 - 2) where the assets of the Corporation are distributed to the holders of the Series B Preferred Shares pursuant to Item 5.1 "Terms of Securities – Series A Preferred Shares – Liquidation, Dissolution or Winding-Up" with an effective date during any Series A Preferred Share Dividend Period; or
 - 3) in any other circumstance where the number of days in a Series A Preferred Share Dividend Period that such share has been outstanding is less than a full Series A Preferred Share Dividend Period (other than the period referred to in paragraph (i) above)

equal to the amount obtained when the amount of the monthly dividend payable in respect of the applicable full Series A Preferred Share Dividend Period is multiplied by a fraction, the numerator of which is the number of calendar days in such Series A Preferred Share Dividend Period that such share has been outstanding (excluding the date of redemption, the effective date for the distribution of assets or the last day of the applicable shorter period, as applicable) and the denominator of which is the number of calendar days in such Series A Preferred Share Dividend Period.

Cumulative Payment of Dividends

If on any Series A Dividend Payment Date, the dividends payable in respect of the Series A Preferred Share Dividend Period ending in the calendar month in which such Series A Dividend Payment Date occurs are not paid in full on all of the Series A Preferred Shares then outstanding, such dividends, or the unpaid part thereof, shall be paid (less any tax required to be deducted or withheld by the Corporation) on a subsequent date or dates determined by the Board on which the Corporation shall have sufficient monies properly applicable to the payment of such dividends.

Other Dividends

Holders of Series A Preferred Shares have a right, after payment to them of their dividends, and payment of dividends in a like amount per share to the holders of

the Non-Voting Shares and, if required under the ITA, the Voting Shares, to participate *pari passu* with the holders of the Non-Voting Shares and, if required under the ITA, the Voting Shares in any further payment of dividends.

Liquidation,
Dissolution or
Winding-Up

In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, subject to the prior satisfaction of the claims of all creditors of the Corporation and of holders of shares of the Corporation ranking senior to the Series A Preferred Shares, the holders of the Series A Preferred Shares shall rank (a) on a parity with the Preferred Shares of every other series and (b) senior to the Voting Shares and the shares of any other class ranking junior to the Preferred Shares. The Series A Preferred Shares shall be entitled to receive an amount equal to the Series A Preferred Share Redemption Price per Series A Preferred Share, together with an amount equal to all accrued and unpaid dividends, whether declared or not, up to but excluding the date fixed for payment or distribution (less any tax required to be deducted or withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares of the Corporation ranking junior as to capital to the Series A Preferred Shares. Upon payment to the holders of the Series A Preferred Shares of the amounts so payable to them, such holders shall not be entitled to share in any further distribution of the assets of the Corporation.

Redemption by
Shareholder

Series A Preferred Shares may be redeemed at any time following the date that is 36 months following the date of initial issuance of the Series A Preferred Shares (the "**Series A Shareholder Redemption Start Date**") at the Series A Preferred Share Redemption Price (less any tax required to be deducted or withheld by the Corporation and less any costs associated with such redemption). The Corporation shall not be required to accept notices of redemption for Series A Preferred Shares representing more than 10% of the number of Series A Preferred Shares outstanding at the beginning of the applicable Series A Redemption Period (the "**Series A Threshold**"). A "**Series A Redemption Period**" is each of the periods from January 1 to June 30 and from July 1 to December 31 of any calendar year after the Series A Shareholder Redemption Start Date (provided that if the first Series A Redemption Period is less than 3 months long, the first Series A Redemption Period shall begin on the Series A Shareholder Redemption Start Date and end on the last day of what would be the next Series A Redemption Period). This restriction means that if, between January 1 and June 30 of a calendar year, redemption notices are received for 10% of outstanding Series A Preferred Shares calculated as of January 1, subject to pro ration, no further redemption notices are required to be accepted in that period. Likewise, if between July 1 and December 31 of a calendar year, redemption notices are received for 10% of outstanding Series A Preferred Shares calculated as of July 1, subject to pro ration, no further redemption notices are required to be accepted in that period. In the event that the number of Series A Preferred Shares tendered for redemption during a Series A Redemption Period exceeds the Series A Threshold and the Board determines not to redeem Series A Preferred Shares in excess of the Series A Threshold, the Corporation shall redeem such Series A Preferred Shares tendered for redemption and not withdrawn or revoked, on a pro rata basis, and all such Series A Preferred Shares tendered in excess of the Series A Threshold shall be returned to the shareholder and no further notices of redemption shall be permitted or accepted in such Series A Redemption Period.

Suspension of
Redemptions

The Corporation may suspend the redemption of Series A Preferred Shares for any period not exceeding 120 days during which the Corporation or the Manager determines that conditions exist which render impractical the sale of assets in the MIC Portfolio or which impair the ability of the Manager to determine the value of assets of the Corporation or the Portfolio. The suspension may apply to all requests for redemption for Series A Preferred Shares received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. Holders of Series A Preferred Shares who have tendered their Series A Preferred Shares for redemption in such circumstances shall be notified of the suspension by the Corporation or the Manager. All such holders of Series A Preferred Shares shall have and shall be advised that they have the right to withdraw such Series B Preferred Shares surrendered for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with the rules and regulations promulgated by any governmental body having jurisdiction over the Corporation, any declaration of suspension made by the Corporation or the Manager shall be conclusive.

Compelled
Redemption by
Corporation

The term of the Series A Preferred Shares is sixty (60) months. On the Termination Date, the Series A Preferred Shares will be redeemed by the Corporation. The Series A Preferred Shares shall not be redeemable by the Corporation prior to the date that is 24 months following the initial issuance of the Series A Preferred Shares (the “**Series A Corporation Redemption Start Date**”).

On and after the Series A Corporation Redemption Start Date, the Corporation may redeem all or any number of the outstanding Series A Preferred Shares, at its option, by the payment in cash of an amount equal to the Series A Preferred Share Redemption Price (less any tax required to be deducted or withheld by the Corporation). Where applicable, if less than all of the outstanding Series A Preferred Shares are at any time to be redeemed, the particular shares to be redeemed shall be selected on a pro rata basis (disregarding fractions) or, if the Series A Preferred Shares are at such time listed on a stock exchange, with the consent of any applicable stock exchange, in such other manner as the Board may in its sole discretion determine by resolution.

Repurchase by
Corporation

The Corporation may, at any time after the Series A Corporation Redemption Start Date, purchase (if obtainable) for cancellation all or any number of the Series A Preferred Shares outstanding from time to time: (a) by private agreement; (b) pursuant to tender offer by the Corporation upon an invitation for tenders addressed to all holders of Series A Preferred Shares; or (c) in the open market through or from an investment dealer or any firm holding membership on a recognized stock exchange if the Series A Shares are listed on a recognized stock exchange, and the Corporation shall provide the requisite notice thereof in accordance with the rules of the stock exchange on which the Series A Preferred Shares are listed.

Restrictions on
Ownership

No shareholder of the Corporation is permitted to hold at any time, directly or indirectly, together with Related Persons, more than 25% of any class or series of the issued shares of the Corporation. In the event that (i) the exercise by any holder of shares of a redemption right associated with the shares, or (ii) as determined by the Board in its sole discretion, any other transaction affecting the shares (each a “**Triggering Transaction**”), if completed, would cause any holder(s) of shares (each an “**Automatic Repurchase Shareholder**”), together

with Related Persons, to hold more than 25% of any series of the issued shares of the Corporation, that portion of the shares held by each Automatic Repurchase Shareholder which constitutes in excess of 24.9% of the issued shares of any series (the “**Repurchased Shares**”) will, simultaneously with the completion of a Triggering Transaction, automatically be repurchased and cancelled by the Corporation (an “**Automatic Repurchase**”) without any further action by the Corporation or the Automatic Repurchase Shareholder. The purchase price for any Repurchased Shares will be equal to the Series A Preferred Share Redemption Price, less the applicable series redemption charge (if any) and any costs associated with the redemption on the date of the Triggering Transaction. The proceeds of any Automatic Repurchase will be remitted to each applicable Automatic Repurchase Shareholder in accordance with customary practice of the Corporation in connection with monthly redemptions.

Amendments and Modifications Amendments to the terms of the Series A Preferred Shares must be approved by the holders of Series A Preferred Shares in accordance with applicable laws and the terms of the Series A Preferred Shares. The requisite approval for an amendment is the approval of $\frac{3}{4}$ of the votes cast by the holders of the Series A Preferred Shares, at a meeting called to consider the matter, or a written resolution from the holders of Series A Preferred Shares representing $\frac{3}{4}$ of the votes attached to all such shares. The Series A Preferred Shares carry one vote per share when entitled to vote.

Series B Preferred Shares

Purchase Price Each Series B Preferred Share shall be issued at a purchase price equal to \$10.00 per share (the “**Series B Preferred Share Purchase Price**”).

Priority The Series B Preferred Shares shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, rank on a parity with the Preferred Shares of every other series, including the Series A Preferred Shares, and with respect to the distribution of assets be entitled to a preferred distribution and priority over the Voting Shares, the Non-Voting Shares and over any other shares of the Corporation ranking junior to the Preferred Shares in respect of dividends.

Voting Rights The holders of Series B Preferred Shares will not be entitled to notice of or to attend, and will not be entitled to vote at, any meeting of shareholders, unless and until the Corporation shall have failed to fully pay an aggregate of three (3) monthly dividends on the Series B Preferred Shares in accordance with the terms of the Series B Preferred Shares, whether or not consecutive and whether or not such dividends were declared and whether or not there are any monies of the Corporation properly applicable to the payment of such dividends. Accordingly, such voting rights shall be applicable once there is accrued and unpaid an aggregate of \$0.20 per share. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series B Preferred Shares shall be entitled to receive notice of all meetings of shareholders of the Corporation and to attend thereat. The holders of the Series B Preferred Shares shall be entitled to vote together with all of the Voting Shares of the Corporation on the basis of one vote in respect of each Series B Preferred Share held by each such holder, until all such arrears of such dividends shall have been paid, whereupon such rights shall cease unless and until the Corporation shall again fail to pay the three (3) monthly dividends on the Series B Preferred Shares in accordance with the terms hereof, whether or not consecutive and whether or not

such dividends were declared and whether or not there are any monies of the Corporation properly applicable to the payment of such dividends, in which event such voting rights shall become effective again and so on from time to time. The holders of Series B Preferred Shares shall be entitled to vote separately as a class on any resolution to wind-up, dissolve or liquidate the Corporation and as set out below under "Amendments and Modifications".

Dividends

Priority: The Series B Preferred Shares rank senior to the Voting Shares, the Non-Voting Shares and any other class of shares of the Corporation ranking junior to the Preferred Shares and rank on a parity with every other series of Preferred Shares as to dividends.

General: Holders of the Series B Preferred Shares shall be entitled to receive, and the Corporation shall pay thereon, if, as and when declared by the Board, out of moneys of the Corporation properly applicable to the payment of dividends, fixed, cumulative, preferential monthly minimum cash dividends in an amount equal to \$0.0666667 per Series B Preferred Share (being an annual rate equal to \$0.80 or 8%) payable, with respect to each Series B Preferred Share Dividend Period, on the 15th day of each of the months of each year (the "**Series B Dividend Payment Date**") in respect of such Series B Preferred Share Dividend Period. Dividends on the Series B Preferred Shares shall accrue daily from and including the date of issue of such shares.

Initial Dividend and Dividend for Other than a Full Dividend Period

The holders of Series B Preferred Shares shall be entitled to receive, and the Corporation shall pay thereon, if, as and when declared by the Board out of moneys of the Corporation properly applicable to the payment of dividends, cumulative, preferential cash dividends for the initial Series B Preferred Share Dividend Period or any period which is less than a full Series B Preferred Share Dividend Period, as follows:

- (i) an initial dividend in respect of the period from and including the date of the initial issue of the Series B Preferred Shares to but excluding the first day of the next Series B Preferred Share Dividend Period in an amount per Series B Preferred Share equal to \$0.80 multiplied by a fraction, the numerator of which is the number of calendar days from and including the date of the initial issue of the Series B Preferred Shares to but excluding the first day of the next Series B Preferred Share Dividend Period and the denominator of which is 365; and
- (ii) a dividend in an amount per share with respect to any Series B Preferred Share:
 - 1) which is issued or redeemed during any Series B Preferred Share Dividend Period;
 - 2) where the assets of the Corporation are distributed to the holders of the Series B Preferred Shares pursuant to Item 5.1 "Terms of Securities – Series B Preferred Shares – Liquidation, Dissolution or Winding-Up" with an effective date during any Series B Preferred Share Dividend Period; or
 - 3) in any other circumstance where the number of days in a Series B Preferred Share Dividend Period that such share has been outstanding is less than a full Series B Preferred Share Dividend Period (other than the period referred to in paragraph (i) above)

equal to the amount obtained when the amount of the monthly dividend payable in respect of the applicable full Series B Preferred Share Dividend Period is multiplied by a fraction, the numerator of which is the number of calendar days in such Series B Preferred Share Dividend Period that such share has been outstanding (excluding the date of redemption, the effective date for the distribution of assets or the last day of the applicable shorter period, as applicable) and the denominator of which is the number of calendar days in such Series B Preferred Share Dividend Period.

Cumulative Payment of Dividends	If on any Series B Dividend Payment Date, the dividends payable in respect of the Series B Preferred Share Dividend Period ending in the calendar month in which such Series B Dividend Payment Date occurs are not paid in full on all of the Series B Preferred Shares then outstanding, such dividends, or the unpaid part thereof, shall be paid (less any tax required to be deducted or withheld by the Corporation) on a subsequent date or dates determined by the Board on which the Corporation shall have sufficient monies properly applicable to the payment of such dividends.
Target Return Dividends	The holders of Series B Preferred Shares shall be entitled to receive, and the Corporation shall pay thereon, if, as and when declared by the Board, out of moneys of the Corporation properly applicable to the payment of dividends, additional monthly, cash dividends (the “ Series B Additional Return Dividends ”) in an amount targeted to result in a return, based on the Series B Preferred Share Purchase Price, when combined with the Series B Monthly Dividends, of between 8% and 10%, payable (if declared), with respect to each Series B Preferred Share Dividend Period, on the Series B Dividend Payment Date in respect of such Series B Preferred Share Dividend Period. Series B Additional Return Dividends are not guaranteed and shall not accrue and shall be paid in Canadian dollars. No payment of a Series B Additional Return Dividends shall result in the payment of additional dividends to any other series of Preferred Shares, except as may be provided for in the terms of such series of Preferred Shares.
Other Dividends	Holders of Series B Preferred Shares have a right, after payment to them of their dividends, and payment of dividends in a like amount per share to the holders of the Voting Shares, to participate <i>pari passu</i> with the holders of the Voting Shares in any further payment of dividends.
Liquidation, Dissolution or Winding-Up	In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, subject to the prior satisfaction of the claims of all creditors of the Corporation and of holders of shares of the Corporation ranking senior to the Series B Preferred Shares, the holders of the Series B Preferred Shares shall rank (a) on a parity with the Preferred Shares of every other series and (b) senior to the Voting Shares and the shares of any other class ranking junior to the Preferred Shares. The Series B Preferred Shares shall be entitled to receive an amount equal to the Series B Preferred Share Redemption Price per Series B Preferred Share, together with an amount equal to all accrued and unpaid dividends, whether declared or not, up to but excluding the date fixed for payment or distribution (less any tax required to be deducted or withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares of the Corporation ranking junior as to capital to the Series B Preferred Shares. Upon payment to the holders of the Series B Preferred Shares of the amounts so payable to them, such holders shall not be entitled to share in any further distribution of the assets of the Corporation.

Redemption by
Shareholder

Subject to the Series B Preferred Share Redemption Limit, the Series B Preferred Shares may be redeemed by a holder thereof at any time following the date of issuance at a redemption price per Series B Preferred Share equal to:

- (i) 93% of the Series B Preferred Share Redemption Price if redeemed within 12 months from the date of issuance;
- (ii) 96% of the Series B Preferred Share Redemption Price if redeemed on or after 12 months from the date of issuance but within 24 months from the date of issuance;
- (iii) 98% of the Series B Preferred Share Redemption Price if redeemed on or after 24 months from the date of issuance but within 36 months from the date of issuance; and
- (iv) 100% of the Series B Preferred Share Redemption Price if redeemed on or after 36 months from the date of issuance,

subject in all cases to a redemption fee of no more than \$150 for administrative purposes and any tax required to be deducted or withheld by the Corporation.

The redemption right must be exercised by (i) delivering a notice of redemption, in the form specified by the Corporation, and (ii) surrendering the certificates for the Series B Preferred Shares to the transfer agent for the Series B Preferred Shares or at such other place as shall be specified by the Corporation from time to time. Payment for Series B Preferred Shares tendered for redemption prior to the Series B Monthly Redemption Notice Deadline for a month shall be made on the Series B Monthly Redemption Payment Date following the applicable Series B Monthly Redemption Date. From and after receipt of a notice of redemption, the Series B Preferred Shares tendered for redemption shall cease to be entitled to dividends or distributions or to any participation in the assets of the Corporation and the holders thereof shall not be entitled to exercise any of their other rights as shareholders in respect thereof other than the right to receive payment of the Series B Preferred Share Redemption Price for each Series B Preferred Share redeemed and any accrued but unpaid dividends up to the Series B Monthly Redemption Date. Series B Preferred Shares which have been surrendered to the Corporation for redemption shall be deemed to be outstanding until, but not after, the close of business on the Series B Monthly Redemption Date.

Cash Limit on
Redemptions by
Shareholder

In accordance with the Articles of the Corporation, the entitlement of a shareholder to receive cash upon the redemption of such holder's Series B Preferred Shares is subject to limitations, including where:

(a) the total amount payable by the Corporation for the Series B Preferred Shares tendered for redemption in the same calendar month exceeds the greater of \$500,000 and 3% of the total capital attributable to the issued and outstanding Series B Preferred Shares determined at the beginning of such calendar month (the "**Series B Preferred Share Redemption Limit**"); provided that the directors of the Corporation may, in their absolute discretion, waive such limitation in respect of all shares tendered for redemption in any period. To the extent the Corporation has received notices of redemption where the aggregate number of Series B Preferred Shares (including previously submitted notices of redemption that have not been satisfied due to the Series B Preferred Share Redemption Limit being applied in a previous month (the "**Cutback Redemption Requests**")) would exceed the Series B Preferred Share Redemption Limit, the Corporation shall

redeem only such aggregate number of Series B Preferred Shares equal to the Series B Preferred Share Redemption Limit. The Manager, on behalf of the Corporation, shall administer the foregoing and any cutbacks on a proportionate basis with respect to the aggregate number of Series B Preferred Shares represented by redemption notices. Any redemption notices (or portions thereof) which are not honoured shall be honoured at the next following Series B Monthly Redemption Date with the Corporation redeeming the Cutback Redemption Requests from the oldest to the newest before redeeming any Series B Preferred Shares for the current month, subject in all cases to the Corporation's right to suspend redemptions and the Series B Preferred Share Redemption Limit described herein;

(b) the redemption of the Series B Preferred Shares validly tendered for redemption would result in a return of capital or a distribution otherwise out of the assets of the Corporation to the holder of Series B Preferred Shares, unless all liabilities of the Corporation have been paid or there are sufficient assets of the Corporation to pay them;

(c) in the Board of Directors' opinion (in their absolute discretion), the Corporation has insufficient liquid assets to fund such redemptions or that the liquidation of assets at such time would be to the detriment of or adversely affect the remaining shareholders or the Corporation generally; or

(d) if the redemption by the Corporation of all Series B Preferred Shares surrendered for redemption in any period would be contrary to applicable law, the Corporation shall redeem only the maximum number of Series B Preferred Shares (rounded to the next lower multiple of 1,000 shares) which it is then permitted to redeem selected on a pro rata basis from each holder of Series B Preferred Shares surrendered for redemption according to the number of Series B Preferred Shares surrendered for redemption by each such holder.

Suspension of Redemptions

The Corporation may suspend the redemption of Series B Preferred Shares for any period not exceeding 120 days during which the Corporation or the Manager determines that conditions exist which render impractical the sale of assets in the MIC Portfolio or which impair the ability of the Manager to determine the value of assets of the Corporation or the Portfolio. The suspension may apply to all requests for redemption for Series B Preferred Shares received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. Holders of Series B Preferred Shares who have tendered their Series B Preferred Shares for redemption in such circumstances shall be notified of the suspension by the Corporation or the Manager. All such holders of Series B Preferred Shares shall have and shall be advised that they have the right to withdraw such Series B Preferred Shares surrendered for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with the rules and regulations promulgated by any governmental body having jurisdiction over the Corporation, any declaration of suspension made by the Corporation or the Manager shall be conclusive.

Compelled Redemption by Corporation

The Series B Preferred Shares shall not be redeemable by the Corporation prior to the date that is 6 months following the initial issuance of the Series B Preferred Shares ("**Series B Corporation Redemption Start Date**"). On and after the Series B Corporation Redemption Start Date, the Corporation may, on 30 days'

notice to the holder of Series B Preferred Shares, redeem all or any number of outstanding Series B Preferred Shares, at its option, by the payment in cash, on the 30th day following the delivery of the notice of redemption by the Corporation, of an amount equal to the Series B Preferred Share Redemption Price tax required to be deducted or withheld by the Corporation. Where applicable, if less than all of the outstanding Series B Preferred Shares are at any time to be redeemed, the particular shares to be redeemed shall be selected on a pro rata basis (disregarding fractions) or, if the Series B Preferred Shares are at such time listed on a stock exchange, with the consent of any applicable stock exchange, in such other manner as the Board may in its sole discretion determine by resolution.

Repurchase by Corporation

The Corporation may, at any time after the Series B Corporation Redemption Start Date, purchase (if obtainable) for cancellation all or any number of the Series B Preferred Shares outstanding from time to time: (a) by private agreement; (b) pursuant to tender offer by the Corporation upon an invitation for tenders addressed to all holders of Series B Preferred Shares; or (c) in the open market through or from an investment dealer or any firm holding membership on a recognized stock exchange if the Series B Preferred Shares are listed on a recognized stock exchange, and the Corporation shall provide the requisite notice thereof in accordance with the rules of the stock exchange on which the Series B Preferred Shares are listed.

Restrictions on Ownership

No shareholder of the Corporation is permitted to hold at any time, directly or indirectly, together with Related Persons, more than 25% of any class or series of the issued shares of the Corporation. In the event that a Triggering Transaction, if completed, would cause any Automatic Repurchase Shareholder, together with Related Persons, to hold more than 25% of any series of the issued shares of the Corporation, that portion of the shares held by each Automatic Repurchase Shareholder which constitutes in excess of 24.9% of the Repurchased Shares will, simultaneously with the completion of a Triggering Transaction, automatically be repurchased and cancelled by the Corporation without any further action by the Corporation or the Automatic Repurchase Shareholder. The purchase price for any Repurchased Shares will be equal to the Series B Preferred Share Redemption Price less the applicable series redemption charge (if any) and any costs associated with the redemption on the date of the Triggering Transaction. The proceeds of any Automatic Repurchase will be remitted to each applicable Automatic Repurchase Shareholder in accordance with customary practice of the Corporation in connection with monthly redemptions.

Limits on Subscriptions

In the event that any person wants to subscribe for Series B Preferred Shares in an amount that exceeds 25% of the issued and outstanding Series B Preferred Shares, the subscription may be completed to the amount of 25% of the Series B Preferred Shares but the balance will be structured in a manner compliant with section 130.1 of the Tax Act as a subscription for a separate class or series or as a debt instrument, compliant with the conditions of section 130.1 of the Tax Act, reflecting similar rights and benefits as the holding of the intended Series B Preferred Shares, as agreed between the holder of Series B Preferred Shares and the Corporation. The share subscription will be in accordance with the terms of this Offering and the negotiated debt issue will be on the basis of terms substantially similar as to rights and return to those of the Series B Preferred Shares under this Offering. The amount that constitutes 25% of the issued Series B Preferred Shares will depend on the aggregate number and amounts of other subscriptions and therefore may be substantially less than the amount that is subscribed for. Series B Preferred Shares may not be converted into another class

or series of shares. Holders of Series B Preferred Shares wishing to switch classes or series when permissible will need to redeem their Series B Preferred Shares (subject to restrictions thereon) and subscribe for the other class or series.

Amendments and
Modifications

Amendments to the terms of the Series B Preferred Shares must be approved by the holders of Series B Preferred Shares in accordance with applicable laws and the terms of the Series B Preferred Shares. The requisite approval for an amendment is the approval of $\frac{3}{4}$ of the votes cast by the holders of the Series B Preferred Shares, at a meeting called to consider the matter, or a written resolution from the holders of Series B Preferred Shares representing $\frac{3}{4}$ of the votes attached to all such shares. The Series B Preferred Shares carry one vote per share when entitled to vote.

Series F Preferred Shares

Purchase Price

Each Series F Preferred Share shall be issued at a purchase price equal to \$10.00 per share (the “**Series F Preferred Share Purchase Price**”).

Priority

The Series F Preferred Shares shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, rank on a parity with the Preferred Shares of every other series, including the Series A Preferred Shares and the Series F Preferred Shares, and with respect to the distribution of assets be entitled to a preferred distribution and priority over the Voting Shares, the Non-Voting Shares and over any other shares of the Corporation ranking junior to the Preferred Shares in respect of dividends.

Voting Rights

The holders of Series F Preferred Shares will not be entitled to notice of or to attend, and will not be entitled to vote at, any meeting of shareholders, unless and until the Corporation shall have failed to fully pay an aggregate of three (3) monthly dividends on the Series F Preferred Shares in accordance with the terms of the Series F Preferred Shares, whether or not consecutive and whether or not such dividends were declared and whether or not there are any monies of the Corporation properly applicable to the payment of such dividends. Accordingly, such voting rights shall be applicable once there is accrued and unpaid an aggregate of \$0.22 per share. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series F Preferred Shares shall be entitled to receive notice of all meetings of shareholders of the Corporation and to attend thereat. The holders of the Series F Preferred Shares shall be entitled to vote together with all of the Voting Shares of the Corporation on the basis of one vote in respect of each Series F Preferred Share held by each such holder, until all such arrears of such dividends shall have been paid, whereupon such rights shall cease unless and until the Corporation shall again fail to pay the three (3) monthly dividends on the Series F Preferred Shares in accordance with the terms hereof, whether or not consecutive and whether or not such dividends were declared and whether or not there are any monies of the Corporation properly applicable to the payment of such dividends, in which event such voting rights shall become effective again and so on from time to time. The holders of Series F Preferred Shares shall be entitled to vote separately as a class on any resolution to wind-up, dissolve or liquidate the Corporation and as set out below under “Amendments and Modifications”.

Dividends

Priority: The Series F Preferred Shares rank senior to the Voting Shares, the Non-Voting Shares and any other class of shares of the Corporation ranking

junior to the Preferred Shares and rank on a parity with every other series of Preferred Shares as to dividends.

General: Holders of the Series F Preferred Shares shall be entitled to receive, and the Corporation shall pay thereon, if, as and when declared by the Board, out of moneys of the Corporation properly applicable to the payment of dividends, fixed, cumulative, preferential monthly minimum cash dividends in an amount equal to \$0.07083333 per Series F Preferred Share (being an annual rate equal to \$0.85 or 8.5%) payable, with respect to each Series F Preferred Share Dividend Period, on the 15th day of each of the months of each year (the “**Series F Dividend Payment Date**”) in respect of such Series F Preferred Share Dividend Period. Dividends on the Series F Preferred Shares shall accrue daily from and including the date of issue of such shares.

Initial Dividend and Dividend for Other than a Full Dividend Period

The holders of Series F Preferred Shares shall be entitled to receive, and the Corporation shall pay thereon, if, as and when declared by the Board out of moneys of the Corporation properly applicable to the payment of dividends, cumulative, preferential cash dividends for the initial Series F Preferred Share Dividend Period or any period which is less than a full Series F Preferred Share Dividend Period, as follows:

- (i) an initial dividend in respect of the period from and including the date of the initial issue of the Series F Preferred Shares to but excluding the first day of the next Series F Preferred Share Dividend Period in an amount per Series F Preferred Share equal to \$0.85 multiplied by a fraction, the numerator of which is the number of calendar days from and including the date of the initial issue of the Series F Preferred Shares to but excluding the first day of the next Series F Preferred Share Dividend Period and the denominator of which is 365; and
- (ii) a dividend in an amount per share with respect to any Series F Preferred Share:
 - 1) which is issued or redeemed during any Series F Preferred Share Dividend Period;
 - 2) where the assets of the Corporation are distributed to the holders of the Series F Preferred Shares pursuant to Item 5.1 “Terms of Securities – Series F Preferred Shares – Liquidation, Dissolution or Winding-Up” with an effective date during any Series F Preferred Share Dividend Period; or
 - 3) in any other circumstance where the number of days in a Series F Preferred Share Dividend Period that such share has been outstanding is less than a full Series F Preferred Share Dividend Period (other than the period referred to in paragraph (i) above)

equal to the amount obtained when the amount of the monthly dividend payable in respect of the applicable full Series F Preferred Share Dividend Period is multiplied by a fraction, the numerator of which is the number of calendar days in such Series F Preferred Share Dividend Period that such share has been outstanding (excluding the date of redemption, the effective date for the distribution of assets or the last day of the applicable shorter period, as applicable) and the denominator of which is the number of calendar days in such Series F Preferred Share Dividend Period.

Cumulative Payment of Dividends	If on any Series F Dividend Payment Date, the dividends payable in respect of the Series F Preferred Share Dividend Period ending in the calendar month in which such Series F Dividend Payment Date occurs are not paid in full on all of the Series F Preferred Shares then outstanding, such dividends, or the unpaid part thereof, shall be paid (less any tax required to be deducted or withheld by the Corporation) on a subsequent date or dates determined by the Board on which the Corporation shall have sufficient monies properly applicable to the payment of such dividends.
Target Return Dividends	The holders of Series F Preferred Shares shall be entitled to receive, and the Corporation shall pay thereon, if, as and when declared by the Board, out of moneys of the Corporation properly applicable to the payment of dividends, additional monthly, cash dividends (the “ Series F Additional Return Dividends ”) in an amount targeted to result in a return, based on the Series F Preferred Share Purchase Price, when combined with the Series F Monthly Dividends, of between 8.50% and 10%, payable (if declared), with respect to each Series F Preferred Share Dividend Period, on the Series F Dividend Payment Date in respect of such Series F Preferred Share Dividend Period. Series F Additional Return Dividends are not guaranteed and shall not accrue and shall be paid in Canadian dollars. No payment of a Series F Additional Return Dividends shall result in the payment of additional dividends to any other series of Preferred Shares, except as may be provided for in the terms of such series of Preferred Shares.
Other Dividends	Holders of Series F Preferred Shares have a right, after payment to them of their dividends, and payment of dividends in a like amount per share to the holders of the Voting Shares, to participate <i>pari passu</i> with the holders of the Voting Shares in any further payment of dividends.
Liquidation, Dissolution or Winding-Up	In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, subject to the prior satisfaction of the claims of all creditors of the Corporation and of holders of shares of the Corporation ranking senior to the Series F Preferred Shares, the holders of the Series F Preferred Shares shall rank (a) on a parity with the Preferred Shares of every other series and (b) senior to the Voting Shares and the shares of any other class ranking junior to the Preferred Shares. The Series F Preferred Shares shall be entitled to receive an amount equal to the Series F Preferred Share Redemption Price per Series F Preferred Share, together with an amount equal to all accrued and unpaid dividends, whether declared or not, up to but excluding the date fixed for payment or distribution (less any tax required to be deducted or withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares of the Corporation ranking junior as to capital to the Series F Preferred Shares. Upon payment to the holders of the Series F Preferred Shares of the amounts so payable to them, such holders shall not be entitled to share in any further distribution of the assets of the Corporation.
Redemption by Shareholder	Subject to the Series F Preferred Share Redemption Limit, the Series F Preferred Shares may be redeemed by a holder thereof at any time following the date of issuance at a redemption price per Series F Preferred Share equal to the Series F Preferred Share Purchase Price.
	The redemption right must be exercised by (i) delivering a notice of redemption, in the form specified by the Corporation, and (ii) surrendering the certificates for

the Series F Preferred Shares to the transfer agent for the Series F Preferred Shares or at such other place as shall be specified by the Corporation from time to time. Payment for Series F Preferred Shares tendered for redemption prior to the Series F Monthly Redemption Notice Deadline for a month shall be made on the Series F Monthly Redemption Payment Date following the applicable Series F Monthly Redemption Date. From and after receipt of a notice of redemption, the Series F Preferred Shares tendered for redemption shall cease to be entitled to dividends or distributions or to any participation in the assets of the Corporation and the holders thereof shall not be entitled to exercise any of their other rights as shareholders in respect thereof other than the right to receive payment of the Series F Preferred Share Redemption Price for each Series F Preferred Share redeemed and any accrued but unpaid dividends up to the Series F Monthly Redemption Date. Series F Preferred Shares which have been surrendered to the Corporation for redemption shall be deemed to be outstanding until, but not after, the close of business on the Series F Monthly Redemption Date.

Cash Limit on
Redemptions by
Shareholder

In accordance with the Articles of the Corporation, the entitlement of a shareholder to receive cash upon the redemption of such holder's Series F Preferred Shares is subject to limitations, including where:

(a) the total amount payable by the Corporation for the Series F Preferred Shares tendered for redemption in the same calendar month exceeds the greater of \$500,000 and 3% of the total capital attributable to the issued and outstanding Series F Preferred Shares determined at the beginning of such calendar month (the "**Series F Preferred Share Redemption Limit**"); provided that the directors of the Corporation may, in their absolute discretion, waive such limitation in respect of all shares tendered for redemption in any period. To the extent the Corporation has received notices of redemption where the aggregate number of Series F Preferred Shares (including previously submitted notices of redemption that have not been satisfied due to the Series F Preferred Share Redemption Limit being applied in a previous month (the "**Series F Cutback Redemption Requests**")) would exceed the Series F Preferred Share Redemption Limit, the Corporation shall redeem only such aggregate number of Series F Preferred Shares equal to the Series F Preferred Share Redemption Limit. The Manager, on behalf of the Corporation, shall administer the foregoing and any cutbacks on a proportionate basis with respect to the aggregate number of Series F Preferred Shares represented by redemption notices. Any redemption notices (or portions thereof) which are not honoured shall be honoured at the next following Series F Monthly Redemption Date with the Corporation redeeming the Series F Cutback Redemption Requests from the oldest to the newest before redeeming any Series F Preferred Shares for the current month, subject in all cases to the Corporation's right to suspend redemptions and the Series F Preferred Share Redemption Limit described herein;

(b) the redemption of the Series F Preferred Shares validly tendered for redemption would result in a return of capital or a distribution otherwise out of the assets of the Corporation to the holder of Series F Preferred Shares, unless all liabilities of the Corporation have been paid or there are sufficient assets of the Corporation to pay them;

(c) in the Board of Directors' opinion (in their absolute discretion), the Corporation has insufficient liquid assets to fund such redemptions or that the

liquidation of assets at such time would be to the detriment of or adversely affect the remaining shareholders or the Corporation generally; or

(d) if the redemption by the Corporation of all Series F Preferred Shares surrendered for redemption in any period would be contrary to applicable law, the Corporation shall redeem only the maximum number of Series F Preferred Shares (rounded to the next lower multiple of 1,000 shares) which it is then permitted to redeem selected on a pro rata basis from each holder of Series F Preferred Shares surrendered for redemption according to the number of Series F Preferred Shares surrendered for redemption by each such holder.

Suspension of Redemptions

The Corporation may suspend the redemption of Series F Preferred Shares for any period not exceeding 120 days during which the Corporation or the Manager determines that conditions exist which render impractical the sale of assets in the MIC Portfolio or which impair the ability of the Manager to determine the value of assets of the Corporation or the Portfolio. The suspension may apply to all requests for redemption for Series F Preferred Shares received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. Holders of Series F Preferred Shares who have tendered their Series F Preferred Shares for redemption in such circumstances shall be notified of the suspension by the Corporation or the Manager. All such holders of Series F Preferred Shares shall have and shall be advised that they have the right to withdraw such Series F Preferred Shares surrendered for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with the rules and regulations promulgated by any governmental body having jurisdiction over the Corporation, any declaration of suspension made by the Corporation or the Manager shall be conclusive.

Compelled Redemption by Corporation

The Corporation may, on 30 days' notice to the holder of Series F Preferred Shares, redeem all or any number of outstanding Series F Preferred Shares, at its option, by the payment in cash, on the 30th day following the delivery of the notice of redemption by the Corporation, of an amount equal to the Series F Preferred Share Redemption Price tax required to be deducted or withheld by the Corporation. Where applicable, if less than all of the outstanding Series F Preferred Shares are at any time to be redeemed, the particular shares to be redeemed shall be selected on a pro rata basis (disregarding fractions) or, if the Series F Preferred Shares are at such time listed on a stock exchange, with the consent of any applicable stock exchange, in such other manner as the Board may in its sole discretion determine by resolution.

Repurchase by Corporation

The Corporation may purchase (if obtainable) for cancellation all or any number of the Series F Preferred Shares outstanding from time to time: (a) by private agreement; (b) pursuant to tender offer by the Corporation upon an invitation for tenders addressed to all holders of Series F Preferred Shares; or (c) in the open market through or from an investment dealer or any firm holding membership on a recognized stock exchange if the Series F Preferred Shares are listed on a recognized stock exchange, and the Corporation shall provide the requisite notice thereof in accordance with the rules of the stock exchange on which the Series F Preferred Shares are listed.

Restrictions on Ownership	No shareholder of the Corporation is permitted to hold at any time, directly or indirectly, together with Related Persons, more than 25% of any class or series of the issued shares of the Corporation. In the event that a Triggering Transaction, if completed, would cause any Automatic Repurchase Shareholder, together with Related Persons, to hold more than 25% of any series of the issued shares of the Corporation, that portion of the shares held by each Automatic Repurchase Shareholder which constitutes in excess of 24.9% of the Repurchased Shares will, simultaneously with the completion of a Triggering Transaction, automatically be repurchased and cancelled by the Corporation without any further action by the Corporation or the Automatic Repurchase Shareholder. The purchase price for any Repurchased Shares will be equal to the Series F Preferred Share Redemption Price less the applicable series redemption charge (if any) and any costs associated with the redemption on the date of the Triggering Transaction. The proceeds of any Automatic Repurchase will be remitted to each applicable Automatic Repurchase Shareholder in accordance with customary practice of the Corporation in connection with monthly redemptions.
Limits on Subscriptions	In the event that any person wants to subscribe for Series F Preferred Shares in an amount that exceeds 25% of the issued and outstanding Series F Preferred Shares, the subscription may be completed to the amount of 25% of the Series F Preferred Shares but the balance will be structured in a manner compliant with section 130.1 of the Tax Act as a subscription for a separate class or series or as a debt instrument, compliant with the conditions of section 130.1 of the Tax Act, reflecting similar rights and benefits as the holding of the intended Series F Preferred Shares, as agreed between the holder of Series F Preferred Shares and the Corporation. The share subscription will be in accordance with the terms of this Offering and the negotiated debt issue will be on the basis of terms substantially similar as to rights and return to those of the Series F Preferred Shares under this Offering. The amount that constitutes 25% of the issued Series F Preferred Shares will depend on the aggregate number and amounts of other subscriptions and therefore may be substantially less than the amount that is subscribed for. Series F Preferred Shares may not be converted into another class or series of shares. Holders of Series F Preferred Shares wishing to switch classes or series when permissible will need to redeem their Series F Preferred Shares (subject to restrictions thereon) and subscribe for the other class or series.
Amendments and Modifications	Amendments to the terms of the Series F Preferred Shares must be approved by the holders of Series F Preferred Shares in accordance with applicable laws and the terms of the Series F Preferred Shares. The requisite approval for an amendment is the approval of $\frac{3}{4}$ of the votes cast by the holders of the Series F Preferred Shares, at a meeting called to consider the matter, or a written resolution from the holders of Series F Preferred Shares representing $\frac{3}{4}$ of the votes attached to all such shares. The Series F Preferred Shares carry one vote per share when entitled to vote.

Series I Preferred Shares

Purchase Price	Each Series I Preferred Share shall be issued at a purchase price equal to \$10.00 per share (the “ Series I Preferred Share Purchase Price ”).
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Priority	<p>The Series I Preferred Shares shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, rank on a parity with the Preferred Shares of every other series, including the Series A Preferred Shares and the Series I Preferred Shares, and with respect to the distribution of assets be entitled to a preferred distribution and priority over the Voting Shares, the Non-Voting Shares and over any other shares of the Corporation ranking junior to the Preferred Shares in respect of dividends.</p>
Voting Rights	<p>The holders of Series I Preferred Shares will not be entitled to notice of or to attend, and will not be entitled to vote at, any meeting of shareholders, unless and until the Corporation shall have failed to fully pay an aggregate of three (3) monthly dividends on the Series I Preferred Shares in accordance with the terms of the Series I Preferred Shares, whether or not consecutive and whether or not such dividends were declared and whether or not there are any monies of the Corporation properly applicable to the payment of such dividends. Accordingly, such voting rights shall be applicable once there is accrued and unpaid an aggregate of \$0.175 per share. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series I Preferred Shares shall be entitled to receive notice of all meetings of shareholders of the Corporation and to attend thereat. The holders of the Series I Preferred Shares shall be entitled to vote together with all of the Voting Shares of the Corporation on the basis of one vote in respect of each Series I Preferred Share held by each such holder, until all such arrears of such dividends shall have been paid, whereupon such rights shall cease unless and until the Corporation shall again fail to pay the three (3) monthly dividends on the Series I Preferred Shares in accordance with the terms hereof, whether or not consecutive and whether or not such dividends were declared and whether or not there are any monies of the Corporation properly applicable to the payment of such dividends, in which event such voting rights shall become effective again and so on from time to time. The holders of Series I Preferred Shares shall be entitled to vote separately as a class on any resolution to wind-up, dissolve or liquidate the Corporation and as set out below under "Amendments and Modifications".</p>
Dividends	<p>Priority: The Series I Preferred Shares rank senior to the Voting Shares, the Non-Voting Shares and any other class of shares of the Corporation ranking junior to the Preferred Shares and rank on a parity with every other series of Preferred Shares as to dividends.</p> <p>General: Holders of the Series I Preferred Shares shall be entitled to receive, and the Corporation shall pay thereon, if, as and when declared by the Board, out of moneys of the Corporation properly applicable to the payment of dividends, fixed, cumulative, preferential monthly minimum cash dividends in an amount equal to \$0.058333 per Series I Preferred Share (being an annual rate equal to \$0.70 or 7%) payable, with respect to each Series I Preferred Share Dividend Period, on the 15th day of each of the months of each year (the "Series I Dividend Payment Date") in respect of such Series I Preferred Share Dividend Period. Dividends on the Series I Preferred Shares shall accrue daily from and including the date of issue of such shares.</p>
Initial Dividend and Dividend for Other	<p>The holders of Series I Preferred Shares shall be entitled to receive, and the Corporation shall pay thereon, if, as and when declared by the Board out of moneys of the Corporation properly applicable to the payment of dividends, cumulative, preferential cash dividends for the initial Series I Preferred Share</p>

than a Full Dividend Period Dividend Period or any period which is less than a full Series I Preferred Share Dividend Period, as follows:

- (i) an initial dividend in respect of the period from and including the date of the initial issue of the Series I Preferred Shares to but excluding the first day of the next Series I Preferred Share Dividend Period in an amount per Series I Preferred Share equal to \$0.90 multiplied by a fraction, the numerator of which is the number of calendar days from and including the date of the initial issue of the Series I Preferred Shares to but excluding the first day of the next Series I Preferred Share Dividend Period and the denominator of which is 365; and
- (ii) a dividend in an amount per share with respect to any Series I Preferred Share:
 - 1) which is issued or redeemed during any Series I Preferred Share Dividend Period;
 - 2) where the assets of the Corporation are distributed to the holders of the Series I Preferred Shares pursuant to Item 5.1 "Terms of Securities – Series I Preferred Shares – Liquidation, Dissolution or Winding-Up" with an effective date during any Series I Preferred Share Dividend Period; or
 - 3) in any other circumstance where the number of days in a Series I Preferred Share Dividend Period that such share has been outstanding is less than a full Series I Preferred Share Dividend Period (other than the period referred to in paragraph (i) above)

equal to the amount obtained when the amount of the monthly dividend payable in respect of the applicable full Series I Preferred Share Dividend Period is multiplied by a fraction, the numerator of which is the number of calendar days in such Series I Preferred Share Dividend Period that such share has been outstanding (excluding the date of redemption, the effective date for the distribution of assets or the last day of the applicable shorter period, as applicable) and the denominator of which is the number of calendar days in such Series I Preferred Share Dividend Period.

Cumulative Payment of Dividends If on any Series I Dividend Payment Date, the dividends payable in respect of the Series I Preferred Share Dividend Period ending in the calendar month in which such Series I Dividend Payment Date occurs are not paid in full on all of the Series I Preferred Shares then outstanding, such dividends, or the unpaid part thereof, shall be paid (less any tax required to be deducted or withheld by the Corporation) on a subsequent date or dates determined by the Board on which the Corporation shall have sufficient monies properly applicable to the payment of such dividends.

Target Return Dividends The holders of Series I Preferred Shares shall be entitled to receive, and the Corporation shall pay thereon, if, as and when declared by the Board, out of moneys of the Corporation properly applicable to the payment of dividends, additional monthly, cash dividends (the **"Series I Additional Return Dividends"**) in an amount targeted to result in a return, based on the Series F Preferred Share Purchase Price, when combined with the Series F Monthly Dividends, of between 9% and 10%, payable (if declared), with respect to each Series I Preferred Share Dividend Period, on the Series I Dividend Payment

Date in respect of such Series I Preferred Share Dividend Period. Series F Additional Return Dividends are not guaranteed and shall not accrue and shall be paid in Canadian dollars. No payment of a Series I Additional Return Dividends shall result in the payment of additional dividends to any other series of Preferred Shares, except as may be provided for in the terms of such series of Preferred Shares.

Other Dividends Holders of Series I Preferred Shares have a right, after payment to them of their dividends, and payment of dividends in a like amount per share to the holders of the Voting Shares, to participate *pari passu* with the holders of the Voting Shares in any further payment of dividends.

Liquidation,
Dissolution or
Winding-Up In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, subject to the prior satisfaction of the claims of all creditors of the Corporation and of holders of shares of the Corporation ranking senior to the Series I Preferred Shares, the holders of the Series I Preferred Shares shall rank (a) on a parity with the Preferred Shares of every other series and (b) senior to the Voting Shares and the shares of any other class ranking junior to the Preferred Shares. The Series I Preferred Shares shall be entitled to receive an amount equal to the Series I Preferred Share Redemption Price per Series I Preferred Share, together with an amount equal to all accrued and unpaid dividends, whether declared or not, up to but excluding the date fixed for payment or distribution (less any tax required to be deducted or withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares of the Corporation ranking junior as to capital to the Series I Preferred Shares. Upon payment to the holders of the Series I Preferred Shares of the amounts so payable to them, such holders shall not be entitled to share in any further distribution of the assets of the Corporation.

Redemption by
Shareholder Subject to the Series I Preferred Share Redemption Limit, the Series I Preferred Shares may be redeemed by a holder thereof at any time following the date of issuance at a redemption price per Series I Preferred Share equal to:

- (i) 99% of the Series I Preferred Share Redemption Price if redeemed before the date that is 12 months from the date of issuance;
- (ii) 100% of the Series I Preferred Share Redemption Price if redeemed on or after the date that is 12 months from the date of issuance,

subject in all cases to a redemption fee of no more than \$150 for administrative purposes and any tax required to be deducted or withheld by the Corporation.

The redemption right must be exercised by (i) delivering a notice of redemption, in the form specified by the Corporation, and (ii) surrendering the certificates for the Series I Preferred Shares to the transfer agent for the Series I Preferred Shares or at such other place as shall be specified by the Corporation from time to time. Payment for Series I Preferred Shares tendered for redemption prior to the Series I Monthly Redemption Notice Deadline for a month shall be made on the Series I Monthly Redemption Payment Date following the applicable Series I Monthly Redemption Date. From and after receipt of a notice of redemption, the Series I Preferred Shares tendered for redemption shall cease to be entitled to dividends or distributions or to any participation in the assets of the Corporation and the holders thereof shall not be entitled to exercise any of their

other rights as shareholders in respect thereof other than the right to receive payment of the Series I Preferred Share Redemption Price for each Series I Preferred Share redeemed and any accrued but unpaid dividends up to the Series I Monthly Redemption Date. Series I Preferred Shares which have been surrendered to the Corporation for redemption shall be deemed to be outstanding until, but not after, the close of business on the Series I Monthly Redemption Date.

Cash Limit on
Redemptions by
Shareholder

In accordance with the Articles of the Corporation, the entitlement of a shareholder to receive cash upon the redemption of such holder's Series I Preferred Shares is subject to limitations, including where:

(a) the total amount payable by the Corporation for the Series I Preferred Shares tendered for redemption in the same calendar month exceeds the greater of \$500,000 and 3% of the total capital attributable to the issued and outstanding Series I Preferred Shares determined at the beginning of such calendar month (the "**Series I Preferred Share Redemption Limit**"); provided that the directors of the Corporation may, in their absolute discretion, waive such limitation in respect of all shares tendered for redemption in any period. To the extent the Corporation has received notices of redemption where the aggregate number of Series I Preferred Shares (including previously submitted notices of redemption that have not been satisfied due to the Series I Preferred Share Redemption Limit being applied in a previous month (the "**Series I Cutback Redemption Requests**")) would exceed the Series I Preferred Share Redemption Limit, the Corporation shall redeem only such aggregate number of Series I Preferred Shares equal to the Series I Preferred Share Redemption Limit. The Manager, on behalf of the Corporation, shall administer the foregoing and any cutbacks on a proportionate basis with respect to the aggregate number of Series I Preferred Shares represented by redemption notices. Any redemption notices (or portions thereof) which are not honoured shall be honoured at the next following Series I Monthly Redemption Date with the Corporation redeeming the Series I Cutback Redemption Requests from the oldest to the newest before redeeming any Series I Preferred Shares for the current month, subject in all cases to the Corporation's right to suspend redemptions and the Series I Preferred Share Redemption Limit described herein;

(b) the redemption of the Series I Preferred Shares validly tendered for redemption would result in a return of capital or a distribution otherwise out of the assets of the Corporation to the holder of Series I Preferred Shares, unless all liabilities of the Corporation have been paid or there are sufficient assets of the Corporation to pay them;

(c) in the Board of Directors' opinion (in their absolute discretion), the Corporation has insufficient liquid assets to fund such redemptions or that the liquidation of assets at such time would be to the detriment of or adversely affect the remaining shareholders or the Corporation generally; or

(d) if the redemption by the Corporation of all Series I Preferred Shares surrendered for redemption in any period would be contrary to applicable law, the Corporation shall redeem only the maximum number of Series I Preferred Shares (rounded to the next lower multiple of 1,000 shares) which it is then permitted to redeem selected on a pro rata basis from each holder of Series I Preferred Shares surrendered for redemption according to the number of Series I Preferred Shares surrendered for redemption by each such holder.

Suspension of Redemptions	<p>The Corporation may suspend the redemption of Series I Preferred Shares for any period not exceeding 120 days during which the Corporation or the Manager determines that conditions exist which render impractical the sale of assets in the MIC Portfolio or which impair the ability of the Manager to determine the value of assets of the Corporation or the Portfolio. The suspension may apply to all requests for redemption for Series I Preferred Shares received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. Holders of Series I Preferred Shares who have tendered their Series I Preferred Shares for redemption in such circumstances shall be notified of the suspension by the Corporation or the Manager. All such holders of Series I Preferred Shares shall have and shall be advised that they have the right to withdraw such Series I Preferred Shares surrendered for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with the rules and regulations promulgated by any governmental body having jurisdiction over the Corporation, any declaration of suspension made by the Corporation or the Manager shall be conclusive.</p>
Compelled Redemption by Corporation	<p>The Corporation may, on 30 days' notice to the holder of Series I Preferred Shares, redeem all or any number of outstanding Series I Preferred Shares, at its option, by the payment in cash, on the 30th day following the delivery of the notice of redemption by the Corporation, of an amount equal to the Series I Preferred Share Redemption Price tax required to be deducted or withheld by the Corporation. Where applicable, if less than all of the outstanding Series I Preferred Shares are at any time to be redeemed, the particular shares to be redeemed shall be selected on a pro rata basis (disregarding fractions) or, if the Series I Preferred Shares are at such time listed on a stock exchange, with the consent of any applicable stock exchange, in such other manner as the Board may in its sole discretion determine by resolution.</p>
Repurchase by Corporation	<p>The Corporation may purchase (if obtainable) for cancellation all or any number of the Series I Preferred Shares outstanding from time to time: (a) by private agreement; (b) pursuant to tender offer by the Corporation upon an invitation for tenders addressed to all holders of Series I Preferred Shares; or (c) in the open market through or from an investment dealer or any firm holding membership on a recognized stock exchange if the Series I Preferred Shares are listed on a recognized stock exchange, and the Corporation shall provide the requisite notice thereof in accordance with the rules of the stock exchange on which the Series I Preferred Shares are listed.</p>
Restrictions on Ownership	<p>No shareholder of the Corporation is permitted to hold at any time, directly or indirectly, together with Related Persons, more than 25% of any class or series of the issued shares of the Corporation. In the event that a Triggering Transaction, if completed, would cause any Automatic Repurchase Shareholder, together with Related Persons, to hold more than 25% of any series of the issued shares of the Corporation, that portion of the shares held by each Automatic Repurchase Shareholder which constitutes in excess of 24.9% of the Repurchased Shares will, simultaneously with the completion of a Triggering Transaction, automatically be repurchased and cancelled by the Corporation without any further action by the Corporation or the Automatic Repurchase Shareholder. The purchase price for any Repurchased Shares will be equal to the Series I Preferred Share Redemption Price less the applicable</p>

series redemption charge (if any) and any costs associated with the redemption on the date of the Triggering Transaction. The proceeds of any Automatic Repurchase will be remitted to each applicable Automatic Repurchase Shareholder in accordance with customary practice of the Corporation in connection with monthly redemptions.

Limits on
Subscriptions

In the event that any person wants to subscribe for Series I Preferred Shares in an amount that exceeds 25% of the issued and outstanding Series I Preferred Shares, the subscription may be completed to the amount of 25% of the Series I Preferred Shares but the balance will be structured in a manner compliant with section 130.1 of the Tax Act as a subscription for a separate class or series or as a debt instrument, compliant with the conditions of section 130.1 of the Tax Act, reflecting similar rights and benefits as the holding of the intended Series I Preferred Shares, as agreed between the holder of Series I Preferred Shares and the Corporation. The share subscription will be in accordance with the terms of this Offering and the negotiated debt issue will be on the basis of terms substantially similar as to rights and return to those of the Series I Preferred Shares under this Offering. The amount that constitutes 25% of the issued Series I Preferred Shares will, as of the initial closing and for a period of time thereafter, depend on the aggregate number and amounts of other subscriptions and therefore may be substantially less than the amount that is subscribed for. Series I Preferred Shares may not be converted into another class or series of shares. Holders of Series I Preferred Shares wishing to switch classes or series when permissible will need to redeem their Series I Preferred Shares (subject to restrictions thereon) and subscribe for the other class or series.

Amendments and
Modifications

Amendments to the terms of the Series I Preferred Shares must be approved by the holders of Series I Preferred Shares in accordance with applicable laws and the terms of the Series I Preferred Shares. The requisite approval for an amendment is the approval of $\frac{3}{4}$ of the votes cast by the holders of the Series I Preferred Shares, at a meeting called to consider the matter, or a written resolution from the holders of Series I Preferred Shares representing $\frac{3}{4}$ of the votes attached to all such shares. The Series I Preferred Shares carry one vote per share when entitled to vote.

Series H Non-Voting Shares

Purchase Price

Each Series H Non-Voting Share shall be issued at a purchase price equal to \$10.00 per share (the "**Series H Non-Voting Share Purchase Price**").

Priority

No rights, privileges, restrictions or conditions attached to any series of Non-Voting Share shall confer upon the shares of such series a priority in respect of dividends or distribution of assets or return of capital in the event of the liquidation, dissolution or winding up of the Corporation over the shares of any other series of Non-Voting Share. The Non-Voting Shares of each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, rank junior to the Preferred Shares of all series, on a parity with the Non-Voting Share of every other series, and with respect to the distribution of assets be entitled to a preferred distribution and priority over the Voting Shares and over any other shares of the Corporation ranking junior to the Non-Voting Shares in respect of dividends. The Corporation may pay dividends on the Voting Shares or the Preferred Shares as a class or

on all of such shares as the directors may determine in their absolute discretion and in accordance with the terms of such shares.

Voting Rights

The holders of Series H Non-Voting Shares will not be entitled to notice of or to attend, and will not be entitled to vote at, any meeting of shareholders, unless and until the Corporation shall have failed to fully pay an aggregate of three (3) monthly dividends on the Series H Non-Voting Shares in accordance with the terms of the Series H Non-Voting Shares, whether or not consecutive and whether or not such dividends were declared and whether or not there are any monies of the Corporation properly applicable to the payment of such dividends. Accordingly, such voting rights shall be applicable once there is accrued and unpaid an aggregate of \$0.20 per share. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series H Non-Voting Shares shall be entitled to receive notice of all meetings of shareholders of the Corporation and to attend thereat. The holders of the Series H Non-Voting Shares shall be entitled to vote together with all of the Voting Shares of the Corporation on the basis of one vote in respect of each Series H Non-Voting Share held by each such holder, until all such arrears of such dividends shall have been paid, whereupon such rights shall cease unless and until the Corporation shall again fail to pay the three (3) monthly dividends on the Series H Non-Voting Shares in accordance with the terms hereof, whether or not consecutive and whether or not such dividends were declared and whether or not there are any monies of the Corporation properly applicable to the payment of such dividends, in which event such voting rights shall become effective again and so on from time to time.

Dividends

Priority: The Series H Non-Voting Shares rank senior to the Voting Shares, junior to the Preferred Shares and junior to any other class of shares of the Corporation ranking junior to the Non-Voting Shares and rank on a parity with every other Non-Voting Share of all series as to dividends.

General: Dividends and other distributions may be paid in respect of the Series H Non-Voting Shares at such times, in such amounts and in such currency or currencies as may be declared by the Board and as set out in the terms for a specific series and whether or not dividends or other distributions have been or are being paid on any other series of shares, subject to the rights, privileges, restrictions and conditions of the Non-Voting Shares. Such dividends or distributions are payable only out of the net assets of the Corporation which are referable to that series at the relevant time.

Minimum Dividend

The holders of Series H Non-Voting Shares shall be entitled to receive, and the Corporation shall pay thereon, if, as and when declared by the Board, out of moneys of the Corporation properly applicable to the payment of dividends, monthly, fixed, cumulative, minimum cash dividends (the “**Series H Monthly Dividends**”) in an amount equal to \$0.0666667 per Series H Non-Voting Share (being an annual rate equal to \$0.80 or 8%) payable, with respect to each Series H Dividend Period, on the 15th day of each of the months of each year (the “**Series H Dividend Payment Date**”) in respect of such Series H Dividend Period. Dividends on the Series H Non-Voting Shares shall accrue daily from and including the date of issue of such Series H Non-Voting Shares.

Initial Minimum Dividend and Minimum Dividend

The holders of Series H Non-Voting Shares shall be entitled to receive, and the Corporation shall pay thereon, if, as and when declared by the Board out of moneys of the Corporation properly applicable to the payment of dividends,

for Other Than a Full Dividend Period cumulative, preferential cash dividends for the initial Series H Dividend Period or any period which is less than a full Series H Dividend Period, as follows:

- (i) an initial dividend in respect of the period from and including the date of the initial issue of the Series H Non-Voting Shares to but excluding the first day of the next Series H Dividend Period in amount per Series H Non-Voting Shares equal to \$0.0666667 multiplied by a fraction, the numerator of which is the number of calendar days from and including the date of the initial issue of the Series H Non-Voting Shares to but excluding the first day of the next Series H Dividend Period and the denominator of which is 365; and
- (ii) a dividend in an amount per share with respect to any Series H Non-Voting Share:
 - 1) which is issued or redeemed during any Series H Dividend Period;
 - 2) where the assets of the Corporation are distributed to the holders of the Series H Non-Voting Shares pursuant to Item 5.1 “Terms of Securities – Series H Non-Voting Shares – Liquidation, Dissolution or Winding-Up” with an effective date during any Series H Dividend Period; or
 - 3) in any other circumstance where the number of days in a Series H Dividend Period that such share has been outstanding is less than a full Series H Dividend Period (other than the period referred to in paragraph (i) above)

equal to the amount obtained when the amount of the monthly dividend payable in respect of the applicable full Series H Dividend Period is multiplied by a fraction, the numerator of which is the number of calendar days in such Series H Dividend Period that such share has been outstanding (excluding the date of redemption, the effective date for the distribution of assets or the last day of the applicable shorter period, as applicable) and the denominator of which is the number of calendar days in such Series H Dividend Period.

Cumulative Payment of Dividends If on any Series H Dividend Payment Date, the dividends payable in respect of the Series H Dividend Period ending in the calendar month in which such Series H Dividend Payment Date occurs are not paid in full on all of the Series H Non-Voting Shares then outstanding, such dividends, or the unpaid part thereof, shall be paid (less any tax required to be deducted or withheld by the Corporation) on a subsequent date or dates determined by the Board on which the Corporation shall have sufficient monies properly applicable to the payment of such dividends.

Target Return Dividends The holders of Series H Non-Voting Shares shall be entitled to receive, and the Corporation shall pay thereon, if, as and when declared by the Board, out of moneys of the Corporation properly applicable to the payment of dividends, additional monthly, cash dividends (the “**Series H Additional Return Dividends**”) in an amount targeted to result in a return, based on the Series H Non-Voting Share Purchase Price, when combined with the Series H Monthly Dividends, of between 8% and 10%, payable (if declared), with respect to each Series H Dividend Period, on the Series H Dividend Payment Date in respect of

such Series H Dividend Period. Series H Additional Return Dividends are not guaranteed and shall not accrue and shall be paid in Canadian dollars.

Additional Dividends
for Tax or Fiscal
Reasons

The Board may, for fiscal planning or other tax efficiency reasons, in its discretion declare that an additional distribution will be payable to the holders of Series H Non-Voting Shares of record on December 31. Each such additional distribution may be satisfied by the issuance of additional Series H Non-Voting Shares and/or cash and/or other property of the Corporation. Immediately following payment of any such additional distribution in Series H Non-Voting Shares, the number of Series H Non-Voting Shares outstanding after the distribution will be consolidated such that each shareholder will hold after the consolidation the same number of Series H Non-Voting Shares as the shareholder held before the additional distribution. In such case, each certificate representing one or more Series H Non-Voting Shares prior to the distribution of additional Series H Non-Voting Shares shall be deemed to represent the same number of Series H Non-Voting Shares after the distribution of additional Series H Non-Voting Shares and consolidation. Notwithstanding the foregoing, where tax is required to be withheld from a shareholder's participation in the additional distribution, the consolidation will result in such shareholder holding that number of Series H Non-Voting Shares equal to (x) the number and Series of Series H Non-Voting Shares held by such shareholder prior to the distribution plus the number of Series H Non-Voting Shares received by such shareholder in connection with the additional distribution (net of any taxes withheld) prior to the consolidation multiplied by (y) the fraction obtained by dividing the aggregate number of Series H Non-Voting Shares outstanding prior to distribution by the aggregate number of Series H Non-Voting Shares that would be outstanding following the additional distribution and before the consolidation if no withholding were made in respect of any part of the additional distribution payable to any shareholder. Any such shareholder will be required to surrender the share certificate(s), if any, representing such shareholder's original Series H Non-Voting Shares, in exchange for a certificate representing such shareholder's post-consolidation Series H Non-Voting Shares.

Other Dividends

Holders of Series H Non-Voting Shares have a right, after payment to them of their dividends, and payment of dividends in a like amount per share to the holders of the Voting Shares, to participate *pari passu* with the holders of the Voting Shares in any further payment of dividends.

Liquidation,
Dissolution or
Winding- Up

In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of Non-Voting Shares of each series shall, in priority to any distribution of the property and assets of the Corporation among the holders of the Voting Shares, but subsequent to any distribution of the property and assets of the Corporation among the holders of the Preferred Shares, be entitled to receive an amount in respect of each such share, in cash or in property, equal to the consideration for the issue of Non-Voting Shares of a particular series subscribed for as determined by the Board. Amounts payable pursuant to this section shall be paid solely from the Series Net Assets of the relevant series.

Redemption by
Shareholder

Subject to the Series H Non-Voting Share Redemption Limit, the Series H Non-Voting Shares may be redeemed by a holder thereof at any time following the date of issuance at a redemption price per Series H Non-Voting Share equal to 93% of the Series H Non-Voting Share Purchase Price if redeemed within 6 months from the date of issuance, and at a redemption price per Series H Non-

Voting Share equal to the Series H Non-Voting Share Purchase Price thereafter, subject in all cases to a redemption fee of no more than \$150 for administrative purposes and any tax required to be deducted or withheld by the Corporation (the “**Series H Non-Voting Share Redemption Price**”). The redemption right must be exercised by (i) delivering a notice of redemption, in the form specified by the Corporation, and (ii) surrendering the certificates for the Series H Non-Voting Shares to the transfer agent for the Series H Non-Voting Shares or at such other place as shall be specified by the Corporation from time to time. Payment for Series H Non-Voting Shares tendered for redemption prior to the Series H Monthly Redemption Notice Deadline for a month shall be made on the Series H Monthly Redemption Payment Date following the applicable Series H Monthly Redemption Date. From and after receipt of a notice of redemption, the Series H Non-Voting Shares tendered for redemption shall cease to be entitled to distributions or to any participation in the assets of the Corporation and the holders thereof shall not be entitled to exercise any of their other rights as shareholders in respect thereof other than the right to receive payment of the Series H Non-Voting Share Redemption Price for each Series H Non-Voting Share redeemed and any accrued but unpaid distributions up to the Series H Monthly Redemption Date. Series H Non-Voting Shares which have been surrendered to the Corporation for redemption shall be deemed to be outstanding until, but not after, the close of business on the Series H Monthly Redemption Date.

Cash Limit on
Redemptions by
Shareholder

In accordance with the Articles of the Corporation, the entitlement of a shareholder to receive cash upon the redemption of such holder’s Series H Non-Voting Shares is subject to limitations, including where:

(a) the Board has suspended the redemption of any series of Preferred Shares or if there are any Preferred Shares of any series that have been tendered for redemption but that may not be redeemed due to any applicable limits on such redemptions under the terms of the applicable shares, under the law or as a result of a decision or other action of the Board;

(b) the total amount payable by the Corporation for the Series H Non-Voting Shares tendered for redemption in the same calendar month exceeds the greater of \$500,000 and 3% of the total capital attributable to the issued and outstanding Series H Non-Voting Shares determined at the beginning of such calendar month (the “**Series H Non-Voting Share Redemption Limit**”); provided that the directors of the Corporation may, in their absolute discretion, waive such limitation in respect of all shares tendered for redemption in any period. To the extent the Corporation has received notices of redemption where the aggregate number of Series H Non-Voting Shares (including the Cutback Redemption Requests) would exceed the Series H Non-Voting Share Redemption Limit, the Corporation shall redeem only such aggregate number of Series H Non-Voting Shares equal to the Series H Non-Voting Share Redemption Limit. The Manager, on behalf of the Corporation, shall administer the foregoing and any cutbacks on a proportionate basis with respect to the aggregate number of Series H Non-Voting Shares represented by redemption notices. Any redemption notices (or portions thereof) which are not honoured shall be honoured at the next following Series H Monthly Redemption Date, subject in all cases to the Corporation’s right to suspend redemptions and the Series H Non-Voting Share Redemption Limit described herein;

(c) the redemption of the Series H Non-Voting Shares validly tendered for redemption would result in a return of capital or a distribution otherwise out of

the assets of the Corporation to the holder of Series H Non-Voting Shares, unless all liabilities of the Corporation have been paid or there are sufficient assets of the Corporation to pay them;

(d) in the Board of Directors' opinion (in their absolute discretion), the Corporation has insufficient liquid assets to fund such redemptions or that the liquidation of assets at such time would be to the detriment of or adversely affect the remaining shareholders or the Corporation generally; or

(e) if the redemption by the Corporation of all Series H Non-Voting Shares surrendered for redemption in any period would be contrary to applicable law, the Corporation shall redeem only the maximum number of Series H Non-Voting Shares (rounded to the next lower multiple of 1,000 shares) which it is then permitted to redeem selected on a pro rata basis from each holder of Series H Non-Voting Shares surrendered for redemption according to the number of Series H Non-Voting Shares surrendered for redemption by each such holder.

Suspension of
Redemptions

The Corporation may suspend the redemption of Series H Non-Voting Shares for any period not exceeding 120 days during which the Corporation or the Manager determines that conditions exist which render impractical the sale of assets in the MIC Portfolio or which impair the ability of the Manager to determine the value of assets of the Corporation or the Portfolio. The suspension may apply to all requests for redemption for Series H Non-Voting Shares received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. Holders of Series H Non-Voting Shares who have tendered their Series H Non-Voting Shares for redemption in such circumstances shall be notified of the suspension by the Corporation or the Manager. All such holders of Series H Non-Voting Shares shall have and shall be advised that they have the right to withdraw such Series H Non-Voting Shares surrendered for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with the rules and regulations promulgated by any governmental body having jurisdiction over the Corporation, any declaration of suspension made by the Corporation or the Manager shall be conclusive.

Compelled
Redemption by
Corporation

The Series H Non-Voting Shares shall not be redeemable by the Corporation prior to the date that is 6 months following the initial issuance of the Series H Non-Voting Shares ("**Series H Corporation Redemption Start Date**"). On and after the Series H Corporation Redemption Start Date, the Corporation may, on 30 days' notice to the holder of Series H Non-Voting Shares, redeem all or any number of outstanding Series H Non-Voting Shares, at its option, by the payment in cash, on the 30th day following the delivery of the notice of redemption by the Corporation, of an amount equal to the Series H Non-Voting Share Redemption Price tax required to be deducted or withheld by the Corporation. Where applicable, if less than all of the outstanding Series H Non-Voting Shares are at any time to be redeemed, the particular shares to be redeemed shall be selected on a pro rata basis (disregarding fractions) or, if the Series H Non-Voting Shares are at such time listed on a stock exchange, with the consent of any applicable stock exchange, in such other manner as the Board may in its sole discretion determine by resolution.

Restrictions on Ownership	No shareholder of the Corporation is permitted to hold at any time, directly or indirectly, together with Related Persons, more than 25% of any class or series of the issued shares of the Corporation. In the event that a Triggering Transaction, if completed, would cause any Automatic Repurchase Shareholder, together with Related Persons, to hold more than 25% of any series of the issued shares of the Corporation, that portion of the shares held by each Automatic Repurchase Shareholder which constitutes in excess of 24.9% of the Repurchased Shares will, simultaneously with the completion of a Triggering Transaction, automatically be repurchased and cancelled by the Corporation without any further action by the Corporation or the Automatic Repurchase Shareholder. The purchase price for any Repurchased Shares will be equal to the Series H Non-Voting Share Redemption Price less the applicable series redemption charge (if any) and any costs associated with the redemption on the date of the Triggering Transaction. The proceeds of any Automatic Repurchase will be remitted to each applicable Automatic Repurchase Shareholder in accordance with customary practice of the Corporation in connection with monthly redemptions.
Limits on Subscriptions	In the event that any person wants to subscribe for Series H Non-Voting Shares in an amount that exceeds 25% of the issued and outstanding Series H Non-Voting Shares, the subscription may be completed to the amount of 25% of the Series H Non-Voting Shares but the balance will be structured in a manner compliant with section 130.1 of the Tax Act as a subscription for a separate class or series or as a debt instrument, compliant with the conditions of section 130.1 of the Tax Act, reflecting similar rights and benefits as the holding of the intended Series H Non-Voting Shares, as agreed between the holder of Series H Non-Voting Shares and the Corporation. The share subscription will be in accordance with the terms of this Offering and the negotiated debt issue will be on the basis of terms substantially similar as to rights and return to those of the Series H Non-Voting Shares under this Offering. The amount that constitutes 25% of the issued Series H Non-Voting Shares will, as of the initial closing and for a period of time thereafter, depend on the aggregate number and amounts of other subscriptions and therefore may be substantially less than the amount that is subscribed for. Series H Non-Voting Shares may not be converted into another class or series of shares. Holders of Series H Non-Voting Shares wishing to switch classes or series when permissible will need to redeem their Series H Non-Voting Shares (subject to restrictions thereon) and subscribe for the other class or series.

Interim Debentures

Purchase Price	The Interim Debentures will be issued for a purchase price equal to 100% of the principal amount thereof.
Voting Rights	The holders of Interim Debentures will not be entitled to notice of or to attend, and will not be entitled to vote at, any meeting of shareholders.
Interest	The principal amount of an Interim Debenture drawn and outstanding from time to time shall bear interest both before and after maturity, default and judgment from the date hereof to the date of repayment in full at the rate of 8.00% per annum calculated and compounded monthly in arrears and payable on the same day on a <i>pro rata pari passu</i> basis with the Offered Shares. Interest on overdue interest and standby charge shall be calculated and payable at the same rate plus 2.00% per annum. Interest is pro rated on a daily basis for any part month.

Maturity Date	The maturity date of the Interim Debentures will be the date on which the Corporation may repay the principal amount and apply it to the purchase of the relevant Preferred Shares.
Conversion Rights	The Interim Debentures are not convertible into shares of the Corporation.

**Secured
Debentures**

Purchase Price	The Secured Debentures will be issued for a purchase price equal to 100% of the principal amount thereof.
Voting Rights	The holders of Secured Debentures will not be entitled to notice of or to attend, and will not be entitled to vote at, any meeting of shareholders.
Interest	<p>The principal amount of a Secured Debenture drawn and outstanding from time to time shall bear interest both before and after maturity, default and judgment from the date hereof to the date of repayment in full at the rate of 8.00% (or in some cases up to 9%) per annum calculated and compounded monthly in arrears and payable on the same day on a <i>pro rata pari passu</i> basis with the Offered Shares. Interest on overdue interest and standby charge shall be calculated and payable at the same rate plus 2.00% per annum. Interest is pro rated on a daily basis for any part month.</p> <p>All interest payable shall be payable to the holder(s) of the Secured Debentures <i>pari passu</i> and <i>pro rata</i> to the dividend payments being made on the Series H Non-Voting Shares.</p>
Maturity Date	The Secured Debentures will have an initial term of 12 months following the date on which the Secured Debentures are issued (the " Maturity Date "). The Secured Debentures can be extended by mutual agreement. The Secured Debentures can be early repaid with 30 days notice to the Corporation and the Corporation agrees to repay the Secured Debentures within the 30 days after the written notice has been provided.
Conversion Rights	The Secured Debentures are not convertible into shares of the Corporation.
General Security Agreement	The obligations under the Secured Debentures will be secured by a general security agreement.

5.2 Subscription Procedure

An investor who wishes to subscribe for the Offered Securities, other than the shares being purchased through FundSERV Inc. (for these instructions, see below), must:

1. complete and execute the subscription agreement and, in the case of Secured Debentures, a debenture agreement to be provided by the Manager in connection with such subscription, including all applicable Schedules attached thereto;
2. pay the agreed subscription price by certified cheque or bank draft dated the date of the subscription in the amount of the Offered Shares subscribed as set forth in the subscription agreement made payable to "**Equityline Mortgage Investment Corporation in trust**"; and

3. complete and execute any other documents deemed necessary by the Manager to comply with applicable securities laws,

and deliver the foregoing to the Manager at 550 Highway 7 Ave E. Suite 338, Richmond Hill, Ontario, L4B 3Z4, info@equitylinemic.com or such other location which the Manager may specify. If the subscription is not completed, all documents and subscription funds will be returned to the subscribers without interest or deduction.

A subscriber will become a Shareholder of the Corporation following the acceptance of a subscription by the Manager. If a subscription is withdrawn or is not accepted by the Manager, all documents will be returned to the subscriber within thirty (30) days following such withdrawal or rejection without interest or deduction. Closings under this Offering may occur from time to time and at any time on such other dates as the Manager determines.

The consideration tendered by each subscriber after signing a subscription agreement will be held in trust for a period of two Business Days during which period the subscriber may request a return of the tendered consideration by delivering a notice to the Manager not later than midnight on the second Business Day after the subscriber signs the subscription agreement.

The Manager will be responsible for collecting all subscription orders and subscription proceeds from subscribers and the Agents.

A subscriber will be entitled to receive written confirmation from the Manager of the Offered Shares subscribed for, provided the subscriber has paid the full subscription price for their Offered Shares. The Manager will undertake registrar and transfer agent function in respect of the Offered Shares.

Subscriptions for the Series B Preferred Shares, Series F Preferred Shares or Series I Preferred Shares may be effected through the settlement network operated by FundSERV Inc. using the FundSERV code. Orders will be processed by electronic means through FundSERV Inc., provided that the eligibility criteria for the Series B Preferred Shares, Series F Preferred Shares or Series I Preferred Shares are satisfied. A subscription agreement must be completed in respect of purchases through FundSERV Inc.

Exemptions from Prospectus Requirements.

This Offering is being made in reliance upon exemptions from the prospectus requirements provided in NI 45-106. Accordingly, no prospectus has been or will be filed with any securities commission in Canada in connection with this Offering.

Offering Memorandum Exemption

Section 2.9 of NI 45-106 (the “**Offering Memorandum Exemption**”) provides exemptions for the sale of the Offered Shares to Subscribers if the subscriber purchases as principal and the Corporation delivers this Offering Memorandum to the Subscriber in the required form and the subscriber signs the Risk Acknowledgment in Form 45-106F4 to the subscription agreement to be provided in connection with the sale of the Offered Shares. All jurisdictions of Canada where the Offering Memorandum Exemption is available, except British Columbia and Newfoundland and Labrador, impose eligibility criteria on persons or companies investing under the Offering Memorandum Exemption. In these jurisdictions, if the subscriber’s aggregate subscription price is more than \$10,000, then the subscriber must be an “eligible investor” (as defined below). In certain jurisdictions there are also limits on the maximum amounts subscribers can buy, as further outlined below.

An “**eligible investor**” includes the following investors (among other categories):

- (a) a person whose
 - (i) net assets, alone or with a spouse, in the case of an individual, exceed \$400,000,
 - (ii) net income before taxes exceeded \$75,000 in each of the two most recent calendar years and who reasonably expects to exceed that income level in the current calendar year, or

- (iii) net income before taxes, alone or with a spouse, in the case of an individual exceeded \$125,000 in each of the two most recent calendar years and who reasonably expects to exceed that income level in the current calendar year,
- (b) a person of which a majority of the voting securities are beneficially owned by eligible investors or a majority of the directors are eligible investors,
- (c) a partnership of which all of the partners are eligible investors,
- (d) a limited partnership of which the majority of the general partners are eligible investors,
- (e) a trust or estate in which all of the beneficiaries or a majority of the trustees or executors are eligible investors,
- (f) an accredited investor,
- (g) a person described in section 2.5 of NI 45-106 [*Family, friends and business associates*], or
- (h) in Manitoba, Northwest Territories, Nunavut, Prince Edward Island and Yukon, a person that has obtained advice regarding the suitability of the investment and if the person is resident in a jurisdiction of Canada, that advice has been obtained from an eligibility adviser.

In addition, in Alberta, New Brunswick, Nova Scotia, Ontario, Quebec and Saskatchewan, there is a requirement that the acquisition cost of all securities acquired by a subscriber who is an individual under the Offering Memorandum exemption in the preceding 12 months does not exceed the following amounts:

- (i) in the case of a purchaser that is not an eligible investor, \$10,000;
- (ii) in the case of a purchaser that is an eligible investor, \$30,000;
- (iii) in the case of a purchaser that is an eligible investor and that received advice from a portfolio manager, investment dealer or exempt market dealer that the investment is suitable, \$100,000.

In British Columbia and Newfoundland and Labrador, a subscriber may purchase Offered Shares with a total subscription price over \$10,000, and there is no requirement that the subscriber be an “eligible investor”.

Accredited Investor Exemption

Section 2.3 of NI 45-106 allows “accredited investors” to purchase the Offered Shares. The definition of “**accredited investor**” includes (among other categories):

- 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;
- 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 those years and who, in either case, reasonably expects to exceed that net income level in the current calendar year;
- an individual who, either alone or with a spouse, has net financial assets (which does not include real estate) of at least \$1,000,000;
- an individual who, either alone or with a spouse, has net assets of at least \$5,000,000; and

- a registrant acting on behalf of a fully managed account.

See the Accredited Investor Certificate attached to the subscription agreement for a complete list of the categories of "accredited investor". Each subscriber who purchases as an accredited investor must complete and sign the Accredited Investor Certificate attached to the subscription agreement, and if they are an individual must sign the Risk Acknowledgment for Individual Accredited Investors in Form 45-106F9.

Dividend Reinvestment Plan

The Corporation, subject to maintaining the status of the Corporation as a "MIC" under the Tax Act, maintains a dividend reinvestment and share purchase plan ("**DRIP**"). Under the DRIP, Shareholders can reinvest dividends in additional Shares of the Corporation ("**DRIP Shares**"). The Corporation, directly or through the Manager, administers all aspects of the DRIP.

Eligibility: Any Shareholder that is a resident of Canada may enroll in the DRIP at any time (a "**Participant**"). Without limiting the generality of the foregoing, Shareholders who are resident in the United States or who are United States persons (as defined under United States securities laws) will not be entitled to participate in the DRIP.

Payment: Dividends are calculated, paid and reinvested in Shares on a monthly basis. The payment of a dividend, and the declaration, record and payment dates applicable to it are determined by the Directors in their sole discretion. The Corporation shall promptly pay over to each Participant all cash dividends paid on Participants' Shares in the form of DRIP Shares directly from the Corporation. DRIP Shares will be registered in the name of each Participant as it appears on the Corporation's register of Shareholders. The Directors of the Corporation retain the right to declare a special cash dividend that is not eligible for reinvestment under the DRIP, in which case, the cash dividend would be distributed to Participants in cash and not in DRIP Shares. Cash dividends paid on DRIP Shares will be automatically reinvested in additional DRIP Shares of the same class or series on each Dividend Payment Date. Participants will be credited with the number of new DRIP Shares, including fractions, computed to three decimal places, which is equal to the cash dividends reinvested for each Participant, divided by the Share price. The price (the "**Share Price**") at which DRIP Shares will be purchased with Participants' cash dividends will be the current Share Price established by the Directors of the Corporation as at the relevant Dividend Payment Date. Participants will receive DRIP Shares based on 100% of the cash dividends to which they would otherwise be entitled. The current Share Price is \$10 per Share. Participants will receive the number of DRIP Shares to which they are entitled, including fractional Shares. The Corporation may, from time to time, elect to pay Participants a cash payment equal to any fractional DRIP Shares to which it would be entitled multiplied by the Share Price, in the sole discretion of the Directors.

Participation in the DRIP: If a Purchaser wishes to participate in the DRIP, the Purchaser must complete and return the applicable enrolment form (each, an "**Enrolment Form**"), copies of which are attached to the Subscription Agreement or which may be obtained from the Corporation. Once a Participant has enrolled in the DRIP, participation shall continue automatically unless terminated in accordance with the terms of the DRIP or unless participation becomes unlawful. If a completed Enrolment Form is received by the Corporation from a Shareholder thirty (30) days (the "**Deadline**") before a dividend payment date ("**Dividend Payment Date**") in respect of a given cash dividend, and is accepted, the said dividend (and all cash dividends payable thereafter to the Participant, until such Participant's participation in the Plan is terminated) will be invested under the DRIP. If a completed Enrolment Form is received by the Corporation after the Deadline in respect of a given Dividend Record Date, and is accepted, participation in the DRIP will commence with effect as of the next following Dividend Record Date. An election to participate in the DRIP by a Shareholder must be made in respect of all of the Shares held by such Shareholder.

Termination of Participation in the DRIP: A Participant wishing to terminate participation in the DRIP may do so by providing written notice to the Corporation. If notice of termination is received by the Corporation at least thirty (30) Business Days prior to a Dividend Record Date, termination will have effect for the corresponding Dividend Payment Date. If notice of termination is received less than thirty (30) Business Days before the dividend record date, the cash dividend made on the corresponding Dividend Payment Date will be invested in DRIP Shares and the termination will be effective only after the Dividend Payment Date. Unless required by securities regulations, the Corporation will not send to Participants any regularly scheduled notice of their right to withdraw from the DRIP. The Corporation reserves the right to levy an administration fee from time to time in respect of administrative costs incurred when a Participant terminates their participation in the DRIP or requests subsequent participation in the DRIP.

Liabilities of the Corporation and Manager: Neither the Corporation nor the Manager shall not be liable for any act or any omission to act in connection with the operation of the DRIP including, without limitation, any claims for liability:

- (i) arising out of delays in the processing of a request to participate in the DRIP or a request to terminate participation in the DRIP;
- (ii) arising in connection with income taxes (together with any applicable interest and/or penalties) payable by Participants or Shareholders in connection with their participation in the DRIP; or
- (iii) relating to the Share Price at which Shares are purchased for the Participant's account and the times such purchases are made;

except to the extent that such liability arises from gross negligence or wilful misconduct on the part of the Corporation or the Manager, as the case may be

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

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

Transaction Statements: Periodic statements will be mailed to each Participant or will be available through an online account information service. These statements will be the continuing record of purchases made and DRIP Shares issued under the DRIP. In addition, the Corporation will annually send to each Participant the required and appropriate information for tax reporting purposes. Participants are reminded to seek appropriate advice concerning the tax payable by any Participant regarding their participation in the DRIP, including without limitation, all taxes payable as a result of dividends made by the Corporation to a Participant.

Certificates for DRIP Shares: Participants are not entitled to receive certificates for DRIP Shares. The Directors may, at their discretion, issue DRIP Share certificates where required by a plan administrator. Such issuance, should it occur, will take place at times determined by the Directors and for administrative convenience may not occur at the time the DRIP Shares are purchased. The failure to issue a physical certificate in no way detracts from the Participants' ownership rights in their DRIP Shares. DRIP Shares are subject to the same sale and transfer restrictions as Shares. Furthermore, DRIP Shares have the same redemption and retraction rights as Shares and will be subject to the same limitations therein as would apply to the original Shares that resulted in the purchase of DRIP Shares.

Rules and Regulations: The Corporation, in conjunction with the Manager, may from time to time adopt rules and regulations to facilitate the administration of the DRIP. The Corporation also reserves the right to regulate and interpret the DRIP as it deems necessary or desirable to ensure the efficient and equitable operation of the DRIP.

Limits on Number of Shares: The Corporation may limit the number of Shares issuable under the DRIP, including, without limitation, Shares issuable to Shareholders resident in any province of Canada, in connection with applicable legal limits including pursuant to any discretionary exemptive relief relating to the DRIP granted by any securities regulatory authority.

Costs: There are no commissions, service charges or brokerage fees payable in connection with the issuance of DRIP Shares under the DRIP. All administrative costs of the DRIP incurred by the Corporation are borne by the Corporation.

Item 6: Repurchase Requests

The following table sets out information about the repurchase/redemption rights exercised by Shareholders for the two most recently completed years of the Corporation.

Description of security	Date of end of financial year	Number of securities with outstanding purchase requests on the first day of the year	Number of securities for which investors made repurchase requests during the year	Number of securities repurchased during the year	Source of funds used to complete the repurchases	Number of securities with outstanding repurchase requests on the last day of the year
Series A Preferred Shares	December 31, 2022	\$0	\$0	\$0	N/A	\$0
Series A Preferred Shares	December 31, 2021	\$0	\$0	\$0	N/A	\$0
Series B Preferred Shares	December 31, 2022	\$0	\$15,000	\$15,000	Working capital	\$0
Series B Preferred Shares	December 31, 2021	\$0	\$0	\$0	N/A	\$0
Series F Preferred Shares	December 31, 2022	\$0	\$185,000	\$185,000	Working capital	\$20,000
Series F Preferred Shares	December 31, 2021	\$0	\$0	\$0	N/A	\$0
Series H Non-Voting Shares	December 31, 2022	\$0	\$0	\$0	N/A	\$0
Series H Non-Voting Shares	December 31, 2021	\$0	\$0	\$0	N/A	\$0

The following table sets out information about the repurchase/redemption rights exercised by Shareholders for the period after the end of the Corporation's most recently completed financial year and up to August 31, 2023.

Description of security	Beginning and end dates of the period	Number of securities with outstanding purchase requests on the first day of the period	Number of securities for which investors made repurchase requests during the period	Number of securities repurchased during the period	Source of funds used to complete the repurchases	Number of securities with outstanding repurchase requests on the last day of the period
Series A Preferred Shares	January 1, 2023 – August 31, 2023	\$0	\$0	\$0	N/A	\$0
Series B Preferred Shares	January 1, 2023 – August 31, 2023	\$0	\$0	\$0	N/A	\$0
Series F Preferred Shares	January 1, 2023 – August 31, 2023	\$20,000	\$45,000	\$65,000	Working capital	\$0
Series H Non-Voting Shares	January 1, 2023 – August 31, 2023	\$0	\$0	\$0	N/A	\$0

Item 7: Certain Dividends and Distributions

In 2022 and in the **six months ended June 30, 2023**, the total amount of the dividends paid by the Corporation exceeded cash flow from operations for those periods. The Corporation issues debentures to fund working capital. Working capital from time to time is used to pay distributions.

Item 8: Income Tax Consequences and RRSP Eligibility

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

8.2 Certain Canadian Federal Income Tax Considerations

This summary is provided by Cassels Brock & Blackwell LLP based on the current provisions of the Tax Act, the facts contained in this Offering Memorandum, and current administrative policies and assessing practices of the Canada Revenue Agency published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the **“Proposed Amendments”**) and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice, whether by legislative, administrative or judicial decision or action, nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ from those discussed herein.

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

This summary is based upon the further assumption that the Corporation qualifies as a MIC at all relevant times. The Corporation intends to meet all of the requirements under the Tax Act to qualify as a MIC throughout its current taxation year and for all of its future taxation years. If the Corporation were to cease to qualify as a MIC at any time, the income tax considerations would be materially different from those described below.

This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular prospective purchaser. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, prospective purchasers of Offered Shares should consult their own tax advisors having regard to their own particular circumstances.

Status of the Corporation

Classification under Tax Act

As noted above, this summary assumes that the Corporation will qualify as a MIC at all relevant times (as discussed below). The Corporation intends to meet all of the requirements under the Tax Act to qualify as a MIC throughout its current taxation year and for all of its future taxation years. A MIC is deemed to be a public corporation under the Tax Act. However, the Tax Act effectively treats a corporation that qualifies as a MIC as operating as a flow-through entity to the extent it distributes its income and capital gains to its shareholders. Accordingly, with respect to such distributions, a shareholder of a MIC is generally put in a similar position from an income tax perspective as if the investments made by the MIC had been made directly by the shareholder. If the Corporation were not to qualify as a MIC at any time, the income tax considerations would be materially different from those described below.

MIC Requirements

The following requirements must have been met throughout a taxation year in order for the Corporation to qualify as a MIC for that taxation year:

- (1) *Canadian Corporation.* The Corporation must be a “Canadian corporation” as defined in the Tax Act, which generally means a corporation incorporated in Canada and resident in Canada.

- (2) *Undertaking.* The Corporation's only undertaking must be the investing of funds of the Corporation and it cannot have managed or developed any real or immovable property.
- (3) *Invested Capital.* The cost amount to the Corporation of its Qualifying Property must be at least 50% of the cost amount to the Corporation of all of its property.
- (4) *Prohibited Foreign Investment.* None of the property of the Corporation consisted of debts owing to the Corporation secured on real or immovable property situated outside Canada, debts owing to the Corporation by non-resident persons unless such debts were secured on real or immovable property situated in Canada, shares of the capital stock of corporations not resident in Canada, or real or immovable property situated outside of Canada or any leasehold interest in such property.
- (5) *Shareholder Requirements.* The Corporation must have had 20 or more shareholders, except that in the Corporation's first taxation year, this requirement will be met if the Corporation had 20 or more shareholders on the last day of that taxation year. In addition, no shareholder (together with Related Persons, see below) of the Corporation at any time in the year owned, directly or indirectly, more than 25% of the issued shares of any class of the Corporation. Special rules apply for the purposes of counting shareholders that are registered pension plans or DPSPs.
- (6) *Preferred Shareholders.* Holders of Preferred Shares of the Corporation must have had a right, after payment to them of their preferred dividends and payment of dividends in a like amount per share to the holders of the common shares of the Corporation, to participate *pari passu* (equally) with the holders of the common shares in any further payment of dividends.
- (7) *25% Asset Test.* The cost amount to the Corporation of all real or immovable property of the Corporation, including leasehold interests in such property (except real or immovable property acquired by the Corporation by foreclosure or otherwise after default made on a mortgage, hypothec or agreement of sale of real or immovable property) did not exceed 25% of the cost amount to the Corporation of all of its property.
- (8) *Debt to Equity Ratio.* Where at any time in the year the cost amount to the Corporation of its Qualifying Property represented less than two-thirds of the cost amount to the Corporation of all of its property, the Corporation's liabilities may not exceed three times the amount by which the cost amount to the Corporation of all its property exceeded its liabilities. Where, however, throughout the year the cost amount to the Corporation of its Qualifying Property represented two-thirds or more of the cost amount to the Corporation of all of its property, the Corporation's liabilities may not exceed five times the amount by which the cost amount to the Corporation of all its property exceeded its liabilities.

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

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

Taxation of the Corporation

The Corporation will be considered to be a public corporation on the basis that it qualifies as a MIC. As a public corporation, the Corporation is subject to tax at the full general corporate income tax rates on its taxable income. However, as long as the Corporation is a MIC, special rules in the Tax Act apply to the Corporation which generally enable it to deduct in

computing its income for a taxation year the amount of its income for that taxation year that is distributed to its shareholders. Specifically, the Corporation will be entitled to deduct, in computing its income for a taxation year, the total of:

- (a) all taxable dividends, other than capital gains dividends, paid by the Corporation to its shareholders during the year or within 90 days after the end of the year (to the extent not deductible in computing the Corporation's income for a preceding year); and
- (b) one-half of all capital gains dividends paid by the Corporation to its shareholders during the period commencing 91 days after the commencement of the year and ending 90 days after the end of the year.

The Corporation must elect to have a dividend qualify as a capital gains dividend. The Corporation may elect that dividends paid during a 12-month period commencing 91 days after the commencement of a taxation year and ending 90 days after the end of the year be capital gains dividends to the extent of the Corporation's capital gains for the year less any applicable capital losses. The election must be made in respect of the full amount of a dividend and can only be made if the Corporation qualifies as a MIC throughout the taxation year in respect of which the dividend is paid. The payment of capital gains dividends will allow the Corporation to flow capital gains it realizes through to its shareholders.

The Corporation intends to make distributions to the extent necessary so that it will generally have no taxes payable under Part I of the Tax Act.

Taxation of Holders

Distributions to Holders of Offered Shares

A Holder is required to include in its income as interest any amount received by the Holder from the Corporation as or on account of a taxable dividend (other than capital gains dividends), whether paid in cash or reinvested in shares of the Corporation. Accordingly, taxable dividends, except for capital gains dividends, received by a Holder are taxable in the hands of the Holder as interest income rather than dividend income. The gross-up and dividend tax credit applicable to taxable dividends received by individuals from a taxable Canadian corporation will not apply to dividends paid by the Corporation.

Capital gains dividends received by a Holder (whether paid in cash or reinvested in shares of the Corporation) are treated as capital gains realized by the Shareholder from a disposition of capital property in the year in which the dividend is received. One half (1/2) of the capital gains dividends must be included as a "taxable capital gain" in computing the Holder's taxable income.

Any amount paid by the Corporation to a Holder as a return of capital will generally be deemed to be a dividend paid by the Corporation and received by the Holder. This deemed dividend will be treated in the same manner as other dividends received by the Holder from the Corporation, and its treatment will depend on whether the Corporation elects that the entire dividend be a capital gains dividend (to the extent that the Corporation has realized sufficient capital gains, net of any applicable capital losses, in the year).

The amount of a dividend reinvested in additional shares of the Corporation will be the cost of such shares and will be averaged with the cost of other shares of the Corporation owned by the Holder thereof in determining the adjusted cost base of such Holder's shares.

Interest on Secured Debentures or Interim Debentures

A Holder of Secured Debentures or Interim Debentures that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Secured Debentures or Interim Debentures that accrues (or is deemed to accrue) to it to the end of the taxation year or that has become receivable by or is received by the Holder before the end of that taxation year, except to the extent that such interest was included in computing the Holder's income for a preceding taxation year.

Any other Holder, including an individual (other than certain trusts) will be required to include in computing income for a taxation year all interest on the Secured Debentures or Interim Debentures that is received or receivable by the Holder in that taxation year (depending upon the method regularly followed by the Holder in computing income), except to the extent that the interest was included in the Holder's income for a preceding taxation year. In addition, if at any time a Secured Debenture or Interim Debenture should become an "investment contract" (as defined in the Tax Act) in relation to a Holder, such Holder will be required to include in computing income for a taxation year any interest that accrues to the Holder on

the Secured Debenture or Interim Debenture up to the end of any “anniversary day” (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in computing the Holder’s income for that year or a preceding year.

Disposition of Offered Shares

A sale or other disposition of an Offered Share by a Holder (other than to the Corporation), including a deemed disposition, will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition of the Offered Share exceed (or are exceeded by) the Shareholder’s adjusted cost base of such Offered Share and any reasonable disposition costs. Such capital gain (or capital loss) will be subject to the tax treatment described below under “*Taxation of Capital Gains and Capital Losses*”.

A Holder will be deemed to have disposed of its Offered Shares when that Holder assigns or sells those Offered Shares; those Offered Shares are the subject of a gift or death; or where a Holder is a corporation and such corporation is wound up or otherwise terminated.

On a redemption or acquisition of Offered Shares by the Corporation, the Holder generally will be deemed to have received, and the Corporation will be deemed to have paid, a dividend in an amount equal to the amount by which the redemption price exceeds the paid-up capital of the redeemed Offered Shares. This deemed dividend will be treated in the same manner as other dividends received by the Holder from the Corporation, and its treatment will depend on whether the Corporation elects that the entire dividend be a capital gains dividend. The balance of the redemption price will constitute proceeds of disposition of the Offered Shares for purposes of the capital gains rules, as described below.

Disposition of Secured Debentures

A disposition or deemed disposition of a Secured Debenture or Interim Debenture by a Holder will generally result in the Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition (net of any amount otherwise required to be included in the Holder’s income as interest), are greater (or less) than the aggregate of the Holder’s adjusted cost base thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under “*Taxation of Capital Gains and Capital Losses*”.

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain realized by a Holder (a “**taxable capital gain**”) in a taxation year will be included in the Holder’s income for the year, and, subject to and in accordance with the provisions of the Tax Act, one-half of any capital loss realized by a Holder (an “**allowable capital loss**”) in a taxation year must be deducted from taxable capital gains realized by the Holder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

Other Taxes

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

A Holder that throughout the relevant taxation year is a “Canadian-controlled private corporation” (as defined in the Tax Act) or a “substantive CCPC” (as proposed to be defined in the Tax Act pursuant to Proposed Amendments released by the Minister of Finance (Canada) on August 9, 2022) may be liable to pay additional tax, which may be refundable, on its “aggregate investment income”, which is defined in the Tax Act to include amounts in respect of taxable capital gains and interest.

8.3 Eligibility for Investment

If issued on the date of this Offering Memorandum, the Offered Shares would be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered disability savings plan, a tax-free savings account, a registered education savings plan, a first home savings account (collectively, “**Plans**”) or a deferred profit sharing plan (“**DPSP**”), provided that the Corporation qualifies as a MIC throughout the taxation year and further provided that at any time in the relevant calendar year, the Corporation does not hold any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the Plan or the DPSP, or of any other person who does not deal at arm’s length with that person.

Notwithstanding the foregoing, if the Offered Shares are a “prohibited investment” under the Tax Act for a Plan that acquires the Offered Shares, the annuitant under or holder or subscriber of such Plan, as the case may be, (the “**Controlling Individual**”) will be subject to a penalty tax as set out in the Tax Act. The Offered Shares will not be a prohibited investment for a Plan provided the Controlling Individual, (i) deals at arm’s length with the Corporation for purposes of the Tax Act, and (ii) does not have a “significant interest” (as such term is defined in subsection 207.01(4) of the Tax Act) in the Corporation. In addition, the Offered Shares will not be a “prohibited investment” for a Plan if such shares are “excluded property” as defined in the Tax Act for such Plan.

If issued on the date of this Offering Memorandum, the Secured Debentures and Interim Debentures would not be qualified investments under the Tax Act for a trust governed by a Plan or DPSP.

Not all securities are eligible for investment in a Plan or DPSP. You should consult your professional advisers to obtain advice on a Plan or DPSP and the eligibility of the Offered Securities.

8.4 Individual Pension Plans

The Offered Shares may be purchased by a trust governed by an individual pension plan (an “**IPP**”), subject to the investment guidelines of the IPP and subject to restrictions on “connected persons”. No legal or tax opinion is provided herein as to the purchase by an IPP and no representation is made as to the whether a purchase by an IPP in any specific circumstance may be made. You should consult your professional advisers to obtain legal, tax and pension advice on including these securities in an IPP.

Item 9: Compensation Paid to Sellers and FindersThe Corporation is offering the Offered Shares (other than the Series H Non-Voting Shares) under available prospectus exemptions as set out in NI 45-106 including, but not limited to, the Offering Memorandum Exemption, the accredited investor exemption and the family, friends and business associates exemption. The Series H Non-Voting Shares and the Secured Debentures are being offered under the family, friends and business associates exemption and accredited investor exemption under NI 45-106. Investors will only be permitted to purchase Offered Securities if the purchaser qualifies for one of these exemptions.

Offering of Series B Preferred Shares

The Series B Preferred Shares offered under this Offering will be distributed by one or more selling agents (each being an “**Agent**”) on a best efforts basis. The Corporation will pay a cash fee to the Agents (the “**Agents’ Fee**”) for the sale of the Series B Preferred Shares of up to 7% of the Aggregate Gross Proceeds. See Item 1.1 “*Funds*” for the amount of the Agents’ Fee assuming the minimum and the maximum Offering, where it is assumed that the Agents’ Fee is 7% of the Aggregate Gross Proceeds on all sales.

Series B Preferred Shares will also be sold through the settlement network operated by FundSERV Inc. Other than a FundSERV transaction fee of approximately \$12.50 per trade, no other commissions or fees are expected to be paid in connection with the sale of Series B Preferred Shares in this manner.

In certain circumstances, the Corporation may reimburse Agents for their due diligence costs in respect of sales of the Series B Preferred Shares. In connection with the offering of Series B Preferred Shares, starting on the date that is 36 months following the date of issuance of a Series B Preferred Share, the Corporation will pay to each Agent (or other registered dealer) a servicing fee equal to 1% of the Series B Preferred Share Purchase Price per annum (payable at the end of each fiscal quarter) in respect of each such Series B Preferred Share that is held by clients of such Agent (or other registered dealer) (the “**Series B Trailer Fee**”), provided that the Series B Preferred Share on which the Series B Trailer Fee is paid has not been redeemed at the time payment is to be made. For clarity, the Series B Trailer Fee is payable only in respect of Series B Preferred Shares that are held for at least 36 months. The exact amount of the Series B Trailer Fee will be determined by the Manager from time to time.

The Agents will use their best efforts to sell the Series B Preferred Shares offered hereby, but will not be obligated to purchase any of the Series B Preferred Shares. The Series B Preferred Shares generally are being offered for sale in each of the provinces of Canada in reliance on certain exemption(s) from the prospectus requirements of Applicable Securities Laws, including but not limited to, the accredited investor exemption and the Offering Memorandum Exemption under

Sections 2.3 and 2.9 of NI 45-106, respectively, in each of the provinces of Canada. Investors will only be permitted to purchase Series B Preferred Shares if the purchaser qualifies for one of these exemptions.

Offering of Series F Preferred Shares

Series F Preferred Shares will be sold through the settlement network operated by FundSERV Inc. Other than a FundSERV transaction fee of approximately \$12.50 per trade, no other commissions or fees are expected to be paid in connection with the sale of Series F Preferred Shares.

Offering of Series I Preferred Shares

Series I Preferred Shares will be sold through the settlement network operated by FundSERV Inc. Other than a FundSERV transaction fee of approximately \$12.50 per trade, no other commissions or fees are expected to be paid in connection with the sale of Series I Preferred Shares.

In connection with the offering of Series I Preferred Shares, following the date of issuance of a Series I Preferred Share, the Corporation will pay to each Agent (or other registered dealer) a servicing fee equal to 1% of the Series I Preferred Share Purchase Price per annum in respect of each such Series I Preferred Share that is held by clients of such Agent (or other registered dealer) paid following the end of each fiscal quarter that such Series I Preferred Share is held (being 0.25% for each such fiscal quarter) (the “**Series I Trailer Fee**”), provided that the Series I Preferred Share on which the Series I Trailer Fee is paid has not been redeemed at the time payment is to be made. The initial Series I Trailer Fee on any Series I Preferred Share shall be paid within 30 days following the date that is the end of the first fiscal quarter following the date of issuance of such Series I Preferred Share and then thereafter at the end of each fiscal quarter, provided that the Series I Preferred Share on which the Series I Trailer Fee is paid has not been redeemed at the time payment is to be made. For clarity, the Series I Trailer Fee is payable only in respect of Series I Preferred Shares that are held for at least 3 months. The exact amount of the Series I Trailer Fee will be determined by the Manager from time to time. See Item 1.1 “*Funds – Offering of Series I Preferred Shares*”.

Offering of Series H Non-Voting Shares and Secured Debentures

No Agent's Fee or other consideration will be paid in connection with the sale of the Series H Non-Voting Shares or the Secured Debentures.

The Corporation will pay the Management Fee to the Manager in connection with the Series H Non-Voting Shares and Secured Debentures. See Item 2.2 “*The Business – Management Fees and Operating Expenses*”.

Item 10: Risk Factors

The purchase of Offered Shares pursuant to the Offering should only be made after consulting with independent and qualified investment, legal and tax advisors. There are certain risks inherent in an investment in the Offered Shares of the Corporation, including the risk factors discussed below, which investors should carefully consider before investing. Some of the following factors are interrelated and, consequently, investors should treat such risk factors as a whole. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Offering Memorandum. These risks and uncertainties are not the only ones that could affect the Corporation and additional risks and uncertainties not currently known to the Corporation or the Manager, or that they currently deem immaterial, may also impair the returns, financial condition and results of operations of the Corporation. If any such risks actually occur, the returns, financial condition and results of operations of the Corporation could be materially adversely affected and each of the financial performance of the Corporation and the ability of the Corporation to make cash distributions could be materially adversely affected.

The following is a summary only of the risk factors involved in an investment in the Offered Shares. Prospective investors should review the risks with their financial, legal and tax advisors.

Offered Shares are Not Liquid

There is currently no market through which the Offered Shares may be sold by purchasers in Canada. The Offered Shares are subject to a number of respecting transferability and resale, including a restriction on trading imposed by Applicable

Securities Laws. Until the restriction on trading expires, you will not be able to trade the Offered Shares unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

Unless permitted under securities legislation, no Shareholder can trade the Offered Shares before the date that is four months and a day after the date the Corporation becomes a reporting issuer in any province or territory of Canada. The Corporation is not a reporting issuer in any province or territory of Canada, and therefore the Offered Shares will be subject to an indefinite hold period. The Offered Shares may only be transferred under limited exemptions under Applicable Securities Laws. Consequently, Shareholders may not be able to sell the Offered Shares readily or at all, and they may not be accepted as collateral for a loan. Shareholders should be prepared to hold the Offered Shares indefinitely and cannot expect to be able to liquidate their investment even in the case of an emergency. Accordingly, an investment in Offered Shares is suitable solely for persons able to make and bear the economic risk of a long-term investment.

Redemption Right – Cash Limit on Paying Redemptions

Redemption rights under the Articles of the Corporation are restricted and provide only a limited opportunity for Shareholders to liquidate their investment in the Offered Shares. In accordance with the Articles of the Corporation, the entitlement of a Shareholder to receive cash upon the redemption of such holder's Offered Shares is subject to limitations. See Item 5.1 "Terms of Securities – Series A Preferred Shares – Redemption by Shareholders", Item 5.1 "Terms of Securities – Series F Preferred Shares – Cash Limit on Redemptions by Shareholders", Item 5.1 "Terms of Securities – Series I Preferred Shares – Cash Limit on Redemptions by Shareholders" and Item 5.1 "Terms of Securities – Series H Non-Voting Shares – Cash Limit on Redemptions by Shareholders".

No Assurance of Achieving Investment Objectives or Paying Distributions

There is no assurance that the Corporation will be able to achieve its investment objectives or be able to pay distributions at all or at the targeted levels or preserve capital. The funds available for distribution to holders of Offered Shares will vary according to, among other things, the interest and principal payments received in respect of the mortgage loans comprising the Portfolio. There is no assurance that the Portfolio will earn any return or that distributions will be made. The Manager, on behalf of the Corporation, may periodically re-evaluate the Corporation's targeted level of distributions and adjust it higher or lower, provided applicable shareholder approval is obtained, which may have a material effect on the price or value of the Offered Shares.

An investment in securities of the Corporation is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment and who can withstand the effect of distributions not being paid in any period or at all.

Shareholders Have Limited Voting Rights

The holders of Offered Shares generally will not be entitled to receive notice of or to attend any meeting of shareholders of the Corporation or to vote at any such meeting, except in cases where a fundamental change to the Corporation or change to the terms of the applicable class or series of Offered Shares is proposed. See Item 5.1 "Terms of Securities – Series A Preferred Shares – Voting Rights", Item 5.1 "Terms of Securities – Series F Preferred Shares – Voting Rights", Item 5.1 "Terms of Securities – Series I Preferred Shares – Voting Rights" and Item 5.1 "Terms of Securities – Series H Non-Voting Shares – Voting Rights". The Corporation may but is not required to hold annual meetings of Shareholders or any Shareholder meetings on a periodic basis. Holders of Secured Debentures have no voting rights.

Changes in Land Values

The Corporation's investments in mortgage loans will be secured by real estate, the value of which can fluctuate. The value of real estate is affected by general economic conditions, local real estate markets, the attractiveness of the property to tenants where applicable, competition from other available properties, fluctuations in occupancy rates, operating expenses and other factors. The value of income-producing real property may also depend on the credit worthiness and financial stability of the borrowers and/or the tenants. Changes in market conditions may decrease the value of the secured property and reduce the cash flow from the property, thereby impacting the ability of the borrower to service the debt and/or repay the loan based on the property income. In particular, recent disruptions to the credit and financial markets in North America, Europe and worldwide and local economic disruptions in areas where the borrowers of the mortgage loans are located may adversely affect the value of the real estate on which the mortgage loans are secured and the ability of the borrowers

to repay the mortgage loans and thereby negatively impact the Corporation's business and the value of the Offered Shares and Secured Debentures.

Given the uncertainty in the current economic environment, there is a heightened risk of a decline in the value of real property. A decline in value of real property provided as security for a mortgage may cause the value of the property to be less than the outstanding principal amount of the mortgage loan held by the Corporation, and where applicable, amounts owed to other creditors with prior ranking security. Foreclosure by the Corporation or any creditor holding security in priority to the Corporation on any such mortgage loan would not provide the Corporation, or the other secured creditors, with proceeds sufficient to satisfy the outstanding principal amount of the mortgage loan.

While independent appraisals are often 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. The market value of real property may fluctuate substantially within a short period at times of economic instability and turmoil. In addition, the appraised values reported in independent appraisals may be subject to certain conditions, including the completion of rehabilitation, remediation or improvements on the real property providing security for the loan. There can be no assurance that these conditions will be satisfied and if, and to the extent they are not satisfied, the 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.

Concentration and Composition of the Portfolio

The Portfolio is primarily invested in residential mortgages and one real property asset, although the Corporation also may hold some cash and cash equivalents on a transitional basis. See Item 2.3 "*Development of the Business*". As of the date hereof, the Portfolio does not include any commercial mortgages or any residential mortgages outside of Ontario. The Portfolio is currently invested in the Province of Ontario, Canada. A lack of diversification may result in the Corporation being exposed to economic downturns or other events that have an adverse and disproportionate effect on particular types of security, industry or geography. Investments in mortgages are relatively illiquid. Such illiquidity will tend to limit the Corporation's ability to vary its Portfolio promptly in response to changing economic or investment conditions.

The Portfolio Restrictions, investment objectives and investment restrictions of the Corporation permit the assets of the Corporation to be invested in a broad spectrum of mortgages. In addition, exceptions may be made to the Portfolio Restrictions provided they are made by the Manager and provided that certain conditions are met. Based on evolving market conditions and the investment history of the Corporation's Portfolio, the Manager may also amend the Portfolio Restrictions in order to maintain the currency and relevance of the model on the overall investment approach of the Corporation. Therefore, the composition of the Portfolio may vary widely from time to time, subject to the investment objective and investment restrictions of the Corporation. The Portfolio will be invested and may from time to time be concentrated by location of the properties, type of property, or other factors resulting in the MIC Portfolio being less diversified than at other times and as anticipated. As a result, the returns of the MIC Portfolio may change as its composition changes. See Item 2.2 "*The Business – Portfolio Restrictions*".

Subordinated Loans and Mortgages

Some of the mortgages in which the Corporation intends to invest may be considered to be higher risk than conventional senior debt financing because the Corporation may not have a first-ranking charge on the underlying property (e.g., a second mortgage). When a charge on property is in a position other than first-ranking, it is possible for the holder of a senior-ranking charge on the property, if the borrower is in default under the terms of its obligations to such holder, to take a number of actions against the borrower in priority to the subordinate charge and ultimately against the property to realize on the security given for the loan. Such actions may include a foreclosure action, the exercising of a quit claim or an action forcing the property to be sold. A foreclosure action or the exercise of a giving-in-payment clause may have the ultimate effect of depriving any person having other than a first-ranking charge on the property of the security of the property. If an action is taken to sell the property and sufficient proceeds are not realized from such sale to pay off creditors who have prior charges on the property, the holder of a subsequent charge, such as the Corporation, may lose its investment or part thereof to the extent of such deficiency unless the holder can otherwise recover such deficiency from other property owned by the debtor. The Corporation may remedy a default under the terms of a prior charge on a property or satisfy the obligation of a borrower towards the holder of a prior ranking charge if required to protect the Corporation's investments.

No Guarantees

There can be no assurance that mortgage loans of the Corporation will result in a guaranteed rate of return or any return to holders of Offered Shares and Secured Debentures or that losses will not be suffered on one or more mortgage 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.

A mortgage borrower's obligations to the Corporation or any other person are not guaranteed by the Government of Canada, the government of any province or any agency thereof nor are they insured under the *National Housing Act* (Canada). In the event that additional security is given by the borrower or a third party or that a private guarantor guarantees the mortgage borrower's obligations, there is no assurance that such additional security or guarantee will be sufficient to make the Corporation whole if and when resort is to be had thereto. Further, the Offered Shares and Secured Debentures are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation.

Reliance on Borrowers to Protect Properties

After funding a mortgage, although the Corporation may monitor the situation and has its own limited insurance policies in place, the Corporation relies upon borrowers to maintain adequate insurance and for proper adherence to environmental regulations.

SPV LP has Priority Over the Corporation with Respect to Mortgages in the SPV Portfolio

In the event of a continuing default by a mortgagor of a mortgage held in the SPV Portfolio, all net amounts received, so long as the default continues, shall be distributed, to SPV LP, to be applied first to all interest owing to it, and second, to principal owing to SPV LP, until the full amount of indebtedness to SPV LP has been discharged and, thereafter, all amounts shall then be paid to the Corporation. Subject to the ability of the Corporation to acquire the interest of SPV LP in these mortgages, upon such a default, where payments are not being made in full, as is the case for second mortgages if an action is taken to sell the property and sufficient proceeds are not realized from such sale to pay off SPV LP, the Corporation may lose its investment or part thereof to the extent of such deficiency unless it can otherwise recover such deficiency from other property owned by the debtor. Should the Corporation be unable to recover all or substantially all of the principal and interest owed to the Corporation in respect of such mortgages, the Corporation's assets would be reduced, and the returns, financial condition and results of operations of the Corporation could be adversely impacted.

Competition

The performance of the Corporation depends, in large part, on the Manager's ability to source or acquire mortgage loans at favourable yields. The Manager competes with individuals, corporations and institutions for investment opportunities in the financing of real property. Certain of these competitors may have greater resources than the Corporation and may therefore operate with greater flexibility. As a result, the Manager may not be able to source or acquire sufficient mortgage loans at favourable yields or at all.

Sensitivity to Interest Rates

It is anticipated that the market price for the Offered Shares and Secured Debentures and the value of the Portfolio at any given time may be affected by the level of interest rates prevailing at such time. The Corporation's income will consist primarily of interest payments on the mortgages comprising the Portfolio. If there is a decline in interest rates (as measured by the indices upon which the interest rates of the Corporation's mortgages are based), the Corporation may find it difficult to source or otherwise generate additional mortgages bearing rates sufficient to achieve targeted annualized dividends or other distributions on the Offered Shares. There can be no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect the Corporation's ability to maintain distributions on the Offered Shares and Secured Debentures at a consistent level. Increasing interest rates may also adversely affect the Corporation's performance and/or the value of the Offered Shares and Secured Debentures and the Corporation's Portfolio.

Due to the term of the mortgages comprising the Portfolio and the inability to accurately predict the extent to which the Corporation's mortgages may be prepaid, it is possible that the Corporation may not be able to sufficiently reduce interest rate risk associated with the replacement of such mortgages through new investments in mortgages.

Fluctuations in Dividends

The funds available for dividends will vary according to, among other things, the value of the Portfolio and the interest and fees earned thereon. Fluctuations in the market value of the Portfolio may occur for a number of reasons beyond the control of the Manager or the Corporation.

The Corporation will depend on revenue generated from the Portfolio. There can be no assurance regarding the amount of revenue that will be generated by the mortgages comprising the Portfolio. The Shareholders of the Corporation will be entitled to receive dividends as and when declared from time to time by the directors of the Corporation, acting in their sole discretion, out of the assets of the Corporation properly available for the payment of dividends. While the dividends on the Offered Shares are fixed, cumulative, preferential monthly cash dividends, the amount of dividends that can be paid will depend upon numerous factors, including the ability of borrowers to make applicable payments under mortgages, composition of the Corporation's mortgages, availability of mortgage investments, interest rates, unexpected costs, the Corporation's financial performance, debt covenants and obligations under credit facilities, working capital requirements and other factors which may not now be known by or which may be beyond the control of the Corporation or the Manager. If the directors of the Corporation, on the advice of the Manager, determine that it would be in the best interests of the Corporation, they may reduce or suspend for any period or altogether cease indefinitely the distributions to be made to the shareholders, provided that shareholders may then be provided with voting rights as a result of the failure to pay their fixed, cumulative, preferential monthly cash dividends in full.

Dividends or interest paid to holders of Offered Securities may exceed actual cash available to the Corporation from time to time because of items such as debt payment obligations, fluctuations in portfolio returns and redemptions of Offered Shares and repayment of Secured Debentures, if any. This excess cash required to fund dividends may be funded from an operating credit facility, to the extent that one is available, or from the capital of the Corporation.

Qualification as a MIC

Although the Corporation intends to qualify at all times as a MIC, no assurance can be provided in this regard. If for any reason the Corporation does not maintain its qualification as a MIC under the Tax Act, dividends paid by the Corporation on the Offered Shares and interest on the Secured Debentures will cease to be deductible by the Corporation in computing its income and will no longer be deemed to have been received by holders of Offered Shares as bond interest or a capital gain, as the case may be. In such event, as long as the Offered Shares are listed on a designated stock exchange in Canada, or the Corporation otherwise qualifies as a public corporation for purposes of the Tax Act, the rules in the Tax Act regarding the taxation of public corporations and their shareholders apply, with the result that the combined corporate and shareholder tax may be significantly greater.

The Corporation intends to monitor major positions held in the Offered Shares in relation to their applicable outstanding balances to ensure that no one shareholder of the Corporation exceeds the 25% maximum ownership limit set by the Tax Act for the Corporation to maintain its qualification as a MIC. The terms of the Offered Shares include certain provisions intended to prevent this condition from being violated.

Availability of Investments

Because the Corporation relies on the Manager and its affiliated mortgage brokerage, Equityline Financial, to source mortgages it invests in, the Corporation is exposed to adverse developments in the business and affairs of the Manager and Equityline Financial, to the management and financial strength of each and to the ability of each to operate its business profitably. The ability of the Corporation to make investments in accordance with its investment objective and investment strategies depends upon the availability of suitable investments and the amount of funds available to make such investments. Additionally, the Corporation may occasionally hold excess funds to be invested in additional mortgages, which may negatively impact returns.

Financing

The net proceeds raised by the Offering may not be sufficient to accomplish all of the Corporation's objectives and there is no assurance that alternative financing to pay for such objectives will be available. There can be assurance that the

Corporation will have access to sufficient capital or access to capital on terms favourable to the Corporation for future mortgage portfolio acquisitions.

Reliance on SPV LP

The Corporation has relied and intends to rely on SPV LP and its access to credit under the SPV Credit Facility in order to augment its returns through the Mortgage Participation Agreement. Any termination of the Mortgage Participation Agreement or of the SPV Credit Facility, or a reduction in the amount available thereunder, would reduce returns to the Corporation and which could impact its ability to pay out dividends in the amount required under the terms of the Preferred Shares.

Risks Related to Mortgage Extensions and Mortgage Defaults

The Manager may from time to time deem it appropriate to extend or renew the term of a mortgage past its maturity, or to accrue the interest on a mortgage, in order to provide the borrower with increased repayment flexibility. The Manager generally will do so if it believes that there is a manageable risk to the Corporation not being repaid the full principal and interest owing on the mortgage. When a mortgage is extended past its maturity, the loan can either be held over on a month-to-month basis or renewed for an additional term at the time of its maturity. In these circumstances, however, the Corporation is subject to the risk that the principal and/or accrued interest of such mortgage may not be repaid in a timely manner or at all, which could impact the cash flows of the Corporation during the period in which it is granting this accommodation. Further, in the event that the valuation of the asset has fluctuated substantially due to market conditions, there is a risk that the Corporation may not recover all or substantially all of the principal and interest owed to the Corporation in respect of such mortgage.

Notwithstanding any such extension or renewal, if the borrower subsequently defaults under any terms of the mortgage, the Manager has the ability to exercise its mortgage enforcement remedies in respect of the extended or renewed mortgage. Exercising mortgage enforcement remedies is a process that requires a significant amount of time to complete, which could adversely impact the cash flows of the Corporation during the period of enforcement. In addition, as a result of potential declines in real estate values, there is no assurance that the Corporation will be able to recover all or substantially all of the outstanding principal and interest owed to the Corporation in respect of such mortgages by exercising its mortgage enforcement remedies. Should the Corporation be unable to recover all or substantially all of the principal and interest owed to the Corporation in respect of such mortgages, the Corporation's assets would be reduced, and the returns, financial condition and results of operations of the Corporation could be adversely impacted.

Renewal of Mortgages Comprising the Portfolio

There can be no assurances that any of the mortgages comprising the Portfolio can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to each mortgage comprising the MIC Portfolio, it is possible that the mortgagor, the mortgagee or both, will elect to not renew. In addition, if the mortgages in the MIC 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 negotiation between the mortgagors and the mortgagees at the time of renewal.

Foreclosure and Related Costs

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

Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made through the period of ownership of real property regardless of whether the property is producing income or whether mortgage payments are being made. The

Corporation may therefore be required to incur additional outlays to protect its investment, even if the borrower is not honouring its contractual obligation.

Conflicts of Interest

Except as set forth in this Offering Memorandum, there are no existing material conflicts of interest between the Corporation and any of its directors and officers. However, certain directors and officers of the Corporation are, and may continue to be, directors, officers or shareholders of other entities, including the Manager, Velev Capital GP Inc. and Equityline Financial, whose operations may, from time to time, be in direct competition with those of the Corporation or with entities which may, from time to time, provide financing to, or make equity investments in competitors of the Corporation. Subject to the Conflicts Policy and in accordance with the OBCA, such directors and officers will be required to disclose all Conflicts of Interest Matters as such conflicts arise. If a Conflict of Interest Matter arises at a meeting of the Board of Directors of the Corporation or any other Equityline Group Members, any director in a conflict will disclose his interest and abstain from voting on such matter.

Subject to the Conflicts Policy, the Manager, its officers, directors, employees, or shareholders and their respective Affiliates and associates are not limited or affected in their ability to carry on other business ventures for their own account, or for the account of others, and may be engaged in the development of, investment in, or management of businesses that may compete with the business of the Corporation. The Corporation has not entered into any non-competition agreements with any of the Manager or its directors, officers or employees. Similarly, the Manager does not have any non-competition agreements with its respective directors, officers and employees. Accordingly, subject to the terms of the Management Agreement and the general fiduciary and statutory duties of directors and officers, any one or more of the Manager, and their respective directors, officers and employees, may compete with or otherwise have a conflict of interest in carrying out its obligations to or duties for the Corporation, but are subject to the Conflicts Policy in all cases and in all respects.

For example, the Manager may manage or advise with respect to accounts or funds (including separate accounts and other funds and pooled investment vehicles) that have investment objectives similar to those of the Corporation and may engage in transactions in the same types of investments as the Corporation. Such transactions will be executed independently of transactions of the Corporation and thus at prices or rates that may be more or less favourable than those obtained by the Corporation.

The mortgage opportunities will be sourced through the Manager and through Equityline Financial. Each has agreed to make mortgage funding opportunities available to the Corporation in priority to other funding sources, including related mortgage funds and third parties.

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

The directors and officers of the Manager have agreed to devote as much time to the Corporation as is required for the effective management of the Corporation. The Manager and its Affiliates, their respective directors and officers may, at any time, engage in promoting or managing other entities and their investments, subject to the Conflicts Policy.

The Corporation and its shareholders are dependent in large part upon the experience and good faith of the Manager and the directors and officers of the Corporation and the Manager. Certain of the Corporation's directors and officers are also directors, officers or shareholders of the Manager, or directors, officers or shareholders of an Affiliate of the Manager and, accordingly, there may be Conflicts of Interest Matters if the interests of these companies are inconsistent with those of the Corporation. These will all be subject to the Conflicts Policy. Although the Manager is not paid a commission or finders' fee in connection with the issuance of Offered Shares and Secured Debentures, the Management Fee payable to it pursuant to the Management Agreement is based on the size of the Portfolio. The Manager is also entitled to Lender Fees from borrowers. Consequently, there may be an economic incentive to the Manager to increase the size of the Portfolio, through the issuance of additional Preferred Shares, Non-Voting Shares or otherwise, and to turn over the mortgages in the MIC Portfolio more frequently, notwithstanding that appropriate mortgage investments may not be available and thus the quality of the mortgages in the MIC Portfolio may decrease. A decrease in the quality of the mortgages in the MIC

Portfolio may make it more difficult for the Corporation to generate the income necessary in order to fund dividends and interest on the Offered Shares and Secured Debentures.

Conflicts of Interest Matters may also arise because of the fact that the directors and officers of the Corporation and Manager are engaged in a wide range of mortgage and other business activities. Certain directors and officers of the Corporation are or may also be directors and officers and shareholders of or in other mortgage investment corporations which may be in direct competition with the Corporation, however, all such matters are subject to the Conflicts Policy. Further, certain directors and officers of the Corporation invest in syndicated mortgages and other mortgage products, which such products may be in direct competition with the Corporation; however, any such investments are subject to the Conflicts Policy. The Manager has established, and intends to establish in the future, other investment vehicles which may involve transactions which conflict with the interests of the Corporation; however, the establishment of any such investment vehicles is subject to the Conflicts Policy.

One way the Corporation facilitates the exercise of Independent supervision over management is by ensuring that the majority of the Board is composed of directors who are Independent from management of the Corporation. The Board of Directors currently has eight directors, four of whom are considered to be Independent under the Conflicts Policy (Messrs. Klein, Handler, Hathaway, and Chadda) of the Corporation's management.

The Corporation will not proceed with any Conflict of Interest Matter unless such matter has obtained the prior unanimous approval of the Independent directors, in addition to approval of the Board of Directors. The Independent directors may review applicable valuations required or conducted from time to time and, if it disagrees with such valuation(s) or conclusions it may refer the issue to the auditor of the Corporation or such other independent professional as deemed appropriate by the Independent directors in such circumstances. The Independent directors may meet, as needed, to monitor and assess the performance of the Corporation and other Equityline Group Members relative to the investment objectives.

There is no assurance that any Conflicts of Interest Matters that may arise will be resolved in a manner most favorable to shareholders. Persons considering a purchase of Offered Shares or Secured Debentures pursuant to this Offering 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 Matters as may arise, subject to the Conflicts Policy.

Non-Arm's Length Transactions

Certain transactions contemplated by the Corporation's structure involve non-arm's length parties. See Item 2.1 "Structure". As such, certain contractual terms usually contained in documentation that is negotiated at arm's length are not necessarily included in the agreements among the Corporation, the Manager and Equityline Financial as those terms would not have the same effect as they would in transactions between unrelated parties. In particular, the Management Agreement described in Item 2.2 "The Business – The Manager" and Item 2.2 "Our Business – Management Fees and Operating Expenses" involve non-arm's length parties. In addition, as of the date of this Offering Memorandum, certain directors and officers of the Corporation are also directors and officers of the Manager and Equityline Financial. As such, the applicable directors are not considered Independent. However, the Independent directors of the Corporation will not be directors or officers of the Manager or Equityline Financial.

Litigation Risks

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

Disclosure Obligations

The Corporation is not a reporting issuer and does not have any continuous disclosure obligations of a reporting issuer. As an issuer that uses the Offering Memorandum Exemption, the Corporation will make reasonably available to the Shareholders or holders of Secured Debentures such information as required by Applicable Securities Laws for a non-

reporting issuer that distributes securities using the “offering memorandum” exemption (including audited annual financial statements, annual notices of use of proceeds and notices of certain key events, if any, and when applicable). See Item 11 “*Reporting Obligations*”.

Securities Regulatory Risks

In the ordinary course of business, the Corporation may be subject to ongoing reviews by the securities regulators, who have broad powers to pass, interpret, amend and change the interpretation of securities laws from time to time and broad powers to protect the public interest and to impose terms, conditions, restrictions or requirements regarding registration under securities laws. Further, the securities regulators have the authority to retroactively deny the benefit of an exemption from prospectus or registration requirements otherwise provided for in the securities laws where the regulator considers it necessary to do so to protect investors or the public interest.

While the Corporation believes that its position regarding compliance with securities laws is appropriate and supportable, it is possible that securities matters may be reviewed and challenged by the securities authorities. If such challenge were to succeed, it could have a material adverse effect on the Corporation. There can be no assurance that Applicable Securities Laws or the securities regulators’ interpretation thereof or the practices of the securities regulators will not be changed or re-interpreted in a manner that adversely affects the Corporation.

Ability to Manage Growth

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

Speculative Nature of the Offered Shares and Secured Debentures

Investment in the Offered Shares and Secured Debentures is speculative due to the nature of the Corporation’s business and involves certain risks. There is no guarantee that an investment in the Offered Shares of the Corporation will earn any positive return in the short or long term and investors must be able to bear the risk of a complete loss of their investment and have no need for immediate liquidity in their investment.

Reliance on the Manager and Equityline Financial

Pursuant to the Management Agreement, the Manager will advise the Corporation in a manner consistent with the investment objective, the Portfolio Restrictions and the investment restrictions of the Corporation and will be responsible for the management and direction of the affairs of the Corporation relating to the administration and evaluation of the existing and potential mortgages of the Corporation. Although the employees of the Manager who will be primarily responsible for the performance of the respective obligations of each such entity owed to the Corporation have extensive experience, there is no certainty that such individuals will continue to be employees of the Manager in the future. In addition, the Management Agreement may be terminated in certain circumstances. There is no assurance that the Manager will continue to provide services to the Corporation.

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

Personnel

The Corporation’s success depends in large measure on certain key executive personnel of the Corporation, and as a result of the Management Agreement, key executive personnel of the Manager. The loss of services of such key personnel could have a material adverse effect on the Corporation. The Corporation does not have key person insurance in effect for

management of the Corporation. The contributions of these individuals to the immediate operations of the Corporation are likely to be of central importance. In addition, the competition for qualified personnel in the industry is intense and there can be no assurance that it will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretions, integrity and good faith of the directors and management of the Corporation.

Employee Errors or Misconduct

There have been a number of highly publicized cases involving fraud or other misconduct by employees in the investment industry in recent years and, notwithstanding the measures we intend to take to deter and prevent such activity, there is the risk that employee misconduct could occur. Misconduct by employees could include binding us to transactions that exceed authorized limits or present unacceptable risks, or concealing from us unauthorized or unsuccessful activities, which in either case, may result in unknown and unmanaged risks or losses. Employee misconduct could also involve the improper use of confidential information, which could result in regulatory sanctions and serious reputational harm. The Corporation is also susceptible to loss as a result of employee error. It is not always possible to deter employee misconduct or prevent employee error and the precautions taken to prevent and detect this activity may not be effective in all cases, which could materially adversely affect the Corporation.

Disclosure of Personal Information

Subscribers are advised that their names and other specified information, including the number and aggregate value of the Offered Shares and Secured Debentures owned: (a) will be disclosed to the relevant Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable securities and freedom of information laws and the investor consents to the disclosure of such information; (b) is being collected indirectly by the applicable Canadian securities regulatory authority under the authority granted to it in securities legislation; and (c) is being collected for the purposes of the administration and enforcement of the applicable Canadian securities legislation.

Borrowing and Leverage Risks

The Corporation may borrow funds using its mortgages as security in order to provide operating flexibility. The Corporation may obtain access to a revolving credit facility which would be primarily utilized to fund mortgage advances when cash is not otherwise available. Any credit facility may be used by the Corporation for other purposes including for the payment of dividends and to fund mortgage loans in a manner consistent with the investment objective and investment strategies of the Corporation. The Tax Act also imposes restrictions on a MIC's use of borrowed funds which are listed under Item 8.2 "*Certain Canadian Federal Income Tax Considerations – Status of the Corporation – MIC Requirements*", and the Corporation and the Manager intend to ensure that these restrictions are complied with and that the Corporation remains a MIC under the Tax Act. In the event that the Corporation could not meet the obligations of such loans pertaining to the payment of interest or the repayment of principal, the Corporation could incur substantial costs in order to protect the investments of the Corporation while managing the repayment of such a loan facility and/or the Corporation could lose some or all of its assets as a result of lenders exercising their rights of foreclosure and sale.

The Corporation may grant lenders under any credit facility a first priority security interest in the cash and securities held by the Corporation and also in all current and future mortgage investments contained in the Corporation's Portfolio.

The interest expense and banking fees incurred in respect of any credit facilities of the Corporation may exceed the incremental capital gains/losses and income generated by the incremental investments in mortgages made with the credit facility. Accordingly, any event which adversely affects the value of mortgages would be magnified to the extent that leverage is employed to purchase such mortgages. In addition, the Corporation may not be able to renew any credit facility on acceptable terms or at all. There can be no assurance that the borrowing strategy employed by the Corporation will enhance returns.

The rights of Shareholders to interest income paid via dividends, and to the return of capital via redemption of the Offered Shares or upon wind-up and dissolution, will be subject to and or subordinate to the right of such lenders and any other secured or unsecured creditor, including a holder of Interim Debentures, Secured Debentures or any other issued debentures, to be repaid any amounts which may be outstanding under such credit facility and to the rights of any such other creditors of the Corporation.

Potential Liabilities Associated with the Purchase of Mortgages

Although the Corporation completes due diligence reviews in respect of any mortgage it intends to purchase, there may be liabilities and contingencies that the Corporation did not discover or failed to quantify in its due diligence conducted prior to consummation of any mortgage acquisition and accordingly, the Corporation may not be indemnified for some or all of these liabilities and contingencies, which will negatively affect distributions to holders of Offered Shares and Secured Debentures.

Restrictions on Ownership and Repurchase of Shares

No shareholder of the Corporation is permitted, together with Related Persons, at any time to hold directly or indirectly more than 25% of any class or series of the issued shares of the Corporation. The terms and conditions of the Offered Shares provide that the portion of such Offered Shares held by a shareholder, together with Related Persons, that exceeds 24.9% of the issued shares of any class or series of shares will be repurchased by the Corporation. Such repurchases of shares could be significant and could engender similar risks to those that arise in the context of significant redemptions of shares.

Change in Legislation

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

Recently, the Canadian government announced changes in mortgage rules which includes an expansion of a mortgage rate stress test to all insured mortgages, new restrictions on when insurance would be provided for low-ratio mortgages, new reporting rules for the primary residence capital gains exemption and consultants on lender risk sharing. These changes may slow down the real estate market on a country wide level and could adversely affect the Corporation's business.

Reliance on Assumptions

The Corporation's investment objectives and strategy have been formulated based on the Manager's analysis and expectations regarding recent economic developments in Canada, and specifically Ontario. Such analysis may be incorrect and such expectations may not be realized, in which case the Corporation may not generate sufficient funds to allow the Corporation to pay targeted distributions.

Environmental Matters

The Corporation may in the future take possession, through enforcement proceedings, of properties that secured defaulted mortgage loans to recover its investment in such mortgage loans. Prior to taking possession of properties which secure a mortgage investment, the Manager will assess the potential environmental liability associated with such investment and determine whether it is significant, having regard to the value of the property. If the Manager subsequently determines to take possession of the property, the Corporation could be subject to environmental liabilities in connection with such real property, which could exceed the value of the property. As part of the due diligence performed in respect of the Corporation's proposed mortgage investments, the Manager may, although it has not obtained such audits in the past, obtain an environmental audit on the underlying real property provided as security for a mortgage, when it has determined that an audit is appropriate. However, there can be no assurance that any such audit will reveal any or all existing or potential environmental liabilities necessary to effectively insulate the Corporation from potential liability for a materially adverse environmental condition at any mortgaged property. If hazardous substances are discovered on a property of which the Corporation has taken possession, the Corporation may be required to remove such substances and clean up the property. The Corporation may also be liable to tenants and other users of neighbouring properties and may find it difficult or not possible to resell the property prior to or following such remediation.

No Review of Offering Memorandum by Regulatory Authorities

Investors will not have the benefit of a prior review of this Offering Memorandum or any other documents in relation to the Offering by any regulatory authorities.

No Independent Counsel for Purchasers

Legal counsel that assisted in preparing the documentation in connection with the Offering, including this Offering Memorandum, acted as legal counsel for the Corporation. No independent counsel was retained on behalf of purchasers hereunder. There has been no review by independent counsel on behalf of the purchasers of this Offering Memorandum or any other documentation in relation to the Offering. No due diligence has been conducted on behalf of purchasers by counsel. Each prospective investor should consult his or her own legal, tax and financial advisors regarding the desirability of purchasing the Offered Shares or Secured Debentures and the suitability of investing in the Corporation.

Item 11: Reporting Obligations

11.1 The fiscal year end of the Corporation is December 31. The Corporation will send to Shareholders (or make available if sending is not required by applicable laws) within 120 days after the end of each fiscal year (or within such shorter time as may be required by applicable securities law): (a) the audited annual consolidated financial statements of the Corporation for such fiscal year, together with comparative audited financial statements for the preceding fiscal year, any; and (b) so long as required by applicable securities laws, a notice of the Corporation disclosing in reasonable detail the use of the aggregate gross proceeds raised by the Corporation under Section 2.9 of NI 45-106. The Corporation shall send Shareholders (or make available if sending is not required by applicable laws) a notice of specified events under subsection 2.9 of NI 45-106.

On or before March 31 in each year (or such other date as may be required under applicable law), the Corporation will provide to each Shareholder who received distributions from the Corporation in the prior calendar year, such information regarding the Corporation as is required by law to be submitted to Shareholders for income tax purposes to enable Shareholders to complete their tax returns in respect of the prior calendar year.

Financial or other information relating to the Corporation and provided to you in the future may not by itself be sufficient for you to assess the performance of your investment.

The Corporation is not a “reporting issuer” or equivalent under the securities legislation of any jurisdiction in Canada. Accordingly, other than the disclosure set forth above, the Corporation is not subject to the “continuous disclosure” requirements of any securities legislation in Canada and there is no requirement that the Corporation make ongoing disclosure of its affairs including, without limitation, the disclosure of financial information on a quarterly basis or the disclosure of material changes in the business or affairs of the Corporation. The Corporation files information with SEDAR only as required pursuant to Section 2.9 of NI 45-106, which information is available electronically from SEDAR (www.sedar.com).

11.2 Information about the Corporation and the Series A Preferred Shares can be found on the JSE at <https://www.jamstockex.com/tag/equityline-mortgage-investment-corporation/>, however, such information is not incorporated by reference into and does not form part of this Offering Memorandum.

Item 12: Resale Restrictions

12.1 Restricted Period

For trades in Alberta, British Columbia, Quebec, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, and Saskatchewan, unless permitted under securities legislation, you cannot trade the Offered Shares before the date that is 4 months and a day after the date Equityline Mortgage Investment Corporation became a reporting issuer in any province or territory of Canada.

12.2 Manitoba Resale Restrictions

For trades in Manitoba, unless permitted under securities legislation, you must not trade the Offered Shares or Secured Debentures without the prior written consent of the regulator in Manitoba unless (a) Equityline Mortgage Investment Corporation has filed a prospectus with the regulator in Manitoba with respect to the Offered Shares or Secured Debentures

purchased hereunder and the regulator in Manitoba has issued a receipt for that prospectus, or (b) you have held the Offered Shares or Secured Debentures for at least 12 months. The regulator in Manitoba will consent to the trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

Item 13: Purchasers' Rights

13.1 Statements Regarding Purchasers' Rights

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

Purchasers Under the Offering Memorandum Exemption (Section 2.9 of NI 45-106)

(1) Two Day Cancellation Right

You can cancel your agreement to purchase the Offered Shares or Secured Debentures. To do so, you must send a notice to us by midnight on the second Business Day after you sign the agreement to buy the Offered Shares or Secured Debentures.

(2) Statutory Rights of Action in the Event of a Misrepresentation – Purchasers in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, and Saskatchewan

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

- (a) the Corporation to cancel your agreement to buy the Offered Shares or Secured Debentures, or
- (b) for damages against Equityline Mortgage Investment Corporation, every director of the Corporation at the date of this Offering Memorandum, and every person who signed this Offering Memorandum.

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

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within the time period provided by the securities legislation of your province. You must commence your action for damages within the time period provided by the securities legislation of your province.

(3) Contractual Rights of Action in the Event of a Misrepresentation – Purchasers in Quebec

If there is a misrepresentation in this Offering Memorandum, you have a contractual right to sue Equityline Mortgage Investment Corporation:

- (a) to cancel your agreement to buy these securities, or
- (a) for damages.

This contractual right to sue is available to you whether or not you relied on the misrepresentation. However, in an action for damages, the amount you may recover will not exceed the price that you paid for your securities and will not include any part of the damages that Equityline Mortgage Investment Corporation proves does not represent the depreciation in value of the securities resulting from the misrepresentation. Equityline Mortgage Investment Corporation has a defence if it proves that you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and 3 years after you signed the agreement to purchase the securities.

(4) Cautionary Statement Regarding Report, Statement or Opinion by Expert

This Offering Memorandum includes (a) the audit report of Grant Thornton LLP with respect to the Corporation's audited annual financial statements for the year ended December 31, 2022; (b) the tax summary of Cassels Brock & Blackwell LLP described above under Item 8.2 "*Certain Canadian Federal Income Tax Considerations*"; and (c) the appraisal of the Real Estate Property by Jennifer Skimm of Musso Appraisals Inc. You do not have a statutory right of action against these parties for a misrepresentation in this Offering Memorandum. You should consult with a legal adviser for further information.

Purchasers Under Exemptions in NI 45-106 Other Than the Offering Memorandum Exemption

Statutory Rights of Action in the Event of a Misrepresentation – Purchasers under Accredited Investor Exemption in Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, and Saskatchewan

See Appendix A.

Contractual Rights of Action in the Event of a Misrepresentation – Purchasers under Accredited Investor Exemption in Alberta, British Columbia and Quebec

Purchasers in Alberta, British Columbia and Quebec are granted a contractual right similar to the statutory right of action and rescission described in Appendix A for purchasers resident in Ontario.

Item 14: Financial Statements

The audited annual financial statements of the Corporation for the year ended December 31, 2022 and the unaudited financial statements of the Corporation for the period ended June 30, 2023 are set out in the pages that follow.

Equityline Mortgage Investment Corporation

Interim Unaudited Statements of Financial Position

(Expressed in Canadian dollars)

	<i>(Unaudited)</i> June 30 2023	<i>(Audited)</i> December 31 2022
Assets		
Current		
Cash and cash equivalents	\$ 31,366	\$ 124,422
Funds held in trust	104,268	254,663
Mortgage investments (Note 4)	28,886,580	31,811,584
Prepaid expenses	263,877	305,075
Due from related party (Note 6)	4,899,440	2,388,271
Total current assets	<u>\$ 34,185,531</u>	<u>\$ 34,884,015</u>
Investment in financing arrangement at fair value (Note 5)	11,044,000	10,730,000
Total assets	<u>\$ 45,229,531</u>	<u>\$ 45,614,015</u>
Liabilities		
Current		
Trust fund liability	\$ 104,268	\$ 254,663
Accounts payable and accrued liabilities	218,195	260,541
Withholding taxes payable	33,979	1,785
Prepaid mortgage interest	-	1,923
Distributions payable	43,607	164,529
Senior demand facility (Note 7)	18,734,175	19,910,541
Mortgage payable (Note 10)	6,916,493	6,575,160
Series A redeemable preferred shares (Note 9)	7,105,643	7,268,794
Series B redeemable preferred shares (Note 9)	1,055,582	981,186
Series F redeemable preferred shares (Note 9)	2,802,907	142,266
Short term debentures (Note 8)	13,061,994	12,656,415
	<u>50,076,843</u>	<u>48,237,803</u>
Long term debentures (Note 8)	54,765	1,876,683
Total liabilities	<u>50,131,608</u>	<u>50,114,486</u>
Shareholders' Deficiency		
Share capital (Note 10)	200	200
Deficit	(4,902,277)	(4,500,671)
Total shareholders' deficiency	<u>(4,902,077)</u>	<u>(4,500,471)</u>
	<u>\$ 45,229,531</u>	<u>\$ 45,614,015</u>
Contingent liability (Note 12)		

See accompanying notes to the consolidated financial statements.

Equityline Mortgage Investment Corporation

Interim Unaudited Statement of Net Income (Loss) and Comprehensive Income (Loss)

(Expressed in Canadian dollars)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Mortgage interest income	<u>\$ 883,988</u>	<u>\$ 638,990</u>	<u>\$ 1,787,668</u>	<u>\$ 997,341</u>
Operating expenses				
Professional fees	27,953	98,450	74,906	110,858
Advertising and promotion	7,345	1,271	18,095	2,684
Consulting fees	12,000	70,104	92,200	161,926
Management fees (Note 6)	-	62,711	76,398	102,375
Director fees	25,000	22,500	52,500	45,000
General and administrative	26,897	25,104	34,429	52,586
Referral fees	-	6,000	6,000	11,300
Trustee services	16,654	23,633	30,331	49,329
Credit facility fees	5,003	7,822	9,745	13,951
Provision for mortgage investment(recovery) losses	-	-	-	-
Business taxes, licenses and memberships	-	-	-	-
Insurance	6,875	4,991	13,883	10,231
Travel	-	833	-	833
Total operating expenses	<u>127,727</u>	<u>323,419</u>	<u>408,487</u>	<u>561,073</u>
Income before finance expenses	<u>\$ 756,261</u>	<u>\$ 315,571</u>	<u>\$ 1,379,181</u>	<u>\$ 436,268</u>
Finance expenses				
Interest and bank charges	847,103	290,963	1,704,935	493,336
Realized foreign exchange gain	(161,706)	(28,324)	(236,399)	(19,219)
Unrealized foreign exchange gain (loss)	-	(35,165)	-	(132,841)
Accretion of senior demand facility transaction costs	132,129	55,327	264,258	138,317
Accretion of transaction costs of debentures	32,574	10,000	64,255	20,001
Accretion of transaction costs of redeemable Preferred shares	38,461	29,642	76,921	58,397
Distributions to shareholders of redeemable Preferred shares	199,543	155,632	368,252	306,548
Total finance expenses	<u>1,008,104</u>	<u>478,075</u>	<u>2,242,222</u>	<u>864,539</u>
Net loss before other income	<u>(\$ 331,843)</u>	<u>(\$ 162,504)</u>	<u>(\$ 863,041)</u>	<u>(\$ 428,271)</u>
Fair value adjustment on investment in financing Arrangement at fair value (Note 5)	<u>73,717</u>	<u>-</u>	<u>461,435</u>	<u>-</u>
Net loss and comprehensive loss	<u>(\$ 258,126)</u>	<u>(\$ 162,504)</u>	<u>(\$ 401,606)</u>	<u>(\$ 428,271)</u>
Loss per common share (Note 11)	(\$ 0.003)	(\$ 0.002)	(\$ 0.004)	(\$ 0.004)

See accompanying notes to the consolidated financial statements.

Equityline Mortgage Investment Corporation
Interim Unaudited Statement of Changes in Shareholder's Deficiency
(Expressed in Canadian dollars)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
DEFICIT – BEGINNING OF PERIOD	(\$ 4,643,951)	(\$ 3,243,287)	(\$ 4,500,471)	(\$ 2,977,520)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	<u>(258,126)</u>	<u>(162,504)</u>	<u>(401,606)</u>	<u>(428,271)</u>
DEFICIT – END OF PERIOD	<u>(\$ 4,902,077)</u>	<u>(\$ 3,405,791)</u>	<u>(\$ 4,902,077)</u>	<u>(\$ 3,405,791)</u>

See accompanying notes to the consolidated financial statements.

Equityline Mortgage Investment Corporation

Interim Unaudited Statement of Cash Flows

(Expressed in Canadian dollars)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Increase (decrease) in cash and cash equivalents				
Operating				
Net loss	\$ (258,126)	\$ (162,504)	\$ (401,606)	\$ (428,271)
Fair value adjustment of mortgage investment at fair value	(73,717)	-	(147,435)	-
Accretion of facility transaction costs	132,129	55,327	264,258	138,317
Accretion of transaction costs of short term debentures	32,574	10,000	64,255	20,001
Accretion of transaction costs of redeemable Preferred shares	38,461	29,642	76,921	58,397
Non-cash interest on mortgage payable	170,666	-	341,333	-
Provision for mortgage investment losses	-	-	-	-
Unrealized foreign exchange gain (loss)	(157,248)	(35,165)	(163,151)	(132,841)
	<u>(115,261)</u>	<u>(102,700)</u>	<u>34,576</u>	<u>(344,397)</u>
Changes in non-cash working capital:				
Prepaid expenses	50,755	63,427	41,198	(74,378)
Accounts payable and accrued liabilities	(136,754)	(102,607)	(42,346)	(35,208)
Withholding taxes recoverable/payable	16,097	-	32,194	-
Distributions payable	(965)	1,493	(120,922)	796
Prepaid mortgage interest	(962)	-	(1,923)	(6,012)
	<u>(187,090)</u>	<u>(140,387)</u>	<u>(57,223)</u>	<u>(459,199)</u>
Financing				
Advances from (to) related parties, net	(2,559,381)	689,309	(2,511,169)	59,787
Net proceeds from issuance of Series B redeemable preferred shares, net of financing costs	(14,442)	148,886	3,116	268,990
Redemption of Series B preferred shares	-	-	-	-
Net proceeds from mortgage payable	-	-	-	-
Net proceeds from issuance of Series F redeemable Preferred shares, net of financing costs	2,699,999	-	2,699,999	-
Redemption of Series F preferred shares	(20,000)	-	(65,000)	-
Net proceeds from senior demand facility, net of Financing costs	(929,025)	16,439,954	(1,440,624)	18,118,054
Proceeds from issuance of debentures, net of Financing costs	1,629,381	3,796,601	2,173,004	6,260,577
Repayment of debentures	(2,310,000)	(150,000)	(3,653,597)	(1,030,000)
	<u>(1,503,468)</u>	<u>20,924,750</u>	<u>(2,794,271)</u>	<u>23,677,408</u>
Investing				
Investment in financing arrangement at fair value	-	-	(314,000)	-
Rental cash flows received for investment in Financing arrangement, at fair value	73,717	-	147,435	-
Investments in mortgage investments, net of Discharges	1,600,847	(20,689,281)	2,925,004	(23,687,907)
	<u>(15,994)</u>	<u>95,082</u>	<u>(93,056)</u>	<u>(469,698)</u>
Increase in cash and cash equivalents	(15,994)	95,082	(93,056)	(469,698)
Cash and cash equivalents, beginning of period	47,360	171,798	124,422	736,578
	<u>\$ 31,366</u>	<u>\$ 266,880</u>	<u>\$ 31,366</u>	<u>\$ 266,880</u>

See accompanying notes to the consolidated financial statements.

Equityline Mortgage Investment Corporation

Notes to Interim Unaudited Financial Statements

(Expressed in Canadian dollars)

June 30, 2023 and 2022

1. Nature of business

Equityline Mortgage Investment Corporation (the "Company") is a mortgage investment corporation domiciled in Canada. The Company is incorporated under the laws of the Province of Ontario. The registered office of the Company is Suite 338 - 550 Highway 7 Avenue East, Richmond Hill, Ontario L4B 3Z4. The Company was managed by Equityline Service Corporation ("the Manager"). The Series A preference shares of the Company are listed on the Jamaica Stock Exchange (JSE) under the symbol "ELMIC".

The investment objective of the Company is to acquire mortgages and maintain a portfolio of mortgages consisting primarily of residential Non-Conventional Mortgages and Alt-A Mortgages that generates returns relative to risk in order to permit the Corporation to pay dividends to its shareholders.

On June 23, 2021, the Company established a special purpose vehicle, Equityline SPV Limited Partnership to establish a \$25,000,000 credit facility with a Canadian Schedule 1 bank. The facility is to be utilized for the purchase of eligible mortgage investments and has been increased to \$55,000,00 at June 30 2023.

2. Basis of presentation

Statement of compliance

The consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The unaudited consolidated financial statements were approved by the Board of Directors on August 11, 2023.

Basis of consolidation

The consolidated financial statements include financial statements of Equityline Mortgage Investment Corporation and Equityline SPV Limited Partnership, a special purpose vehicle over which it has control. Equityline Mortgage Investment Corporation invests in residential first mortgages in Equityline SPV.

The Company controls an investee when the Company is exposed to, or has rights to, variable returns from its relationship with the investee and has the ability to affect those returns through its power over the investee. The Company considers all relevant facts and circumstances in assessing whether the rights outlined in the Limited Partnership Agreement of Equityline SPV Limited Partnership are sufficient to give it power. These facts and circumstances include: the Company's involvement in the purpose and design of the investee, contractual arrangements between the Company and the investee, whether the Company directs the relevant activities of the investee and implicit and explicit commitments to support the investee. The financial statements of the special purpose vehicle are included in the consolidated financial statements from the date control commences and would be deconsolidated on the date when control ceases.

Intra-group balances and transactions are eliminated on consolidation.

Equityline Mortgage Investment Corporation

Notes to Interim Unaudited Financial Statements

(Expressed in Canadian dollars)

June 30, 2023 and 2022

2. Basis of presentation (continued)

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments classified as fair value through profit or loss ("FVTPL") which are measured at fair value at each reporting date.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Critical accounting estimates, assumptions and judgments

In the preparation of these consolidated audited financial statements, Equityline Services Corporation (the "Manager") has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses.

In making estimates, the Manager relies on external information and observable conditions where possible, supplemented by internal analysis as required. There are no known trends, commitments, events or uncertainties that the Manager believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these statements. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the statements are as follows:

Classification of mortgage investments

Mortgage investments are classified based on the business model for managing assets and the contractual cash flow characteristics of the asset. The Manager exercises judgment in determining both the business model for managing the assets and whether cash flows of the asset comprise solely payments of interest.

Provision for impairment

The most significant estimates that the Company is required to make relate to the impairment of the mortgage investments (Note 4). These estimates include assumptions regarding local real estate market conditions, interest rates and the availability of credit, cost and terms of financing, the impact of present or future legislation or regulation, prior encumbrances, adverse changes in the payment status of borrowers, and other factors affecting the investments and underlying security of the investments. These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns, and the uncertainty of predictions concerning future events. Accordingly, by their nature, estimates of impairment are subjective and do not necessarily result in precise determinations of the actual outcome. Should the underlying assumptions change, the estimated fair value could vary by a material amount.

Classification of investment portfolio - Investment portfolio is classified based on the assessment of business model and the cash flow characteristics of the investments. The Company exercises judgement in determining the classification of loans in the investment portfolio into measurement categories (Note 3).

Equityline Mortgage Investment Corporation

Notes to Interim Unaudited Financial Statements

(Expressed in Canadian dollars)

June 30, 2023 and 2022

2. Basis of presentation (continued)

Critical accounting estimates, assumptions and judgments (continued)

Measurement of expected credit loss

The determination of allowance for credit losses takes into account different factors and varies by nature of investment. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which would require an increase or decrease in the allowance of credit risk. (Note 4).

Measurement of fair values

The Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Company uses market observable data where possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Manager reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or appraisals are used to measure fair values, the Manager will assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

3. Summary of significant accounting policies

(a) Cash and cash equivalents

The Company considers highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value to be cash equivalents. Cash and cash equivalents are classified and measured at amortized cost.

(b) Mortgage investments

Mortgage investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgage investments are measured at amortized cost using the effective interest method, less any impairment losses. Mortgage investments are assessed on each reporting date to determine whether there is objective evidence of impairment.

Equityline Mortgage Investment Corporation

Notes to Interim Unaudited Financial Statements

(Expressed in Canadian dollars)

June 30, 2023 and 2022

3. Summary of significant accounting policies (continued)

(b) Mortgage investments (continued)

A financial asset is considered to be impaired only if objective evidence indicates that one or more loss events have occurred after its initial recognition that have a negative effect on the estimated future cash flows of that asset. The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary materially.

The Company consider evidence of impairment for mortgage investments at both a specific asset and collective level. All individually significant mortgage investments are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but is not yet identifiable at an individual mortgage level. Mortgage investments that are not individually significant are collectively assessed for impairment by grouping together mortgage investments with similar risk characteristics.

(c) Mortgage interest income

Interest and other income includes interest earned on the Company's mortgage investments and interest earned on cash and cash equivalents. Interest income earned on mortgage and other investments is accounted for using the effective interest rate method.

(d) Income taxes

The Company is a mortgage investment corporation ("MIC") pursuant to the Income Tax Act (Canada). As such, the Company 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 the dividends were not deducted previously. The Company 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 Company is not subject to income taxes. Accordingly, for consolidated financial statement reporting purposes, the tax deductibility of the Company's dividends results in the Company being effectively exempt from taxation and no provision for current or future income tax is required for the Company.

(e) Foreign currency forward contracts

The Company may enter into foreign currency forward contracts to economically hedge its foreign currency risk exposure of its mortgage and other investments that are denominated in foreign currencies. The value of forward currency contracts entered into by the Company is recorded as the difference between the value of the contract on the reporting period and the value on the date the contract originated. Any resulting gain or loss is recognized in the statement of net income and comprehensive income unless the foreign currency contract is designated and effective as a hedging instrument under IFRS. The Company has elected to not account for the foreign currency contracts as an accounting hedge.

Equityline Mortgage Investment Corporation

Notes to Interim Unaudited Financial Statements

(Expressed in Canadian dollars)

June 30, 2023 and 2022

3. Summary of significant accounting policies (continued)

(f) Financial instruments

Classification & Measurement of Financial Assets

Recognition and initial measurement

The Company on the date of origination or purchase recognizes loans, debt and equity securities, deposits and subordinated debentures at the fair value of consideration paid. Regular-way purchases and sales of financial assets are recognized on the settlement date. All other financial assets and liabilities are initially recognized on the date at which the Company becomes a party to the contractual provisions of the instrument.

The initial measurement of a financial asset or liability is at fair value plus transaction costs that are directly attributable to its purchase or issuance. For instruments measured at fair value through profit or loss, transaction costs are recognized immediately in profit or loss.

Classification and subsequent measurement - financial assets

Financial assets are classified into one of the following measurement categories:

- amortized cost;
- fair value through other comprehensive income ("FVOCI") - debt investment; or
- FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

The Company has no debt investments measured at FVOCI.

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

Equityline Mortgage Investment Corporation

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(Expressed in Canadian dollars)

June 30, 2023 and 2022

3. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Classification and subsequent measurement - financial assets (continued)

Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

- the objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods. The reasons for such sales and expectation about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - assessment whether contractual cash flows are solely payments of interest

For the purposes of this assessment, 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets.

Equityline Mortgage Investment Corporation

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3. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Classification and subsequent measurement - financial assets (continued)

Financial assets - assessment whether contractual cash flows are solely payments of interest (continued)

A prepayment feature is consistent with the solely payments of interest criterion if the prepayment amount substantially represents unpaid amounts of interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Subsequent measurement and gains and losses – financial assets

Financial assets classified at FVTPL

Measured at fair value. Net gains and losses, including any interest, are recognized in net income and comprehensive income.

Financial assets classified at amortized cost

Measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in net income and comprehensive income. Any gain or loss on derecognition is recognized in net income and comprehensive income.

Debt investments classified at FVOCI

Measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Financial assets

The Company classified its financial assets into one of the following categories:

<u>Financial Instrument</u>	<u>Classification and measurement</u>
Financial Assets:	
Mortgage investments	Amortized cost
Investment in financing arrangement at fair value	FVTPL
Cash and cash equivalents	Amortized cost
Funds held in Trust	Amortized cost
Accounts receivable	Amortized cost
Due from related party	Amortized cost

Equityline Mortgage Investment Corporation

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3. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Classification, subsequent measurement and gains and losses - financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Company classified its financial liabilities into one of the following categories:

<u>Financial Instrument</u>	<u>Classification and measurement</u>
Financial Liabilities:	
Accounts payable	Amortized cost
Senior demand facility	Amortized cost
Mortgage payable	Amortized cost
Debentures	Amortized cost
Trust fund liability	Amortized cost
Series A redeemable preferred shares	Amortized cost
Series B redeemable preferred shares	Amortized cost
Series F redeemable preferred shares	Amortized cost
Due to related parties	Amortized cost

Impairment of financial assets

The Company recognizes loss allowances for expected credit loss ("ECL") on financial assets measured at amortized cost, unfunded loan commitments and financial guarantee contracts. The Company applies a three-stage approach to measure allowance for credit losses. The Company measures loss allowance at an amount equal to 12 months of expected losses for performing loans if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1) and at an amount equal to lifetime expected losses on performing loans that have experienced a significant increase in credit risk since origination (Stage 2) and at an amount equal to lifetime expected losses which are credit impaired (Stage 3).

The determination of a significant increase in credit risk takes into account different factors and varies by nature of investment. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due interest payment or maturity date, and borrower specific criteria as identified by the Manager. As is typical in shorter duration, structured financing, the Manager does not solely believe there has been a significant deterioration in credit risk or an asset to be credit impaired if mortgage and other investments to go into overhold position past the maturity date for a period greater than 30 days or 90 days, respectively. The Manager actively monitors these mortgage and other investments and applies judgment in determining whether there has been significant increase in credit risk. The Company considers a financial asset to be credit impaired when the borrower is more than 90 days past due and when there is objective evidence that there has been a deterioration of credit quality to the extent the Company no longer has reasonable

Equityline Mortgage Investment Corporation

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assurance as to the timely collection of the full amount of interest or/and when the Company has commenced enforcement remedies available to it under its contractual agreements.

3. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Impairment of financial assets (continued)

The assessment of significant increase in credit risk requires experienced credit judgment. In determining whether there has been a significant increase in credit risk and in calculating the amount of expected credit losses, the Manager relies on estimates and exercises judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses. In cases where a borrower experiences financial difficulties, the Company may grant certain concessionary modifications to the terms and conditions of a loan. Modifications may include payment deferrals, extension of amortization periods, debt consolidation, forbearance and other modifications intended to minimize the economic loss and to avoid foreclosure or repossession of collateral. The Company determines the appropriate remediation strategy based on the individual borrower. If the Company determines that a modification results in expiry of cash flows, the original asset is derecognized while a new asset is recognized based on the new contractual terms. Significant increase in credit risk is assessed relative to the risk of default on the date of modification. If the Company determines that a modification does not result in derecognition, significant increase in credit risk is assessed based on the risk of default at initial recognition of the original asset. Expected cash flows arising from the modified contractual terms are considered when calculating the ECL for the modified asset. For loans that were modified while having a lifetime ECL, the loans can revert to having 12-month ECL after a period of performance and improvement in the borrower's financial condition.

Measurement of ECLs

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset. Lifetime ECLs are the ECLs that result from all possible default event over the expected life of a financial instrument. 12-months ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining the expected credit loss provision, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. The Manager consider past events, current market conditions and reasonable forward-looking supportable information about future economic conditions. In assessing information about possible future economic conditions, the Manager utilized multiple economic scenarios including a base case, which represents the most probable outcome and is consistent with our view of the portfolio. In considering the lifetime of a loan, the contractual period of the loan, including prepayment, extension and other options is generally used.

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3. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Measurement of ECLs (continued)

The calculation of expected credit losses includes the explicit incorporation of forecasts of future economic conditions. In determining expected credit losses, the Manager has considered key macroeconomic variables that are relevant to each investment type. Key economic variables include unemployment rate, housing price index and interest rates. The estimation of future cash flows also includes assumptions about local real estate market conditions, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary. The forecast is developed internally by the Manager. The Manager exercises experienced credit judgment to incorporate multiple economic forecasts which are probability-weighted in the determination of the final expected credit loss. The allowance is sensitive to changes in both economic forecast and the probability-weight assigned to each forecast scenario.

Credit-impaired financial assets

Allowances for Stage 3 are recorded for individually identified impaired loans to reduce their carrying value to the expected recoverable amount. The Manager reviews the loans on an ongoing basis to assess whether any loans carried at amortized cost should be classified as credit impaired and whether an allowance or write-off should be recorded. The review of individually significant problem loans is conducted at least quarterly by the Manager, who assesses the ultimate collectability and estimated recoveries for a specific loan based on all events and conditions that are relevant to the loan. To determine the amount the Manager expects to recover from an individually significant impaired loan, the Manager uses the value of the estimated future cash flows discounted at the loan's original effective interest rate. The determination of estimated future cash flows of a collateralized impaired loan reflects the expected realization of the underlying security, net of expected costs and any amounts legally required to be paid to the borrower.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial asset measured at amortized cost are deducted from the gross carrying amount of the asset.

Write-offs

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

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3. Summary of significant accounting policies (continued)

(g) Derecognition of financial assets and liabilities

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such transferred financial assets that does not qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Company enters into transactions whereby it transfers mortgage investments recognized on its statement of financial position, but retains either all, substantially all, or a portion of the risks and rewards of the transferred mortgage investments. If all or substantially all risks and rewards are retained, then the transferred mortgage or loan investments are not derecognized. In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Company derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expires.

(h) Adoption of new accounting standards

The Company has not adopted any new accounting standards that had a material impact on the Company's consolidated financial statements.

Future accounting policy changes

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and the settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

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3. Summary of significant accounting policies (continued)

(h) Adoption of new accounting standards (continued)

Future accounting policy changes (continued)

This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

4. Mortgage investments

	June 30		Dec 31	
	2023	Number	2022	Number
Residential	\$28,376,200	60	\$ 31,477,750	73
Commercial	125,000	1	125,000	1
	<u>28,501,200</u>	<u>61</u>	<u>31,602,750</u>	<u>74</u>
Accrued interest receivable (net of servicing fees)	575,380		398,834	
	<u>29,076,580</u>		<u>32,001,584</u>	
Allowance for loan losses	(190,000)		(190,000)	
	<u>\$ 28,886,580</u>		<u>\$ 31,811,584</u>	
	<u>2023</u>	<u>%</u>	<u>2022</u>	<u>%</u>
Interest in first mortgages	\$ 23,560,661	81%	\$ 25,899,176	81%
Interest in non-first mortgages	5,515,919	19%	6,102,408	19%
	<u>29,076,580</u>	<u>100%</u>	<u>32,001,584</u>	<u>100%</u>
Allowance for loan losses	(190,000)		(190,000)	
	<u>\$ 28,886,580</u>		<u>\$ 31,811,584</u>	

The following table presents the gross carrying amounts of mortgage investments subject to IFRS 9 impairment requirements.

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, no provision for expected credit losses on the mortgage investments was recorded (December 31, 2022 - \$190,000).

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4. Mortgage investments (continued)

Allowance for credit losses (continued)

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 and December 31, 2022, there were no impaired mortgage investments.

Mortgage Loans are broken down into the different stages as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Residential				
Gross mortgage investments	\$33,114,900	\$ -	\$ -	\$33,114,900
Allowance for loan losses	<u>(38,194)</u>	<u>-</u>	<u>-</u>	<u>(38,194)</u>
Mortgage investment, net of allowance	<u>33,076,706</u>	<u>-</u>	<u>-</u>	<u>33,076,706</u>
Commercial				
Gross mortgage investments	425,000	-	-	425,000
Allowance for loan losses	<u>(806)</u>	<u>-</u>	<u>-</u>	<u>(806)</u>
Mortgage investment, net of allowance	<u>424,194</u>	<u>-</u>	<u>-</u>	<u>424,194</u>
Total mortgage loans	<u>\$ 33,500,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,500,900</u>

The Company uses the following internal risk ratings for credit risk purposes:

Low Risk: Mortgage investments that exceed the credit risk profile standard of the Company with a below average probability of default. Yields on these investments are expected to trend lower than the Company's average portfolio.

Medium-Low: Mortgage investments that are typical for the Company's risk appetite, credit standards and retain a below average probability of default. These mortgage and loan investments are expected to have average yields and would represent a significant percentage of the overall portfolio.

Medium-High: Mortgage investments within the Company's risk appetite and credit standards with an average probability of default. These investments typically carry attractive risk- return yield premiums.

High Risk: Mortgage investments within the Company's risk appetite and credit standards that have an additional element of credit risk that could result in an above average probability of default. These mortgage and loan investments carry a yield premium in return for their incremental credit risk. These mortgage and loan investments are expected to represent a small percentage of the overall portfolio.

Equityline Mortgage Investment Corporation

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(Expressed in Canadian dollars)

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4. Mortgage investments (continued)

Default: Mortgage investments that are 90 days past due and when there is objective evidence that there has been a deterioration of credit quality to the extent the Company no longer has reasonable assurance as to the timely collection of the full amount of principal and interest and/or when the Company has commenced enforcement remedies available to it under its contractual agreements.

All mortgage investments held at June 30, 2023 are classified as Medium-low risk.

The weighted average interest rate of the mortgage loans portfolio during the quarter is 8.659% (December 31, 2022 – 9.74%). The mortgage loans outstanding as of June 30, 2023, bear interest at the average rate of 12.523% (December 31, 2022 – 8.65%)

5. Investment in financing arrangement at fair value

On September 1, 2022, the Company entered into a contractual arrangement to invest in a property located in Pickering, Ontario from a related party, Velev Capital GP Inc. ("GP Inc."), for \$10,200,000. As part of the terms of the contractual arrangement, GP Inc. has the right to repurchase the investment from the Company for \$13,000,000 at any time until September 1, 2024. As part of the investment, the Company receives rental cash flows from third party tenants and GP Inc. GP Inc. manages and operates the property on behalf of the Company.

The Company has assessed that GP Inc. retains control of the property, primarily as a result of the repurchase option. As such, the purchase of the investment failed to qualify as a sale and as a result the Company accounts for the transaction in accordance with IFRS 9 as a financing arrangement. Under this treatment, the Company's investment comprises a financial asset, initially measured at the transfer proceeds, and not a direct investment in the purchased property. The investment is subsequently measured at fair value through profit and loss as the repurchase option contains cash flows that are not solely payments of principal and interest. Rental cash flows received by the Company are treated as repayments of the financing arrangement.

As at December 31, 2022, the Company has measured the investment at \$10,730,000 in the consolidated statements of financial position and recorded a fair value adjustment of \$605,463 that includes rental cash flows of \$75,463 in the consolidated statements of net loss and comprehensive net loss. As at June 30, 2023, the Company has measured the investment at \$11,044,000 in the consolidated statements of financial position and record a fair market value adjustment of \$314,000 plus a value of \$147,435 for rental cash flows received in the first six months of the fiscal year. Refer to Note 15 which describes the valuation technique employed by management that provides the basis in estimating the fair value of the investment.

6. Management fees

The Manager is responsible for day-to-day operations including administration of the Company's mortgage portfolio. Pursuant to the management agreement, the Manager is entitled to 1% per annum of the gross mortgage investments of the Company, calculated and paid monthly in arrears.

Gross mortgage investments are defined as the total mortgage investments of the Company less unearned revenue. For the six months ended June 30, 2023, the Manager waived its management

Equityline Mortgage Investment Corporation

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fee in the second quarter. As a result, the Company incurred management fees of \$0 in the second quarter. It recorded \$76,398 for the first six months as at June 30, 2023 (June 30, 2022 - \$102,375).

7. Related party transactions and balances

Due from related party

	<u>June 30</u> <u>2023</u>	<u>Dec 31</u> <u>2022</u>
Equityline Services Corp. (the Manager)	<u>\$ 4,899,440</u>	<u>\$ 2,388,271</u>

The amount receivable from the Manager is non-interest bearing, and due on demand. The Manager is related to the Company by virtue of common ownership and management.

The amount payable to GP Inc. and Equityline Financial Corp. are non-interest bearing and due on demand. GP Inc. and Equityline Financial Corp. are related to the Company by virtue of common ownership and management.

On December 31, 2021, the Company sold three mortgages at their carrying value to GP Inc. for an aggregate amount of \$3,322,984. The consideration received was applied against the outstanding balance of the debenture owing to GP Inc. During the first quarter of 2022, two loans have been fully repaid for proceeds of \$951,977.

During fiscal 2021, the Company issued a debenture for \$450,000 to Equityline Financial Corp. bearing interest at 8% with a maturity date of December 30, 2022. On February 9, 2022, this was repaid by the Company.

During the second quarter, the Company paid management fees of \$75,840 (June 30, 2022 - \$102,375) to the Manager.

These 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 parties.

8. Senior demand facility

	<u>June 30</u> <u>2022</u>	<u>Dec 31</u> <u>2021</u>
Senior revolving demand facility	<u>\$ 19,408,280</u>	\$ 20,796,405
Less: transaction costs	<u>(1,638,050)</u>	(1,585,290)
	<u>17,770,230</u>	19,211,115
Accretion of transaction costs	<u>963,944</u>	699,426
	<u>\$ 18,734,174</u>	<u>\$ 19,910,541</u>

Equityline SPV LP ("the Borrower") entered into an agreement with Equitable Bank on August 5, 2021 for a demand senior secured revolving credit facility. The facility can be used by the Borrower to acquire eligible mortgages as defined by the banking agreement from Equityline Mortgage Investment Corporation ("the Originator"). The facility is authorized to the lesser of (i) \$25,000,000 and (ii) the borrowing base as defined by the banking agreement. The Borrower has agreed to grant

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the lender a first priority lien on all of its assets and Equityline Services Corp. is the guarantor of the facility. The facility bears interest at the prime rate of interest plus 1.50% per annum, provided that the interest rate is not less than 3.70% (2022- 3.70%). The facility was increased and is at \$55,000,000 as at June 30, 2023.

Pursuant to the credit facility agreement, the Borrower is subject to the following financial covenants:

- Loss ratio cannot exceed 3.00%, tested monthly.
- Delinquency ratio cannot exceed 5.00%, tested monthly.
- Weighted average yield of the portfolio for Eligible Mortgages must be at least 1.00% greater than the Interest Rate, tested monthly.
- The Originator shall maintain a minimum contribution of equity equal to at least 5.00% of the Eligible Mortgage Balance.

As of June 30, 2023, the Company was in compliance with its financial covenants.

9. Debentures

Short term debentures are comprised of as follows:

	June 30	Dec 31
	2023	2022
Issued		
Due on demand, carrying interest rate of 8.0%	\$ 4,887,749	\$ 5,432,749
Due on demand, carrying interest rate of 9.0%	200,000	200,000
Due on demand, carrying interest rate of 8.0%	400,000	400,000
Due on demand, carrying interest rate of 8.0%	400,000	400,000
Due on demand, carrying interest rate of 8.0%	600,000	600,000
Due on demand, carrying interest rate of 8.0%	100,000	100,000
Due on demand, carrying interest rate of 8.0%	510,000	510,000
Due on demand, carrying interest rate of 8.0%	2,940,000	2,940,000
Due on demand, carrying interest rate of 8.0%	875,000	875,000
Due on August 4, 2023, carrying interest rate of 8.0%	700,000	700,000
Due on August 22, 2023, carrying interest rate of 8.0%	100,000	100,000
Due on October 5, 2023, carrying interest rate of 8.0%	25,000	25,000
Due on October 6, 2023, carrying interest rate of 8.0%	250,000	250,000
Due on November 1, 2023, carrying interest rate of 8.0%	150,000	150,000
Due on December 12, 2023, carrying interest rate of 8.0%	50,000	50,000
Due on December 21, 2023, carrying interest rate of 8.0%	200,000	200,000
January 2, 2024, carrying interest rate of 8.0%	7,500	-
Due on January 24, 2024, carrying interest rate of 8.0%	100,000	-
Due on January 30, 2024, carrying interest rate of 8.0%	100,000	-
Due on February 26, 2024, carrying interest rate of 8.0%	100,000	-
Due on March 22, 2024, carrying interest rate of 8.0%	260,000	-
Due on April 4, 2024 carrying interest rate of 8.0%	150,000	-
Due on June 16, 2024, carrying interest rate of 8.0%	310,000	-
	\$ 13,406,249	12,974,749
Less: transaction costs	(768,944)	(548,015)
	\$ 12,637,305	12,426,734
Accretion of transaction costs	424,689	229,681
Total short term debentures	\$ 13,061,994	\$ 12,656,415

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Long term debentures are comprised of as follows:

	June 30	Dec 31
	2023	2022
Issued		
Due January 3, 2023, carrying interest rate of 8% (Note 6)	\$ 54,764	\$ 1,876,683
Total long term debentures	\$ 54,764	\$ 1,876,683

On January 3, 2020, the Company established a revolving debenture facility of \$8,000,000 with VeleV Capital GP Inc. As at June 30, 2023, the balance of the facility was reduced to \$54,764.

On August 20, 2020, VeleV Capital GP Inc. assigned \$940,000 of long term debentures to Equityline Capital Limited (Jamaica) due August 20, 2022. The debenture was repaid during the year.

During the quarter, the Company issued short term debentures for proceeds of \$1,127,500 with maturity dates ranging from August 4, 2023 to June 16, 2024.

During the quarter, the Company repaid short term debentures of \$687,000.

The short term and long term debentures are secured by a general security agreement constituting a charge on all of the assets of the Company ranking equal with the holders of the Series A, B and F redeemable preferred shares.

Interest costs of \$535,897 (2022 - \$202,403) related to the debentures are recorded in financing costs using the effective interest rate method.

10. Mortgage payable

	June 30	Dec 31
	2023	2022
Mortgage payable	\$ 6,404,493	\$ 6,404,493
Interest accrued	512,000	170,667
	\$ 6,916,493	\$ 6,575,160

11. Redeemable preferred shares

Series A Redeemable Preferred Shares

	June 30		Dec 31	
	2023		2022	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
Shares outstanding at the beginning of the year	2,683,400	\$ 7,268,794	2,683,400	\$ 6,804,027
Foreign currency revaluation	-	(163,151)	-	464,767
Less: transaction costs	-	(737,667)	-	(737,667)
	2,683,400	6,367,976	2,683,400	6,531,127
Accretion of transaction costs	-	737,667	-	737,667
	2,683,400	\$ 7,105,643	2,683,400	\$ 7,268,794

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Series B Redeemable Preferred Shares

	2023		2022	
	Shares	Amount	Shares	Amount
Shares outstanding at the beginning of the year	103,433	\$ 981,186	43,500	\$ 435,000
Issuance of Series B preferred shares	3,200	32,000	61,433	614,330
Redemption of Series B preferred Shares	-	-	(1,500)	(15,000)
Less: transaction costs	-	(173,651)	-	(173,651)
	106,633	839,535	103,433	860,679
Accretion of transaction costs	-	216,047	-	120,507
	106,633	\$ 1,055,582	103,433	\$ 981,186

Series F Redeemable Preferred Shares

	2023		2022	
	Shares	Amount	Shares	Amount
Shares outstanding at the beginning of the year	16,200	\$ 142,266	13,700	\$ 137,000
Issuance of Series F preferred shares	272,000	2,720,000	5,500	55,000
Redemption of Series F preferred Shares	(6,500)	(65,000)	(3,000)	(30,000)
Less: transaction costs	-	(54,690)	-	(54,690)
	281,700	2,742,576	16,200	107,310
Accretion of transaction costs	-	60,331	-	34,956
	281,700	\$ 2,802,907	16,200	\$ 142,266

During the three months, the Company issued 3,200 Series B shares for proceeds of \$32,000 and 272,000 Class F shares for proceeds of \$2,720,000. Two shareholder of Series F shares redeemed 6,500 shares for a value of \$65,000.

On January 18, 2019, the Company completed a public offering of 2,683,400 Series A redeemable preferred shares for a total of net proceeds of \$6,480,844.

There is an unlimited number of Series A redeemable preferred shares available for issue. The shares are non-voting and redeemable at \$2.00 USD per share.

Distributions to shareholders of Series A redeemable preferred shares

The Company intends to pay dividends to holders of Series A preferred shares monthly within 15 days following the end of each month. For the six months ended June 30, 2023, the Company declared dividends of \$289,425 (June 30, 2022 - \$272,706), or \$0.13 CAD (\$0.10 USD) versus (June 30, 2022 - \$0.13 CAD (\$0.10 USD) per Series A preferred share.

Distributions to shareholders of Series B redeemable preferred shares

The Company intends to pay dividends to holders of Series B preferred shares monthly within 15 days following the end of each month. For the six months ended June 30, 2023, the Company

Equityline Mortgage Investment Corporation

Notes to Interim Unaudited Financial Statements

(Expressed in Canadian dollars)

June 30, 2023 and 2022

declared dividends of \$42,319 (June 30, 2022 - \$23,808), or \$0.80 (2022 - \$0.80) per Series B preferred share.

Distributions to shareholders of Series F redeemable preferred shares

The Company intends to pay dividends to holders of Series F preferred shares monthly within 15 days following the end of each month. For the six months ended June 30, 2023, the Company declared dividends of \$36,508 (June 30, 2022 - \$10,034), or \$0.85 per Series F preferred share (2022 - \$0.85) per Series F preferred share.

12. Share capital

Authorized:

Unlimited voting common shares.

Unlimited Series A preferred shares, non-voting, redeemable by the Company after 24 months and retractable by the holder after 36 months at \$2.00 USD per share with a right to a monthly dividend of \$0.01333 USD (\$0.16 USD annually).

Unlimited Series B non-voting shares, redeemable and retractable at \$10 per share with a right to an annual cumulative dividend of 8.0% paid monthly.

Unlimited Series F non-voting shares, redeemable and retractable at \$10 per share with a right to an annual cumulative dividend of 8.5% paid monthly.

Unlimited Series H non-voting shares, redeemable and retractable at \$10 per share with a right to an annual cumulative dividend of 8.0% paid monthly.

	<u>June 30</u> <u>2023</u>	<u>Dec. 31</u> <u>2022</u>
Issued		
100,000,000 voting common shares	<u>\$ 200</u>	<u>\$ 200</u>

On November 11, 2021, the Company subdivided the 200 voting common shares into 100,000,000 voting common shares with one voting right per 1,000,000 shares. As at December 31, 2020, there were 200 common shares outstanding.

13. Earnings per share

Basic earnings per share are calculated by dividing total net income and comprehensive income by the weighted average number of common shares during the period.

The following table shows the computation of per share amounts:

	<u>June 30</u> <u>2023</u>	<u>June 30</u> <u>2022</u>
Net profit (loss) and comprehensive loss	<u>\$ (401,606)</u>	<u>\$ (265,767)</u>
Weighted average number of common shares - basic	100,000,000	100,000,000

Equityline Mortgage Investment Corporation

Notes to Interim Unaudited Financial Statements

(Expressed in Canadian dollars)

June 30, 2023 and 2022

(Loss) per common share – basic	<u>(.004)</u>	<u>(0.003)</u>
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14. Contingent liability

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims arising from investing in mortgage investments and other investments. Where required, management records adequate provisions in the accounts.

Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the Company's financial position.

Currently, there are no contingent liabilities or litigations.

15. Financial instruments

The Company 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 Company's direct control. The Manager and Board of Directors play an active role in monitoring the Company's key risks and in determining the policies that are best suited to manage these risks. There has been no change in the process since the previous year.

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

Credit risk

Credit risk is the risk that a borrower may be unable to honour its debt commitments as a result of a negative change in market conditions that could result in a loss to the Company. The Company mitigates this risk by the following:

- i. adhering to the investment restrictions and operating policies included in the asset allocation model (subject to certain duly approved exceptions);
- ii. ensuring all new mortgage investments are approved by the investment committee before funding; and
- iii. actively monitoring the mortgage investments and initiating recovery procedures, in a timely manner, where required.

The Company's primary exposure to credit risk at June 30, 2023 is its mortgage investments of \$28,886,580 (June 30, 2022 - \$38,283,172). However, the exposure to risk is mitigated by security against the assets of the borrowers.

The Company has recourse under these mortgages and in the event of default by the borrower; in which case, the Company would have a claim against the underlying collateral.

Liquidity risk

Equityline Mortgage Investment Corporation

Notes to Interim Unaudited Financial Statements

(Expressed in Canadian dollars)

June 30, 2023 and 2022

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they become due. This risk arises in normal operations from fluctuations in cash flow as a result of the timing of mortgage investment advances and repayments and the need for working capital. Management routinely forecasts future cash flow sources and requirements to ensure cash is efficiently utilized.

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

2023	Carrying values	Contractual cash flows	Within a year	1 to 3 years	3 to 5 years
Accounts payable and accrued liabilities	\$ 173,195	\$ 173,195	\$ 173,195	\$ -	\$ -
Distributions payable	43,607	43,607	43,607	-	-
Short term debentures	13,061,994	13,415,249	13,415,249	-	-
Long term debentures	54,765	54,765	-	54,765	-
Series A redeemable preferred shares	7,105,643	7,105,643	7,105,643	-	-
Series B redeemable preferred shares	1,055,582	1,066,330	1,066,330	-	-
Series F redeemable preferred shares	2,802,907	2,817,000	2,817,000	-	-
Credit facility	18,734,175	19,408,280	19,408,280	-	-
	<u>\$ 43,031,868</u>	<u>\$ 44,084,069</u>	<u>\$ 44,029,304</u>	<u>\$ 54,765</u>	<u>\$ -</u>

2022	Carrying values	Contractual cash flows	Within a year	1 to 3 years	3 to 5 years
Accounts payable and accrued liabilities	\$ 97,028	\$ 97,028	\$ 97,028	\$ -	\$ -
Distributions payable	161,435	161,435	161,435	-	-
Due to related parties	719,452	719,452	719,452	-	-
Prepaid mortgage interest	10,257	10,257	10,257	-	-
Short term debentures	10,571,235	12,645,742	12,645,742	-	-
Long term debentures	1,860,995	1,860,995	-	1,860,995	-
Series A redeemable preferred shares	6,671,188	6,671,188	6,671,188	-	-
Series B redeemable Preferred shares	617,516	714,330	714,330	-	-
Series F redeemable Preferred shares	266,509	297,000	297,000	-	-
Credit facility	21,289,551	22,432,555	22,432,555	-	-
	<u>\$ 42,265,166</u>	<u>\$ 45,609,982</u>	<u>\$ 43,748,987</u>	<u>\$ 1,860,995</u>	<u>\$ -</u>

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to currency risk primarily from other investments that are denominated in a currency other than the Canadian dollar. The Company does not use foreign currency forwards to hedge the principal balance of future earnings and cash flows caused by movements in foreign exchange rates.

Equityline Mortgage Investment Corporation

Notes to Interim Unaudited Financial Statements

(Expressed in Canadian dollars)

June 30, 2023 and 2022

As at June 30, 2023, the Company has the following assets and liabilities denominated in US dollars:

	<u>June 30</u> <u>2023</u>	<u>Dec 31</u> <u>2022</u>
Cash and cash equivalents	\$ 31,210	\$ 123,288
Distributions payable	43,607	164,529
Series A redeemable preferred shares	<u>7,105,643</u>	<u>7,268,794</u>
	<u>\$ 7,108,460</u>	<u>\$ 7,556,611</u>

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates. The Company manages its sensitivity to interest rate fluctuations by managing the fixed rate composition of its investment portfolio.

The Company's amounts receivable, accounts payable and accrued expenses, prepaid mortgage interest have no exposure to interest rate risk due to their short-term nature. Cash and cash equivalents carry a variable rate of interest and are subject to minimal interest rate risk and the debentures have no exposure to interest rate risk due to their fixed interest rate.

Interest income risk

The Company's mortgage loans consist of short term loans that are generally repaid by the borrowers in under 12 months. The reinvestment of the funds received from such repayments is invested at current market interest rates. As such, the weighted average interest rate applicable to the investment portfolio changes with time. This creates an ongoing risk that the weighted average interest rate on the investment portfolio will decrease, which will have a negative impact on the Company's mortgage interest income.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant market risk and other price risks arising from these financial instruments.

16. Fair value of financial instruments

a) Mortgage investments

There is no quoted price in an active market for the mortgage investments. The Manager makes its determination of fair value based on its assessment of the current lending market for mortgages. Typically, the fair value of these mortgage investments approximate their carrying values given the amounts consist of short-term loans.

b) Investment in financing arrangement at fair value

Investment in financing arrangement at fair value is a level 3 investment whose fair value has been determined by reference to the property from which repayments of the financing arrangement, including potential repurchase proceeds, will be derived. The fair value of the property has been determined by management using an external appraisal performed by an accredited independent appraiser as at December 31, 2022, with recognized and relevant professional qualification and

Equityline Mortgage Investment Corporation

Notes to Interim Unaudited Financial Statements

(Expressed in Canadian dollars)

June 30, 2023 and 2022

recent experience in the location and category of the property being valued. The appraiser employed the direct comparison approach to the value the property and validated it with the income approach.

Management adjusted the fair value of the investment as calculated by the independent appraiser by measuring the fair value of the repurchase option held by GP Inc., which gives GP Inc. the right to repurchase the property for \$13,000,000, using the Black Scholes option pricing model. Management applied the following principal assumptions to the Black-Scholes option pricing model:

December 31, 2022

Stock Price	10,800,000
Exercise price	13,000,000
Risk free rate	3.89%
Expected life (years)	1.67
Expected annual volatility	10.00%

The underlying expected volatility was determined by reference to historical data of the housing price index for the Greater Toronto Area adjusted for economic uncertainty in fiscal 2023.

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions amount vacancy levels, discount rate, expected contractual life of the repurchase option and expected annual; volatility of the property value. The valuation of the investment in financing arrangement is highly sensitive to changes in market conditions. A 10% change in the price of the underlying property will result in a \$1,073,000 fair value gain/loss.

© Other financial assets and liabilities

The fair values of cash and cash equivalents, amounts receivable, due from related parties, accounts payable, prepaid mortgage interest, debentures and redeemable preferred shares approximate their carrying amounts due to their short-term maturities or bear interest and dividend at market rates.

17. Capital risk management

The Company manages its capital structure in order to support ongoing operations while focusing on its primary objectives of preserving shareholder capital and generating a stable monthly cash dividend to shareholders. The Company defines its capital structure to include common shares and debentures.

The Company reviews its capital structure on an ongoing basis and adjusts its capital structure in response to mortgage investment opportunities, the availability of capital and anticipated changes in general economic conditions.

The Company's investment restrictions and asset allocation model incorporate various restrictions and investment parameters to manage the risk profile of the mortgage investments. There have been no changes in the process over the previous year.

At June 30, 2023, the Company was in compliance with its investment restrictions.

Equityline Mortgage Investment Corporation
Notes to Interim Unaudited Financial Statements
(Expressed in Canadian dollars)
June 30, 2023 and 2022

18. Events after the statement of financial position date

No significant non-adjusting event has occurred between the reporting date and the date of authorization.

Annual Audited Financial Statements

For the year ended December 31, 2022 and December 31, 2021





Consolidated Financial Statements

Equityline Mortgage Investment Corporation

December 31, 2022 and 2021

(Expressed in Canadian dollars)

Independent Auditor's Report

Grant Thornton LLP
Suite 200
15 Allstate Parkway
Markham, ON
L3R 5B4
T +1 416 366 0100
F +1 905 475 8906

To the Shareholders of
Equityline Mortgage Investment Corporation

Opinion

We have audited the consolidated financial statements of Equityline Mortgage Investment Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021 and the consolidated statements of net loss and comprehensive loss, statements of changes in shareholders' deficiency and statements of cash flows for the years ended December 31, 2022 and December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years ended December 31, 2022 and December 31, 2021 in accordance with International Financial Reporting Standards (IFRSs).

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 Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Company'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 Company'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 consolidated 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Frank Friedman.

Markham, Canada
February 28, 2023

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Chartered Professional Accountants
Licensed Public Accountants

Audit | Tax | Advisory
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Equityline Mortgage Investment Corporation

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

December 31

2022

2021

Assets

Current

Cash and cash equivalents	\$ 124,422	\$ 736,578
Funds held in trust	254,663	-
Mortgage investments (Note 4)	31,811,584	14,595,265
Prepaid expenses	305,075	215,374
Withholding taxes recoverable	-	7,096
Due from related party (Note 7)	2,388,271	613,977
Total current assets	34,884,015	16,168,290
Investment in financing arrangement at fair value (Note 5)	10,730,000	-
Total assets	\$ 45,614,015	\$ 16,168,290

Liabilities

Current

Trust fund liability	\$ 254,663	\$ -
Accounts payable and accrued liabilities	260,541	132,236
Withholding taxes payable	1,785	-
Prepaid mortgage interest	1,923	16,269
Distributions payable	164,529	160,639
Payable for preferred shares redeemed	20,000	-
Due to related party (Note 7)	-	1,261,167
Senior demand facility (Note 8)	19,910,541	3,033,180
Mortgage payable (Note 10)	6,575,160	-
Series A redeemable preferred shares (Note 11)	7,268,794	6,804,029
Series B redeemable preferred shares (Note 11)	981,186	309,244
Series F redeemable preferred shares (Note 11)	142,266	97,394
Short term debentures (Note 9)	12,656,415	6,957,635
Total current liabilities	48,237,803	18,771,793
Long term debentures (Note 9)	1,876,683	374,017
Total liabilities	50,114,486	19,145,810

Shareholders' Deficiency

Share capital (Note 12)	200	200
Deficit	(4,500,671)	(2,977,720)
Total shareholders' deficiency	(4,500,471)	(2,977,520)
	\$ 45,614,015	\$ 16,168,290

Contingent liability (Note 14)

On behalf of the Board

Sergiy Shchavylyev

Director

Sergiy Przhelbel'skiy

Director

See accompanying notes to the consolidated financial statements.

Equityline Mortgage Investment Corporation

Consolidated Statements of Net Loss and Comprehensive Loss

(Expressed in Canadian dollars)

Year ended December 31

2022

2021

Mortgage interest income	\$ 2,757,833	\$ 1,518,288
Operating expenses		
Professional fees	438,917	372,808
Provision for mortgage investment losses (recovery)	151,000	(20,000)
Director fees	107,500	112,000
Consulting fees	94,252	202,368
General and administrative	72,953	33,225
Referral fees	64,138	14,000
Insurance	20,599	16,803
Advertising and promotion	16,244	129,098
Standby fees	12,433	-
Business taxes, licenses and memberships	6,356	450
Management fees (Note 6)	-	133,847
Total operating expenses	<u>984,392</u>	<u>994,599</u>
Income before finance expenses	<u>1,773,441</u>	<u>523,689</u>
Finance expenses		
Interest and bank charges	2,002,104	711,244
Distributions to shareholders of redeemable preferred shares	635,879	556,889
Accretion of senior demand facility transaction costs	585,127	114,299
Accretion of transaction costs of debentures	81,121	159,401
Accretion of transaction costs of redeemable preferred shares	92,484	309,747
Realized foreign exchange loss	40,374	4,503
Unrealized foreign exchange loss	<u>464,766</u>	<u>(23,614)</u>
Total finance expenses	<u>3,901,855</u>	<u>1,832,469</u>
Loss before other income	<u>(2,128,414)</u>	<u>(1,308,780)</u>
Fair value adjustment on investment in financing arrangement at fair value (Note 5)	<u>605,463</u>	<u>-</u>
Net loss and comprehensive loss	<u>\$ (1,522,951)</u>	<u>\$ (1,308,780)</u>
Loss per common share (Note 13)	<u>\$ (.02)</u>	<u>\$ (.01)</u>

See accompanying notes to the consolidated financial statements.

Equityline Mortgage Investment Corporation
Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian dollars)

	<u>Share Capital</u>	<u>Deficit</u>	Total <u>Shareholders' Deficiency</u>
Balance at January 1, 2021	\$ 200	\$ (1,668,940)	\$ (1,668,740)
Net loss and comprehensive loss	<u>-</u>	<u>(1,308,780)</u>	<u>(1,308,780)</u>
Balance at December 31, 2021	<u>\$ 200</u>	<u>\$ (2,977,720)</u>	<u>\$ (2,977,520)</u>
Balance at January 1, 2022	\$ 200	\$ (2,977,720)	\$ (2,977,520)
Net loss and comprehensive loss	<u>-</u>	<u>(1,522,951)</u>	<u>(1,522,951)</u>
Balance at December 31, 2022	<u>\$ 200</u>	<u>\$(4,500,671)</u>	<u>\$(4,500,471)</u>

See accompanying notes to the consolidated financial statements.

Equityline Mortgage Investment Corporation

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

Year ended December 31

2022

2021

Increase (decrease) in cash and cash equivalents

Operating

Net loss	\$ (1,522,951)	\$ (1,308,780)
Fair value adjustment of mortgage investment at fair value	(605,463)	-
Accretion of senior demand facility transaction costs	585,127	114,299
Accretion of transaction costs for debentures	81,121	159,401
Accretion of transaction costs for redeemable preferred shares	92,484	309,745
Provision for mortgage investment losses	151,000	(20,000)
Non-cash interest on mortgage payable	170,667	-
Unrealized foreign exchange gain	464,766	(23,614)
	<u>(583,249)</u>	<u>(768,949)</u>

Changes in non-cash working capital items

Prepaid expenses	(89,701)	39,039
Accounts payable and accrued liabilities	128,305	11,062
Withholding taxes recoverable/payable	8,881	290
Payable for preferred shares redeemed	20,000	-
Distributions payable	3,890	9,953
Prepaid mortgage interest	(14,346)	(10,327)
	<u>(526,220)</u>	<u>(718,932)</u>

Financing

Advances (to) from related parties, net	(3,035,461)	649,184
Net proceeds from issuance of Series B redeemable preferred shares, net of financing costs	614,330	261,349
Redemption of Series B redeemable preferred shares	(15,000)	-
Net proceeds from mortgage payable	6,404,493	-
Net proceeds from issuance of Series F redeemable preferred shares, net of financing costs	55,000	82,310
Redemption of Series F redeemable preferred shares	(30,000)	-
Net proceeds from senior demand facility, net of financing costs	16,292,235	2,918,881
Proceeds from issuance of debentures, net of financing costs	9,960,323	6,244,310
Repayment of debentures	(2,840,000)	(2,422,999)
	<u>27,405,920</u>	<u>7,733,035</u>

Investing

Investment in financing arrangement at fair value	(10,200,000)	-
Rental cash flows received for investment in financing arrangement, at fair value	75,463	-
Investments in mortgage investments, net of discharges	(17,367,319)	(6,715,494)
	<u>(27,491,856)</u>	<u>(6,715,494)</u>

(Decrease) increase in cash and cash equivalents

	(612,156)	298,609
Cash and cash equivalents, beginning of year	736,578	437,969
Cash and cash equivalents, end of year	<u>\$ 124,422</u>	<u>\$ 736,578</u>

Supplemental cash flow information

Non-cash repayment of long term debentures and discharge of mortgage investments (Note 9)	\$ 1,112,000	\$ 3,322,984
Interest paid	\$ 1,851,437	\$ 711,244

See accompanying notes to the consolidated financial statements.

Equityline Mortgage Investment Corporation

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)
December 31, 2022 and 2021

1. Nature of business

Equityline Mortgage Investment Corporation (the "Company") is a mortgage investment corporation domiciled in Canada. The Company is incorporated under the laws of the Province of Ontario. The registered office of the Company is Suite 338 - 550 Highway 7 Avenue East, Richmond Hill, Ontario L4B 3Z4. The Company was managed by Equityline Service Corporation (the "Manager"). The Series A preference shares of the Company are listed on the Jamaica Stock Exchange (JSE) under the symbol "ELMIC". The Manager has committed to fund any shortfalls that may occur in the next three hundred and sixty-six days from the statement of financial position date.

The investment objective of the Company is to acquire mortgages and maintain a portfolio of mortgages consisting primarily of residential Non-Conventional Mortgages and Alt-A Mortgages that generates returns relative to risk in order to permit the Corporation to pay dividends to its shareholders.

On June 23, 2021, the Company established a special purpose vehicle, Equityline SPV Limited Partnership to establish a \$25,000,000 credit facility with a Canadian Schedule 1 bank. The facility is to be utilized for the purchase of eligible mortgage investments. During 2022, the credit facility was increased to \$40,000,000.

2. Basis of presentation

Statement of compliance

The consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The audited consolidated financial statements were approved by the Board of Directors on February 28, 2023.

Basis of consolidation

The consolidated financial statements include financial statements of Equityline Mortgage Investment Corporation and Equityline SPV Limited Partnership, a special purpose vehicle over which it has control.

The Company controls an investee when the Company is exposed to, or has rights to, variable returns from its relationship with the investee and has the ability to affect those returns through its power over the investee. The Company considers all relevant facts and circumstances in assessing whether the rights outlined in the Limited Partnership Agreement of Equityline SPV Limited Partnership are sufficient to give it power. These facts and circumstances include: the Company's involvement in the purpose and design of the investee, contractual arrangements between the Company and the investee, whether the Company directs the relevant activities of the investee and implicit and explicit commitments to support the investee. The financial statements of the special purpose vehicle are included in the consolidated financial statements from the date control commences and are deconsolidated on the date when control ceases.

Intra-group balances and transactions are eliminated on consolidation.

Equityline Mortgage Investment Corporation

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)
December 31, 2022 and 2021

2. Basis of presentation (continued)

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments classified as fair value through profit or loss ("FVTPL") which are measured at fair value at each reporting date.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Critical accounting estimates, assumptions and judgments

In the preparation of these consolidated audited financial statements, Equityline Services Corporation (the "Manager") has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses.

In making estimates, the Manager relies on external information and observable conditions where possible, supplemented by internal analysis as required. There are no known trends, commitments, events or uncertainties that the Manager believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these statements. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the statements are as follows:

Classification of mortgage investments

Mortgage investments are classified based on the business model for managing assets and the contractual cash flow characteristics of the asset. The Manager exercises judgment in determining both the business model for managing the assets and whether cash flows of the asset comprise solely payments of interest.

Provision for impairment

The most significant estimates that the Company is required to make relate to the impairment of the mortgage investments (Note 4). These estimates include assumptions regarding local real estate market conditions, interest rates and the availability of credit, cost and terms of financing, the impact of present or future legislation or regulation, prior encumbrances, adverse changes in the payment status of borrowers, and other factors affecting the investments and underlying security of the investments. These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns, and the uncertainty of predictions concerning future events. Accordingly, by their nature, estimates of impairment are subjective and do not necessarily result in precise determinations of the actual outcome. Should the underlying assumptions change, the estimated fair value could vary by a material amount.

Classification of investment portfolio - Investment portfolio is classified based on the assessment of business model and the cash flow characteristics of the investments. The Company exercises judgement in determining the classification of loans in the investment portfolio into measurement categories (Note 3).

Equityline Mortgage Investment Corporation

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)
December 31, 2022 and 2021

2. Basis of presentation (continued)

Critical accounting estimates, assumptions and judgments (continued)

Measurement of expected credit loss

The determination of allowance for credit losses takes into account different factors and varies by nature of investment. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which would require an increase or decrease in the allowance of credit risk. (Note 4).

Measurement of fair values

The Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Company uses market observable data where possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Manager reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or appraisals are used to measure fair values, the Manager will assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

3. Summary of significant accounting policies

(a) Cash and cash equivalents

The Company considers highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value to be cash equivalents. Cash and cash equivalents are classified and measured at amortized cost.

(b) Mortgage investments

Mortgage investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgage investments are measured at amortized cost using the effective interest method, less any impairment losses. Mortgage investments are assessed on each reporting date to determine whether there is objective evidence of impairment.

Equityline Mortgage Investment Corporation

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)
December 31, 2022 and 2021

3. Summary of significant accounting policies (continued)

(b) Mortgage investments (continued)

A financial asset is considered to be impaired only if objective evidence indicates that one or more loss events have occurred after its initial recognition that have a negative effect on the estimated future cash flows of that asset. The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary materially.

The Company consider evidence of impairment for mortgage investments at both a specific asset and collective level. All individually significant mortgage investments are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but is not yet identifiable at an individual mortgage level. Mortgage investments that are not individually significant are collectively assessed for impairment by grouping together mortgage investments with similar risk characteristics.

(c) Investment in financing arrangement at fair value

The mortgage investment at fair value is measured at fair value through profit and loss as it comprises a financial asset whose contractual cash flows are not solely payments of principal and interest. Any transaction costs incurred are recognized immediately in net loss and comprehensive loss. Net gains or losses from changes in fair value are recognized in net loss and comprehensive loss.

(d) Mortgage interest income

Interest and other income includes interest earned on the Company's mortgage investments and interest earned on cash and cash equivalents. Interest income earned on mortgage and other investments is accounted for using the effective interest rate method.

(e) Income taxes

The Company is a mortgage investment corporation ("MIC") pursuant to the Income Tax Act (Canada). As such, the Company 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 the dividends were not deducted previously. The Company 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 Company is not subject to income taxes. Accordingly, for consolidated financial statement reporting purposes, the tax deductibility of the Company's dividends results in the Company being effectively exempt from taxation and no provision for current or future income tax is required for the Company.

Equityline Mortgage Investment Corporation

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

December 31, 2022 and 2021

3. Summary of significant accounting policies (continued)

(f) Foreign currency forward contracts

The Company may enter into foreign currency forward contracts to economically hedge its foreign currency risk exposure of its mortgage and other investments that are denominated in foreign currencies. The value of forward currency contracts entered into by the Company is recorded as the difference between the value of the contract on the reporting period and the value on the date the contract originated. Any resulting gain or loss is recognized in the statement of net income and comprehensive income unless the foreign currency contract is designated and effective as a hedging instrument under IFRS. The Company has elected to not account for the foreign currency contracts as an accounting hedge.

(g) Financial instruments

Classification & Measurement of Financial Assets

Recognition and initial measurement

The Company on the date of origination or purchase recognizes loans, debt and equity securities, deposits and subordinated debentures at the fair value of consideration paid. Regular-way purchases and sales of financial assets are recognized on the settlement date. All other financial assets and liabilities are initially recognized on the date at which the Company becomes a party to the contractual provisions of the instrument.

The initial measurement of a financial asset or liability is at fair value plus transaction costs that are directly attributable to its purchase or issuance. For instruments measured at fair value through profit or loss, transaction costs are recognized immediately in profit or loss.

Classification and subsequent measurement - financial assets

Financial assets are classified into one of the following measurement categories:

- amortized cost;
- fair value through other comprehensive income ("FVOCI") - debt investment; or
- FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

Equityline Mortgage Investment Corporation

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)
December 31, 2022 and 2021

3. Summary of significant accounting policies (continued)

(g) Financial instruments (continued)

Classification and subsequent measurement - financial assets (continued)

The Company has no debt investments measured at FVOCI.

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

Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

- the objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods. The reasons for such sales and expectation about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - assessment whether contractual cash flows are solely payments of interest

For the purposes of this assessment, 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets.

Equityline Mortgage Investment Corporation

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

December 31, 2022 and 2021

3. Summary of significant accounting policies (continued)

(g) Financial instruments (continued)

Classification and subsequent measurement - financial assets (continued)

Financial assets - assessment whether contractual cash flows are solely payments of interest (continued)

A prepayment feature is consistent with the solely payments of interest criterion if the prepayment amount substantially represents unpaid amounts of interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Subsequent measurement and gains and losses – financial assets

Financial assets classified at FVTPL

Measured at fair value. Net gains and losses, including any interest, are recognized in net income and comprehensive income.

Financial assets classified at amortized cost

Measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in net income and comprehensive income. Any gain or loss on derecognition is recognized in net income and comprehensive income.

Debt investments classified at FVOCI

Measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Financial assets

The Company classified its financial assets into one of the following categories:

<u>Financial Instrument</u>	<u>Classification and measurement</u>
Financial Assets:	
Mortgage investments	Amortized cost
Investment in financing arrangement at fair value	FVTPL
Cash and cash equivalents	Amortized cost
Funds held in trust	Amortized cost
Accounts receivable	Amortized cost
Due from related party	Amortized cost

Equityline Mortgage Investment Corporation

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)
December 31, 2022 and 2021

3. Summary of significant accounting policies (continued)

(g) Financial instruments (continued)

Classification, subsequent measurement and gains and losses - financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Company classified its financial liabilities into one of the following categories:

<u>Financial Instrument</u>	<u>Classification and measurement</u>
Financial Liabilities:	
Accounts payable	Amortized cost
Senior demand facility	Amortized cost
Mortgage payable	Amortized cost
Debentures	Amortized cost
Trust fund liability	Amortized cost
Payable for preferred shares redeemed	Amortized cost
Series A redeemable preferred shares	Amortized cost
Series B redeemable preferred shares	Amortized cost
Series F redeemable preferred shares	Amortized cost
Due to related party	Amortized cost

Impairment of financial assets

The Company recognizes loss allowances for expected credit loss ("ECL") on financial assets measured at amortized cost, unfunded loan commitments and financial guarantee contracts. The Company applies a three-stage approach to measure allowance for credit losses. The Company measures loss allowance at an amount equal to 12 months of expected losses for performing loans if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1) and at an amount equal to lifetime expected losses on performing loans that have experienced a significant increase in credit risk since origination (Stage 2) and at an amount equal to lifetime expected losses which are credit impaired (Stage 3).

Equityline Mortgage Investment Corporation

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)
December 31, 2022 and 2021

3. Summary of significant accounting policies (continued)

(g) Financial instruments (continued)

Impairment of financial assets (continued)

The determination of a significant increase in credit risk takes into account different factors and varies by nature of investment. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due interest payment or maturity date, and borrower specific criteria as identified by the Manager. As is typical in shorter duration, structured financing, the Manager does not solely believe there has been a significant deterioration in credit risk or an asset to be credit impaired if mortgage and other investments go into a delinquent position past the maturity date for a period greater than 30 days or 90 days, respectively. The Manager actively monitors these mortgage and other investments and applies judgment in determining whether there has been significant increase in credit risk. The Company considers a financial asset to be credit impaired when the borrower is more than 90 days past due and when there is objective evidence that there has been a deterioration of credit quality to the extent the Company no longer has reasonable assurance as to the timely collection of the full amount of interest or/and when the Company has commenced enforcement remedies available to it under its contractual agreements.

The assessment of significant increase in credit risk requires experienced credit judgment. In determining whether there has been a significant increase in credit risk and in calculating the amount of expected credit losses, the Manager relies on estimates and exercises judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses. In cases where a borrower experiences financial difficulties, the Company may grant certain concessionary modifications to the terms and conditions of a loan. Modifications may include payment deferrals, extension of amortization periods, debt consolidation, forbearance and other modifications intended to minimize the economic loss and to avoid foreclosure or repossession of collateral. The Company determines the appropriate remediation strategy based on the individual borrower. If the Company determines that a modification results in expiry of cash flows, the original asset is derecognized while a new asset is recognized based on the new contractual terms. Significant increase in credit risk is assessed relative to the risk of default on the date of modification. If the Company determines that a modification does not result in derecognition, significant increase in credit risk is assessed based on the risk of default at initial recognition of the original asset. Expected cash flows arising from the modified contractual terms are considered when calculating the ECL for the modified asset. For loans that were modified while having a lifetime ECL, the loans can revert to having 12-month ECL after a period of performance and improvement in the borrower's financial condition.

Equityline Mortgage Investment Corporation

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)
December 31, 2022 and 2021

3. Summary of significant accounting policies (continued)

(g) Financial instruments (continued)

Measurement of ECLs

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset. Lifetime ECLs are the ECLs that result from all possible default event over the expected life of a financial instrument. 12-months ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining the expected credit loss provision, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. The Manager consider past events, current market conditions and reasonable forward-looking supportable information about future economic conditions. In assessing information about possible future economic conditions, the Manager utilized multiple economic scenarios including a base case, which represents the most probable outcome and is consistent with our view of the portfolio. In considering the lifetime of a loan, the contractual period of the loan, including prepayment, extension and other options is generally used.

The calculation of expected credit losses includes the explicit incorporation of forecasts of future economic conditions. In determining expected credit losses, the Manager has considered key macroeconomic variables that are relevant to each investment type. Key economic variables include unemployment rate, housing price index and interest rates. The estimation of future cash flows also includes assumptions about local real estate market conditions, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary. The forecast is developed internally by the Manager. The Manager exercises experienced credit judgment to incorporate multiple economic forecasts which are probability-weighted in the determination of the final expected credit loss. The allowance is sensitive to changes in both economic forecast and the probability- weight assigned to each forecast scenario.

Equityline Mortgage Investment Corporation

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)
December 31, 2022 and 2021

3. Summary of significant accounting policies (continued)

(g) Financial instruments (continued)

Credit-impaired financial assets

Allowances for Stage 3 are recorded for individually identified impaired loans to reduce their carrying value to the expected recoverable amount. The Manager reviews the loans on an ongoing basis to assess whether any loans carried at amortized cost should be classified as credit impaired and whether an allowance or write-off should be recorded. The review of individually significant problem loans is conducted at least quarterly by the Manager, who assesses the ultimate collectability and estimated recoveries for a specific loan based on all events and conditions that are relevant to the loan. To determine the amount the Manager expects to recover from an individually significant impaired loan, the Manager uses the value of the estimated future cash flows discounted at the loan's original effective interest rate. The determination of estimated future cash flows of a collateralized impaired loan reflects the expected realization of the underlying security, net of expected costs and any amounts legally required to be paid to the borrower.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial asset measured at amortized cost are deducted from the gross carrying amount of the asset.

Write-offs

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(h) Derecognition of financial assets and liabilities

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such transferred financial assets that does not qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Equityline Mortgage Investment Corporation

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)
December 31, 2022 and 2021

3. Summary of significant accounting policies (continued)

(h) Derecognition of financial assets and liabilities (continued)

Financial assets (continued)

The Company enters into transactions whereby it transfers mortgage investments recognized on its statement of financial position, but retains either all, substantially all, or a portion of the risks and rewards of the transferred mortgage investments. If all or substantially all risks and rewards are retained, then the transferred mortgage or loan investments are not derecognized. In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Company derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expires.

(i) Adoption of new accounting standards

Recently Adopted Accounting Standards

Certain pronouncements were issued by the IASB or International Financial Reporting Interpretations Committee (IFRIC) and have been adopted in the current year. Many are not applicable or do not have a significant impact on the Company, and have therefore been excluded:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendments to IFRS 3);
- COVID-19 Related Rent Concessions; and
- Onerous contracts- Cost of Fulfilling a Contract (Amendments to IAS 37).

Future accounting pronouncements

Certain pronouncements were issued by the IASB IFRIC. Many are not applicable or do not have a significant impact on the Company and have been excluded. The following amended standards and interpretations have not yet been adopted and are not expected to have a significant impact on the Company's financial statements:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Deferred Tax related to Assets and Liabilities from a Single Transaction;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- IFRS 17 Insurance Contracts.

Equityline Mortgage Investment Corporation

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)
December 31, 2022 and 2021

4. Mortgage investments

	<u>2022</u>	<u>Number</u>	<u>2021</u>	<u>Number</u>
Residential	\$ 31,477,750	73	\$ 14,192,075	57
Commercial	<u>125,000</u>	<u>1</u>	<u>300,000</u>	<u>1</u>
	<u>31,602,750</u>	<u>74</u>	14,492,075	<u>58</u>
Accrued interest receivable (net of servicing fees)	<u>398,834</u>		<u>142,190</u>	
	<u>32,001,584</u>		14,634,265	
Allowance for loan losses	<u>(190,000)</u>		<u>(39,000)</u>	
	<u>\$ 31,811,584</u>		<u>\$ 14,595,265</u>	
	<u>2022</u>	<u>%</u>	<u>2021</u>	<u>%</u>
Interest in first mortgages	\$ 25,899,176	81%	\$ 7,166,044	49%
Interest in non-first mortgages	<u>6,102,408</u>	<u>19%</u>	<u>7,468,221</u>	<u>51%</u>
	<u>32,001,584</u>	<u>100%</u>	14,634,265	<u>100%</u>
Allowance for loan losses	<u>(190,000)</u>		<u>(39,000)</u>	
	<u>\$31,811,584</u>		<u>\$ 14,595,265</u>	

The following table presents the gross carrying amounts of mortgage investments subject to IFRS 9 impairment requirements.

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 December 31, 2022, a provision for expected credit losses on the mortgage investments was recorded of \$190,000 (2021 - \$39,000).

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 December 31, 2022 and 2021, there were no impaired mortgage investments.

Equityline Mortgage Investment Corporation

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)
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4. Mortgage investments (continued)

Allowance for credit losses (continued)

Loans are broken down into the different stages as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Residential				
Gross mortgage investments	\$ 30,131,288	\$ 1,743,839	\$ -	\$ 31,875,127
Allowance for loan losses	<u>(178,896)</u>	<u>(10,354)</u>	<u>-</u>	<u>(189,250)</u>
Mortgage investment, net of allowance	<u>29,952,392</u>	<u>1,733,485</u>	<u>-</u>	<u>31,685,877</u>
Commercial				
Gross mortgage investments	126,457	-	-	126,457
Allowance for loan losses	<u>(750)</u>	<u>-</u>	<u>-</u>	<u>(750)</u>
Mortgage investment, net of allowance	<u>125,707</u>	<u>-</u>	<u>-</u>	<u>125,707</u>
Total mortgage loans	<u>\$ 30,078,099</u>	<u>\$ 1,733,485</u>	<u>\$ -</u>	<u>\$31,811,584</u>

The Company uses the following internal risk ratings for credit risk purposes:

Low Risk: Mortgage investments that exceed the credit risk profile standard of the Company with a below average probability of default. Yields on these investments are expected to trend lower than the Company's average portfolio.

Medium-Low: Mortgage investments that are typical for the Company's risk appetite, credit standards and retain a below average probability of default. These mortgage and loan investments are expected to have average yields and would represent a significant percentage of the overall portfolio.

Medium-High: Mortgage investments within the Company's risk appetite and credit standards with an average probability of default. These investments typically carry attractive risk- return yield premiums.

High Risk: Mortgage investments within the Company's risk appetite and credit standards that have an additional element of credit risk that could result in an above average probability of default. These mortgage and loan investments carry a yield premium in return for their incremental credit risk. These mortgage and loan investments are expected to represent a small percentage of the overall portfolio.

Equityline Mortgage Investment Corporation

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)
December 31, 2022 and 2021

4. Mortgage investments (continued)

Default: Mortgage investments that are 90 days past due and when there is objective evidence that there has been a deterioration of credit quality to the extent the Company no longer has reasonable assurance as to the timely collection of the full amount of principal and interest and/or when the Company has commenced enforcement remedies available to it under its contractual agreements.

All mortgage investments held at December 31, 2022 are classified as Medium-low risk.

The weighted average interest rate of the mortgage loans portfolio during the year is 9.74% (2021- 11.45%). The mortgage loans outstanding as of December 31, 2022, bear interest at the weighted average rate of 8.65% (2021- 10.01%).

5. Investment in financing arrangement at fair value

On September 1, 2022, the Company entered into a contractual arrangement to invest in a property located in Pickering, Ontario from a related company, Velev Capital GP Inc. ("GP Inc."), for \$10,200,000. As part of the terms of the contractual arrangement, GP Inc. has the right to repurchase the investment from the Company for \$13,000,000 at any time until September 1, 2024. As part of the investment, the Company receives rental cash flows from third party tenants and GP Inc. GP Inc. manages and operates the property on behalf of the Company.

The Company has assessed that GP Inc. retains control of the property, primarily as a result of the repurchase option. As such, the purchase of the investment failed to qualify as a sale and as a result the Company accounts for the transaction in accordance with IFRS 9 as a financing arrangement. Under this treatment, the Company's investment comprises a financial asset, initially measured at the transfer proceeds, and not a direct investment in the purchased property. The investment is subsequently measured at fair value through profit and loss as the repurchase option contains cash flows that are not solely payments of principal and interest. Rental cash flows received by the Company are treated as repayments of the financing arrangement.

As at December 31, 2022, the Company has measured the investment at \$10,730,000 in the consolidated statements of financial position and recorded a fair value adjustment of \$605,463 that includes rental cash flows of \$75,463 in the consolidated statements of net loss and comprehensive net loss. Refer to Note 15 which describes the valuation technique employed by management to estimate the fair value of the investment.

6. Management fees

The Manager is responsible for day-to-day operations including administration of the Company's mortgage portfolio. Pursuant to the management agreement, the Manager is entitled to 1% per annum of the gross mortgage investments of the Company, calculated and paid monthly in arrears.

Gross mortgage investments are defined as the total mortgage investments of the Company less unearned revenue. For the year ended December 31, 2022, the Company incurred management fees of \$Nil (2021 - \$133,847). For fiscal 2022, the Manager waived their management fee.

Equityline Mortgage Investment Corporation

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7. Related party transactions and balances

Due from related party

	<u>2022</u>	<u>2021</u>
Equityline Services Corp. (the Manager)	<u>\$ 2,388,271</u>	<u>\$ 613,977</u>

Due to related party

	<u>2022</u>	<u>2021</u>
Velev Capital GP Inc.	<u>\$ -</u>	<u>\$ 1,261,167</u>

The amount receivable from the Manager is non-interest bearing, and due on demand. The Manager is related to the Company by virtue of common ownership and management.

The amounts payable to GP Inc. were non-interest bearing and due on demand. GP Inc. and is related to the Company by virtue of common ownership and management. The amounts payable was repaid during the fiscal year.

On December 31, 2022, the Company sold seven mortgages at their carrying value to GP Inc. for an aggregate amount of \$1,112,000 (2021 – two mortgages sold for \$3,322,984). The consideration received was applied against the outstanding balance of the debenture owing to GP Inc.

During fiscal 2021, the Company issued a debenture for \$450,000 to Equityline Financial Corp., company related by virtue of common ownership and management, bearing interest at 8% with a maturity date of December 30, 2022. During fiscal 2022, the Company repaid the debenture issued to Equityline Financial Corp.

The Company has a revolving debenture facility with GP Inc. for \$8,000,000 that bears interest at 8.00% per annum. During the year, the company paid interest of \$157,435 (2021-\$394,414). Refer to Note 9 which further describes the terms and conditions of the debenture facility.

During the year, the Company purchased an investment from GP Inc. Refer to Note 5 which further describes the term of the arrangement.

During the year, the Company paid management fees of \$Nil (2021 - \$133,847) to the Manager.

These 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 parties.

Equityline Mortgage Investment Corporation

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8. Senior demand facility

	<u>2022</u>	<u>2021</u>
Senior revolving demand facility	\$ 20,796,405	\$ 3,914,500
Less: transaction costs	<u>(1,585,290)</u>	<u>(995,619)</u>
	19,211,115	2,918,881
Accretion of transaction costs	<u>699,426</u>	<u>114,299</u>
	<u>\$ 19,910,541</u>	<u>\$ 3,033,180</u>

Equityline SPV LP (“the Borrower”) entered into an agreement with Equitable Bank on August 5, 2021 for a demand senior secured revolving credit facility. The agreement was amended on October 6, 2022. The facility can be used by the Borrower to acquire eligible mortgages as defined by the banking agreement from Equityline Mortgage Investment Corporation (“the Originator”). The facility is authorized to the lesser of (i) \$40,000,000 and (ii) the borrowing base as defined by the banking agreement. The Borrower has agreed to grant the lender a first priority lien on all of its assets and Equityline Services Corp. is the guarantor of the facility. The facility bears interest at bank prime +.75% for first eligible mortgages having loan to value of 65% or less. All other eligible mortgages bears interest at bank prime +1.5%. The facility will bear an interest rate of a minimum of 3.7%.

Pursuant to the credit facility agreement, the Borrower is subject to the following financial covenants:

- Loss ratio cannot exceed 3.00%, tested monthly.
- Delinquency ratio cannot exceed 5.00%, tested monthly.
- Weighted average yield of the portfolio for Eligible Mortgages must be at least 1.00% greater than the Interest Rate, tested monthly.
- The Originator shall maintain a minimum contribution of equity equal to at least 5.00% of the Eligible Mortgage Balance.

The borrower may increase the facility by an additional \$15,000,000 to a maximum of \$55,000,000 provided its in compliance with its financial covenants and no events of default have occurred. Each increase to the facility is available in increments of \$5,000,000.

As of December 31, 2022, the Company was in compliance with its financial covenants.

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9. Debentures

Short term debentures are comprised of as follows:

	<u>2022</u>	<u>2021</u>
Issued		
Due on demand, carrying interest rate of 8.0%	\$ 5,432,749	\$ 6,962,749
Due on demand at carrying interest rate of 9.00%	200,000	-
Due on demand, carrying interest rate of 8.50%	-	150,000
Due on January 5, 2023, carrying interest rate of 8.0%	400,000	-
Due on Jan 31, 2023, carrying interest rate of 8.00%	42,000	-
Due February 16, 2023, carrying interest rate at 8.0%	400,000	-
Due on March 23, 2023, carrying interest rate of 8.00%	600,000	-
Due on April 18, 2023, carrying interest rate of 8.00%	100,000	-
Due April 28, 2023, carrying interest rate of 8.0%	510,000	-
Due May 11, 2023, at carrying interest rate of 8.00%	2,940,000	-
Due on June 9, 2023, carrying interest rate of 8.0%	875,000	-
Due August 4, 2023, carrying interest rate of 8.00%	700,000	-
Due on August 22, 2023, carrying interest rate of 8.0%	100,000	-
Due on October 5, 2023, carrying interest rate of 8.00%	25,000	-
Due on October 6, 2023, carrying interest rate of 8%	250,000	-
Due on November 1, 2023, carrying interest rate of 9.00%	150,000	-
Due on December 12, 2023, carrying interest rate of 9.00%	50,000	-
Due on December 21, 2023, carrying interest rate of 8.0%	200,000	-
	<u>12,974,749</u>	<u>7,112,749</u>
Less: transaction costs	<u>(548,015)</u>	<u>(303,674)</u>
	<u>12,426,734</u>	<u>6,809,075</u>
Accretion of transaction costs	<u>229,681</u>	<u>148,560</u>
Total short term debentures	<u>\$ 12,656,415</u>	<u>\$ 6,957,635</u>

Long term debentures are comprised of as follows:

	<u>2022</u>	<u>2021</u>
Issued		
Due January 3, 2024, carrying interest rate of 8% (Note 6)	<u>\$ 1,876,683</u>	<u>\$ 374,017</u>
Total debentures	<u>\$ 14,533,098</u>	<u>\$ -</u>

On January 3, 2020, the Company established a revolving debenture facility of \$8,000,000 with Velev Capital GP Inc. As at December 31, 2022, the balance of the facility was \$1,876,683

During the year, the Company issued short term debentures for proceeds of \$8,702,000 with maturity dates ranging from January 5, 2023 to December 21, 2023.

During the year, the Company repaid short term debentures of \$2,840,000.

The short term and long term debentures are secured by a general security agreement constituting a charge on all of the assets of the Company ranking equal with the holders of the Series A, B and F redeemable preferred shares.

Interest costs of \$998,368 (2021 - \$680,072) related to the debentures are recorded in financing costs using the effective interest rate method.

Equityline Mortgage Investment Corporation

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10. Mortgage payable

	<u>2022</u>	<u>2021</u>
Mortgage payable	\$ 6,404,493	\$ -
Interest accrued	<u>170,667</u>	<u>-</u>
	<u>\$ 6,575,160</u>	<u>\$ -</u>

During the year, the Company assumed a mortgage payable to finance the purchase of the mortgage investment in real estate as described in Note 5. The mortgage payable bears interest at 8.00% per annum and is due on demand and the interest is accrued until the mortgage is repaid. The mortgage payable is secured by a first charge on the property of the real estate investment located at 478-490 King Road, Pickering ON.

11. Redeemable preferred shares

Series A Redeemable Preferred Shares

	<u>2022</u>		<u>2021</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
Shares outstanding at the beginning of the year	2,683,400	\$ 6,804,027	2,683,400	\$ 6,580,875
Foreign currency revaluation	-	464,767	-	223,154
Less: transaction costs	-	(737,667)	-	(737,667)
	<u>2,683,400</u>	<u>6,531,127</u>	<u>2,683,400</u>	<u>6,066,362</u>
Accretion of transaction costs	-	737,667	-	737,667
	<u>2,683,400</u>	<u>\$ 7,268,794</u>	<u>2,683,400</u>	<u>\$ 6,804,029</u>

Series B Redeemable Preferred Shares

	<u>2022</u>		<u>2021</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
Shares outstanding at the beginning of the year	43,500	\$ 435,000	-	\$ -
Issuance of Series B preferred shares	61,433	614,330	43,500	435,000
Redemption of Series B Shares	(1,500)	(15,000)	-	-
Less: transaction costs	-	(173,651)	-	(173,651)
	<u>103,433</u>	<u>860,679</u>	<u>43,500</u>	<u>261,349</u>
Accretion of transaction costs	-	120,507	-	47,895
	<u>103,433</u>	<u>\$ 981,186</u>	<u>43,500</u>	<u>\$ 309,244</u>

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11. Redeemable preferred shares (continued)

Series F Redeemable Preferred Shares

	2022		2021	
	Shares	Amount	Shares	Amount
Shares outstanding at the beginning of the year	13,700	\$ 137,000	-	\$ -
Issuance of Series F preferred shares	5,500	55,000	13,700	137,000
Redemption of Series F preferred Shares	(3,000)	(30,000)	-	-
Less: transaction costs	-	(54,690)	-	(54,690)
	16,200	107,310	13,700	82,310
Accretion of transaction costs	-	34,956	-	15,084
	16,200	\$ 142,266	13,700	\$ 97,394

During the year, the Company issued 61,433 Series B and 5,500 Series F shares through a private capital raise for proceeds of \$614,330 and \$55,000 respectively.

During the year, the Company redeemed 1,500 Series B and 3,000 Series F shares for consideration of \$15,000 and \$30,000 respectively.

On January 18, 2019, the Company completed a public offering of 2,683,400 Series A redeemable preferred shares for a total of net proceeds of \$6,480,844.

There is an unlimited number of Series A redeemable preferred shares available for issue. The shares are non-voting and redeemable at \$2.00 USD per share.

Distributions to shareholders of Series A redeemable preferred shares

The Company intends to pay dividends to holders of Series A preferred shares monthly within 15 days following the end of each month. For the year ended December 31, 2022, the Company declared dividends of \$560,092 (2021 - \$537,814), or \$0.22 CAD (\$0.16 USD) (2021 - \$0.20 CAD (\$0.16 USD)) per Series A preferred share.

Distributions to shareholders of Series B redeemable preferred shares

The Company intends to pay dividends to holders of Series B preferred shares monthly within 15 days following the end of each month. For the year ended December 31, 2022, the Company declared dividends of \$57,320 (2021 - \$11,773), or \$0.80 (2021 - \$0.80) per Series B preferred share.

Distributions to shareholders of Series F redeemable preferred shares

The Company intends to pay dividends to holders of Series F preferred shares monthly within 15 days following the end of each month. For the year ended December 31, 2022, the Company declared dividends of \$18,467 (2021 - \$7,302), or \$0.85 (2021 - \$0.85) per Series F preferred share.

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12. Share capital

Authorized:

Unlimited voting common shares.

Unlimited Series A preferred shares, non-voting, redeemable by the Company after 24 months and retractable by the holder after 36 months at \$2.00 USD per share with a right to a monthly dividend of \$0.01333 USD (\$0.16 USD annually).

Unlimited Series B non-voting shares, redeemable and retractable at \$10 per share with a right to an annual cumulative dividend of 8.0% paid monthly.

Unlimited Series F non-voting shares, redeemable and retractable at \$10 per share with a right to an annual cumulative dividend of 8.5% paid monthly.

Unlimited Series H non-voting shares, redeemable and retractable at \$10 per share with a right to an annual cumulative dividend of 8.0% paid monthly.

	<u>2022</u>	<u>2021</u>
Issued		
100,000,000 voting common shares	<u>\$ 200</u>	<u>\$ 200</u>

On November 11, 2021, the Company subdivided the 200 voting common shares into 100,000,000 voting common shares with one voting right per 1,000,000 shares.

13. Earnings per share

Basic earnings per share are calculated by dividing total net income and comprehensive income by the weighted average number of common shares during the period.

The following table shows the computation of per share amounts:

	<u>2022</u>	<u>2021</u>
Net loss and comprehensive loss	<u>\$ (1,522,951)</u>	<u>\$ (1,308,780)</u>
Weighted average number of common shares - basic	<u>100,000,000</u>	<u>100,000,000</u>
Loss per common share – basic	<u>(.02)</u>	<u>(.01)</u>

14. Contingent liability

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims arising from investing in mortgage investments and other investments. Where required, management records adequate provisions in the accounts.

Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the Company's financial position.

Currently, there are no contingent liabilities or litigations.

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15. Financial instruments

The Company 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 Company's direct control. The Manager and Board of Directors play an active role in monitoring the Company's key risks and in determining the policies that are best suited to manage these risks. There has been no change in the process since the previous year.

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

Credit risk

Credit risk is the risk that a borrower may be unable to honour its debt commitments as a result of a negative change in market conditions that could result in a loss to the Company. The Company mitigates this risk by the following:

- i. adhering to the investment restrictions and operating policies included in the asset allocation model (subject to certain duly approved exceptions);
- ii. ensuring all new mortgage investments are approved by the investment committee before funding; and
- iii. actively monitoring the mortgage investments and initiating recovery procedures, in a timely manner, where required.

The Company's primary exposure to credit risk at December 31, 2022 is its mortgage investments of \$31,811,584 (2021 - \$14,595,265). However, the exposure to risk is mitigated by security against the assets of the borrowers.

The Company has recourse under these mortgages and in the event of default by the borrower; in which case, the Company would have a claim against the underlying collateral.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they become due. This risk arises in normal operations from fluctuations in cash flow as a result of the timing of mortgage investment advances and repayments and the need for working capital. Management routinely forecasts future cash flow sources and requirements to ensure cash is efficiently utilized.

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15. Financial instruments (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities as at December 31, 2022 and December 31, 2021:

2022	<u>Carrying values</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 to 3 years</u>	<u>3 to 5 years</u>
Accounts payable and accrued liabilities	\$ 260,541	\$ 260,541	\$ 260,541	\$ -	\$ -
Distributions payable	164,529	164,529	164,529	-	-
Withholding taxes payable	1,785	1,785	1,785	-	-
Prepaid mortgage interest	1,923	1,923	1,923	-	-
Short term debentures	12,656,415	12,974,749	12,974,749	-	-
Debentures	1,876,683	1,876,683	-	1,876,683	-
Series A redeemable preferred shares	7,268,794	7,268,794	7,268,794	-	-
Series B redeemable preferred shares	981,186	1,034,330	-	-	-
Series F redeemable preferred shares	142,266	162,000	-	-	-
Credit facility	19,910,541	20,796,405	20,796,405	-	-
	<u>\$ 43,264,663</u>	<u>\$ 44,541,739</u>	<u>\$ 41,468,726</u>	<u>\$ 1,876,683</u>	<u>\$ -</u>
2021	<u>Carrying values</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 to 3 years</u>	<u>3 to 5 years</u>
Accounts payable and accrued liabilities	\$ 132,236	\$ 132,236	\$ 132,236	\$ -	\$ -
Distributions payable	160,639	160,639	160,639	-	-
Due to related parties	1,261,167	1,261,167	1,261,167	-	-
Prepaid mortgage interest	16,269	16,269	16,269	-	-
Short term debentures	6,957,635	7,112,749	7,112,749	-	-
Debentures	374,017	374,017	-	374,017	-
Series A redeemable preferred shares	6,804,029	6,804,029	6,804,029	-	-
Series B redeemable preferred shares	309,244	435,000	-	-	-
Series F redeemable preferred shares	97,394	135,000	-	-	-
Credit facility	3,033,180	3,914,500	3,914,500	-	-
	<u>\$ 19,145,810</u>	<u>\$ 20,345,606</u>	<u>\$ 19,401,589</u>	<u>\$ 374,017</u>	<u>\$ -</u>

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15. Financial instruments (continued)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to currency risk primarily from other investments that are denominated in a currency other than the Canadian dollar. The Company does not use foreign currency forwards to hedge the principal balance of future earnings and cash flows caused by movements in foreign exchange rates.

As at December 31, 2022, the Company has the following assets and liabilities denominated in US dollars:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 123,288	\$ 163,347
Distributions payable	164,529	160,639
Series A redeemable preferred shares	<u>7,268,794</u>	<u>6,804,029</u>
	<u>\$ 7,556,611</u>	<u>\$ 7,128,015</u>

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates. The Company manages its sensitivity to interest rate fluctuations by managing the fixed rate composition of its investment portfolio.

The Company's amounts receivable, accounts payable, prepaid mortgage interest have no exposure to interest rate risk due to their short-term nature. Cash and cash equivalents carry a variable rate of interest and are subject to minimal interest rate risk and the debentures have no exposure to interest rate risk due to their fixed interest rate.

Interest income risk

The Company's mortgage loans consist of short term loans that are generally repaid by the borrowers in under 12 months. The reinvestment of the funds received from such repayments is invested at current market interest rates. As such, the weighted average interest rate applicable to the investment portfolio changes with time. This creates an ongoing risk that the weighted average interest rate on the investment portfolio will decrease, which will have a negative impact on the Company's mortgage interest income.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant market risk and other price risks arising from these financial instruments.

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16. Fair value of financial instruments

a) Mortgage investments

There is no quoted price in an active market for the mortgage investments. The Manager makes its determination of fair value based on its assessment of the current lending market for mortgages. Typically, the fair value of these mortgage investments approximate their carrying values given the amounts consist of short-term loans.

b) Investment in financing arrangement at fair value

Investment in financing arrangement at fair value is a level 3 investment whose fair value has been determined by reference to the property from which repayments of the financing arrangement, including potential repurchase proceeds, will be derived. The fair value of the property has been determined by management using an external appraisal performed by an accredited independent appraiser with recognized and relevant professional qualification and recent experience in the location and category of the property being valued. The appraiser employed the direct comparison approach to the value the property and validated it with the income approach.

Management reduced the fair value of the investment as calculated by the independent appraiser by measuring the fair value of the repurchase option held by GP Inc., which gives GP Inc. the right to repurchase the property for \$13,000,000, using the Black Scholes option pricing model. Management applied the following principal assumptions to the Black-Scholes option pricing model:

	<u>December 31, 2022</u>
Stock price	10,800,000
Exercise price	13,000,000
Risk free rate	3.89%
Expected life (years)	1.67
Expected annual volatility	10.00%

The underlying expected volatility was determined by reference to historical data of the housing price index for the Greater Toronto area adjusted for economic uncertainty in fiscal 2023.

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions about vacancy levels, discount rate, expected contractual life of the repurchase option and expected annual volatility of the property value. The valuation of the investment in financing arrangement is highly sensitive to changes in market conditions. A 10% change in the price of the underlying property will result in a \$1,073,000 fair value gain/loss.

c) Other financial assets and liabilities

The fair values of cash and cash equivalents, amounts receivable, funds held in trust, due from/to related parties, accounts payable, payable for preferred shares redeemed, mortgage payable, senior demand facility, trust fund liability, prepaid mortgage interest, debentures and redeemable preferred shares approximate their carrying amounts due to their short-term maturities or bear interest and dividend at market rates.

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17. Capital risk management

The Company manages its capital structure in order to support ongoing operations while focusing on its primary objectives of preserving shareholder capital and generating a stable monthly cash dividend to shareholders. The Company defines its capital structure to include common shares and debentures.

The Company reviews its capital structure on an ongoing basis and adjusts its capital structure in response to mortgage investment opportunities, the availability of capital and anticipated changes in general economic conditions.

The Company's investment restrictions and asset allocation model incorporate various restrictions and investment parameters to manage the risk profile of the mortgage investments. There have been no changes in the process over the previous year.

At December 31, 2022, the Company was in compliance with its investment restrictions.

APPENDIX A

Statutory Rights of Action in the Event of a Misrepresentation

Securities legislation in certain of the provinces of Canada provides purchasers of securities pursuant to an offering memorandum (such as this Offering Memorandum) with certain statutory rights of action for damages or rescission, in addition to any other rights they may have at law, where the offering memorandum or any amendment thereto contains an untrue statement of a material fact or omits to state a material fact that is required to be stated or is necessary to make any statement contained therein not misleading in light of the circumstances in which it was made (a “**Misrepresentation**”). These rights, or notice with respect thereto, must be exercised or delivered, as the case may be, by purchasers within the time limits prescribed and are subject to the defences and limitations contained under the applicable securities legislation.

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

British Columbia

Section 132.1 of the *Securities Act* (British Columbia) provides that where an offering memorandum (such as this Offering Memorandum), which is required to be delivered to a purchaser of a security under section 2.9 of NI 45-106, contains a Misrepresentation, an investor who purchases a security offered by the offering memorandum is 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 against:

- (a) the issuer;
- (a) every director of the issuer at the date of the offering memorandum; and
- (b) every person who signed the offering memorandum.

The investor may elect to exercise a right of rescission against the issuer, in which case the investor has no right of action for damages against the issuer.

Such rights of rescission and damages are subject to certain limitations including the following:

- (a) a person will not be liable if the person proves that the investor had knowledge of the Misrepresentation;
- (b) a person, other than the issuer, will not be liable if the person proves that:
 - (i) the offering memorandum was delivered to investors without the person’s knowledge or consent and that, on becoming aware of its delivery, the person gave written notice to the issuer 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 issuer 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.
- (c) a person, other than the issuer, will not be liable if the person proves that 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, an opinion or a statement 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;
- (d) in an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves does not represent the depreciation in value of securities resulting from the Misrepresentation;
- (e) a person is not liable for a Misrepresentation in forward-looking information if the person proves that:
 - (i) the offering memorandum containing the forward-looking information contained, proximate to that information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
 - (ii) the person had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

Section 140 of the *Securities Act* (British Columbia) provides that an action to enforce a civil remedy must not be commenced:

- (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 an action other than for rescission, more than the earlier of:
 - (i) 180 days after the investor first had knowledge of the facts giving rise to the cause of action; or
 - (ii) three years after the date of the transaction that gave rise to the cause of action.

Manitoba

In Manitoba, the *Securities Act* (Manitoba) provides a statutory right of action for damages or rescission to investors resident in Manitoba in circumstances where this Offering Memorandum or an amendment hereto contains a Misrepresentation, which rights are similar, but not identical, to the rights available to Ontario investors.

The rights of action for damages or rescission discussed above are in addition to, and without derogation from, any other right or remedy which investors may have at law.

New Brunswick

Section 150 of the *Securities Act* (New Brunswick) provides that where an offering memorandum (such as this Offering Memorandum) contains a Misrepresentation, a purchaser who purchases securities

shall be deemed to have relied on the Misrepresentation if it was a Misrepresentation at the time of purchase and:

- (a) the purchaser has a right of action for damages against
 - (i) the issuer,
 - (ii) the selling security holder on whose behalf the distribution was made;
 - (iii) every person who was a director of the issuer at the date of the offering memorandum;
 - (iv) every person who signed the offering memorandum, or
- (b) if the purchaser purchased the securities from a person referred to in subparagraph (a)(i) or (ii) above, the purchaser may elect to exercise a right of rescission against the person referred to in that subparagraph, in which case the purchaser shall have no right of action for damages against the person.

This statutory right of action is available to New Brunswick purchasers whether or not such purchaser relied on the Misrepresentation. However, there are various defences available to the issuer and the selling security holder(s). One such defence is that no person will be liable for a Misrepresentation if such person proves that the purchaser purchased the securities with knowledge of the Misrepresentation. Moreover, in an action for damages, the amount recoverable will not exceed the price at which the securities were offered under the offering memorandum and any defendant will not be liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the Misrepresentation.

If the purchaser intends to rely on the rights described in (a) or (b) above, such purchaser must do so within strict time limitations. The purchaser must commence an action for rescission within 180 days after the date of the transaction that gave rise to the cause of action. The purchaser must commence its action for damages within the earlier of:

- (a) one year after the purchaser first had knowledge of the facts giving rise to the cause of action; or
- (b) six years after the date of the transaction that gave rise to the cause of action.

Newfoundland and Labrador and Prince Edward Island

In Newfoundland and Labrador, the *Securities Act* (Newfoundland and Labrador) and in Prince Edward Island, the *Securities Act* (PEI) provide a statutory right of action for damages or rescission to purchasers resident in Newfoundland and Prince Edward Island, respectively, in circumstances where an offering memorandum (such as this Offering Memorandum) or an amendment hereto contains a Misrepresentation, which rights are similar, but not identical, to the rights available to Ontario purchasers.

Nova Scotia

The right of action for damages or rescission described herein is conferred by section 138 of the *Securities Act* (Nova Scotia). Section 138 of the *Securities Act* (Nova Scotia) provides, in relevant part, that in the event that an offering memorandum (such as this Offering Memorandum), together with any amendment thereto, or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)) contains a Misrepresentation, the purchaser will be deemed to have relied upon such Misrepresentation if it was a Misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the issuer and, subject to certain additional defences, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, while still the owner of the securities purchased by the purchaser, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer, directors of the issuer or persons who have signed the offering memorandum, provided that, among other limitations:

- (a) no action shall be commenced to enforce the right of action for rescission or damages by a purchaser resident in Nova Scotia later than 120 days after the date on which the initial payment was made for the securities;
- (b) no person will be liable if it proves that the purchaser purchased the securities with knowledge of the Misrepresentation;
- (c) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and
- (d) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

- (a) the offering memorandum or amendment to the offering memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;
- (b) after delivery of the offering memorandum or amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any Misrepresentation in the offering memorandum or amendment to the offering memorandum the person or company withdrew the person's or company's consent to the offering memorandum or amendment to the offering memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum or amendment to the offering memorandum purporting (i) to be made on the authority of an expert, or (ii) 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 that (A) there had been a Misrepresentation, or (B) the relevant part of the offering memorandum or amendment to 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.

Further, no person or company, other than the issuer, will be liable with respect to any part of the offering memorandum or amendment to the offering memorandum not purporting (a) to be made on the authority of an expert, or (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company: (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no Misrepresentation, or (ii) believed that there had been a Misrepresentation.

If a Misrepresentation is contained in a record incorporated by reference into, or deemed incorporated by reference into, the offering memorandum or amendment to the offering memorandum, the Misrepresentation is deemed to be contained in the offering memorandum or an amendment to the offering memorandum.

Ontario

Section 130.1 of the *Securities Act* (Ontario) provides that every investor of Shares pursuant to an offering memorandum (such as this Offering Memorandum) shall have a statutory right of action for damages or rescission against the issuer in the event that the offering memorandum contains a Misrepresentation. An investor who purchases Shares offered by the offering memorandum during the period of distribution has, without regard to whether the investor relied upon the Misrepresentation, a right of action for damages or, alternatively, while still the owner of the Shares, for rescission against the issuer provided that:

- (a) if the investor exercises its right of rescission, it shall cease to have a right of action for damages as against the issuer;
- (b) the issuer will not be liable if they prove that the investor purchased the Shares with knowledge of the Misrepresentation;
- (c) the issuer will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the Shares as a result of the Misrepresentation relied upon; and
- (d) in no case shall the amount recoverable exceed the price at which the Shares were offered.

Section 138 of the *Securities Act* (Ontario) provides that no action shall be commenced to enforce these rights 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 for damages, the earlier of:
 - (i) 180 days after the date that the investor first had knowledge of the facts giving rise to the cause of action; or
 - (ii) three years after the date of the transaction that gave rise to the cause of action.

This Offering Memorandum is also being delivered to Ontario investors in reliance on the exemption from the prospectus requirements contained under section 2.3 of NI 45-106 (the “**accredited investor exemption**”). The rights referred to in section 130.1 of the *Securities Act* (Ontario) do not apply in respect of an offering memorandum (such as this Offering Memorandum) delivered to a prospective investor in connection with a distribution made in reliance on the accredited investor exemption if the prospective investor is:

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

Quebec

If this Offering Memorandum, together with any amendment to it, is delivered to an investor resident in Quebec and contains a misrepresentation that was a misrepresentation at the time of purchase, the investor will be deemed to have relied upon the misrepresentation and will have a statutory right of action against the issuer, the officers and directors of the issuer or any dealer under contract with the issuer for damages or for rescission or revision of the price.

This right of action is subject to the following limitations:

- (a) the right of action for rescission or revision of the price must be exercised within three years of the date of the transaction that gave rise to the cause of action; or, in the case of any action other than an action for rescission or revision of the purchase price, the earlier of: (i) three years after the plaintiff first had knowledge of the facts giving rise to the cause of action unless the delay in knowledge is caused by the negligence of the plaintiff, or (ii) five years after the Offering Memorandum is filed with the *Autorité des marchés financiers*;

- (b) no person or company will be liable if it proves that the investor acquired the Offered Shares with knowledge of the misrepresentation;
- (c) in the case of an action for damages, the officers or directors of the issuer or the dealer under contract with the issuer will not be liable if they acted with prudence and diligence; and
- (d) a defendant may defeat an action based on a misrepresentation in forward-looking information by proving that
 - i. the document containing the forward-looking information contained, proximate to that information,
 - (A) reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information; and
 - (B) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection; and
 - ii. the defendant had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information.

Saskatchewan

Section 138 of *The Securities Act, 1988* (Saskatchewan), as amended (the “**Saskatchewan Act**”) provides that where an offering memorandum (such as this Offering Memorandum) or any amendment to it is sent or delivered to an investor and it contains a Misrepresentation (as defined in the Saskatchewan Act), an investor who purchases an Offered Share covered by the offering memorandum or any amendment to it is deemed to have relied upon that Misrepresentation, if it was a Misrepresentation at the time of purchase, and has a right of action for rescission against the issuer or has a right of action for damages against:

- (a) the issuer;
- (b) every promoter and director of the issuer at the time the offering memorandum or any amendment to it was sent or delivered;
- (c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;
- (d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or the amendment to the offering memorandum; and
- (e) every person who or company that sells Shares on behalf of the issuer under the offering memorandum or amendment to the offering memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

- (a) if the investor elects to exercise its right of rescission against the issuer it shall have no right of action for damages against that party;
- (b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the Shares resulting from the Misrepresentation relied on;
- (c) no person or company, other than the issuer, will be liable for any part of the offering memorandum or any amendment to it 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 failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation or believed that there had been a Misrepresentation;

- (d) in no case shall the amount recoverable exceed the price at which the Shares were offered; and
- (e) no person or company is liable in an action for rescission or damages if that person or company proves that the investor purchased the Shares with knowledge of the Misrepresentation.

In addition, no person or company, other than the issuer, will be liable if the person or company proves that:

- (a) the offering memorandum or any amendment to it 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, that person or company gave reasonable general notice that it was so sent or delivered; or
- (b) with respect to any part of the offering memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a Misrepresentation, the part of the offering memorandum or any amendment to it 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.

Not all defences upon which we or others may rely are described herein. Please refer to the full text of the Saskatchewan Act for a complete listing.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a Misrepresentation in advertising and sales literature disseminated in connection with an offering of Shares.

Section 138.2 of the Saskatchewan Act also provides that where an individual makes a verbal statement to a prospective investor that contains a Misrepresentation relating to the Shares purchased and the verbal statement is made either before or contemporaneously with the purchase of the Shares, the investor is 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 against the individual who made the verbal statement.

Section 141(1) of the Saskatchewan Act provides an investor with the right to void the purchase agreement and to recover all money and other consideration paid by the investor for the Shares if the Shares are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Saskatchewan Financial Services Commission.

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to an investor of Shares to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the investor enters into an agreement to purchase the Shares, as required by Section 80.1 of the Saskatchewan Act.

The rights of action for damages or rescission under the Saskatchewan Act are in addition to and do not derogate from any other right which an investor may have at law.

Section 147 of the Saskatchewan Act provides that no action shall be commenced to enforce any of the foregoing rights 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 other action, other than an action for rescission, the earlier of:
 - (i) one year after the plaintiff 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 action.

The Saskatchewan Act also provides an investor who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act has a right to withdraw from the agreement to purchase the Shares by delivering a notice to the person who or company that is selling the Shares, indicating the investor's intention not to be bound by the purchase agreement, provided such notice is delivered by the investor within two business days of receiving the amended offering memorandum.

General

The foregoing summary is subject to the express provisions of the securities legislation referred to above and the rules, regulations and other instruments thereunder, and reference is made to the complete text of such provisions. Such provisions may contain limitations and statutory defences on which the Corporation may rely.

The statutory rights of action discussed above are in addition to, and without derogation from, any other right or remedy which investors may have at law.

Item 15: Date and Certificate

Dated September 22, 2023.

This offering memorandum does not contain a misrepresentation

On behalf of Equityline Mortgage Investment Corporation

"Sergiy Shchavyelyev"
Chief Executive Officer

"Mark Korol"
Chief Financial Officer

On behalf of the Board of Directors of Equityline Mortgage Investment Corporation

"Robert Kay"
Director

"Sergiy Przhelbelskyy"
Director

On behalf of Equityline Financial Corp. (in its capacity as promoter)

"Sergiy Shchavyelyev"
Chief Executive Officer and Director