



ERIE SHORES  
CAPITAL

# Offering Memorandum

May 1, 2024

LOCAL GROWTH, SUSTAINABLE RETURNS  
RISK-CONSCIOUS INVESTING



## **CONFIDENTIAL OFFERING MEMORANDUM**

**CONTINUOUS PRIVATE PLACEMENT OFFERING**

<b>Date:</b>	May 1, 2024 (the "Offering Date")
<b>The Issuer:</b>	ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION (the "Corporation" or "MIC")
<b>Head Office:</b>	1821 Provincial Road, Suite 201, Windsor, Ontario, N8W 5V2 Telephone: 226-790-0984 Facsimile: 226-620-1040 E-mail: admin@investorsuite.ca Website: www.erieshorescapital.ca
<b>Currently Listed or Quoted:</b>	<b>These securities do not trade on any exchange or market.</b> The Corporation is not currently listed or quoted on any stock exchange.
<b>Reporting Issuer:</b>	No, and a Non-Investment Fund
<b>SEDAR filer:</b>	Yes, but only as required pursuant to Section 2.9 of national instrument policy, 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.
<b>The Offering:</b>	Continuous Private Placement Offering. <b>There is no minimum offering amount.</b>
<b>Securities offered:</b>	Up to 150,000,000 Class A Preferred Shares (also referred to as the " <b>Preferred Shares</b> ")
<b>Price per security:</b>	\$1.00 per Preferred Share.
<b>Minimum/Maximum offering:</b>	<b>There is no minimum offering. You may be the only purchaser.</b> The maximum offering is \$150,000,000 (150,000,000 Preferred Shares). As at the date of this Offering Memorandum, no Preferred Shares have been issued pursuant to the Offering, for aggregate gross proceeds of \$0.00. <sup>1</sup> There can be no assurance that the Corporation will complete the maximum Offering.
<b>Insufficient Funds</b>	<b>Funds available under the offering may not be sufficient to accomplish our proposed objectives. See Section 2.6.</b>
<b>Minimum Subscription amount:</b>	The minimum first subscription amount is \$25,000.00 (25,000 Preferred Shares). However, a higher amount may be required depending on the jurisdiction where you live, and the prospectus exemption relied on within the meaning of applicable securities laws and regulations. In addition, the Corporation has the discretion to

<sup>1</sup>The number of Preferred Shares outstanding does not account for any Preferred Share that were redeemed by the Corporation pursuant to Shareholder requests since inception or any Preferred Shares issued pursuant to the Corporation's Dividend Reinvestment Plan.

waive or change the minimum from time to time so long as it is in compliance with the prospectus exemption relied on. See ITEM 5, Securities Offered, particularly subsection 5.2, Subscription Procedure and subsection 5.3, Statutory Exemptions Relied Upon by the Issuer.

<b>Payment terms:</b>	Certified cheque, bank draft or electronic transfer payable or as advised by the selling agent in full payment of the subscription price for the Preferred Shares subscribed for is due upon execution and delivery of a Subscription Agreement and related subscription documentation. See APPENDIX "A".
<b>Proposed Closing Date(s):</b>	The first Closing was expected to occur on or about May 1, 2024 or such other date as may be determined by the Corporation. Subsequent closings may take place at later dates as may be determined by the Corporation and will be continuous with the ongoing operations of the Corporation.
<b>Tax consequences:</b>	There are important tax consequences to these securities. You should consult your own professional tax advisors to obtain advice respecting the tax consequences applicable to you. See ITEM 7.
<b>Selling Agents:</b>	The Corporation may add or change the Selling Agents in the future, however as of the date herein the Corporation has NOT retained any selling agents, or registered Exempt Market Dealers in Canada.
<b>Underwriter:</b>	None as of the date of this Offering Memorandum.
<b>Resale Restrictions:</b>	You will be restricted from selling your securities for an indefinite period. See ITEM 11.

### **Redemption by the Corporation**

Subject to the *Business Corporations Act (Ontario)* ("OBCA"), the Corporation may redeem all or any part of the then outstanding Preferred Shares upon written notice given by the Corporation to the holders of all Preferred Shares to be redeemed, specifying that such shares are to be redeemed upon payment to each holder of Preferred Shares of the Redemption Price for each Preferred Share held by such holder as indicated on the Corporation's records, plus the pro rata share of any unpaid distributions thereon which have been declared payable but remain unpaid as at the time of calculation of the Redemption Price to the extent same are not otherwise included in the Redemption Price of the share(s) to be retracted. ITEM 5.1 Terms of Securities – *Redemption by the Corporation*

### **Conditions on Repurchases**

**You will have a right to require the issuer to repurchase the securities from you, but this right is qualified by the Corporation's articles of incorporation and described below. As a result, you might not receive the amount of proceeds that you want. See ITEM 5.1.**

### **Retraction Right by the Holder of Preferred Shares**

Subject to the OBCA and the Corporation's articles of incorporation, holders of Preferred Shares may retract their Preferred Shares by delivering a Retraction Notice for an amount equal to the Retraction Payment after the first twelve (12) months from the date such Preferred Shares were issued. The retraction payment amount for a retraction of Preferred Shares will be the Redemption Price of the Retraction Share, calculated as at the end of business on the

Business Day immediately preceding the Retraction Date (as defined below), plus the pro rata share of any dividend distributions declared on such Retraction Share which have accrued up to and including the Retraction Date, to the extent same are not included in the calculation of the Redemption Price and remain unpaid (the "Retraction Payment") less the retraction fees if any. Should the Corporation waive the minimum twelve (12) month hold period, an early retraction redemption fee may apply to the Redemption Price if redeemed within the first twelve (12) months.

Should the Corporation waive the minimum twelve (12) month hold period, an early retraction redemption fee may apply, being 4.0% of the Redemption Price if Preferred Shares are retracted within the first twelve (12) months of the issuance of Preferred Shares.

No redemption fees shall apply if retracted after the first twelve (12) months. However, the board of directors, in their sole and absolute discretion may waive or reduce any redemption fees, or remove any restrictions. The holders of Preferred Shares may retract their shares, without penalty or reduction, at any time after the date that is one (1) year from the date of issuance of such Preferred Shares.

Upon acceptance by the directors of the Corporation of the Retraction Notice and the retraction request, the Retraction Notice will thereafter be irrevocable by the holder without the consent of the Corporation and the Preferred Shares specified therein (the "Retraction Shares") shall be considered to be tendered for retraction as at the acceptance date (the "Notice Date"). The holder of the Retraction Shares shall continue to have all of the holder's rights as a shareholder in respect of each Retraction Share until the Retraction Payment (as defined below) for that Retraction Share has been paid in full.

The payment for a retraction of Preferred Shares will be the Redemption Price of the Retraction Share, calculated as at the end of business on the Business Day immediately preceding the Retraction Date (as defined below), plus the pro rata share of any dividend distributions declared on such Retraction Share which have accrued up to and including the Retraction Date, to the extent same are not included in the calculation of the Redemption Price and remain unpaid (the "Retraction Payment") less the redemption fees if any.

Subject to certain limitations, on the last day of the calendar month (or the next following Business Day if the last day of the calendar month falls on a day that is not a Business Day) which is 3 full months following the month in which the Notice Date falls or such earlier date as determined by the directors of the Corporation in their sole discretion (the "Retraction Date"), the Corporation will redeem the Retraction Shares.

Subject to the directors of the Corporation right to extend the time for payment of any Retraction Payment if in their sole discretion the directors of the Corporation determine that such payment would be prejudicial to the interests of the remaining shareholders of the Corporation, or that in the same calendar quarter the redemption limit of redemption requests totaling nine percent (9%) of the Preferred Shares outstanding has been reached, and any limitations on the payment of the Retraction Payment set out in these redemption provisions, the Retraction Payment, less any reductions, amounts, redemption fees or other fees payable in respect of the Retraction Share, will be paid on within ten (10) Business Days of the Retraction Date.

Notwithstanding any other provision herein, the aggregate amount of the Retraction Payments that the Corporation is obliged to make on or in respect of each Retraction Date is limited to an amount that is equal to 85% of the aggregate Redemption Price of all Preferred Shares to be retracted calculated as at the first day of the month in which the Retraction Date falls. Such aggregate amount of Retraction Payments includes amounts payable to shareholders who have previously tendered their Preferred Shares for retraction and the Retraction Payment for which has not been paid in full as of that Retraction Date. Retraction Shares will be retracted and Retraction Payments will be paid in order of

receipt of Retraction Notices or *pari passu* if, in their sole discretion, the directors of the Corporation determine that *pari passu* would be better suited to the interests of the shareholders or the operations of the Corporation, on the next following Retraction Dates, or such earlier dates as determined by the directors of the Corporation in their sole discretion, until the Retraction Payment for such shares has been paid in full.

Notwithstanding any other provision herein, the directors of the Corporation may, in their sole discretion at any time and from time to time suspend the retraction feature in respect of any or all of the Preferred Shares for such period of time as the directors of the Corporation determine, in their sole discretion, that: (a) conditions exist which render imprudent or impractical the Corporation's ability to obtain the cash on hand required to make any or all Retraction Payments; or (b) the suspension is in the best interests of the shareholders of the Corporation as a whole; or (c) the retraction would disqualify the Corporation as a mortgage investment corporation under the Income Tax Act (Canada). The suspension may, in the sole discretion of the directors of the Corporation, apply to Preferred Shares tendered for retraction prior to the suspension but as to which payment in full has not been made, as well as to Preferred Shares tendered for retraction while the suspension is in effect. Any declaration of suspension by the directors of the Corporation is conclusive.

A shareholder may, with the consent of the Corporation, which may be given or withheld in its sole discretion, withdraw its retraction request and revoke its Retraction Notice by providing written notice to the Corporation.

Notwithstanding any other provision herein, the directors of the Corporation may, but are not obliged to, in their sole discretion at any time and from time to time waive or alter the amount or payment of a fee or discount, or the reduction or limitation of any Retraction Payment, on any terms and conditions they so determine for any particular retraction request.

The amount payable in respect of Retraction Shares will be paid by direct deposit or cheque, drawn on a Canadian chartered bank or trust company in lawful money of Canada, payable at par to, or deposited to the account of, the registered holder of such shares. Such payments made by the Corporation are conclusively deemed to have been made when deposited by direct deposit or upon the mailing of a cheque in a postage pre-paid envelope addressed to the payee at the last address of the payee shown in the records of the Corporation or the address of the payee provided to the Corporation by the registered holder at the time, unless such cheque is dishonoured upon presentment. Upon such payment as set out above, the Corporation and its directors, officers, manager and employees shall be discharged from all liability to the former holder in respect of the shares so retracted.

Notwithstanding any other provision herein, the directors of the Corporation will not approve any retraction of any Preferred Shares that would result in the Corporation ceasing to meet the qualifications of a mortgage investment corporation as defined for the purposes of the Income Tax Act (Canada). Furthermore, substantial shareholders holding more than 15% of the total number of Preferred Shares outstanding, will be limited to retracting no more than 20% every six months from the Notice Date. See ITEM 5.1 Terms of Securities - Retraction at the Option of the Holder.

#### **Purchaser's Rights**

You have two (2) business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to damages or to cancel the agreement. See ITEM 12.

**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 8.**

## APPENDICES

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

**Appendix "A"** - Subscription Agreement and its schedules and exhibits

## GENERAL DISCLAIMERS

The information contained in this Offering Memorandum is intended only for the persons to whom it is transmitted for the purposes of evaluating the securities offered hereby. Prospective investors should only rely on the information in this Offering Memorandum. No persons are 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.

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

**THIS IS A SPECULATIVE OFFERING. An investment in the securities must be regarded as highly speculative due to the nature of the Corporation's business and its relatively early stage of development.** Purchasers must rely on the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation. The securities are suitable only for purchasers who are able to accept the risks inherent in the Corporation's business. In addition, there are a number of other risk factors that should be considered by persons proposing to make an investment in the securities. **Purchasers should consult their own professional advisors to assess the income tax, legal and other aspects of the investment. See ITEM 8.**

## FORWARD LOOKING STATEMENTS

Certain statements contained in this Offering Memorandum constitute forward-looking statements. These statements relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", "budget", "plan", "forecast", "potential", "intend" and similar expressions are intended to identify forward-looking statements. These statements speak only as of the date of this Offering Memorandum and 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. In particular, this Offering Memorandum contains forward-looking statements, pertaining to the Corporation's ability to procure appropriate investments, such as residential mortgages in Canada, to earn the same or similar returns illustrated herein, particularly interest income, on the basis that its investment portfolio summary included in this Offering Memorandum continues to perform without disruption or other circumstances.

Although management of the Corporation believes that the expectations reflected in such forward-looking statements are reasonable and represent the Corporation's expectations and belief at this time, such statements involve known and unknown risks and uncertainties which may cause the Corporation's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, including interest rates, business competition, changes in government regulations or in tax laws, in addition to those factors discussed or referenced in "*ITEM 7: Risk Factors*". These factors should not be considered exhaustive. Many of these risk factors are beyond the Corporation's control and each contributes to the possibility that the forward-looking statements will not occur or that actual results, performance or achievements may differ materially from those expressed or implied by such statements. The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these risks, uncertainties and factors are interdependent and management's future course of action depends upon our assessment of all information available at that time.

The forward-looking statements made herein relate only to events or information as of the date of this Offering Memorandum and are expressly qualified by this cautionary statement. Except as required by law, the Corporation undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

### **OM MARKETING MATERIALS**

Any marketing materials included or in relation to this Offering Memorandum or as otherwise provided ("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 investor before the termination of such distribution will be, and will be deemed to be, incorporated by reference into this Offering Memorandum, provided that any OM Marketing Materials to be incorporated by reference into this Offering Memorandum is not part of the Offering Memorandum to the extent that the contents of such OM Marketing Materials have been modified or superseded by a statement contained in an amended and restated Offering Memorandum or OM Marketing Materials subsequently delivered or made reasonably available to a prospective investors prior to the execution of the subscription agreement by the investor. 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.

### **CURRENCY**

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

## TABLE OF CONTENTS

DEFINITIONS.....	
ITEM 1 USE OF AVAILABLE FUNDS.....	1
ITEM 2 BUSINESS OF THE CORPORATION.....	2
ITEM 3 INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS.....	10
ITEM 4 CAPITAL STRUCTURE.....	13
ITEM 5 SECURITIES OFFERED.....	13
ITEM 6 REPURCHASE REQUESTS.....	18
ITEM 7 INCOME TAX CONSEQUENCES.....	18
ITEM 8 COMPENSATION PAID TO SELLERS AND FINDERS.....	21
ITEM 9 RISK FACTORS.....	23
ITEM 10 REPORTING OBLIGATIONS.....	28
ITEM 11 RESALE RESTRICTIONS.....	29
ITEM 12 PURCHASER'S RIGHTS.....	30
ITEM 13 DIVIDEND REINVESTMENT PLAN.....	32
ITEM 14 FINANCIAL STATEMENTS.....	34
ITEM 15 DATE AND CERTIFICATE .....	35
APPENDIX "A": SUBSCRIPTION AGREEMENT FOR PREFERRED SHARES (THE "SUB").....	1
SCHEDULE "C" TO SUB: REPRESENTATION LETTER ELIGIBLE INVESTOR RE OM.....	28
SCHEDULE "D" TO SUB: REPRESENTATION LETTER NON-CANADIAN.....	33
SCHEDULE "E" TO SUB: REPRESENTATION LETTER FAMILY, FRIENDS, BUSINESS ASSOCIATES.....	35
SCHEDULE "F" TO SUB: REPRESENTATION LETTER MINIMUM AMOUNT.....	40
SCHEDULE "G" TO SUB: ENROLMENT FORM FOR DIVIDEND REINVESTMENT PLAN.....	44
SCHEDULE "H" TO SUB: ENROLMENT FORM FOR DIRECT DEPOSIT.....	45
SCHEDULE "I" TO SUB: CONSENT TO DISCLOSURE OF PERSONAL INFORMATION.....	46
SCHEDULE "J" TO SUB: CONSENT TO ELECTRONIC DELIVERY OF DOCUMENTS.....	47

## DEFINITIONS

In this Offering Memorandum, unless the context otherwise requires, capitalized words and phrases shall have the meaning set forth below.

**"Accountants"** means, as of the Offering Date, Levy Consulting, Accounting & Tax Chartered Professional Accountants, or as otherwise appointed by the board of directors of the Corporation from time to time;

**"affiliate** and **"associate"** each have the meaning ascribed thereto by the *Securities Act (Ontario)* and means generally under common ownership;

**"Agency Agreement"** means the agency agreement between a registered exempt market dealer and the Corporation. As of the date of this Offering Memorandum, the Corporation has NOT retained the services of the Selling Agent, as hereinafter defined, a registered exempt market dealer, and has therefore not entered into an agency agreement between the Corporation and the Selling Agent;

**"Applicable Securities Laws"** means, collectively, all applicable securities laws of the Selling Jurisdictions and the respective regulations, rules, policies and orders thereunder together with all applicable published orders and rulings of the Securities Regulatory Authorities in such jurisdictions;

**"Business Day"** means any day other than Saturday, Sunday or a day on which banking institutions in Toronto, Ontario are authorized or obligated to close;

**"CDIC"** means Canada Deposit Insurance Corporation;

**"Closing"** means the day or days upon which the securities are issued to the Subscribers pursuant to the Offering;

**"Closing Date"** means the closing of the Preferred Shares offered hereby, which it is anticipated to occur on or about May 1, 2024 or such later or earlier date(s) as may be determined by the Corporation and on a continuing basis thereafter in accordance with the operations of the Corporation;

**"CMHC"** means the Canada Mortgage and Housing Corporation;

**"Commercial Mortgages"** means mortgages that are principally secured by multi-family housing projects, residential land developments and income-producing properties that have retail, commercial, service, office and/or industrial uses;

**"Common Share"** or **"Common Shares"** means, respectively, one or more common voting shares in the capital of the Corporation;

**"Corporation"** or **"MIC"** means Erie Shores Capital Mortgage Investment Corporation, a corporation incorporated under the laws of the Province of Ontario;

**"First Mortgage"** means a mortgage having first priority over all other security interests registered against the same real property used to secure such mortgage. The maximum loan-to-value ratio ("LTV") for any particular mortgage investment will vary depending on a number of factors including the location and marketability of the property and appraisal by a Qualified Appraisal and the condition of the property;

**"Investor Services"** shall have the meaning ascribed thereto under *"ITEM 2 - Business of the Corporation – Our Business – Management and Mortgage Services Agreement"*;

**"Management and Mortgage Services Agreement"** means the Management and Mortgage Services Agreement dated May 1, 2024 between the Corporation and the Manager;

**"Manager"** means Investor Suite Inc., a corporation incorporated under the laws of Ontario (FSRA Administrator Licence #13563);

**"MIC"** means a mortgage investment corporation as defined in subsection 130.1(6) of the Tax Act;

**"Mortgage Loans"** means mortgages granted to the Corporation, Manager or their affiliates, as security for loans by builders, developers and owners of commercial and residential real estate located in Canada;

**"NHA"** means the National Housing Act (Canada), as amended from time to time;

**"NI 45-106"** means National Instrument 45-106 - *Prospectus Exemptions*, as may be amended from time to time;

**"OBCA"** means the *Business Corporations Act* (Ontario), as amended from time to time;

**"Offering"** means the offering of Preferred Shares described herein and any amendment hereto;

**"Offering Memorandum"** means this confidential offering memorandum, including any amendment hereto or thereto;

**"Person"** means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company, corporation, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted;

**"Preferred Share"** or **"Preferred Shares"** means, the Class A Preferred Shares in the capital of the Corporation;

**"Qualified Appraisal"** means a home appraisal (full, drive-by, or virtual) conducted by an AACI, CRA, or AIC approved appraiser approved by the Manager (a **"Qualified Appraiser"**) or an opinion of value in conjunction with a site visit, both of which shall be conducted by the Manager or a qualified agent of the Manager. In the event an appraisal conducted is not a "full" appraisal, a site visit of the property must be conducted and photographed by the Manager or authorized agent of the Manager;

**"Redemption Price"** shall have the meaning ascribed thereto in Section 5.1;

**"Resident"** means a Person (other than a partnership) that is resident in Canada for the purposes of the Tax Act, and a "Canadian partnership" as defined in the Tax Act;

**"Residential Mortgages"** means mortgages that are principally secured by mortgage registrations on residential property titles or residential leaseholds;

**"Second Mortgage"** means a second priority mortgage for which the principal amount, at the time of commitment, falls subsequent to the first mortgage having priority on the same real property secured by such second mortgage. The maximum LTV for any particular mortgage investment will vary depending on a number of factors including the location and marketability of the property and a Qualified Appraisal by a Qualified Appraiser and the condition of the property;

**"Securities Regulatory Authorities"** means, collectively, the securities commissions or similar securities regulatory authorities in the Selling Jurisdictions;

**"Selling Agent" or "Selling Agents"** means as of the date herein, the Corporation has not retained the services of a selling agent or registered dealer such as an exempt market dealer;

**"Selling Jurisdictions"** means as applicable, the Provinces of Alberta, British Columbia, Saskatchewan, Manitoba and Ontario, and such other jurisdictions in Canada;

**"SEDAR"** means the System for Electronic Document Analysis and Retrieval;

**"Stock Exchange"** means any prescribed stock exchange upon which the securities of the Corporation may become listed and posted for trading;

**"Subscriber"** means a subscriber for Preferred Shares pursuant to this Offering;

**"Subscription Agreement"** means the form of subscription agreement for Preferred Shares accompanying this Offering Memorandum;

**"Subscription Price"** means the subscription price of \$1.00 per Preferred Share as determined by the Corporation;

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

**"Third Mortgage"** means a third priority mortgage for which the principal amount, at the time of commitment, falls subsequent to the first and second mortgage having priority on the same real property secured by such third mortgage. The maximum LTV for any particular mortgage investment will vary depending on a number of factors including the location and marketability of the property and an appraisal by a qualified appraiser and the condition of the property;

**""United States"** means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;

**"U.S. Securities Act"** means the United States Securities Act of 1933, as amended; and

**"\$"** means Canadian Dollar.

## ITEM 1 USE OF AVAILABLE FUNDS

### 1.1 Funds

The following table discloses the net proceeds of the Offering after deduction of the costs associated with the Offering:

		Assuming Minimum Offering	Assuming Maximum Offering
A	Amount to be raised by this Offering	\$0	\$150,000,000
B	Selling commissions and fees	N/A	\$0 <sup>(1)(2)</sup>
C	Estimated Offering costs (e.g. legal, accounting, audit and marketing)	N/A	\$50,000
D	Available funds: D = A - (B+C)	N/A	\$149,950,000
E	Additional Sources of Funding Required	N/A	\$0
F	Working Capital Deficiency	N/A	\$0
G	Total: G=(D+E)-F	N/A	\$149,950,000

**Note:**

(1) The Preferred Shares may be distributed through various registered dealers such as exempt market dealers in various provinces of Canada. As of the date of this Offering Memorandum, we are able to estimate that these dealers may be paid selling commissions of up to 5% of the subscription price of the Preferred Shares (not including any set up fees or applicable taxes such as harmonized sales taxes in Ontario). Any other fees payable to such dealers will be paid directly by the contracted dealer with the Corporation or on behalf of the exempt market dealers generate under the Agency Agreement. Furthermore, as of the date of this Offering Memorandum the appointed dealers, if any, are as listed above in the summary page under Selling Agents, and as referred to in the above definition for Agency Agreement, if any, and as further explained under ITEM 7 – Compensation Paid to Sellers and Finders, if any.

**A sales commission (or fee) will not be payable to the Issuer when you purchase Preferred Shares. However, if you acquire Preferred Shares through a registered dealer, that is not a Selling Agent of the Issuer, then your dealer may charge you a sales commission or fee at a rate to be negotiated between you and your dealer.**

### 1.2 Use of Available Funds

The Corporation will use all available funds to develop the business of the Corporation by investing in mortgage investments in accordance with the policies and guidelines set out under "ITEM 2 - Business of the Corporation – Our Business".

Description of intended use of available funds in order of priority	Assuming Minimum Offering	Assuming Maximum Offering
Investing in residential and commercial mortgage investments and loans secured by real estate property located in Canada <sup>(1)</sup>	\$0	\$149,950,000
<b>TOTAL</b>	<b>\$0</b>	<b>\$149,950,000</b>

**Note:**

(1) From time to time, funds that are not invested in residential and commercial mortgage investments and

loans will be placed in short term deposits, bank deposit accounts, GICs, and CDIC insured investments.

### **1.3     Proceeds Transferred to Other Issuers**

*{NTD: If a significant amount of the proceeds of the offering will be invested in, loaned to, or otherwise transferred to another issuer that is not a subsidiary controlled by the issuer, provide the disclosure specified by items 2, 3, 4.1, 4.2, 10 and 14 and, as applicable, Schedule 1 of this form if the other issuer is engaged in real estate activities, and Schedule 2 of this form if the other issuer is a collective investment vehicle, as if each of those other issuers were the issuer preparing the offering memorandum. In addition, describe the relationship between the issuer and each of those other issuers, and supplement the description with a diagram.}*

### **1.4     Working Capital Deficiency**

As at the date of this Offering Memorandum, the Corporation does not have a working capital deficiency.

## **ITEM 2           BUSINESS OF THE CORPORATION**

### **2.1     Structure**

The Corporation was incorporated under the laws of the Province of Ontario on March 18, 2024.

The head and principal office of the Corporation is located at 1821 Provincial Road, Suite 201, Windsor, Ontario, N8W 5V2 and its registered office is located at 1821 Provincial Road, Suite 201, Windsor, Ontario, N8W 5V2.

The Corporation is not a reporting issuer in any jurisdiction and none of its securities are listed for trading on any Stock Exchange.

### **2.2     Our Business**

#### ***General***

The Corporation intends to qualify and carry on business as a Mortgage Investment Corporation (MIC) under the Tax Act. This effectively will enable the Corporation to operate as a tax-free "flow through" conduit of profit to its shareholders since it does not pay income taxes on net earnings from which dividends are paid and so long as all of the income is distributed to its shareholders by its fiscal year end or soon after.

Our business objective is to obtain a secure stream of income by optimizing its investment portfolio within the MIC criteria mandated by the Tax Act. These criteria provide, among other things, that one of the primary investments a MIC may make is Mortgage Loans secured by residential properties or leaseholds.

Our primary business is earning income through investing in mortgages. There is an established need for real estate mortgage financing that is not readily provided by banks, trust companies, credit unions and other traditional lenders. Short term mortgage financing is a continuing need of individuals, builders and real estate developers and because of their need for flexibility and quick response, they often require the services of private lenders and organizations such as the Corporation.

Our income will primarily consist of our portion of the interest or distributions generated from our investments. As a MIC, we are allowed to deduct dividends that we pay from our income. Subject to such working capital or reserve requirements as the directors of the Corporation determine are necessary or desirable from time to time to meet the current and future expenses, liabilities, commitments and obligations of the Corporation and for the conduct, promotion and protection of the business and activities of the Corporation, its assets and shareholders, the Corporation currently intends to distribute to its shareholders substantially all of its net income and net realized capital gains as dividends within the time period specified in the Tax Act with the result that we will not pay any income tax.

Our mortgage portfolio will mainly consist of residential mortgages with the option of commercial financing.

We will enter into First Mortgage, Second Mortgage and Third Mortgage agreements with qualified mortgagors with such mortgages to be secured by the mortgagors' equity in residential and commercial properties and the terms of such mortgages will be consistent with terms of conventional mortgages having the usual and necessary provisions to constitute a full mortgage in good standing, properly registered in the appropriate Land Titles Offices and having

real property as the primary security for the mortgages. We will give priority to higher interest rate mortgages to prospective mortgagors who cannot obtain mortgage funding through more conventional sources. On a case by case basis mortgages may be secured against more than one property as cross collateral to secure our priority and equity.

We may purchase interests in syndicated mortgages in which we participate with one or more lenders. Syndication may be on a *pari passu* basis or on a subordinated basis or on a preferred basis. Participating in syndicated mortgages reduces our investment and corresponding exposure in any one mortgage investment.

A syndicated mortgage investment may also be structured as a securitized mortgage. We may create securitized mortgages in its existing established markets and in lower rate markets. The lower rate market is comprised of projects which, because of their features and market conditions have lower perceived risk and; accordingly, are funded at lower interest rates. In order to take advantage of this lower rate market, we may syndicate these mortgages by offering priority and subordinated investment positions in the mortgage and fixing the rate of return for each position, thereby creating a securitized mortgage. Each position within a securitized mortgage will have a different fixed rate of return going from a lower rate for the first position to higher rates on a graduated basis for the subordinate positions and a different priority position in respect of payments of interest, other distributions and returns of capital. The Manager will have sole discretion to set and adjust the fixed rates of return for all participating interests it offers in securitized mortgages and may adjust the rates offered from time to time or at regular intervals to meet changing circumstances. The Manager may also enter into agreements with securitized mortgage participants from time to time setting and governing priorities and the relationship among the participants. If we invest in securitized mortgages offered by the Manager, we will invest in a position in the mortgage that conforms with our investment policies at the time.

The Manager may generate additional revenue, including bonuses, due diligence charges, lending fees, administrative set up fees, renewal (mortgage extension) and discharge fees, mortgage guarantees and mortgage stand-by fees.

The Tax Act's MIC criteria permit revenue sources other than mortgages, including, among other things, equity investments in real estate and investments in stocks and securities of Canadian companies. Notwithstanding our ability to invest in the array of investments allowed under the Tax Act, it is our policy to invest its non-CDIC (e.g. bank deposit) holdings in mortgages secured by Canadian real estate property, primarily residential real estate property. A MIC's only permitted undertaking under the Tax Act criteria is the investing of its funds, and it is specifically prohibited from managing or developing real property.

To the extent that our funds are not invested in mortgages from time to time, they will be held in cash deposited with a Canadian chartered bank or will be invested in short term deposits, savings accounts or government guaranteed income certificates so that we maintain a level of working capital for its ongoing operations considered acceptable by the directors of the Corporation.

We have exclusively appointed the Manager under the Management and Mortgage Services Agreement to use its reasonable efforts to originate, source or arrange for us eligible investments that meet our investment policies at the time we initially invest. We will not actively employ resources to actively seek or originate mortgages for investment and relies exclusively on the expertise of the Manager for a regular flow of investment opportunities. See "*ITEM 2 - Business of the Corporation – Our Business - Management and Mortgage Services Agreement*".

We have also appointed the Manager as our investment fund manager and mortgage administrator pursuant to the Management and Mortgage Services Agreement. The Manager will be responsible for managing our business, operations and affairs but will not provide advice with respect to our mortgage investment portfolio. See "*ITEM 2 - Business of the Corporation – Our Business - Management and Mortgage Services Agreement*".

We intend to conduct business principally in the Province of Ontario. However, we may expand our business into other provinces, and if so we will apply, if necessary, to become registered under corporate and applicable mortgage brokering legislation to carry on business as a MIC in such provinces, unless an exemption is available that would allow us to continue our operations without disruption. As of the date herein, the MIC is not licensed as a mortgage brokerage or mortgage administrator under the *Mortgage Brokerages, Lenders and Administrators Act* of Ontario, and intends to rely on the exemption from licensing as a mortgage brokerage pursuant to Ontario Regulation 407/07 section 15, whereby the MIC shall carry on business as a mortgage lender solely through a licensed mortgage brokerage, such as Mortgage Powered Financial Group, with license number #13720. Furthermore, the MIC does not intend to manage or administer mortgages that are not on its own behalf, and therefore is not required to hold a mortgage administrator licenses.

#### ***Investment Policies and Business Development***

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

- (a) property type and geographical diversification;
- (b) short term loans, intermediate term loans and long-term loans;
- (c) payment schedules primarily of interest only; and
- (d) loans in Canadian dollars on primarily Canadian based real estate.

### ***Operating Policies***

We have established certain restrictions on investments that may be made by us as follows:

1. We may invest only in Residential Mortgages and Commercial Mortgages. Investments will be made by purchasing interests in mortgages offered for sale by the Manager.
2. We will invest primarily in First Mortgages, and Second Mortgages.
3. A First Mortgage may not exceed 80% of the appraised value of the underlying real property securing the mortgage, as determined by a Qualified Appraiser and calculated at the time of commitment.
4. A Second Mortgage may not exceed 80% (in certain circumstances from time to time) of the appraised value (net of any First Mortgage) of the underlying real property securing the mortgage, as determined by a Qualified Appraiser and calculated at the time of commitment.
5. A Third Mortgage may not exceed 80% (in certain circumstances from time to time) of the appraised value (net of any First and Second Mortgages) of the underlying real property securing the mortgage, as determined by a Qualified Appraiser and calculated at the time of commitment.
6. Mortgages in which we invest may contain clauses permitting the mortgagor, when not in default, to renew the mortgage for additional terms at the sole discretion of the Manager and not the borrower.
7. We may participate in mortgages on a syndication basis.

### ***Investment Guidelines***

In addition, we have established the investment guidelines set out below that are consistent with the provisions of the Tax Act and real estate legislation applicable to us. See "*ITEM 6 - Income Tax Consequences and RRSP Eligibility*".

1. Our only undertaking will be to invest our funds in accordance with its investment objectives, strategies and restrictions.
2. All mortgages will, following funding, be registered on title to the subject property in the Corporation's name, the Manager's name, or its affiliates, or a nominee for the Corporation, such as the Manager.
3. All mortgage investments will be made initially in established or developing areas in the Provinces of Ontario.
4. We will attempt to maintain at least 50% of our assets in investments in mortgages over residential real estate or residential leaseholds in Canada.
5. No more than 25% of our assets will be invested in mortgages over commercial and industrial real estate.
6. We will aim to invest in mortgages on properties for which we have reviewed and evaluated an independent appraisal or Qualified Appraisal.
7. If the independent appraisal reports an appraised value for the real property securing the mortgage other than on an "as is basis", we will advance funds under a loan by way of progress payments upon completion of specified stages of construction or development supported by receipt of reports of professionals, architects or quantity surveyors, as applicable, or upon completion of other specified milestones.
8. So long as we are able to, or have qualified as a MIC, we will not make any investment that would result in us failing to qualify as a MIC or which investment would impair our status as a MIC.
9. Subject to paragraph 13 below, we will not invest in securities, guaranteed investment certificates or treasury bills unless such securities, guaranteed investment certificates or treasury bills are issued by an arm's-length

party and are pledged as collateral in connection with mortgage investments or obtained by realizing on such collateral.

10. We will not invest for the purposes of exercising control over management of any company.
11. We will not make short sales of securities or maintain a short position in any securities.
12. We will not guarantee the securities or obligations of any person.
13. To the extent that our funds are not invested in residential and commercial mortgage investments and bridge loans, the funds will be placed in short term investments so as to maintain a level of working capital for our ongoing operations considered acceptable by our directors.

If, due to a change in the provisions of the Tax Act or other legislation applicable to us, any of the foregoing restrictions require amendment in order to comply with such change in legislation, our directors may make such change and such change will be binding on us. In addition, the foregoing restrictions may be changed at any time (so long as such change complies with applicable legislation) if the change is approved by a special resolution (as such term is defined in the OBCA) of our shareholders.

#### ***Investment Portfolio***

As of the date of this Offering Memorandum, the Corporation has investments and therefore a summary of the Corporation's investments is available for review (the "Portfolio").

#### ***Management and Mortgage Services Agreement***

Under the Management and Mortgage Services Agreement, we have appointed the Manager to directly or indirectly, originate, source or arrange investments for acquisition by us on a fully serviced basis, as our administrator. The Manager has agreed to this appointment and in connection therewith will be required, among other things, to:

- use its reasonable efforts to originate, source or arrange investments for acquisition by us; and
- in connection with those investments acquired by us:
  - i. service and administer the investments and/or retain third party managers to service and administer the investments, including holding our interest in an investment as nominee and bare trustee for and on our behalf, subject to receipt of funds, completing progress or other advances under an investment, monitoring an investment, including tracking the status of outstanding payments, grace periods and due dates, and the calculation and assessment of other applicable charges relating to an investment, making reasonable efforts to collect all payments on account of principal or interest or other distributions payable on an investment and causing the borrower to perform its obligations under the investment, maintaining records and accounts in respect of each investment, remitting to us all amounts received on account of our interest in an investment, and on a monthly basis forwarding to us a monthly report in respect of all of our investments being serviced by the Manager;
  - ii. investigate, select and conduct relations with borrowers, lenders, consultants, lawyers and other mortgage and investment participants, such as custodians, collection agents, insurers, managers, administrators, servicers and builders and developers; to employ, retain and supervise such persons and the services performed or to be performed by such persons and to substitute any such party or itself for any other such party or for itself;
  - iii. provide those services as may be required relating to the collection, handling, prosecuting and settling of any claims in respect of our investments, including foreclosing and otherwise enforcing mortgages and other liens and security interests securing our investments;
  - iv. act on our behalf as our nominee or agent in connection with acquisitions or dispositions of our investments, the execution of deeds, mortgages or other instruments in writing for or on our behalf and the handling, prosecuting and settling of any claims relating to our investments;
  - v. deliver to us reports from time to time and provide any other information or documentation relating to the administration and servicing of such of our investments as we may reasonably request; and
  - vi. generally perform such other acts as a commercial mortgage loan administrator would perform in the administration of our investments.

The Manager has agreed to fulfill the role and provide the services set out in the Management and Mortgage Services Agreement, including the Investor Services (as defined below), in an honest and diligent manner, in good faith and to the best of its ability. The Manager has further agreed to service our investments or cause a third party to service our

investments in the same manner, and with the same care, skill, prudence and diligence, with which it services and administers its current mortgage loans, giving due consideration to customary and usual standards of practice employed by commercial mortgage loan administrators with respect to loans comparable to our investments and to exercise reasonable business judgment in accordance with applicable law to maximize recovery under our investments. The Manager will at all times comply with all laws, rules, regulations, ordinances, policies and guidelines applicable to the Manager and the Corporation, including obtaining and maintaining all necessary licenses, permits, consents and approvals under all applicable federal and provincial laws which are necessary or which may from time to time be required to permit the Manager to perform its obligations to the Corporation. However, without our specific authorization or unless specified in the Management and Mortgage Services Agreement, the Manager does not have the power to and will not enter into agreements or arrangements creating obligations of the Corporation.

Under the Management and Mortgage Services Agreement, the Manager is responsible for all of its internal costs incurred in originating, sourcing, arranging and offering investments for sale to us. We are responsible for our taxes, legal, accounting, audit, operating, offering, management, servicing and administration fees and expenses, and fees and expenses associated with the acquisition, registration, disposition, holding, collection and enforcement of our investments.

Pursuant to the Management and Mortgage Services Agreement, the Manager is allowed to engage such persons as the Manager deems appropriate in connection with its performance of the services and to delegate any of its powers and duties under the Management and Mortgage Services Agreement, provided that the Manager has agreed to at all times monitor the activities of such persons and be at all times responsible for the performance of such services, powers and duties in a manner consistent with the Management and Mortgage Services Agreement.

The Manager shall not be liable in any way for any default, failure or defect in any of our investments if it has satisfied the duties and standard of care, diligence and skill set forth in the Management and Mortgage Services Agreement. However, the Manager shall be liable to us for any loss, damage, claim, cost charge, expense or liability resulting from the Manager's willful misconduct, bad faith, negligence or disregard by the Manager of the Manager's duties or standard of care, diligence and skill prescribed by the Management and Mortgage Services Agreement or a material breach or default of the Manager's obligations under the Management and Mortgage Services Agreement.

In addition, whether the claim be in tort, contract or otherwise, the Manager will only be liable to us for actual damages incurred by us and only to the extent that such actual damages are equal to or less than the amount paid to the Manager under the Management and Mortgage Services Agreement and the Manager shall not be liable to us for any consequential, special, indirect, incidental, exemplary, punitive or similar damages, or lost profit or revenue, or failure to realize expected benefits, capital, revenues, income, profits or savings, relating to the provision or conduct by the Manager of its services, duties and obligations under the Management and Mortgage Services Agreement.

If, notwithstanding the provisions of the Management and Mortgage Services Agreement, the Manager or any of its directors, officers, employees, consultants or agents shall be held personally liable as such to any other person in respect of any debt, liability or obligation incurred by or on behalf of us, or, subject to the provisions of the Management and Mortgage Services Agreement, any action taken or omitted or in connection with our affairs, the Manager and its directors, officers, employees, consultants or agents shall be entitled to indemnity and reimbursement out of our property and assets to the full extent of such liability and the costs of any litigation or other proceedings in which such liability shall have been determined, including without limitation, the fees and disbursements of counsel. The Manager has agreed that it shall only look to our property and assets for satisfaction of any claims arising out of or in connection with the Management and Mortgage Services Agreement.

The Management and Mortgage Services Agreement is for an indefinite term. The Management and Mortgage Services Agreement may be terminated by either party immediately in the event of: (i) the commission by either party of any fraudulent act; (ii) either party becomes bankrupt, insolvent or makes a general assignment for the benefit of its creditors; (iii) conviction of either party for a criminal offence; (iv) conduct by either party that is materially damaging to the other party and contrary to the terms of the Management and Mortgage Services Agreement; (v) material breach of the Management and Mortgage Services Agreement by a party; (vi) material misrepresentation by a party; or (vii) material failure by a party to perform its duties as described in the Management and Mortgage Services Agreement within ten days of written notice by the other party.

The Management and Mortgage Services Agreement may also be terminated at any time by the Corporation on 30 days' written notice or at any time by mutual consent in writing. In addition, the Manager may resign and the Management and Mortgage Services Agreement may be terminated upon 60 days' notice by the Manager to the Corporation. The Management and Mortgage Services Agreement may also be terminated by the Corporation immediately in the event the Manager is unable under securities laws to act as the Corporation's investment manager, or the Corporation's mortgage administrator under the Mortgage Brokerages, Lenders and Administrators Act.

### ***The Manager***

The Manager was incorporated under the laws of Ontario on July 20, 2022. The head office of the Manager is located at 1821 Provincial Road, Suite 201, Windsor, Ontario, N8W 5V2 and the registered office of the Manager is located at 1821 Provincial Road, Suite 201, Windsor, Ontario, N8W 5V2.

The Manager is not a reporting issuer in any jurisdiction and none of its securities are listed for trading on any Stock Exchange.

The Manager is not an investment fund manager registered in Ontario. If and when required, the Manager will seek and obtain the requisite registrations in the appropriate jurisdictions.

**The Manager is not at arm's length with the Corporation in that all of the shareholders, directors and officers of the Manager, are also directly or indirectly common shareholders of the MIC, and also directors and/or officers of the MIC.** This is also a form of a conflict of interest. Conflicts of interest exist, and others may arise, between and among the directors and officers and shareholders of the Manager and the Corporation and their associates and affiliates. There is no assurance that any conflicts of interest that may arise will be resolved in a manner most favorable to Subscribers. Persons considering a purchase of Preferred Shares 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 as may arise. By way of an example some of the controlling common shareholders, directors and officers of the Manager are also the controlling common shareholders, directors and officers of the MIC and may procure or underwrite mortgage loans or investments where the fees, such as the lender fees, that the Manager will keep, can influence their decision to proceed with the said mortgage or investment. See "*ITEM 3 - Interests of Directors, Management, Promoters and Principal Holders*".

The Manager has also been appointed as our investment manager, to provide, or cause to be provided through qualified service providers, various services related to our business, operations and affairs and with full authority and responsibility to provide or cause to be provided to us the Investor Services (as defined below). We have delegated to the Manager, in its capacity as our investment manager, the power and authority to act in our name and on our behalf for the sole purpose of performing the Investor Services (as defined below).

The Manager has agreed to provide, or cause to be provided through qualified service providers, the following investment manager administration services (the "**Investor Services**"):

- using reasonable efforts to arrange, and directing, financing and capital raising activities for us as required, including the preparation of offering documents and marketing materials and engaging sales agents;
- liaising on our behalf with dealers, institutions and investors regarding sales of securities of the Corporation and responding to shareholders' enquiries;
- selecting, retaining, supervising, removing and conducting relations on our behalf with service providers engaged in our operations, and any replacements, including without limitation, accountants, lawyers, transfer agents, trustees, brokers, administrators and other service providers and professional advisers;
- maintaining our books and financial records;
- arranging for and directing the preparation and dissemination of reports and other information required to be sent to our shareholders, including periodic shareholder statements, annual tax information and all other communications with our shareholders as required from time to time, and all documentation relating to, and arranging for, shareholders meetings, if any;
- arranging for and directing the processing of the payment of dividends or interest and distributions by us to our shareholders;
- arranging for and directing registrar and transfer agent services for us, including without limitation, the processing and registration of subscriptions for, and transfers and redemptions of, our shares, the maintenance of our shareholders registers and direct registration system, and transaction reporting as required;
- coordinating and directing the preparation of our financial statements and other disclosure and reporting documents and regulatory filings;
- administering our day-to-day affairs and providing, or arranging for, all necessary personnel, office facilities, telephone, fax and other communication services, office supplies, banking, custodian and bookkeeping and internal accounting and audit services, including preparation of tax returns, annual returns, corporate and regulatory filings and other usual and ordinary office services;
- if advisable, acting on our behalf as our nominee or agent in connection with the Investor Services, including the execution of agreements or other instruments in writing for or on our behalf; and
- performing such other services or acts as shall be reasonably necessary or ancillary to the matters set out above or as we may from time to time reasonably request.

In consideration for providing the Investor Services and any other services under the Management and Mortgage Services Agreement, the Manager is entitled to a fee and will retain a priority allocation of the interest or other distributions accruing and payable on all investments acquired by us, in amounts of up to and equal to 2% per annum of the outstanding aggregate principal balance of all mortgage loans, or the outstanding aggregate principal balance of our percentage interest therein, the assets under management and/or the book value of our investments other than mortgages, calculated monthly on the first day of the month at the rate of 0.167% and payable in monthly installments on the last day of each month and prorated for any partial month. Should the Manager delegate its services, it shall decide between them how the fees hereto in this paragraph and in those outlined above and below to the Manager are to be divided.

From time to time, the Corporation may set, at its sole discretion, a hurdle rate of return per annum of the outstanding aggregate principal balance of all mortgage loans or the outstanding aggregate principal balance of its percentage interest therein, the assets under management and/or the book value of its investments other than mortgages, and for which any rate of return per annum in excess of the hurdle rate will be distributed with the Manager as a performance bonus. The bonus percentage shall be decided by the Corporation, from time to time in its sole and absolute discretion, acting reasonably and commensurate with the then prevailing rates of return expected by similar mortgage investment corporations operating in the same markets. The initial hurdle rate for the MIC's first fiscal year is 8.25%, however this is subject to change in the sole and absolute discretion of the Corporation.

The Manager is entitled to deduct any amounts deductible under the Management and Mortgage Services Agreement, including its interest allocations, before distributing amounts to us under the Management and Mortgage Services Agreement. In addition, the Manager is entitled to retain any overnight float interest on all accounts maintained by it and all lender fees (the fees that may be charged to the borrower for extending the loan under the mortgage agreement and paid from the advance or upfront by the borrower at the first advance of the mortgage loan or otherwise), origination fees (the fees that may be charged to the borrower at the time a mortgage commitment is issued for the work necessitated by the underwriting), commitment fees (the fees that may be charged to the borrower in order to provide a mortgage commitment and hold the offer for a period of time until accepted or advanced), renewal fees (the fees that may be charged to the borrower to negotiate and prepare any renewal terms of an existing mortgage loan), extension fees (the fees that may be charged to the borrower to process any notices or accounting changes to grant an extension on a mortgage payment or payout), advance date fees (the fees that may be charged to the borrower for varying a date a payment is due for a one-off incident upon request), discharge fees (the fees that may be charged to the borrower for preparing payout statements and discharge documents as well as attending to execution and registration of same to remove any security from title), late payment fees (the fees that may be charged to the borrower for following up on mortgage payments or payouts that are late including any notices and letters, and to cover other costs associated with same), participation fees (the fees that may be charged to the borrower for having more than one mortgage or product or for lines of credits that may have not been accessed by the borrower but remained opened for their use), NSF charges (the fees that may be charged to the borrower for the bank charges associated with any returned payments for insufficient funds or other reasons and for collecting and addressing same with the borrower), administration and similar or other fees generated on the investments acquired by us (the fees that the Manager may generate from the assets and capital managed that are other than the returns on investment), all of which fees are and remain the sole property of the Manager, and to the extent that they are recovered from the borrowers or investments.

Under the Management and Mortgage Services Agreement, the Manager is responsible for all of its internal costs including, without limitation, employment expenses of employees hired to work exclusively for the Manager and not engaged in providing the Investor Services, corporate taxes, legal, accounting, director, officer and audit fees and expenses, and all out of pocket costs and expenses incurred in connection with its organization, maintenance and licensing.

## **2.3 Development of the Business**

The Corporation's business will be limited to investing the net proceeds of this Offering in mortgage investments in accordance with the policies and guidelines set out under "*ITEM 2 - Business of the Corporation – Our Business*".

## **2.4 Long Term Objectives**

The Corporation's long-term objective is to provide holders of Preferred Shares with sustainable income while preserving capital for distribution or re-investment. Over the long term, as a mortgage investment corporation, the Corporation intends to, raise investment capital, and invest substantially all of its capital in Canadian mortgages, except for small residual amounts of capital maintained in short term CDIC insured deposits awaiting mortgage placement. Most of the mortgages the Corporation intends to invest in will be short term mortgages secured by residential real estate property in Canada. As its capital base expands, the Corporation may place some of its capital in longer term mortgages. From time to time, the Corporation may also invest in commercial mortgages. The Corporation anticipates investing in mortgages in select urban and rural areas in Ontario but may expand its business into other provinces.

## **2.5 Short Term Objectives**

Over the next 12 months from the date of this Offering Memorandum, the Corporation's objective is to complete the maximum Offering and invest it pursuant to the Tax Act's MIC criteria and in accordance with the policies and guidelines set out under "*ITEM 2 - Business of the Corporation – Our Business*", with the intent of paying dividends to its shareholders. The Corporation will make every effort to calculate dividends monthly as and when net income allows for it, and then payout these dividends quarterly, if possible. In the future, the Corporation may calculate and pay dividends on the Shares on a quarterly or monthly basis. Dividends, if any will therefore be paid quarterly or monthly within 15 days after each calendar quarter or month, respectively, once declared.

The following table discloses how the Corporation intends to meet said objectives:

Actions to be Taken	Target Completion Date or, if not known, Number of Months to Complete	Cost to Complete

## **2.6 Insufficient Proceeds**

The Corporation will only invest amounts available to it raised under this Offering and otherwise. The proceeds of this Offering may not be sufficient to accomplish all of the Corporation's proposed objectives. There can be no assurance that alternative financing will be available.

## **2.7 Material Agreements**

The only material agreements to which the Corporation is a party, or that it has entered into with a related party, is the Management and Mortgage Services Agreement entered into with the Manager . For more information on this agreement, please see "*ITEM 2 - Business of the Corporation - Management and Mortgage Services Agreement*".

## **2.8 Related Party Transactions**

The following table provides information with respect to any purchase and sale transaction between the Corporation and a related party that does not relate to real property, starting with the most recent transaction.

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

## ITEM 3 INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

### 3.1 Compensation and Securities Held

The following table sets out specified information about each director, officer and promoter of the Corporation and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Corporation:

Name and Municipality of Principal Residence	Position Held 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 <sup>(3)</sup>	Number, Type and Percentage of Securities to be Held Upon Completion of the Minimum Offering <sup>(1)(9)</sup>	Number, Type and Percentage of Securities to be Held Upon Completion of the Maximum Offering <sup>(1)(2)</sup>
Duncan Wilson, Essex, ON	Director, President and Common Shareholder	\$0	25 Common Shares (25%) nil Preferred Shares (0%)	25 Common Shares (25%) nil Preferred Shares (0%)
Charlene Short, McGregor, ON	Director, Secretary, Treasurer, and Common Shareholder	\$0	25 Common Shares (25%) nil Preferred Shares (0%)	25 Common Shares (25%) nil Preferred Shares (0%)
Tyler Tiessen, Harrow, ON	Director and Common Shareholder	\$0	25 Common Shares (25%) nil Preferred Shares (0%)	25 Common Shares (25%) nil Preferred Shares (0%)
Shawn Kingsbury, Windsor, ON	Director and Common Shareholder	\$0	25 Common Shares (25%) nil Preferred Shares (0%)	25 Common Shares (25%) nil Preferred Shares (0%)

#### Notes:

- (1) The information as to securities beneficially owned as at the date hereof has been furnished by the respective directors and officers.
- (2) Directors and/or officers of the Corporation may acquire Preferred Shares pursuant to the Offering.
- (3) The Manager, is not at arm's length to the Corporation in that all of the directors or officers of the MIC, are also directors or officers of the Manager, and the compensation or fees paid to the Manager are described in section 2.2 above under the sub-header, "Management and Mortgage Services Agreement", which may lead to a conflict of interest as further explained above and below.

### 3.2 Management Experience

The principal occupations during the last five years and any relevant experience of each director and executive officer of the Corporation are set out below:

**Tyler Tiessen** Over the past five years, Tyler Tiessen has been an accomplished Mortgage Agent with the Mortgage Suite Team in Windsor. Within this capacity, he's represented both borrowers and lenders in many private mortgages, gaining invaluable experience in navigating the intricacies of lending during a specifically complicated time real estate market.

A significant portion of Tyler's business has been focused on private mortgages, catering particularly to the needs of real estate investors. Additionally, he's facilitated deals encompassing debt consultations, construction loans, and bridge loans, showcasing a diverse skill set within the lending landscape. One of his key achievements has been managing a team of mortgage agents and contributing to the growth of Mortgage Suite, where they had expanded the team to over 20 agents. This experience has honed his leadership and mentoring abilities, allowing him to foster a collaborative and high-performing work environment. In 2023, Tyler co-founded Investor Suite Inc. with his partners, where he holds the position of director and vice president of underwriting. Their company specializes in administration services for private mortgages and has consistently exceeded funding targets month over month, a testament to their strategic vision and operational excellence.

Overall, Tyler's tenure as a mortgage agent with the Mortgage Suite Team in Windsor and his leadership role at Investor Suite have equipped him with a wealth of experience and expertise in mortgages, lending, and real estate finance. He remains committed to driving continued success and innovation within the industry, leveraging his skills to benefit both clients and stakeholders alike.

**Shawn Kingsbury** Shawn Kingsbury is a seasoned professional with a distinguished career in the mortgage industry spanning since 2018. During his tenure with Mortgage Suite, Shawn played a pivotal role in expanding the brokerage team from a modest duo to a robust cohort of 20 agents. His strategic insight and leadership contributed significantly to the brokerage's growth and success.

With a comprehensive understanding of diverse mortgage instruments, Shawn has successfully orchestrated transactions in 1st, 2nd, and 3rd positions across various sectors, including residential, commercial, construction, and agriculture. His versatility and expertise have earned him a reputation as a trusted advisor and broker in the industry.

In August 2023, Shawn assumed the role of Director and Vice President of Underwriting at Investor Suite, where he oversees the day-to-day risk assessment of newly originated mortgages. His astute risk management practices ensure the seamless processing of transactions, from initial submission to funding, enhancing operational efficiency and client satisfaction.

As one of the managing partners of Erie Shores Capital MIC, Shawn brings his wealth of experience and professionalism to the forefront. In this capacity, he is committed to leveraging his expertise to generate robust and consistent returns for investors while adopting a comprehensive approach to risk mitigation. Shawn Kingsbury's dedication to excellence, coupled with his profound industry knowledge, positions him as a formidable leader and asset in the mortgage and investment landscape.

**Duncan Wilson** Duncan Wilson has had a remarkable career spanning over two decades in the mortgage industry. He began his journey at the young age of 17 when he joined CIBC bank, where he gained invaluable experience and knowledge about the financial sector. Over the years, Duncan honed his skills and expertise, eventually transitioning to become a mortgage broker.

For the past 15 years, Duncan has dedicated himself to the role of a mortgage broker, representing both borrowers and lenders in various capacities. One of his key areas of focus has been private mortgages, where he has successfully facilitated numerous transactions, serving the needs of both individuals and institutions. His extensive experience in private

mortgages encompasses a wide range of lending scenarios, including debt consultations, construction loans, and bridge loans.

Throughout his career, Duncan has demonstrated a strong commitment to delivering exceptional service to his clients. His reputation as a reliable and trustworthy mortgage broker has earned him a loyal clientele and numerous referrals. Duncan's ability to understand the unique needs of his clients and tailor mortgage solutions accordingly has been instrumental in his success.

In addition to his work as a mortgage broker, Duncan has also taken on leadership roles within the industry. He has managed a team of mortgage agents and played a key role in growing the team at Mortgage Suite to over 20 agents. His leadership skills, combined with his deep understanding of the mortgage market, have been instrumental in driving the success of his team.

Over the course of his career, Duncan has funded over \$2.8 billion in mortgages, spanning hundreds of transactions. His experience encompasses a wide range of mortgage types, including residential, commercial, industrial, and agricultural mortgages. This diverse experience has equipped him with the knowledge and expertise to navigate the complexities of the mortgage industry effectively.

In 2023, Duncan and his partners realized their long-held dream of starting their own company, Investor Suite Inc. As a director and vice president of underwriting at Investor Suite, Duncan plays a crucial role in the administration of the company, overseeing the underwriting process and ensuring that funding targets are consistently met. Under his leadership, Investor Suite has regularly surpassed funding targets month over month, solidifying its position as a leading player in the mortgage industry.

Duncan Wilson's career in the mortgage industry is a testament to his passion, dedication, and expertise. With over two decades of experience, he continues to be a trusted advisor to his clients, helping them navigate the complexities of the mortgage market and achieve their financial goals. His leadership and contributions to the industry have earned him the respect and admiration of his peers and clients alike.

#### **Charlene Short**

Over the past years, Charlene's professional journey has reflected a trajectory of remarkable growth and expertise in the financial and mortgage industry. With a background rooted in administration roles, where she focused extensively on bookkeeping, her journey in the mortgage sector began as a mortgage agent. Over five years, she excelled in this role, culminating in her elevation to a mortgage broker in 2023. Throughout her tenure, Charlene has represented both borrowers and lenders in private mortgages, showcasing her proficiency in navigating complex transactions.

In 2023, Charlene and her partners founded Investor Suite Inc, an administration company dedicated to managing and facilitating mortgage investments. As a director and vice president, her focus lies in overseeing all post-funding operations and accounting, ensuring operational efficiency and financial accuracy within Investor Suite Inc.

Charlene's meticulous attention to detail and operational expertise have been instrumental in Investor Suite Inc consistently surpassing funding targets month over month. Her ability to seamlessly blend administrative skills, financial acumen, and mortgage expertise positions her as a driving force within the industry, with a relentless dedication to delivering exceptional results and shaping the future of mortgage administration.

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

Except as set forth below, there are no penalties or sanctions that have been in effect during the last ten years, and there are no cease trade orders that have been in effect for a period of 30 consecutive days during the last ten years, against a director, executive officer or control person of the Corporation or against a company of which any of the foregoing was a director, executive officer or control person.

No declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under or any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of receiver, receiver manager or trustee to hold assets, has been in effect during the last ten years with regard to those individuals or any companies of which any of those individuals was a director, executive officer or control person.

No director, executive officer or control person of the Corporation, or any issuer of the Corporation which was a director, executive officer or control person at the time has been convicted of, or pled guilty to, a summary conviction or indictable offence under the *Criminal Code* (Canada), a quasi-criminal offence in any jurisdiction, a misdemeanour or felony under the criminal laws of the United States of America or any state or territory thereof, or an offence under the criminal legislation of any jurisdiction.

### **3.4 Loans**

Since incorporation, there have not been any debentures or loans that are due to or from any director, executive officer, promoter or principal shareholder of the Corporation.

The Manager, or affiliated of the Manager, may from time to time, advance funds to the Corporation for acquisition of mortgage loans. Such loans will be evidenced by way of promissory notes and will bear interest at a rate equivalent to the rate of interest on the mortgage loans acquired by the Corporation with the funds advanced. The Manager's loan will be repaid with subsequent proceeds received by the Corporation from the issuance of the Preferred Shares.

## **ITEM 4 CAPITAL STRUCTURE**

### **4.1 Share Capital**

The following table sets forth the share capital structure of the Corporation as at the dates indicated:

<b>Description</b>	<b>Authorized</b>	<b>Price per security</b>	<b>Number Outstanding as of the Offering Date</b>	<b>Number Outstanding after Minimum Offering as of the Offering Date</b>	<b>Number Outstanding after Maximum Offering</b>
Common Shares	Unlimited	\$1.00	100	100	100
Preferred Shares	Unlimited	\$1.00	0	0	150,000,000

### **4.2 Long Term Debt Securities**

As of the date of this Offering Memorandum, the Corporation has no long-term debt.

### **4.3 Prior Sales**

During the last 12 months of the Offering Date, securities of the Corporation have been issued as follows:

<b>Date of Issuance</b>	<b>Type of Security Issued</b>	<b>Number of Securities Issued</b>	<b>Price Per Security</b>	<b>Total Funds Received</b>
March 18, 2024	Common Shares	100	\$1.00	\$100.00

## **ITEM 5 SECURITIES OFFERED**

### **5.1 Terms of Securities**

A description of the terms and conditions of each of the Preferred Shares as they will exist upon a closing of the Offering is set forth below. Funds received from the sale of Preferred Shares will be combined into one pool of funds for investment purposes and will be used to create one portfolio of investments owned by the Corporation.

For the purposes hereof, "**Redemption Price**" of a Preferred Share at any time means the price paid for such Preferred Share at the time the Preferred Share was issued from the treasury of the Corporation.

The Corporation is authorized to issue an unlimited number of Preferred Shares having attached thereto the following rights, privileges, restrictions and conditions:

#### **Voting**

The holders of Preferred Shares shall **NOT** be entitled to notice of or to attend or vote at meetings of the shareholders of the Corporation.

#### **Dividend Rights**

The holders of Preferred Shares shall be entitled to receive in each fiscal year out of any or all profits or surplus available, if, as and when declared by the directors of the Corporation, an initial non-cumulative dividend (the "**Initial Dividend**") at a rate per annum of the Redemption Price of the Preferred Shares (provided that such dividend shall be prorated where any Preferred Shares are not outstanding for an entire fiscal year). In any fiscal year, following the payment of the Initial Dividend to the holders of the Preferred Shares and the payment of dividends in a like amount per share to the holders of the Common Shares, the Preferred Shares shall be entitled to participate *pari passu* with the holders of the Common Shares in any further payment of dividends of the Corporation for that fiscal year. The Preferred Shares shall rank in priority to the Common Shares in regards to the initial payment of dividends in any fiscal year.

The directors of the Corporation shall be entitled to declare all or part of such dividends in any fiscal year.

No dividends shall be declared on the Common Shares prior to the full amount of such dividends having been declared and paid to the holders of Preferred Shares as provided for above.

Subject to such working capital or reserve requirements as the directors of the Corporation determine are necessary or desirable from time to time to meet the current and future expenses, liabilities, commitments and obligations of the Corporation and for the conduct, promotion and protection of the business and activities of the Corporation, its assets and shareholders, the Corporation currently intends to distribute as dividends to its shareholders substantially all of its net income and net realized capital gains. See "*ITEM 6 – Income Tax Consequences*".

#### **Liquidation**

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of each Preferred Share shall be entitled to receive an amount equal to the Redemption Price for that Preferred Share plus all declared and unpaid dividends before any amount shall be paid or any property or assets of the Corporation are distributed to the holders of Common Shares. After payment to the holders of Preferred Shares of the amount so payable to them, they shall not be entitled to share in any further distribution of the assets of the Corporation. If there are insufficient amounts to pay to the holders of Preferred Shares the full amount which they are entitled to receive on the distribution of the assets of the Corporation, all such holders shall share in the distribution on a pro rata basis in proportion to the aggregate amount due to each of them.

#### **Redemption by the Corporation**

The OBCA does not permit the Corporation to make any payment to purchase or redeem the Preferred Shares issued by it if there are reasonable grounds for believing that: (a) the Corporation is, or after the payment, would be unable to pay its liabilities as they become due; or (b) after the payment, the realizable value of the Corporation's assets would be less than the aggregate of: (i) its liabilities; and (ii) the amount that would be required to pay the holders of shares that have a right to be paid, on a redemption or in a liquidation, rateably with or before the holders of the shares to be purchased or redeemed, to the extent the amount has not been included in its liabilities.

Subject to the OBCA, the Corporation may redeem all or any part of the then outstanding Preferred Shares upon written notice given by the Corporation to the holders of all Preferred Shares to be redeemed, specifying that such shares are to be redeemed upon payment to each holder of Preferred Shares of the Redemption Price for each Preferred Share held by such holder as indicated on the Corporation's records, plus the pro rata share of any unpaid distributions thereon which have been declared payable but remain unpaid as at the time of calculation of the Redemption Price to the extent same are not otherwise included in the Redemption Price of the share(s) to be retracted.

The written notice from the Corporation shall at a minimum specify the intent to redeem, the date on which the redemption is to take place, which date shall be not less than 21 nor more than 180 days from the date of the written

notice, if part only of the Preferred Shares held by the person to whom such notice is addressed are to be redeemed, which shares are to be redeemed as selected by the directors of the Corporation in their sole discretion, and, if a certificate(s) representing the Preferred Shares to be redeemed has been issued, that such original certificate(s) is to be surrendered to the Corporation prior to the redemption date and the identity and location of the person to whom such certificate(s) is to be sent or delivered for surrender.

From and after the redemption date, the holder of the Preferred Shares to be redeemed as aforesaid, shall thereafter cease to have any rights with respect to the Preferred Shares to be redeemed other than the right to receive the Redemption Price therefor.

On the redemption date, provided that any existing original certificates representing the Preferred Shares called for redemption have been surrendered to the Corporation as specified in the written notice, or after the redemption date upon surrender to the Corporation of such original certificates, the Corporation shall pay or cause to be paid to or to the order of the registered holder of the Preferred Shares to be redeemed the Redemption Price, and such Preferred Shares shall thereupon be redeemed.

The Redemption Price payable in respect of the shares called for redemption shall be paid by direct deposit or cheque, drawn on a Canadian chartered bank or trust company in lawful money of Canada, payable at par to, or deposited to the account of, the registered holder of the shares called for redemption. Payments of the Redemption Price made by the Corporation are conclusively deemed to have been made when deposited by direct deposit or upon the mailing of a cheque in a postage pre-paid envelope addressed to the payee at the last address of the payee shown in the records of the Corporation or the address of the payee provided to the Corporation by the registered holder at the time, unless such cheque is dishonored upon presentation. Upon such payment as set out above, the Corporation and its directors, officers, manager and employees shall be discharged from all liability to the former holder in respect of the shares so redeemed.

All Preferred Shares redeemed by the Corporation pursuant to this section shall be cancelled and such Preferred Shares shall no longer be outstanding and shall not be re-issued.

#### ***Retraction at the Option of the Holder***

The OBCA does not permit the Corporation to make any payment to purchase or redeem the Preferred Shares issued by it if there are reasonable grounds for believing that: (a) the Corporation is, or after the payment, would be unable to pay its liabilities as they become due; or (b) after the payment, the realizable value of the Corporation's assets would be less than the aggregate of: (i) its liabilities; and (ii) the amount that would be required to pay the holders of shares that have a right to be paid, on a redemption or in a liquidation, rateably with or before the holders of the shares to be purchased or redeemed, to the extent the amount has not been included in its liabilities.

Subject to the OBCA and upon compliance with the provisions hereof, all applicable laws and any applicable provisions of our articles of incorporation, by giving a duly completed and properly executed written notice to the Corporation (the "**Retraction Notice**"), any holder of Preferred Shares shall be entitled, at such holder's option, and at any time and from time to time, to have all or any part of the Preferred Shares originally held by such holder, purchased by the Corporation (the "**Retraction Right**") for an amount equal to the Redemption Price after the first twelve (12) months from the date such Preferred Shares were issued. Should the Corporation waive the minimum twelve (12) month hold period, an early retraction redemption fee shall apply, being 4.0% of the Redemption Price, if such Preferred Shares are retracted within the first twelve (12) months of the date of issuance of the Preferred Shares.

No redemption fees shall apply if the Preferred Shares are retracted after the first twelve (12) months of the date of issuance of the Preferred Shares. However, the board of directors, in their sole and absolute discretion may waive or reduce any redemption fees, or remove any restrictions.

Upon acceptance by the directors of the Corporation of the Retraction Notice and the retraction request, the Retraction Notice will thereafter be irrevocable by the holder without the consent of the Corporation and the Preferred Shares specified therein (the "**Retraction Shares**") shall be considered to be tendered for retraction as at the acceptance date (the "**Notice Date**"). The holder of the Retraction Shares shall continue to have all of the holder's rights as a shareholder in respect of each Retraction Share until the Retraction Payment (as defined below) for that Retraction Share has been paid in full.

The payment for a retraction of Preferred Shares will be the Redemption Price of the Retraction Share, calculated as at the end of business on the Business Day immediately preceding the Retraction Date (as defined below), plus the pro rata share of any dividend distributions declared on such Retraction Share which have accrued up to and including the Retraction Date, to the extent same are not included in the calculation of the Redemption Price and remain unpaid (the "**Retraction Payment**") less the redemption fees if any.

The holders of Preferred Shares may retract their shares, without penalty or reduction, at any time after the date that is one (1) year from the date of issuance of such Preferred Shares.

Subject to the limitations set out herein, on the last day of the calendar month (or the next following Business Day if the last day of the calendar month falls on a day that is not a Business Day) which is three (3) full months following the month in which the Notice Date falls or such earlier date as determined by the directors of the Corporation in their sole discretion (the "**Retraction Date**"), the Corporation will redeem the Retraction Shares. Subject to the Corporation right, as decided by the board of directors, to extend the time for payment of any Retraction Payment if in their sole discretion they determine that such payment would be prejudicial to the interests of the remaining shareholders of the Corporation, or that in the same calendar quarter the redemption limit of redemption requests totaling nine percent (9%) of the then outstanding Preferred Shares has been reached, and any other limitations on the payment of the Retraction Payment set out in these redemption provisions, the Retraction Payment, less any reductions, amounts, redemption fees or other fees payable in respect of the Retraction Share, will be paid on or within ten (10) Business Days of the Retraction Date.

Notwithstanding any other provision herein, the aggregate amount of the Retraction Payments that the Corporation is obliged to make on or in respect of each Retraction Date is limited to an amount that is equal to 85% of the aggregate Redemption Price of all Preferred Shares to be retracted calculated as at the first day of the month in which the Retraction Date falls. Such aggregate amount of Retraction Payments includes amounts payable to shareholders who have previously tendered their Preferred Shares for retraction and the Retraction Payment for which has not been paid in full as of that Retraction Date. Retraction Shares will be retracted and Retraction Payments will be paid in order of receipt of Retraction Notices or pari passu if, in their sole discretion, the directors of the Corporation determine that pari passu would be better suited to the interests of the shareholders or the operations of the Corporation, on the next following Retraction Dates, or such earlier dates as determined by the directors of the Corporation in their sole discretion, until the Retraction Payment for such shares has been paid in full.

Notwithstanding any other provision herein, the directors of the Corporation may, in their sole discretion at any time and from time to time suspend the retraction feature in respect of any or all of the Preferred Shares for such period of time as the directors of the Corporation determine, in their sole discretion, that: (a) conditions exist which render imprudent or impractical the Corporation's ability to obtain the cash on hand required to make any or all Retraction Payments; or (b) the suspension is in the best interests of the shareholders of the Corporation as a whole; or (c) the retraction would disqualify the Corporation as a mortgage investment corporation under the Tax Act. The suspension may, in the sole discretion of the directors of the Corporation, apply to Preferred Shares tendered for retraction prior to the suspension but as to which payment in full has not been made, as well as to Preferred Shares tendered for retraction while the suspension is in effect. Any declaration of suspension by the directors of the Corporation is conclusive.

A shareholder may, with the consent of the Corporation, which may be given or withheld in its sole discretion, withdraw its retraction request and revoke its Retraction Notice by providing written notice to the Corporation.

Notwithstanding any other provision herein, the directors of the Corporation may, but are not obliged to, in their sole discretion at any time and from time to time waive or alter the amount or payment of a fee or discount, or the reduction or limitation of any Retraction Payment, on any terms and conditions they so determine for any particular retraction request, if it's in the best interest of the Corporation and the other shareholders.

The amount payable in respect of Retraction Shares will be paid by direct deposit or cheque, drawn on a Canadian chartered bank or trust company in lawful money of Canada, payable at par to, or deposited to the account of, the registered holder of such shares. Such payments made by the Corporation are conclusively deemed to have been made when deposited by direct deposit or upon the mailing of a cheque in a postage pre-paid envelope addressed to the payee at the last address of the payee shown in the records of the Corporation or the address of the payee provided to the Corporation by the registered holder at the time, unless such cheque is dishonoured upon presentation. Upon such payment as set out above, the Corporation and its directors, officers, manager and employees shall be discharged from all liability to the former holder in respect of the shares so retracted.

Notwithstanding any other provision herein, the directors of the Corporation will not approve any retraction of any Preferred Shares that would result in the Corporation ceasing to meet the qualifications of a MIC (see "*ITEM 2 - Our Business – Investment Guidelines*" above). Furthermore, substantial shareholders holding more than 15% of the total number of Preferred Shares outstanding, will be limited to retracting no more than 20% every six months from the Notice Date.

#### **Constraints on Transferability**

Paragraph 130.1(6)(d) of the Tax Act stipulates that to qualify as a MIC, a corporation must have at least 20 shareholders and no one shareholder may be a Specified Shareholder, as such term is defined in the Tax Act, of the corporation. The Tax Act states that a trust governed by a registered pension plan or a deferred profit sharing plan is counted as four shareholders for purposes of determining the number of shareholders and one shareholder for purposes of determining if a shareholder is a Specified Shareholder. **The board of directors intend to refuse registration of an allotment or any transfer of shares, including to the Corporation on a retraction or redemption or in connection with an exchange or conversion, which would result in the Corporation ceasing to meet the**

qualifications of a MIC.

## 5.2 Subscription Procedure

Subscribers who wish to purchase Preferred Shares will be required to enter into a Subscription Agreement with the Corporation by completing and delivering the Subscription Agreement and related documentation to the Corporation. In the case of purchases transacted by a Selling Agent, if any, a subscription agreement will be provided and signed by and with the Selling Agent. The Subscription Agreement contains, among other things, representations and warranties required to be made by the subscriber that it is duly authorized to purchase the Preferred Shares, that it is purchasing Preferred Shares for investment and not with a view for resale, and as to its corporate status or other qualifications to purchase Preferred Shares on a "private placement" basis. Reference is made to the Subscription Agreement and related documentation, copies of which are attached hereto as Appendix "A", for the specific terms of these representations, warranties and conditions.

Preferred Shares may be purchased in the following manner:

- (i) by the execution of a Subscription Agreement, as well as any documentation required by the Securities Regulatory Authorities of the jurisdiction in which they are resident (copies of which are attached to the relevant Subscription Agreement or made available digitally from the Corporation's website under secure login);
- (ii) pay the Subscription Price in respect of the Preferred Shares subscribed for by way of a certified cheque or bank draft payable to "ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION" or in the case of subscriptions through a Selling Agent, made payable in trust and per their instructions; and
- (iii) deliver all of the foregoing to, ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION at 1821 Provincial Road, Suite 201, Windsor, Ontario, N8W 5V2 (Attention: Duncan Wilson).

The first Closing of this Offering is expected to occur on or about the Closing Date, or such later or earlier date as may be determined by the Corporation. Other Closings will occur subsequent to that date. **All subscription proceeds will be held in trust until midnight on the second Business Day after the day the Subscriber signs the applicable Subscription Agreement. In the event that Subscribers provide the Corporation with a cancellation notice prior to midnight of the second Business Day after the signing date, or the Corporation does not accept a Subscriber's subscription, all subscription proceeds will be promptly returned to the Subscriber without interest or deduction.**

You should carefully review the terms of the Subscription Agreement attached hereto for more detailed information concerning the rights and obligations applicable to you and the Corporation. Execution and delivery of the Subscription Agreement will bind you to the terms thereof, whether executed by you or by an agent on your behalf. **You should consult with your own professional advisors.**

### **Exemptions from Prospectus and Registration Requirements**

The Preferred Shares are being offered in the Selling Jurisdictions pursuant to exemptions under Applicable Securities Laws. Such exemptions relieve the Corporation from provisions under Applicable Securities Laws requiring the Corporation to file a prospectus and therefore Subscribers do not receive the benefits associated with a subscription for securities issued pursuant to a filed prospectus, including the review of material by a securities commission or similar authority.

The sale of Preferred Shares pursuant to this Offering Memorandum is being made in the Selling Jurisdictions under certain statutory exemptions from the prospectus requirements set out in NI 45-106. Specifically, the sale of Preferred Shares is being made pursuant to Section 2.9 of NI 45-106 ("**Offering Memorandum Exemption**"), Sections 2.5 or 2.6 of NI 45-106 ("**Family, Friends and Business Associates**"), Section 2.10 of NI 45-106 ("**Minimum Amount Investment**") and Section 2.3 of NI 45-106 and Section 73.3 of the Securities Act (Ontario) ("**Accredited Investor Exemption**"). **Please carefully review the accompanying Subscription Agreement to determine the prospectus exemption requirements that apply to you.**

Should the Corporation engage the services of a registered dealer such as an exempt market dealer (an "EMD"), then it shall enter into an Agency Agreement with the agent, the material terms of which are described therein, shall include that the agent has agreed to use its commercially reasonable efforts to sell the Preferred Shares under the offering to qualified purchasers in one or more of the Selling Jurisdictions. The agent will be an exempt market dealer registered in provinces for the jurisdictions in which the Preferred Shares are sold.

### **Other Jurisdictions**

The sale of Preferred Shares pursuant to this Offering Memorandum may also be made in other jurisdictions provided that the Subscriber provides to the Corporation the full particulars of the exemption from the registration and prospectus requirements under applicable securities legislation being relied on and evidence of the Subscriber's qualifications thereunder.

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

## ITEM 6 REPURCHASE REQUESTS

The following table discloses information with respect to any securities of the corporation for which investors have a right to require the issuer to repurchase said securities for each of the two most recently completed financial years:

DESCRIPTION OF SECURITY	DATE OF END OF FINANCIAL YEAR	NUMBER OF SECURITIES WITH OUTSTANDING REPURCHASE 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	AVERAGE PRICE PAID FOR THE REPURCHASED SECURITIES	SOURCE OF FUNDS USED TO COMPLETE THE REPURCHASES	NUMBER OF SECURITIES WITH OUTSTANDING REPURCHASE REQUESTS ON THE LAST DAY OF THE YEAR
PREFERRED SHARES							
COMMON SHARES							

The following table discloses information with respect to any securities of the corporation for which investors have a right to require the issuer to repurchase said securities for the period after the end of the Corporation's most recently completed financial year and up to a date not more than 30 days before the date of this Offering Memorandum:

DESCRIPTION OF SECURITY	DATE OF END OF FINANCIAL YEAR	NUMBER OF SECURITIES WITH OUTSTANDING REPURCHASE 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	AVERAGE PRICE PAID FOR THE REPURCHASED SECURITIES	SOURCE OF FUNDS USED TO COMPLETE THE REPURCHASES	NUMBER OF SECURITIES WITH OUTSTANDING REPURCHASE REQUESTS ON THE LAST DAY OF THE YEAR
PREFERRED SHARES							
COMMON SHARES							

*{NTD: With respect to each of the periods described in the two tables, provide the reason for any non-fulfillment of investor repurchase requests, unless the non-fulfillment was in accordance with terms governing the right}*

## ITEM 7 INCOME TAX CONSEQUENCES

As of the date of this Offering Memorandum, the following is a summary of the principal Canadian federal income tax consequences, as reviewed by our Accountants, but without independent investigation by the Corporation, of acquiring, holding and disposing of the Preferred Shares (the "Shares") by a subscriber who, at all relevant times, is a

resident of Canada, deals at arm's length, and is not affiliated, with the Corporation, and who acquires and holds the Shares as capital property, all within the meaning of the Tax Act (a "holder"). Generally, the Shares will be considered capital property to a holder provided such holder does not hold the Shares in the course of carrying on business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Holders who may not hold the Shares as capital property can elect, in certain circumstances, to have such property treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to any holder of Shares: (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" for the purposes of the Tax Act; (iii) who reports its Canadian tax results in a currency other than Canadian dollars; or (iv) that has entered into a "derivative forward agreement" or a "synthetic disposition arrangement", each as defined for purposes of the Tax Act, with respect to the Preferred Shares.

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

**The summary contained in this section is of a general nature only and is not exhaustive of all possible Canadian federal income tax consequences. This summary is not intended to be and should not be interpreted as legal or tax advice to any particular holder. Holders should consult with their own tax advisor regarding the income tax consequences of acquiring, holding and disposing of the Shares including the application and effect of the income and other tax laws of any country, province, state or local tax authority. Generally, you should consult your own professional advisers to obtain advice on the income tax consequences that apply to you.**

This summary is based on the assumption that the Corporation has and will meet certain conditions which are imposed by the Tax Act to qualify as a "mortgage investment corporation" ("MIC") at all relevant times. These conditions will generally be satisfied if, throughout a taxation year of the Corporation; or, with respect to the number of shareholders in the Corporation's first taxation year, at the end of such first taxation year:

- (a) the Corporation is a Canadian corporation as defined in the Tax Act;
- (b) the Corporation's only undertaking was the investing of funds, and it did not manage or develop any real property;
- (c) no debts were owing to the Corporation by non-residents of Canada, except any such debts that were secured on real property situated in Canada;
- (d) the Corporation did not own shares of corporations not resident in Canada;
- (e) the Corporation did not hold real property situated outside of Canada;
- (f) no debts were owing to the Corporation that were secured on real property situated outside of Canada;
- (g) the cost amount of the Corporation's property consisting of mortgages on "houses" or on property included within a "housing project" (as those terms are defined in section 2 of the *National Housing Act* (Canada) and in respect of a housing project, as such definition read on June 16, 1999), deposits with a bank or other corporations whose deposits are insured by the Canada Deposit Insurance Corporation or a credit union, together with cash on hand (collectively, the "Qualifying Property"), was at least 50% of the cost amount to it of all of its property. The *National Housing Act* (Canada) defines house as a building or movable structure, or any part thereof, that is intended for human habitation and contains not more than two family housing units, together with any interest in land appurtenant to the building, movable structure or part thereof; and also defines housing project as:
  - i. any building or movable structure, or any part thereof, that is intended for human habitation;
  - ii. any property that is intended to be improved, converted or developed to provide housing accommodation or services in support of housing accommodation; or
  - iii. any property that is associated with housing accommodation, including, without limiting the generality of the foregoing, land, buildings and movable structures, and public, recreational, commercial, institutional and parking facilities.

- (h) the cost amount of real property (including leasehold interests therein but excluding real property acquired as a consequence of foreclosure or defaults on a mortgage held by the Corporation) owned by the Corporation did not exceed 25% of the cost amount to it of all of its property;
- (i) the Corporation had 20 or more shareholders and no person would have held more than 25% of the issued shares of any class of the capital stock of the Corporation or been a specified shareholder (as such term is defined for purposes of subsection 130.1(6) of the Tax Act) of the Corporation;
- (j) holders of any preferred shares had a right, after payment of their dividends, and payment of dividends in a like amount per share to the holders of common shares, to participate *pari passu* with the holders of common shares in any further payment of dividends; and
- (k) where at any time in the year (or at the end of the year, as the case may be) the cost amount to it of its Qualifying Property was less than 2/3 of the cost amount to it of all of its property, the Corporation's liabilities did not exceed three times the amount by which the cost amount to it of all of its property exceeded its liabilities, or, where throughout the taxation year (or at the end of the year, as the case may be) the cost amount to it of its Qualifying Property equaled or exceeded 2/3 of the cost amount of all of its property, the Corporation's liabilities did not exceed five times the amount by which the cost amount to it of all of its property exceeded its liabilities.

It has been assumed for the purpose of this summary that the Corporation will qualify as a MIC in accordance with conditions prescribed in the Tax Act at all times which are relevant to the opinions expressed herein. Based upon certain representations by management of the Corporation as to the nature, location and cost amounts of the Corporation's assets and liabilities, including the composition and cost of its mortgage portfolio, as to the shareholders of the Corporation and as to the range of activities which the Corporation will undertake in the course of carrying on its mortgage investment business (the "**Representations**"), it is anticipated that the Corporation will meet the requirements for qualification as a "mortgage investment corporation" under the Tax Act at the closing of this Offering and will continue to so qualify thereafter provided the Representations continue to be true throughout each of the Corporation's subsequent taxation years. Purchasers are cautioned that the Corporation must meet the requirements under the Tax Act to be a "mortgage investment corporation" on a continuous basis throughout each taxation year in order to avail itself of the provisions of the Tax Act as to the taxation of dividends outlined herein. Management of the Corporation expects that the Representations will continue to be true throughout each of the Corporation's subsequent taxation years such that the Corporation will continue to so qualify. **If the Corporation were not to qualify as a MIC, the income tax consequences would be materially different from those described below.**

#### **Taxation of the Corporation**

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

#### **Taxation of shareholders**

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

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

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

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

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

A holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 2/3 % on certain investment income, including amounts in respect of interest and taxable capital gains (from taxable or capital gains dividends). The 6 2/3% tax is to be added to such corporation's refundable dividend tax on hand account and will be eligible for refund at a rate of \$1.00 for every \$3.00 of taxable dividends paid by the corporation.

#### ***Eligibility for Investment by Deferred Income Plans***

The Corporation confirms that the Shares may be qualified investments for trusts governed by registered retirement savings plans ("RRSPs"), registered education savings plans, deferred profit sharing plans, registered retirement income funds ("RRIFs"), registered disability savings plans, or tax-free savings accounts ("TFSAs") (collectively, "**Deferred Income Plans**") at a particular time if the Corporation qualifies as a MIC under the Tax Act and if throughout the calendar year in which the particular time occurs, the Corporation does not hold as part of its property any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer, or a subscriber under, or a holder of, the relevant Deferred Income Plan or any other person who does not deal at arm's length with that person. Deferred Income Plans will generally not be liable for tax in respect of any dividends received from the Corporation or on any capital gain realized on the disposition of the Shares or with respect to capital gains dividends. Subscribers can also speak to their employer, administrator or trustee of their individual pension plan ("IPP") about purchasing the Corporation's Preferred Shares.

Notwithstanding the fact that the Shares may be qualified investments for Deferred Income Plans, the holder of a TFSA, or the annuitant of a RRSP, or a RRIF (a "**Controlling Individual**"), which holds Shares, will be subject to a penalty tax if the Shares held in the TFSA, RRSP, or RRIF are a "prohibited investment", as defined in the Tax Act for the TFSA, RRSP, or RRIF. The Shares will generally be a "prohibited investment" if the Controlling Individual (i) does not deal at arm's length with the Corporation for the purposes of the Tax Act or (ii) has a "significant interest" (within the meaning of the Tax Act, usually 10%) in the Corporation. Penalties are severe and could mean 100% or more of the amount invested (the amount paid for the Shares).

**The Corporation advises that prospective Subscribers should consult with their own independent professional legal, tax, investment and financial advisors before purchasing Preferred Shares in order to determine the appropriateness of this investment in relation to their financial and investment objectives and in relation to the tax consequences of any such investment through any Deferred Income Plans and should also consult with their advisors as to the eligibility to purchase Shares through their Individual Pension Plans ("IPPs"). The Corporation does not provide advice or opinions on an IPP's eligibility to invest in the MIC. Subscribers are responsible for being made aware of their IPP's restrictions, such as that investments should not be made in the securities of the pension plan sponsor, margin accounts are not permitted, individual securities may not exceed 10% of the book value of the fund at the time the security is acquired, and that there are "connected person" considerations as well.**

If the Corporation fails to qualify as a MIC at any time in a taxation year, the Shares may cease to be qualified investments for Deferred Income Plans. When a Deferred Income Plan acquires or holds a non-qualified investment significant penalty taxes may arise to the Deferred Income Plan and/or the Controlling Individual in respect of such plan.

## **ITEM 8                    COMPENSATION PAID TO SELLERS AND FINDERS**

As of the date of this Offering Memorandum, the Corporation has NOT retained the services of a selling agent or registered dealer, such as a registered exempt market dealer ("EMD") in any of the Selling Jurisdictions, and thus the Corporation is not currently bound to an Agency Agreement. In the event the Corporation retains Selling Agents they will agree to use their commercially reasonable efforts to sell the Preferred Shares under the offering to qualified purchasers in one or more of the Selling Jurisdictions, pursuant to an Agency Agreement.

For its services, the Corporation will agree to pay to the Selling Agents a combination of a onetime onboarding fee, and/or a fixed monthly fee, and/or a selling commission on Preferred Shares subscribed through the Selling Agents, for all EMD services. The selling commission could be up to five percent (5.00%) of the subscription price.

The Selling Agents may form a sub-agency group that includes other qualified dealers lawfully authorized to sell the Preferred Shares in one or more of the Selling Jurisdictions and will determine and pay the fees payable to such dealers. These dealers may be paid selling commissions payable to such dealers directly by the Selling Agents from the fees generated under the Agency Agreement, as well as from its general corporate funds.

If applicable, to the extent permitted by law, the Corporation may agree to indemnify and save the Selling Agents, its dealing representatives, its affiliates and its directors, officers, employees, partners, agents, advisors and shareholders harmless from and against any and all losses, claims, actions, suits, proceedings, damages, liabilities or expenses of whatsoever nature or kind (other than losses of profit in connection with the distribution of the Preferred Shares) (collectively, the "**Liabilities**") to which such persons or companies may be subject or which such persons or companies may suffer or incur, whether under the provisions of any statute or otherwise, in any way caused by, or arising directly or indirectly from or in consequence of: (i) any information or statement contained in the public record (other than any information or statement relating solely to the Selling Agents and furnished to the Corporation by the Selling Agents expressly for inclusion in the public record) which is or is alleged to be untrue or any omission or alleged omission to provide any information or state any fact the omission of which makes or is alleged to make any such information or statement untrue or misleading in light of the circumstances in which it was made; (ii) any misrepresentation or alleged misrepresentation (except a misrepresentation which is based upon information relating solely to Selling Agents and provided to the Corporation by Selling Agents expressly for inclusion in the public record) contained in the public record; (iii) any prohibition or restriction of trading in the securities of the Corporation or any prohibition or restriction affecting the distribution of the Preferred Shares imposed by any competent authority if such prohibition or restriction is based on any misrepresentation or alleged misrepresentation of a kind referred to in the Agency Agreement (other than any information or statement relating solely to the Selling Agents and furnished to the Corporation by the Selling Agents expressly for inclusion in the public record); (iv) any order made or any inquiry, investigation (whether formal or informal) or other proceeding commenced or threatened by any one or more competent authorities into the affairs of the Corporation relating to or affecting the distribution of the Preferred Shares other than any such order, inquiry, investigation or other proceeding based substantively upon the activities or alleged activities of the Selling Agents; (v) any breach of, default under or non-compliance by the Corporation with any representation, warranty, covenant, term or condition of the Agency Agreement, the Subscription Agreements or any requirement of applicable securities laws; or (vi) the exercise by any Subscriber of any contractual or statutory right of rescission in connection with the purchase of the Preferred Shares; unless such Liabilities arose as a result of the indemnified person's breach of, default under or non-compliance with any material representation, warranty, covenant, term, condition or provision of the Agency Agreement.

If applicable, to the extent permitted by law, the Selling Agents may agree to indemnify and save the Corporation, its affiliates and its directors, officers, employees, partners, agents, advisors and shareholders harmless from and against any and all Liabilities to which such persons or companies may be subject or which such persons or companies may suffer or incur, whether under the provisions of any statute or otherwise, in any way caused by, or arising directly or indirectly from or in consequence of: (i) any order made or any inquiry, investigation (whether formal or informal) or other proceeding commenced or threatened by any one or more competent authorities into the affairs of the Selling Agents relating to or affecting the distribution of the Preferred Shares other than any such order, inquiry, investigation or other proceeding based substantively upon the activities or alleged activities of the Selling Agents; or (ii) any breach of, default under or non-compliance by the Selling Agents with any representation, warranty, covenant, term or condition of the Agency Agreement; unless such Liabilities arose as a result of the indemnified person's breach of, default under or non-compliance with any material representation, warranty, covenant, term, condition or provision of the Agency Agreement.

If applicable, the Selling Agents may terminate its obligations under the Agency Agreement by notice in writing to the Corporation at any time if: (a) there occurs any material change or a change in any material fact which materially adversely affects or, in the sole opinion of the Selling Agents, acting reasonably, could reasonably be expected to materially adversely affect the Selling Agent's ability to perform its obligations under the Agency Agreement or to act as agent of the Corporation; (b) any enquiry, action, suit, investigation or other proceeding whether formal or informal is instituted or threatened, or any order is made by any federal, provincial or other governmental authority, commission or agency in relation to the Corporation, the directors or the Preferred Shares, which, in the sole opinion of the Selling Agents, acting reasonably, operates to prevent or materially adversely affects the distribution of the Preferred Shares under this Offering or which, in the sole opinion of the Selling Agents, acting reasonably, would reasonably be expected to have a significant effect on the value of the Preferred Shares; (c) there is an occurrence of any nature which, in the opinion of Selling Agents, acting reasonably, seriously affects or will seriously affect the marketability of the Preferred Shares, the business of the Corporation or the ability of the Corporation to perform its obligations under the Agency Agreement; (d) the Corporation is in material breach of any material term of the Agency Agreement and has failed to cure such breach within 14 days after receiving written notice of such breach from the

Selling Agents; or (e) the Selling Agents determine that any of the representations or warranties made by the Corporation in the Agency Agreement is false or has become false.

Notwithstanding the other termination provisions set out in the Agency Agreement, any party may terminate the Agency Agreement upon 30 days prior written notice to the other party or the Agency Agreement may be terminated at any time by mutual consent in writing of all of the parties.

The Corporation may in the future engage other selling agents or dealers to sell the Offering and will compensate such dealers on commercially reasonable terms. Also, the Corporation may in the future pay fees in respect of sales of its Preferred Shares at or near prevailing or customary market rates and may also reimburse or otherwise compensate on commercially reasonable terms other related entities that pay such commissions or fees.

## **ITEM 9 RISK FACTORS**

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

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

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

### ***Investment Risk***

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

- (l) Speculative Investment – This is a speculative Offering. The purchase of Preferred Shares involves a number of risk factors and is suitable only for Subscribers who are aware of the risks inherent in the real estate industry and who have the ability and willingness to accept the risk of loss of their invested capital and who have no immediate need for liquidity. There is no assurance of any return on a Subscriber's investment.
- (m) No Market for Preferred Shares – There is no market through which the Preferred Shares may be sold currently. Other than in accordance with the redemption rights attached to the Preferred Shares, a Shareholder may never be able to sell his Preferred Shares and recover any part of his investment.
- (n) Resale Restriction – The Preferred Shares are subject to resale restrictions under Applicable Securities Laws. Such resale restrictions may never expire and Subscribers should consult with their professional advisors in respect of such resale restrictions. See ITEM 9.
- (o) Retraction Liquidity – The Preferred Shares are retractable, meaning that Subscribers have the right to require the Corporation to redeem them, upon appropriate advance notice from the Subscriber to the Corporation. The Corporation provides no assurance that any Subscriber will be able to retract any or all of their Preferred Shares at any time. Retraction and redemption of the Preferred Shares is subject to the Corporation having access to sufficient excess cash, or other liquid assets, and being in compliance with applicable corporate and securities legislation, and is subject to the terms in this Offering Memorandum, all as determined solely by the Corporation. Retraction and redemption of the Preferred Shares is also subject to the discretion of the directors to act in the best interests of the MIC under the Tax Act, and may also be subject to fees and penalties. Accordingly, this investment is unsuitable for those prospective Subscribers who may require liquidity.
- (p) Absence of Voting Rights – The Preferred Shares being sold under this Offering do not carry voting rights, and consequently a Subscriber's investment in Preferred Shares does not carry with it any right to take part in the control or management of the Corporation's business, including the election of directors. In assessing the risks and rewards of an investment in Preferred Shares, potential Subscribers should appreciate that they are relying solely on the good faith, judgment and ability of the directors, officers and employees of the Corporation, and the Manager to make appropriate

decisions with respect to the management of the Corporation, and that they will be bound by the decisions of the Corporation's and the Manager's directors, officers and employees.

(q) No Insurance – The Corporation is not a member institution of the Canada Deposit Insurance Corporation and the Preferred Shares offered pursuant to this Offering Memorandum are not insured against loss through the Canada Deposit Insurance Corporation.

#### **Issuer Risk**

Risks that are specific to the Corporation include the following:

(r) Sensitivity to Interest Rates - It is anticipated that the market price for the Preferred Shares 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 Preferred 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 Preferred Shares at a consistent level. In contrast, increasing interest rates may also adversely affect the Corporation's performance and/or the value of the Preferred Shares 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.

(s) 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 low risk to the Corporation of not being repaid the full principal and interest owing on the mortgage. 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. 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. 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 net asset value of the Corporation's Portfolio would be reduced, and the returns, financial condition and results of operations of the Corporation could be adversely impacted.

(t) Mortgage Investment Corporation (MIC) Tax Designation - The Corporation's directors shall use their commercially reasonable best efforts to ensure that the Corporation qualifies as a MIC pursuant to the Tax Act. There can be no assurance, however, that the Corporation will be able to meet the Tax Act's MIC qualifications at all material times. As a company qualified as a MIC, the Corporation may deduct taxable dividends it pays from its income, and the normal gross-up and dividend tax credit rules will not apply to taxable dividends paid by the Corporation on the Preferred Shares. Rather, the taxable dividends will be taxable in the hands of shareholders as if they had received an interest payment. If for any reason the Corporation fails to maintain its MIC qualification in a particular year, the taxable dividends paid by the Corporation on the Preferred Shares would cease to be deductible from the income of the Corporation for that year and the dividends it pays on the Preferred Shares would be subject to the normal gross-up and dividend tax credit rules. The Corporation would no longer be able to pay capital gains dividends. In addition, the Preferred Shares might cease to be

qualified investments for Deferred Income Plans, with the effect that penalty taxes would be payable by the Controlling Individual and/or the Deferred Income Plan.

- (u) Dilution – The number of Preferred Shares the Corporation is authorized to issue is unlimited and the directors of the Corporation have the discretion to issue additional Preferred Shares. The proceeds of the Offering may not be sufficient to accomplish all of the Corporation's proposed objectives. In addition to alternate financing sources, the Corporation may conduct future offerings of Preferred Shares in order to raise funds required which will result in a dilution of the interests of the Preferred Shareholders in the Corporation.
- (v) Limited Operating History – While individual members of the Corporation's management team have experience in mortgage investment, the Corporation is formed a newly formed entity and does not have a history of mortgage investment. The Corporation's operations are subject to the risks inherent in the establishment of a new investment activity, including a lack of operating history. The Corporation cannot be certain that its investment strategy will be successful. The likelihood of success of the Corporation must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any mortgage investment. If the Corporation fails to address any of these risks or difficulties adequately, its investment performance will likely suffer. There is no assurance that the Corporation can operate profitably or that the Corporation will successfully implement its plans.
- (w) Key Personnel – The operations of the Corporation and the Manager are highly dependent upon the continued support and participation of their key personnel. The loss of their services may materially affect the timing or the ability of the Corporation to implement its business plan. The Corporation's and the Manager's management team consists of several key people. In order to manage the Corporation and the Manager successfully in the future, it may be necessary to further strengthen their management teams. The competition for such key personnel is intense, and there can be no assurance of success in attracting, retaining, or motivating such individuals. Failure in this regard would likely have a material adverse effect on the Corporation's business, financial condition, and results of operations.
- (x) Competition – The Corporation competes with numerous sources of mortgage lenders, including banks, insurance companies, mortgage funds, mortgage investment corporations, and private lenders, some of which may have greater capital resources. Any unbudgeted capital improvement it is required to undertake may reduce cash available for debt servicing, operations and distributions.
- (y) Litigation – The Corporation may become subject to disputes with various parties with whom it maintains relationships or with whom it does business. Any such dispute could result in litigation or other legal proceedings. Whether or not any dispute actually proceeds to litigation, the Corporation may be required to devote significant resources, including management time and attention, to its successful resolution (through litigation, settlement or otherwise), which would detract from management's ability to focus on its business. Any such resolution could involve the payment of damages, costs or expenses, which may be significant. In addition, any such resolution could involve the Corporation's agreement to certain settlement terms or conditions that may restrict the operation of its business.
- (z) Reliance on the Manager – In accordance with the terms of the Management and Mortgage Services Agreement between the Corporation and the Manager Agreement between the Corporation and the Manager, the Manager has significant responsibility for assisting the Corporation to conduct its affairs. Any inability of the Manager to perform competently or on a timely basis may negatively affect the Corporation.
- (aa) Conflicts of Interest – Conflicts of interest may exist, and others may arise, between and among Subscribers and the directors and officers and shareholders of the Manager and the Corporation and their associates and affiliates. Certain of the shareholders, directors and officers of the Corporation are also shareholders, directors and officers of the Manager. As the Manager is paid certain fees (as more particularly described elsewhere in this Offering Memorandum) by the Corporation, there exists the possibility that such shareholders, officers and directors will be in a position of conflict. There is no assurance that any conflicts of interest that may arise will be resolved in a manner most favorable to Subscribers. Persons considering a purchase of Preferred Shares 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 as may arise. By way of an example some of the controlling common shareholders, directors and officers of the Manager are also the controlling common shareholders, directors and officers of the MIC and may procure or underwrite mortgage

loans or investments where the fees, such as the lender fees, that the Manager will keep, can influence their decision to proceed with the said mortgage or investment.

The Corporation and its shareholders are dependent in large part upon the experience and good faith of the Manager. The Manager is entitled to and do act in a similar capacity for other companies whose investment criteria may be similar to those of the Corporation.

There is a risk the Manager will not be able to originate sufficient suitable investment opportunities to keep the Corporation's funds fully invested. Also, the directors of the Manager are employed by or act in other capacities for other companies involved in mortgage and lending activities.

The Manager may act as an investment manager and/or a mortgage administrator and selling agent and may receive fees and commissions in connection with investments in entities other than the Corporation, including funds affiliated with the Corporation. As a result, these other entities may compete with the Corporation for financing, resources or otherwise. The Manager has adopted policies and procedures to identify and avoid, or address and disclose to investors, conflicts between its own interests and the interests of the Corporation and/or its shareholders, in accordance with applicable securities legislation. As part of Manager's disclosure to investors, the Manager will provide a description of all relationships it shares with the Corporation and all related or associated parties or entities.

The founders of the Corporation may directly or indirectly compete for the same mortgage lending opportunities presented to the Corporation, and lend instead of or together with the Corporation.

- (ab) Lack of Separate Legal Counsel - The investors, as a group, have not been represented by separate counsel. Neither counsel for the Corporation nor counsel for the Manager have acted, or are acting, for the investors nor have conducted any investigation or review on their behalf.
- (ac) Future Operations and Possible Need for Additional Funds – The Corporation requires significant funds to carry out its business plan. In the event the Corporation is unable to raise sufficient funds by this Offering and/or future and/or other debt or equity financing, the Corporation may have insufficient funds available to it to implement its business plan, and Subscribers may receive no return on their Preferred Shares. Certain uninsurable or uninsured events may also occur which can substantially reduce the ability of the Corporation to carry on business in a profitable manner, including natural or man-made disasters. The Corporation anticipates that a substantial portion of the net proceeds of this Offering will be expended by the Corporation in investing in residential mortgages, and also anticipates that the net proceeds of the Offering and anticipated cash flow from operating revenues will be sufficient to carry out the Corporation's business plan. There can be no assurances, however, that the Corporation will generate sufficient cash flow from operations or that it will not encounter unexpected costs in connection with implementing its business plan, and as a consequence there can be no assurances that the Corporation will not require additional financing. The Corporation has no current arrangements with respect to any other additional financing, and there can be no assurance that any such additional financing can be obtained on terms acceptable to the Corporation, or at all. Failure to obtain additional financing would likely have a substantial material adverse effect on the Corporation. Moreover, in the event the Corporation was to obtain such additional financing, it could have a dilutive effect on Subscribers' participation in the revenues generated through the Corporation's operations.

### ***Industry Risk***

In addition, prospective Subscribers should take note of the following:

- (ad) General – There are also risks faced by the Corporation because of the industry in which it operates. Real estate investment is subject to significant uncertainties due, among other factors, to uncertain costs of construction, development and financing, uncertainty as to the ability to obtain required licenses, permits and approvals, and fluctuating demand for developed real estate. The anticipated higher returns associated with the Corporation's Mortgages reflect the greater risks involved in making these types of loans as compared to long-term conventional mortgages. Inherent in these loans are completion risks as well as financing risks.
- (ae) Investment Concentration – As the Corporation may have only one or a limited number of mortgage investments, it is susceptible to adverse market conditions such as business layoffs or downsizing,

industry slowdowns, relocations of businesses, changing demographics and other factors. Demand for residential and commercial mortgages could be adversely affected by weakness in the national, regional and local economies, changes in supply of, or demand for, similar or competing sources of mortgage money. To the extent that any of these conditions occur, they are likely to affect the demand for residential and commercial mortgages and the interest rate, which could cause a decrease in the interest revenue to the Corporation. Any mortgage default could impair the Corporation's ability to pay dividends to its shareholders or could restrict its ability to redeploy capital.

- (af) Credit Risk – As with most mortgage investment corporations, the Corporation provides financing to borrowers who may not meet financing criteria for conventional mortgages from institutional sources and, as a result, these investments generally earn a higher rate of return than what institutional lenders may receive. Credit risk is the risk that the mortgagor will fail to discharge the obligation causing the Corporation to incur a financial loss. The Corporation will try to minimize its credit risk primarily by ensuring that the collateral value of the security fully protects both first, second, and third mortgage advances, that there is a viable exit strategy for each loan, and that loans are made to experienced developers and owners. In addition, the Corporation intends to limit the concentration of risk by diversifying its mortgage portfolio by way of location, property type, maximum loan amount on any one property and maximum loan amount to any one borrower.
- (ag) Liquidity Risk – There is a risk that the Corporation will be unable to meet commitments associated with financial instruments. The Corporation controls liquidity risks through cash flow projections used to forecast funding requirements on mortgage proposals, which include anticipated redemption of Preferred Shares. The Corporation commits to mortgage investments only on an assured cash availability basis.
- (ah) Priority – Financial charges for construction and other financing funded by conventional third-party lenders may rank in priority to the mortgages registered in favor of the Corporation. In the event of default by the mortgagor under any prior financial charge, the Corporation may not recover any or all of the monies advanced under foreclosure proceedings.
- (ai) Default – If there is default on a mortgage, it may be necessary for the Corporation, in order to protect the investment, to engage in foreclosure or sale proceedings and to make further outlays to complete an unfinished project or to maintain prior encumbrances in good standing. In those cases, it is possible that the total amount recovered by the Corporation may be less than the total investment, resulting in loss to the Corporation. Equity investments in real property may involve fixed costs in respect of mortgage payments, real estate taxes, and maintenance costs, which could adversely affect the Corporation's income.
- (aj) Impaired Loans – The Corporation may, from time to time, have one or more impaired loans in its portfolio, particulars of which can be obtained by contacting the Corporation. The Corporation defines loans as being impaired where full recovery is considered in doubt based on a current evaluation of the security held and for which write-downs have been taken or specific loss provisions established.
- (ak) Yield – The yields on real estate investments, including mortgages, depend on many factors including economic conditions and prevailing interest rates, the level of risk assumed, conditions in the real estate industry, opportunities for other types of investments, legislation, governmental regulation and tax laws. The Corporation cannot predict the effect that such factors will have on its operations.
- (al) Renewal of Mortgages – There can be no assurances that any of the mortgages comprising the Corporation's mortgage portfolio from time to time can or will be renewed at the same interest rates and terms, or in the same amounts as originally negotiated. With respect to each mortgage comprising the mortgage portfolio, it is possible that the mortgagor, the mortgagee or both, will not elect to renew such mortgage. In addition, if the mortgages in the mortgage portfolio are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such mortgages will be subject to negotiations between the mortgagors, the mortgagee and the Corporation at the time of renewal.
- (am) Competition – The earnings of the Corporation depend on the Corporation's ability, with the assistance of the Manager, to locate suitable opportunities for the investment and re-investment of the Corporation's funds and on the yields available from time to time on mortgages and other investments. The investment industry in which the Corporation operates is subject to a wide variety of competition from private businesses in Canada and the United States, many of whom have greater financial and technical resources than the Corporation. Such competition, as well as any future competition, may adversely affect the Corporation's success in the marketplace. There is no

assurance that the Corporation will be able to successfully maintain its business plan or operate profitably. Existing competitors may have greater financial, managerial and technical resources, and name recognition than the Corporation. Competitors may reduce the interest rates they charge, resulting in a reduction of the Corporation's share of the market, reduced interest rates on loans, and reduced profit margins.

- (an) Risks of Leverage – Successful utilization of leverage, although not expected to be immediately implemented, depends upon the Corporation's ability to borrow funds from outside sources and to lend or invest such funds at a profitable rate of return. The risk of leverage is that it increases the Corporation's exposure to potential losses.
- (ao) Environmental – Environmental legislation and policies have become an increasingly important feature of property ownership and management in recent years. Under various laws, the Corporation could become liable for the costs of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and wastes at or from a property, or disposed of at another location. The failure to effect remedial work may adversely affect an owners' ability to sell real estate or to borrow using the real estate as collateral and could result in claims against the owner.
- (ap) Profitability – Although the Corporation will endeavour to maintain a diversified portfolio, the composition of the Corporation's investment portfolio may vary widely from time to time and may be concentrated by type of security, industry or geography, resulting in the Corporation's portfolio being less diversified than anticipated. There is no assurance that the Corporation's mortgage portfolio will be profitable.
- (aq) Changes in Government Regulations – The Corporation may need to change the manner in which it conducts business if government legislation or regulation changes, including in respect of the Tax Act as it pertains to MICs.

## **ITEM 10 REPORTING OBLIGATIONS**

The Corporation is not a reporting issuer in any of the Selling Jurisdictions nor will it become a reporting issuer in any Selling Jurisdiction or any other jurisdiction in Canada or elsewhere following the completion of the Offering of Preferred Shares pursuant to this Offering Memorandum. As a result, the Corporation will not be subject to the continuous disclosure requirements of such securities legislation, including, without limitation, the dissemination of news releases disclosing material changes in the business and affairs of the Corporation and the filing of material change reports.

The fiscal year end of the Corporation is December 31<sup>st</sup> and the tax year end is December 31<sup>st</sup>. On or before the 90<sup>th</sup> day following the tax year end in each year the Corporation will distribute to each holder of Preferred Shares such income tax information regarding the Corporation and its operations as is reasonably necessary to enable each holder of Preferred Shares to file returns with respect to his or her income or loss from the Corporation in respect of the most recently completed fiscal year.

### *Reporting to Holders of Preferred Shares*

The fiscal year end of the Corporation is December 31<sup>st</sup>, and the tax year end is December 31<sup>st</sup>.

The Corporation will, within 120 days after the end of each fiscal year end, and in accordance with the requirements of Section 2.9 of NI 45-106, send to holders of Preferred Shares and file with applicable securities regulatory authorities:

- i.the annual audited financial statements of the Corporation and the accompanying Form 45-106F16 – *Notice of Use of Proceeds*; and
- ii.so long as required by applicable securities laws in New Brunswick, Nova Scotia and Ontario, Form 45-106F17 – *Notice of Specified Key Events*.

In accordance with applicable securities laws, the Corporation will post the following documents on a timely basis onto its external web-portal to provide holders of Preferred Share with transparent reporting of the business of the Corporation:

- i. Annual Audited Financial Statements; and
- ii. Form 45-106F16 – *Notice of Use of Proceeds*.

While the distribution of securities under this Offering Memorandum is part of a continuous Offering, the Corporation will not prepare or send quarterly interim financial statements to holders of Preferred Shares unless the Corporation believes that their inclusion in this Offering Memorandum is necessary to prevent this Offering Memorandum from containing a misrepresentation. However, once the Offering has been completed, the Corporation will post quarterly interim financial statements on a timely basis onto the external web portal referenced above.

The Manager will, within the time required under the Tax Act, cause to be forwarded to each holder of Preferred Shares who received distributions from the Corporation in the prior calendar year, such information and forms as may be needed by the holder of Preferred Shares in order to complete its income tax return in respect of the prior calendar year under the Tax Act and equivalent provincial legislation in Canada.

The Corporation is not a "reporting issuer" or its equivalent under the securities legislation of any jurisdiction. Accordingly, the Corporation is not subject to the "continuous disclosure" requirements of any securities legislation and there is therefore 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 on SEDAR only as required pursuant to section 2.9 of NI 45-106, which information is available electronically from SEDAR ([www.sedar.com](http://www.sedar.com)).

The Corporation will deliver to prospective investors certain documents, including this Offering Memorandum, a subscription agreement and any updates or amendments to the Offering Memorandum, from time to time by way of facsimile or e-mail. Delivery of such documents by email or facsimile shall constitute valid and effective delivery of such documents unless the Corporation or Manager receive actual notice that such electronic delivery failed. Unless the Corporation or Manager receive actual notice that the electronic delivery failed, the Corporation and Manager are entitled to assume that the facsimile or e-mail and the attached documents were actually received by the prospective investor and the Corporation and Manager will have no obligation to verify actual receipt of such electronic delivery by the prospective investor.

## **ITEM 11 RESALE RESTRICTIONS**

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

### **For trades in Alberta, British Columbia, Saskatchewan and Ontario:**

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

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

### **For trades in Manitoba:**

Unless permitted under securities legislation, you must not trade the securities without the prior written consent of the regulator in Manitoba unless: (i) the Corporation has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus; or (ii) you have held the securities for at least 12 months. The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

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

## ITEM 12 PURCHASER'S RIGHTS

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

The securities laws in your jurisdiction may provide you with the right, in certain circumstances, to seek damages or to cancel your agreement to buy Preferred Shares. Most often, these rights are available if we make a misrepresentation in this Offering Memorandum or any amendment hereto, but in some jurisdictions, you may have these rights in other circumstances including if the Corporation fails to deliver the Offering Memorandum to you within the required time or if we make a misrepresentation in any advertisements or literature regarding Preferred Shares. Generally, a "misrepresentation" means an untrue statement about a material fact or the failure to disclose a material fact that is required to be stated or that is necessary in order to make a statement not misleading in light of the circumstances in which it was made. The meaning of misrepresentation may differ slightly depending on the law in your jurisdiction. In most jurisdictions there are defenses available to the persons or companies that you may have a right to sue. In particular, in many jurisdictions, the person or company that you sue will not be liable if you knew of the misrepresentation when you purchased the Preferred Shares.

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

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

**Two Day Cancellation Right** – You can cancel your Subscription Agreement to purchase the securities. To do so, you must send a notice to the Corporation by midnight on the second Business Day after you sign the Subscription Agreement to buy the securities.

### Subscribers in British Columbia, Alberta, Saskatchewan and Manitoba

#### *Statutory rights in the event of a misrepresentation*

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

1. the Corporation to cancel your agreement to buy the Preferred Shares; or
2. for damages against:
  - (a) if you are resident in Alberta or Manitoba:
    - i. the Corporation;
    - ii. every director of the Corporation at the date of this Offering Memorandum; and
    - iii. every person or company who signed this Offering Memorandum; and
  - (b) if you are resident in British Columbia:
    - i. the Corporation;
    - ii. every director of the Corporation at the date of this Offering Memorandum; and
    - iii. every person who signed this Offering Memorandum.
  - (c) if you are resident in Saskatchewan:
    - i. the Corporation;
    - ii. every promoter of the Corporation at the time this Offering Memorandum or any amendment was sent or delivered;
    - iii. every director of the Corporation at the time this Offering Memorandum or any amendment was sent or delivered;
    - iv. every person or company whose consent has been filed respecting this Offering, but only with respect to reports, opinions or statements that have been made by them;
    - v. every person who or company that, in addition to the persons or companies mentioned in paragraphs (2)(c)(i) to (iv), signed this Offering Memorandum or any amendment; and
    - vi. every person who or company that sells Preferred Shares on behalf of the Corporation under this Offering Memorandum or any amendment.

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

#### ***Time limitations***

If you intend to rely on the rights described above in paragraph (1) or (2), you must do so within strict time limitations.

You must commence an action to cancel the agreement within:

1. if you are resident in Alberta, 180 days from the date of the transaction that gave rise to the cause of action; and
2. if you are resident in British Columbia, Saskatchewan or Manitoba, 180 days after the date of the transaction that gave rise to the cause of action.

You must commence an action for damages within:

1. if you are resident in Alberta, the earlier of:
  - (a) 180 days from the date that you first had knowledge of the facts giving rise to the cause of action; or
  - (b) 3 years from the day of the transaction that gave rise to the cause of action.
2. if you are resident in British Columbia, the earlier of:
  - (a) 180 days after you first had knowledge of the facts giving rise to the cause of action; or
  - (b) 3 years after the date of the transaction that gave rise to the cause of action.
3. if you are resident in Saskatchewan, the earlier of:
  - (a) 1 year after you first had knowledge of the facts giving rise to the cause of action; or
  - (b) 6 years after the date of the transaction that gave rise to the cause of action.
4. if you are resident in Manitoba, the earlier of:
  - (a) 180 days after the date you first had knowledge of the facts giving rise to the cause of action; or
  - (b) 2 years after the date of the transaction that gave rise to the cause of action.

#### **Subscribers in Ontario**

##### ***Statutory rights in the event of a misrepresentation***

If this Offering Memorandum, together with any amendment hereto, is delivered to you and contains a misrepresentation and it was a misrepresentation at the time of purchase of Preferred Shares by you, you will have, without regard to whether you relied on such representation, a right of action against the Corporation for damages or, while still the owner of the Preferred Shares purchased by you, for rescission, in which case if you elect to exercise the right of rescission you will have no right of action for damages against the Corporation. You may exercise these rights of action against the Corporation provided that:

1. the right of action for rescission or damages will be exercisable by you only if you commence an action to enforce such right not later than,
  - (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
  - (b) in the case of any action, other than an action for rescission, the earlier of (A) 180 days after you first had knowledge of the facts giving rise to the cause of action or (B) three years after the date of the transaction that gave rise to the cause of action;
2. the Corporation will not be liable if it proves that you purchased the Preferred Shares with knowledge of the misrepresentation;
3. in the case of an action for damages, the Corporation will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Preferred Shares as a result of the misrepresentation relied upon;

4. in no case will the amount recoverable in any action exceed the price at which the Preferred Shares were sold to you; and
5. the Corporation will not be liable for a misrepresentation in forward-looking information if the Corporation proves that:
  - (a) this Offering Memorandum contains reasonable cautionary language identifying the forward looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward looking information; and
  - (b) the Corporation has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information.

#### **General**

The securities laws of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario are complex. Reference should be made to the full text of the provisions summarized above relating to statutory rights of action. **Purchasers should consult their own legal advisers with respect to their rights and the remedies available to them. The rights discussed above are in addition to and without derogation from any other rights or remedies which Purchasers may have at law.**

## **ITEM 13 DIVIDEND REINVESTMENT PLAN**

The Corporation, subject to maintaining the status of the Corporation as a "mortgage investment corporation" under the Tax Act, maintains a dividend reinvestment and Share purchase plan (the "DRIP"). Under the DRIP, Shareholders can reinvest dividends in additional Shares of the Corporation. The Corporation or the Manager administers all aspects of the DRIP. If the Purchaser wishes to participate in the Dividend Reinvestment Plan operated by the Issuer, the Purchaser must complete and return the Enrolment Form for Dividend Reinvestment Plan attached to the Subscription Agreement as Schedule "G".

#### **Eligibility**

All holders of Shares are eligible to participate in the DRIP by completing an enrolment form in the form attached to the Subscription Agreement as Schedule "G" and returning it to the Corporation (the "Registered Participants"). If a Shareholder wishes to participate in the DRIP, they may enroll any of their Shares in the DRIP.

#### **Investment Date**

Dividends are calculated monthly, and paid and reinvested in Shares on a monthly basis (the "Investment Date"). In the future, the Corporation may calculate and pay dividends on the Shares on a quarterly or monthly basis within fifteen (15) days after each calendar quarter or month, respectively. The payment of a dividend, and the declaration, record and payment dates applicable to it are determined by the Board of Directors in its sole discretion.

#### **Cost and Attributes of Shares Purchased under the "DRIP"**

Shares are purchased at \$1.00 per Share and are issued from the Treasury of the Corporation. The Corporation uses the cash dividends attributable to a Shareholder to purchase additional Shares on behalf of the Shareholder. All Shares acquired through the DRIP are credited to the Shareholder's account. At the end of each fiscal quarter, unless declared and paid earlier, physical and where applicable, digital or PDF certificates will be issued and emailed to the Shareholder for all shares acquired under the DRIP for that fiscal year period. No fractional Shares will be issued by the Corporation under the DRIP. Residual cash dividends which are not used to purchase additional Shares will be credited to the account of the Shareholder. No brokerage or administration fees will be charged by the Corporation or the Manager for participation in the DRIP. A Shareholder may elect to purchase additional Shares at the same subscription price and at the same time as they acquire Shares under the DRIP. There is no minimum aggregate subscription amount under the DRIP. Shares issued under the DRIP may not be transferred or pledged.

### **Transaction Statements**

Transaction statements are sent to Shareholders following each Investment Date. The transaction statements will show the Shares purchased under the Plan and should be retained for income tax purposes. The Corporation also reports to the Shareholder on an annual basis any required information for income tax purposes with regard to all dividends paid to each holder of Shares.

### **Termination of Participation in the DRIP**

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

### **Liabilities of the Corporation and Manager**

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

### **Amendments to Plan and Termination by Corporation**

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

### **Preemptive Rights**

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

**ITEM 14        FINANCIAL STATEMENTS**

The audited financial statements for the Corporation as of March 18, 2024 are set forth below:

[SEE ATTACHED AUDITED FINANCIAL STATEMENTS]

**ITEM 15        DATE AND CERTIFICATE**

**DATED** this 1st day of May, 2024.

**This Offering Memorandum does not contain a misrepresentation.**

**ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION**

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President, Chief Compliance Officer

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Secretary

**ON BEHALF OF THE BOARD OF DIRECTORS**

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Duncan Wilson, Director

---

Tyler Tiessen, Director

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Charlene Short, Director

---

Shawn Kingsbury, Director

**PROMOTERS**

None

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None

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## APPENDIX "A": SUBSCRIPTION AGREEMENT FOR PREFERRED SHARES (THE "SUB")

**TO:** ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION (the "Corporation")  
**AND TO:** N/A (the "Selling Agent")

The undersigned (the "Subscriber") hereby irrevocably subscribes for and agrees to purchase the number of Class A Preferred Shares (a "Preferred Share") of the Corporation set forth below for the aggregate subscription price ("Aggregate Subscription Amount") set forth below, representing a subscription price of \$1.00 per Preferred Share, upon and subject to the terms and conditions set forth in "Terms and Conditions of Subscription for Preferred Shares of ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION" attached hereto (together with this page and attached Schedules, the "Subscription Agreement"). **In addition to this face page, the Subscriber must also complete all applicable Schedules and Exhibits attached hereto.**

Full Legal Name of Subscriber (please print)

By:  
Signature of Subscriber or its Authorized Representative

Official Title or Capacity (please print)

Name of Signatory (please print name of individual whose signature appears above if different than name of Subscriber)

Subscriber's Address (including postal code)

Telephone Number (including area code)

E-mail Address

Aggregate Subscription Amount: \$ \_\_\_\_\_

Number of Class A Preferred Shares: \_\_\_\_\_

**Disclosed Beneficial Purchaser Information:**

If the Subscriber is signing as agent for a principal and is not deemed to be purchasing as principal pursuant to applicable securities legislation, complete the following and ensure that Schedule A and Schedule D, if applicable, is completed in respect of such principal:

(Name of Principal)

(Principal's address)

(Telephone Number)

(E-mail Address)

**Joint or Additional Subscriber**

Full Legal Name of Joint or Additional Subscriber (please print)

Subscriber's Address (including postal code)

Telephone Number (including area code)

Joint Tenants with Right of Survivor Ship (both subscribers must sign and initial where required)

Tenants in Common (both subscribers must sign and initial where required)

**Register the Preferred Shares (if different) as follows:**

Names

Account references, if applicable

Address (including postal code)

**Deliver the Preferred Shares (if different from address given above) as follows:**

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

Name	Contact Name	
Account reference, if applicable		Subscriber that the representations and warranties made by the Corporation to the Selling Agent in the Agency Agreement (as defined herein), or as is applicable or used from time to time, are true and correct in all material respects as of the Closing Date (as defined herein) (save and except as waived in whole or in part by the Selling Agent) and that the Subscriber is entitled to rely thereon.
Address (including postal code)		
Telephone Number (including area code)		
		<b>ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION</b>
		_____, 20____
	Per: _____	
		No.: _____

*This is the first page of an agreement comprised of 13 pages (excluding the Schedules and Exhibits hereto*



*Subscription Agreement for Preferred Shares*

**PLEASE MAKE SURE THAT YOUR SUBSCRIPTION INCLUDES:**

1. a signed copy of this Subscription Agreement;
2. a certified cheque, bank draft or wire transfer in an amount equal to the Aggregate Subscription Amount in immediately payable funds, payable to "**ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION**" (the "Corporation");
3. if the Subscriber is purchasing Preferred Shares as an "accredited investor" and resident in British Columbia, Alberta, Saskatchewan, Manitoba or Ontario, one (1) copy of the Representation Letter in the form attached to this Subscription Agreement as Schedule "A" (including a duly completed and initialed copy of Exhibit A to Schedule "A" and, if you are an individual described in paragraphs (j), (k), or (l) of the definition of "accredited investor" in Section 1.1 of NI 45-106 (which definition is reproduced in Exhibit A to Schedule A"), a duly completed and signed copy of Exhibit B to Schedule "A");
4. if the Subscriber is purchasing the Preferred Shares in reliance on the "offering memorandum exemption" and is resident in British Columbia, Alberta, Saskatchewan, Manitoba or Ontario, one (1) copy of a Representation Letter in the form attached to this Subscription Agreement as Schedule "B" and, if applicable, one (1) copy of a Representation Letter in the form attached to this Subscription Agreement as Schedule "C";
5. if the Subscriber is not a resident of Canada or the United States, one (1) copy of each of the Representation Letters in the forms attached to this Subscription Agreement as Schedule "A" and Schedule "D";
6. if the Subscriber is purchasing Preferred Shares as "family, a friend or business associate", one (1) copy of the Representation Letter and Risk Acknowledgement in the form attached to this Subscription Agreement as Schedules "B" and "E";
7. if the Subscriber is a person but not an individual that subscribes for a "minimum amount investment" of \$150,000.00, one (1) copy of the Representation Letter and Risk Acknowledgement in the form attached to this Subscription Agreement as Schedules "B" and "F";
8. if the Subscriber is enrolling in the Corporation's dividend reinvestment and share purchase plan to purchase Preferred Shares in lieu of dividends, complete the form attached to this Subscription Agreement as Schedule "G";
9. if the Subscriber would prefer to receive direct deposits of the dividends, complete the form attached to this Subscription Agreement as Schedule "H";
10. the Subscriber must complete the consent to disclosure of personal information form attached to this Subscription Agreement as Schedule "I"; and
11. the Subscriber must complete the consent to disclosure of personal information form and the consent to electronic delivery of documents form, both attached to this Subscription Agreement as Schedules "I" and "J".

**PLEASE DELIVER YOUR SUBSCRIPTION TO:**

ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION  
1821 Provincial Road, Suite 201, Windsor, Ontario, N8W 5V2  
Attention: Duncan Wilson  
T: 226-790-0984 Email: [admin@investorsuite.ca](mailto:admin@investorsuite.ca)

## TERMS AND CONDITIONS OF SUBSCRIPTION FOR PREFERRED SHARES OF ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION

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1. **Definitions.** In this Subscription Agreement:
  - (a) "Agency Agreement" shall have the meaning ascribed thereto in Section 12 hereof;
  - (b) "Selling Agent" means N/A;
  - (c) "Aggregate Subscription Amount" has the meaning set forth on the face page hereof;
  - (d) "Closing Date" means the date of closing of this Offering, being such date or date(s) as the Corporation and the Selling Agent may agree upon;
  - (e) "Corporation" means ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION, a corporation incorporated under the laws of Ontario;
  - (f) "NI 45-106" means National Instrument 45-106 entitled *Prospectus Exemptions*;
  - (g) "Offering" shall have the meaning ascribed thereto in paragraph 2(b) hereof;
  - (h) "Offering Memorandum" means the offering memorandum of the Corporation dated May 1, 2024 and as amended thereafter; and
  - (i) "Preferred Shares" means Class A Preferred Shares in the capital of the Corporation.
2. **Acknowledgements of the Subscriber.** The Subscriber acknowledges (on its own behalf and, if applicable, on behalf of each person on whose behalf the Subscriber is contracting) that:
  - (a) this subscription is subject to rejection or acceptance by the Corporation, and is effective only upon acceptance by the Corporation;
  - (b) the Preferred Shares subscribed for by the Subscriber hereunder form part of a larger issue and sale by the Corporation of up to 150,000,000 Class A Preferred Shares at a subscription price of \$1.00 per Preferred Share for aggregate gross proceeds of up to \$150,000,000, all pursuant to the Offering Memorandum (the "Offering");
  - (c) the Corporation may use the Selling Agent appointed as agent pursuant to the Agency Agreement to offer the Preferred Shares on a "commercially reasonable efforts" basis and the Corporation may agree to pay to the Selling Agent a combination of a onetime onboarding fee, and/or a monthly fee, and/or a selling commission, which includes reimbursement of the Selling Agent for its reasonable expenses incurred pursuant to the Offering (including reasonable legal fees);
  - (d) there is a minimum offering pursuant to the Offering Memorandum which may be waived by the Corporation, and therefore the Subscriber may be the only purchaser under the Offering;
  - (e) **the Subscriber is responsible for obtaining such legal and tax advice as it considers appropriate in connection with the execution, delivery and performance by it of this Subscription Agreement; and**
  - (f) **there are risks associated with an investment in the Preferred Shares including, without limitation, those risks set out in this Subscription Agreement and the Offering Memorandum and, as a result, the Subscriber may lose its entire investment.**
3. **Representations, Warranties and Covenants of the Subscriber.** By executing this Subscription Agreement, the Subscriber (on its own behalf and, if applicable, on behalf of each person on whose behalf the Subscriber is contracting) represents, warrants and covenants to the Corporation, the Selling Agent and their respective counsel (and acknowledges that the Corporation, the Selling Agent and their respective counsel are relying thereon), as at the date hereof and the Closing Date, that:
  - (a) if the Subscriber is an individual, the Subscriber is of the full age of majority in the jurisdiction in which this Subscription Agreement is executed and is legally competent to execute and deliver this Subscription Agreement, to perform all of its obligations hereunder, and to undertake all actions required of the Subscriber hereunder;
  - (b) if the Subscriber is not an individual, the Subscriber has the requisite power, authority, legal capacity and competence to execute and deliver and be bound by this Subscription Agreement, to perform all of its obligations hereunder, and to undertake all actions required of the Subscriber hereunder, and all necessary approvals of its directors, partners, shareholders, trustees or otherwise with respect to such matters have been given or obtained;

- (c) if the Subscriber is a body corporate, partnership, unincorporated association or other entity, the Subscriber has been duly incorporated or created and is validly subsisting under the laws of its jurisdiction of incorporation or creation;
- (d) this Subscription Agreement has been duly and validly authorized, executed and delivered by, and constitutes a legal, valid, binding and enforceable obligation of, the Subscriber;
- (e) the execution, delivery and performance by the Subscriber of this Subscription Agreement and the completion of the transactions contemplated hereby do not and will not result in a violation of any law, regulation, order or ruling applicable to the Subscriber, and do not and will not constitute a breach of or default under any of the Subscriber's constituting documents (if the Subscriber is not an individual) or any agreement or covenant to which the Subscriber is a party or by which it is bound;
- (f) the Subscriber confirms that the Subscriber (and, if the Subscriber is not purchasing as principal, each beneficial purchaser for whom the Subscriber is acting):
  - i. has such knowledge in financial and business affairs as to be capable of evaluating the merits and risks of its investment in the Preferred Shares;
  - ii. is capable of assessing the proposed investment in the Preferred Shares as a result of the Subscriber's own experience or as a result of advice received from a person registered under applicable securities legislation;
  - iii. is aware of the characteristics of the Preferred Shares and the risks relating to an investment therein; and
  - iv. is able to bear the economic risk of loss of its investment in the Preferred Shares;
- (g) the Subscriber acknowledges that:
  - i. no securities commission or similar regulatory authority has reviewed or passed on the merits of the Preferred Shares;
  - ii. there is no government or other insurance covering the Preferred Shares;
  - iii. there are risks associated with the purchase of the Preferred Shares;
  - iv. there are restrictions on the Subscriber's ability to resell the Preferred Shares and it is the responsibility of the Subscriber to find out what those restrictions are and to comply with them before selling the Preferred Shares; and
  - v. the Corporation has advised the Subscriber that the Corporation is relying on an exemption from the requirements to provide the Subscriber with a prospectus and to sell securities through a person or company registered to sell securities under the *Securities Act (Ontario)* and other applicable securities laws and, as a consequence of acquiring Preferred Shares pursuant to this exemption, certain protections, rights and remedies provided by the *Securities Act (Ontario)* and other applicable securities laws, including statutory rights of rescission or damages, will not be available to the Subscriber;
- (h) the Subscriber acknowledges that no prospectus has been filed by the Corporation with any securities commission or similar regulatory authority in any jurisdiction in connection with the issuance of the Preferred Shares, and the issuance of the Preferred Shares is exempted from the prospectus requirements available under the provisions of applicable securities laws, and as a result:
  - i. the Subscriber is restricted from using some of the civil remedies otherwise available under applicable securities laws;
  - ii. the Subscriber will not receive information that would otherwise be required to be provided to it under applicable securities laws; and
  - iii. the Corporation is relieved from certain obligations that would otherwise apply under applicable securities laws;
- (i) other than the Offering Memorandum, the Subscriber has not received or been provided with, nor has it requested, nor does it have any need to receive, any prospectus or any other document (other than the annual financial statements, interim financial statements or any other document (excluding offering memoranda, prospectuses or other offering documents) the content of which is prescribed by statute or regulation) describing the business and affairs of the Corporation, which has been prepared for delivery to and review by prospective purchasers in order to assist them in making an investment decision in respect of the purchase of Preferred Shares pursuant to the Offering;

- (j) the Subscriber has been solely responsible its own due diligence investigation of the Corporation and its business, and analysis of the merits and risks of the investment in the Preferred Shares, and is not relying on anyone else's analysis or investigation of the Corporation, its business or the merits and risks of the Preferred Shares;
- (k) the Subscriber confirms that neither the Corporation, the Selling Agent nor any of their representative directors, employees, officers, agents, representatives or affiliates, have made any representations (written or oral) to the Subscriber:
  - i. regarding the future value of the Preferred Shares;
  - ii. that any person will resell or repurchase the Preferred Shares;
  - iii. that any of the Preferred Shares will be listed on any stock exchange or traded on any market; or
  - iv. that any person will refund the purchase price of the Preferred Shares other than as provided in this Subscription Agreement;
- (l) the Subscriber confirms that it has been advised to consult its own legal and financial advisors in its own jurisdiction of residence with respect to the suitability of the Preferred Shares as an investment for the Subscriber, the tax consequences of purchasing and dealing with the Preferred Shares, and the resale restrictions and "hold periods" to which the Preferred Shares are or may be subject under applicable securities legislation or stock exchange rules, and has not relied upon any statements made by or purporting to have been made on behalf of the Corporation or the Selling Agent with respect to such suitability, tax consequences, and resale restrictions;
- (m) the Subscriber is resident in the jurisdiction indicated on the face page of this Subscription Agreement as the "Subscriber's Address" and the purchase by and sale to the Subscriber of the Preferred Shares, and any act, solicitation, conduct or negotiation directly or indirectly in furtherance of such purchase and sale (whether with or with respect to the Subscriber or any beneficial purchaser) has occurred only in such jurisdiction;
- (n) the Subscriber acknowledges that it and/or the Corporation or the Selling Agent may be required to provide applicable securities regulatory authorities or stock exchanges with information concerning the identities of the beneficial purchasers of the Preferred Shares and the Subscriber agrees that, notwithstanding that the Subscriber may be purchasing the Preferred Shares as agent for an undisclosed principal, the Subscriber will provide to the Corporation and the Selling Agent, on request, particulars as to the identity of such undisclosed principal as may be required by the Corporation or the Selling Agent in order to comply with the foregoing;
- (o) the Subscriber has not relied upon any verbal or written representation as to fact or otherwise made by or on behalf of the Corporation or the Selling Agent, other than pursuant to the Offering Memorandum delivered to the Subscriber and except as expressly set forth herein;
- (p) unless the Subscriber satisfies Section 3(q), 3(r) or 3(s) below, the Subscriber satisfies one of subsections (i), (ii) or (iii) below:
  - i. **if the Subscriber is resident in or otherwise subject to the applicable securities laws of British Columbia, Alberta, Saskatchewan, Manitoba or Ontario**, the Subscriber is purchasing the Preferred Shares as principal (or is deemed to be purchasing as principal) for its own account, not for the benefit of any other person, the Subscriber is an "accredited investor" as defined in National Instrument 45-106 entitled *Prospectus Exemptions* ("NI 45-106") (or, if applicable for Subscribers in Ontario, the corresponding categories for the definition of an "accredited investor" as defined in Section 73.3 of the *Securities Act (Ontario)*), which definitions are reproduced in Exhibit A to Schedule "A" attached hereto, the Subscriber was not created or used solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of "accredited investor" in NI 45-106 and reproduced in Exhibit A to Schedule "A" hereto, the Subscriber is not a trust company or trust corporation registered under the laws of Prince Edward Island that is not registered or authorized under the *Trust and Loan Companies Act (Canada)* or under comparable legislation in another jurisdiction of Canada and **the Subscriber has executed and delivered to the Corporation a Representation Letter in the form attached hereto as Schedule "A" indicating that the Subscriber fits within one of the categories of "accredited investor" set forth in such definitions (including a duly completed and initialed copy of Exhibit A to Schedule "A" and, if the Subscriber is an individual described in paragraphs (j), (k), or (l) of the definition of "accredited investor" in Section 1.1 of NI 45-106, a duly completed and signed copy of Exhibit B to Schedule "A"); OR**

- ii. **if the Subscriber is not an accredited investor and is resident in or otherwise subject to the applicable securities laws of Alberta, Saskatchewan, Manitoba or Ontario**, it is purchasing the Preferred Shares as principal (or is deemed to be purchasing as principal) for its own account and not for the benefit of any other person, it has received or been provided with a copy of the Offering Memorandum, it is an eligible investor (in which case, it was not created or used solely to purchase or hold securities as an eligible investor as defined in paragraph (a) of the definition of "eligible investor" in NI 45-106), if the Subscriber is an investment fund, the investment fund is a non-redeemable investment fund or is a mutual fund that is a reporting issuer, **and the Subscriber has executed and delivered to the Corporation each of the Representation Letters in the forms attached hereto as Schedule "B" and Schedule "C"; OR**
- iii. **if the Subscriber is not an accredited investor and is resident in or otherwise subject to the applicable securities laws of British Columbia**, it is purchasing the Preferred Shares as principal (or is deemed to be purchasing as principal) for its own account and not for the benefit of any other person and it has received or been provided with a copy of the Offering Memorandum **and the Subscriber has executed and delivered to the Corporation the Representation Letter in the form attached hereto as Schedule "B"; OR**

(q) **if the Subscriber is not purchasing the Preferred Shares as principal pursuant to section 3(p)**, it is duly authorized to enter into this Subscription Agreement and to execute and deliver all documentation in connection with the purchase on behalf of each beneficial purchaser, each of whom is purchasing as principal for its own account, not for the benefit of any other person, and not with a view to the resale or distribution of all or any of the Preferred Shares, it acknowledges that the Corporation may be required by law to disclose to certain regulatory authorities the identity of each beneficial purchaser of Preferred Shares for whom it may be acting, it is resident in the jurisdiction set out as the "Subscriber's Residential Address" and each beneficial purchaser is resident in the jurisdiction set out as the "Disclosed Beneficial Purchaser Information" and the purchase by and sale of the Preferred Shares, and any act, solicitation, conduct or negotiation directly or indirectly in furtherance of such purchase and sale (whether with or with respect to the Subscriber or any beneficial purchaser) has occurred only in such jurisdiction(s), and:

- i. it is acting as agent for a disclosed beneficial purchaser, who is disclosed on the face page of this Subscription Agreement, who is resident in the jurisdiction set out as the "Disclosed Beneficial Purchaser's Residential Address" and who complies with section 3(p)(i) hereof as if all references therein were to the disclosed beneficial purchaser rather than to the Subscriber **and the Subscriber has concurrently executed and delivered a Representation Letter in the form attached hereto as Schedule "A" on behalf of such disclosed beneficial purchaser; or**
- ii. it is deemed to be purchasing as principal under NI 45-106 because it is an "accredited investor" as such term is defined in paragraphs (p) or (q) of the definition of "accredited investor" in NI 45-106 and reproduced in Exhibit A to Schedule "A" attached hereto (provided, however, that it is not a trust company or trust corporation registered under the laws of Prince Edward Island that is not registered or authorized under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in another jurisdiction of Canada) **and has concurrently executed and delivered a Representation Letter in the form attached hereto as Schedule "A" indicating that the Subscriber satisfies one of the categories of "accredited investor" set out in paragraphs (p) or (q) of the definition of "accredited investor" in NI 45-106 and reproduced in Exhibit A to Schedule "A" hereto;**

(r) **if the Subscriber is not purchasing the Preferred Shares pursuant to sections 3(p) or 3(q)**, the Subscriber and each person on whose behalf the Subscriber is contracting is a resident of a jurisdiction outside of both Canada and the United States, it has concurrently executed and delivered the Representation Letters in the form attached to this Subscription Agreement as Schedule "A" and Schedule "D" and will provide such evidence of compliance with all matters described in such Representation Letters as the Corporation, the Selling Agent or their respective counsel may request including that: (a) the purchase of the Preferred Shares does not contravene any of the applicable securities laws in the Subscriber's jurisdiction of residence and does not trigger (i) any obligation to prepare and file a prospectus, an offering memorandum or similar document, or any other ongoing reporting requirements with respect to such purchase or otherwise, or (ii) any registration or other obligation on the part of the Corporation; and (b) the sale of the Preferred Shares as contemplated in this Subscription Agreement would, if completed, be made pursuant to an exemption from the prospectus and registration requirements (or similar requirements) under the applicable securities legislation of the Subscriber's jurisdiction of residence;

- (s) if the Subscriber is not purchasing the Preferred Shares pursuant to sections 3(p), 3(q) or 3(r), is resident in or otherwise subject to the applicable securities laws of Saskatchewan or Ontario, (and recommended for any other province of Canada), the Subscriber is purchasing the Preferred Shares as principal (or is deemed to be purchasing as principal) for its own account, not for the benefit of any other person, the Subscriber is "family, a friend or business associate" as defined in National Instrument 45-106 entitled *Prospectus Exemptions* ("NI 45-106") (or, if applicable for Subscribers in Ontario, the corresponding categories for the definition of "family, friend and business associates" as defined in Section 73.3 of the *Securities Act (Ontario)*), which definitions are reproduced in Schedule "E" attached hereto, and the Subscriber has executed and delivered to the Corporation the **Representation Letter and Risk Acknowledgement in the form attached hereto as Schedules "B" and "E"** indicating that the Subscriber fits within one of the categories of "family, friends and business associates" set forth in such definitions;
- (t) if the Subscriber is not purchasing the Preferred Shares pursuant to sections 3(p), 3(q), 3(r), or 3(s) is resident in or otherwise subject to the applicable securities laws of any province of Canada, the Subscriber is purchasing the Preferred Shares as principal (or is deemed to be purchasing as principal) for its own account, not for the benefit of any other person, the Subscriber is not an individual and acquiring a "minimum amount investment" of \$150,000.00 paid in cash at the time of the distribution as defined in National Instrument 45-106 entitled *Prospectus Exemptions* ("NI 45-106"), which definitions are reproduced in Schedule "F" attached hereto, and the Subscriber has executed and delivered to the Corporation the **Representation Letter and Risk Acknowledgement in the form attached hereto as Schedules "B" and "F"** indicating that the Subscriber fits within the category of "minimum amount investment" set forth in such definitions;
- (u) it has been independently advised as to restrictions with respect to trading in the Preferred Shares imposed by applicable securities legislation in the jurisdiction in which it resides or is located, confirms that no representation (written or oral) has been made to it by or on behalf of the Corporation or the Selling Agent with respect thereto;
- (v) the Subscriber understands that it may not be able to resell the Preferred Shares except in accordance with limited exemptions available under applicable securities legislation, regulatory policy and stock exchange rules, and that the Subscriber is solely responsible for (and neither the Corporation nor the Selling Agent is in any way responsible for) the Subscriber's compliance with applicable resale restrictions;
- (w) the Subscriber acknowledges that it is aware that there is no market upon which any of the Preferred Shares trade on or in and that none may develop and there is no assurance that any of the Preferred Shares will be listed and posted for trading on a stock exchange or dealer network in the future;
- (x) the Subscriber acknowledges that it is aware that the Corporation is not a "reporting issuer" or the equivalent in any jurisdiction of Canada and therefore, the Preferred Shares will be subject to a hold period which may be of indefinite duration;
- (y) the Subscriber understands that any certificates representing the Preferred Shares will bear a legend in accordance with applicable securities legislation indicating that the resale of such securities is restricted and the Subscriber will not sell any of the Preferred Shares except in accordance with applicable securities legislation;
- (z) the Subscriber has not become aware of any advertisement in printed media of general and regular paid circulation or on radio, television or other form of telecommunication or any other form of advertisement (including electronic display or the Internet) or sales literature with respect to the distribution of the Preferred Shares;
- (aa) the Subscriber acknowledges that the Selling Agent has not engaged in or conducted an independent investigation on behalf of the Subscriber with respect to the Corporation or the transactions contemplated by this Subscription Agreement to the same extent or level that the Selling Agent would for a prospectus offering, and that the Selling Agent and its representatives are not liable for any information given or statement made to the Subscriber by the Corporation in connection with the Corporation or the transactions contemplated by this Subscription Agreement, and the Subscriber hereby releases the Selling Agent and its representatives from any claim that may arise in respect of this Subscription Agreement or the transaction contemplated hereby;
- (ab) except for the representations and warranties made by the Corporation to the Selling Agent pursuant to the Agency Agreement, the Subscriber has relied solely upon publicly available information relating to the Corporation and not upon any verbal or written representation as to fact or otherwise made by or on behalf of the Corporation or the Selling Agent, such publicly available information having been delivered to the Subscriber without independent investigation or verification by the Selling Agent, and

agrees that the Selling Agent assumes no responsibility or liability of any nature whatsoever for the accuracy, adequacy or completeness of publicly available information and acknowledges that Corporation's counsel and the Selling Agent's counsel are acting as counsel to the Corporation and the Selling Agent, respectively, and not as counsel to the Subscriber;

- (ac) the Subscriber is aware that the Preferred Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state and that the Preferred Shares may not be offered or sold, directly or indirectly, in the United States without registration under the U.S. Securities Act or compliance with requirements of an exemption from registration and it acknowledges that the Corporation has no present intention of filing a registration statement under the U.S. Securities Act in respect of the Preferred Shares;
- (ad) the Subscriber is not a "U.S. person" (as that term is defined by Regulation S under the U.S. Securities Act, which definition includes, but is not limited to, an individual resident in the United States, an estate or trust of which any executor or administrator or trustee, respectively, is a U.S. Person and any partnership or corporation organized or incorporated under the laws of the United States) and is not acquiring the Preferred Shares for the account or benefit of a U.S. person or a person in the United States;
- (ae) the Subscriber acknowledges that the Preferred Shares have not been offered to the Subscriber in the United States, and the individuals making the order to purchase the Preferred Shares and executing and delivering this Subscription Agreement on behalf of the Subscriber were not in the United States when the order was placed and this Subscription Agreement was executed and delivered, unless such person is a dealer or other professional fiduciary organized, incorporated, or (if an individual) resident in the United States signing on behalf of a discretionary account or similar account (other than an estate or trust) held for the benefit or account of a disclosed beneficial purchaser which is not in the United States or a U.S. person;
- (af) the Subscriber undertakes and agrees that it will not offer or sell any of the Preferred Shares in the United States unless such securities are registered under the U.S. Securities Act and the securities laws of all applicable states of the United States, or an exemption from such registration requirements is available, and further that it will not resell the Preferred Shares, except in accordance with the provisions of applicable securities legislation, regulations, rules, policies and orders and stock exchange rules;
- (ag) the Subscriber has not purchased the Preferred Shares as a result of any form of "directed selling efforts", as such term is defined in Regulation S under the U.S. Securities Act;
- (ah) if required by applicable securities legislation, regulations, rules, policies or orders or by any securities commission, stock exchange or other regulatory authority, the Subscriber will execute, deliver, file and otherwise assist the Corporation in filing, such reports, undertakings and other documents with respect to the issue of the Preferred Shares;
- (ai) the Subscriber does not act jointly or in concert with any other person or company for the purposes of acquiring securities of the Corporation;
- (aj) the Subscriber has reviewed the "Privacy Notice" on page 13 of this Subscription Agreement, and agrees to and accepts all covenants, representations and consents as set out therein;
- (ak) the funds representing the Aggregate Subscription Amount which will be advanced by the Subscriber to the Corporation hereunder will not represent proceeds of crime for the purposes of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)* (the "PCMLA") and the Subscriber acknowledges that the Corporation or the Selling Agent may in the future be required by law to disclose the Subscriber's name and other information relating to this Subscription Agreement and the Subscriber's subscription hereunder, on a confidential basis, pursuant to the PCMLA. To the best of its knowledge: (i) none of the subscription funds to be provided by the Subscriber: (A) have been or will be derived from or related to any activity that is deemed criminal under the law of Canada, the United States, or any other jurisdiction; or (B) are being tendered on behalf of a person or entity who has not been identified to the Subscriber; and (ii) it shall promptly notify the Corporation if the Subscriber discovers that any of such representations ceases to be true, and to provide the Corporation with appropriate information in connection therewith;
- (al) the Subscriber acknowledges that the Corporation may complete additional financings in the future in order to develop the business of the Corporation and to fund ongoing development. There is no assurance that such financing will be available and if available, on reasonable terms. Any such financings may have a dilutive effect on shareholders, including the Subscriber; and
- (am) **the Subscriber acknowledges that an investment in the Preferred Shares is subject to a number of risk factors. In particular, the Subscriber acknowledges that the Corporation is not a reporting issuer**

in any province of Canada, has no obligation to become a reporting issuer, and, as such, the applicable hold period may never expire. Accordingly, there is currently no market for the Preferred Shares, and one may never develop. It may be difficult or even impossible for a Subscriber to sell any of the Preferred Shares. Resale of such Preferred Shares will require the availability of exemptions from the prospectus requirements of applicable securities legislation, or the application for a discretionary order of the securities commission or similar regulatory authority in the subscriber's province of residence permitting the trade. The Subscriber covenants and agrees to comply with applicable securities legislation concerning the purchase, holding of, and resale of the Preferred Shares.

4. **Timeliness of Representations, etc.** The Subscriber agrees (on its own behalf and, if applicable, on behalf of each person on whose behalf the Subscriber is contracting) that the representations, warranties and covenants of the Subscriber herein will be true and correct both as of the execution of this Subscription Agreement and as of the Closing Time (as defined herein), and will survive the completion of the distribution of the Preferred Shares and any subsequent disposition by the Subscriber of any of the Preferred Shares.
5. **Indemnity.** The Subscriber acknowledges that the Corporation, the Selling Agent and their respective counsel are relying upon the representations, warranties and covenants of the Subscriber set forth herein in determining the eligibility (from a securities law perspective) of the Subscriber (or, if applicable, the eligibility of another on whose behalf the Subscriber is contracting hereunder to subscribe for Preferred Shares) to purchase Preferred Shares under the Offering, and hereby agrees to indemnify the Corporation, the Selling Agent and their respective directors, officers, employees, advisers, affiliates, shareholders and agents (including their respective legal counsel) against all losses, claims, costs, expenses, damages or liabilities that they may suffer or incur as a result of or in connection with their reliance on such representations, warranties and covenants. The Subscriber undertakes to immediately notify the Corporation at ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION, 1821 Provincial Road, Suite 201, Windsor, Ontario, N8W 5V2, Attention: Duncan Wilson and the Selling Agent at [none as of the date of this subscription agreement and the Offering Memorandum]; of any change in any statement or other information relating to the Subscriber set forth herein that occurs prior to the Closing Time.
6. **Deliveries by Subscriber prior to Closing.** The Subscriber agrees to deliver to the Corporation or the Selling Agent, if applicable, not later than noon (Toronto, Ontario time) on the date which is two (2) Business days prior to the Closing Date of which the Subscriber receives notice:
  - (a) this duly completed and executed Subscription Agreement;
  - (b) a certified cheque, bank draft or wire transfer made payable to "ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION" in an amount equal to the Aggregate Subscription Amount, or payment of the same amount in such other manner as is acceptable to the Corporation or the Selling Agent, if applicable;
  - (c) a properly completed and duly executed copy of the appropriate investor qualification form as described on page 2 of this Subscription Agreement; and
  - (d) such other documents as may be requested by the Corporation or the Selling Agent, as applicable, and acting reasonably, as contemplated by this Subscription Agreement.
7. **Partial Acceptance or Rejection of Subscription.** The Corporation and the Selling Agent may, in their absolute discretion, accept or reject the Subscriber's subscription for Preferred Shares as set forth in this Subscription Agreement, in whole or in part, and the Corporation reserves the right to allot to the Subscriber, with the consent of the Selling Agent, less than the amount of Preferred Shares subscribed for under this Subscription Agreement. Notwithstanding the foregoing, the Subscriber acknowledges and agrees that the acceptance of this Subscription Agreement will be conditional upon among other things, the sale of the Preferred Shares to the Subscriber being exempt from any prospectus and offering memorandum requirements of applicable securities laws. The Corporation will be deemed to have accepted this Subscription Agreement upon the delivery at Closing of the certificates representing the Preferred Shares to the Subscriber or upon the direction of the Subscriber in accordance with the provisions hereof.  
If this Subscription Agreement is rejected in whole, or is accepted only in part, a cheque representing the whole Subscription or the amount by which the payment delivered by the Subscriber to the Selling Agent exceeds the subscription price of the number of Preferred Shares sold to the Subscriber pursuant to a partial acceptance of this Subscription Agreement, as the case may be, will be promptly delivered to the Subscriber without interest or deduction.
8. **Time and Place of Closing.** The sale of the Preferred Shares will be completed at the offices of the Corporation at 10:00 a.m. (Toronto, Ontario time) or such other time as the Corporation and the Selling Agent may agree upon (the "Closing Time") on the Closing Date. The Corporation and the Selling Agent

reserve the right to close the Offering in multiple tranches, so that one or more closings may occur after the initial closing.

9. **Deliveries at Closing.** At the Closing Time, if the terms and conditions contained in the Agency Agreement have been complied with to the satisfaction of the Selling Agent, acting reasonably, or waived by the Selling Agent in whole or in part, the Selling Agent shall deliver to the Corporation all completed subscription agreements in a digital format (including this Subscription Agreement) and the aggregate subscription proceeds less an amount in respect of the Selling Agent's commission and expenses that are payable in accordance with the Agency Agreement (which shall include without limitation, the fees and expenses of the Selling Agent's designated legal counsel), against delivery by the Corporation of certificates representing the Preferred Shares and such other documentation as may be required under the Agency Agreement.
10. **Subject to Regulatory Approval.** The obligations of the parties hereunder are subject to all required regulatory approvals being obtained.
11. **Representations and Warranties of the Corporation.** The Corporation hereby represents and warrants to the Subscriber and Selling Agent (and acknowledges that the Subscriber and Selling Agent are relying thereon) that:
  - (a) the Corporation has the full corporate right, power and authority to execute and deliver this Subscription Agreement and to issue the Preferred Shares to the Subscriber;
  - (b) the Corporation is duly incorporated and validly subsisting, and is qualified to carry on business in each jurisdiction in respect of which the carrying out of the activities contemplated hereby make such qualification necessary;
  - (c) the Corporation has complied or will comply with all applicable corporate and securities laws in connection with the offer and sale of the Preferred Shares;
  - (d) upon acceptance by the Corporation, this Subscription Agreement shall constitute a binding obligation of the Corporation enforceable in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the general principles of equity including the fact that specific performance is available only in the discretion of the court; and
  - (e) the execution, delivery and performance of this Subscription Agreement by the Corporation and the issuance of the Preferred Shares pursuant hereto does not and will not constitute a breach of or default under the constating documents of the Corporation, or any law, regulation, order or ruling applicable to the Corporation, or any agreement to which the Corporation is a party or by which it is bound.
12. **Role of the Selling Agent.** The Subscriber acknowledges that the Selling Agent has been or will be appointed by the Corporation to act as the agent of the Corporation to market the Preferred Shares on a commercially reasonable private placement basis and, in connection therewith, the Corporation and the Selling Agent have entered into or will prior to the Closing Time enter into an agreement (the "Agency Agreement") pursuant to which the Selling Agent, in connection with the issue and sale of the Preferred Shares, will receive compensation from the Corporation. The Subscriber hereby irrevocably authorizes the Selling Agent to:
  - (a) negotiate and settle the form of any certificates to be delivered and any agreement to be entered into in connection with the Offering and to vary, amend, alter or waive, on its own behalf and on behalf of the purchasers of Preferred Shares, in whole or in part, or extend the time for compliance with, any of the conditions for completing the sale of the Preferred Shares in such manner and on such terms and conditions as the Selling Agent may determine, acting reasonably, without in any way affecting the Subscriber's obligations or the obligations of such others hereunder; provided, however, that the Selling Agent shall not vary, amend, alter or waive any such condition where to do so would result in a material adverse change to any of the material attributes of the Preferred Shares;
  - (b) allocate the Preferred Shares being offered pursuant to the Offering and in accordance with the terms of the Agency Agreement;
  - (c) act as its representative at the Closing with full power of substitution, as its true and lawful attorney and agent with the full power and authority in its place and stead to swear, execute, file and record any document necessary to accept delivery of certificates representing the Preferred Shares on the Closing Date, to terminate this subscription on its behalf in the event that any condition precedent to the Offering has not been satisfied, to execute a receipt for such certificates and all other documentation, and to deliver such certificates to the Subscriber as set out in this Subscription Agreement promptly after Closing;

- (d) complete or correct any errors or omissions in this Subscription Agreement and any form or document provided by the Subscriber;
- (e) receive on the Subscriber's behalf certificates representing the Preferred Shares purchased pursuant to this Subscription Agreement;
- (f) approve any opinions, certificates or other documents addressed to the Subscriber;
- (g) waive, in whole or in part, any representations, warranties, covenants or conditions for the benefit of the Subscriber and contained in the Agency Agreement; and
- (h) exercise any rights of termination under the Agency Agreement.

13. **No Partnership.** Nothing herein shall constitute or be construed to constitute a partnership of any kind whatsoever between the Subscriber and the Corporation.

14. **Governing Law.** The contract arising out of acceptance of this Subscription Agreement by the Corporation shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. The parties irrevocably attorn to the exclusive jurisdiction of the courts of the Province of Ontario.

15. **Time of Essence.** Time shall be of the essence of this Subscription Agreement.

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

17. **Electronic Copies.** The Corporation and the Selling Agent shall be entitled to rely on delivery of an electronic copy of executed subscriptions, and acceptance by the Corporation of such subscriptions shall be legally effective to create a valid and binding agreement between the Subscriber and the Corporation in accordance with the terms hereof.

18. **Counterpart.** This Subscription Agreement may be executed in one or more counterparts each of which so executed shall constitute an original and all of which together shall constitute one and the same agreement.

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

20. **Survival.** The covenants, representations and warranties contained in this Subscription Agreement shall survive the closing of the transactions contemplated hereby, and shall be binding upon and enure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

21. **Interpretation.** The headings used in this Subscription Agreement have been inserted for convenience of reference only and shall not affect the meaning or interpretation of this Subscription Agreement or any provision hereof. In this Subscription Agreement, all references to money amounts are to Canadian dollars.

22. **Amendment.** Except as otherwise provided herein, this Subscription Agreement may only be amended by the parties hereto in writing.

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

24. **Withdrawal.** Other than pursuant to the Agency Agreement, the Subscriber, on its own behalf and, if applicable, on behalf of others for whom it is contracting hereunder, agrees that this subscription is made for valuable consideration and may not be withdrawn, cancelled, terminated or revoked by the Subscriber, on its own behalf and, if applicable, on behalf of others for whom it is contracting hereunder.

25. **Assignment.** Neither party may assign all or part of its interest in or to this Subscription Agreement without the consent of the other party in writing.

## PRIVACY NOTICE

The Subscriber acknowledges that this Subscription Agreement and the Schedules and Exhibits hereto require the Subscriber to provide certain personal information to the Corporation. Such information is being collected by the Corporation and the Selling Agent for the purposes of completing the Offering, which includes, without limitation, determining the Subscriber's eligibility (or that of any disclosed beneficial purchaser) to purchase the Preferred Shares under applicable securities laws, preparing and registering certificates representing the Preferred Shares to be issued to the Subscriber and completing filings required by any stock exchange or securities regulatory authority. The Subscriber's personal information (and that of any disclosed beneficial purchaser) may be disclosed by the Corporation to (a) stock exchanges or securities regulatory authorities (including the Ontario Securities Commission (the "OSC") and the British Columbia Securities Commission (the "BCSC")), (b) the Corporation's registrar and transfer agent, (c) Canadian tax authorities, and (d) any of the other parties involved in the Offering, including legal counsel, and may be included in closing books in connection with the Offering. By executing this Subscription Agreement, the Subscriber (on its own behalf and on behalf of any disclosed beneficial purchaser for whom it is contracting hereunder) consents to the foregoing collection, use and disclosure of the Subscriber's (and any disclosed beneficial purchaser's) personal information. The Subscriber (on its own behalf and on behalf of any disclosed beneficial purchaser for whom it is contracting hereunder) also consents to the filing of copies or originals of any of the Subscriber's documents delivered in connection with this Subscription Agreement as may be required to be filed with any stock exchange or securities regulatory authority in connection with the transactions contemplated hereby and expressly consents to the collection, use and disclosure of the Subscriber's (and any disclosed beneficial purchaser's) personal information by the TSX Venture Exchange or the Toronto Stock Exchange for the purposes identified by such exchange, from time to time. The Subscriber (on its own behalf and on behalf of any disclosed beneficial purchaser for whom it is contracting hereunder) further acknowledges that it has been notified by the Corporation and the Selling Agent, as applicable (a) of the requirement to deliver to the OSC and the BCSC the full name, residential address and telephone number of the purchaser of the securities, the number and type of securities purchased, the total purchase price, the exemption relied upon and the date of distribution; (b) that this information is being collected indirectly by the OSC and BCSC under the authority granted to it in securities legislation; (c) that this information is being collected for the purposes of the administration and enforcement of the securities legislation of Ontario and British Columbia; (d) that the Administrative Support Clerk can be contacted at Ontario Securities Commission, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario, M5H 3S8, or at (416) 593-3684, and can answer any questions about the OSC's indirect collection of this information; and (e) that the BCSC can be contacted at British Columbia Securities Commission, P.O. Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, British Columbia, V7Y 1L2, Telephone: (604) 899-6500, Toll free across Canada: 1-800-373-6393, Facsimile: (604) 899-658, and can answer any questions about the BCSC's indirect collection of this information.



## SCHEDULE "A" TO SUB: REPRESENTATION LETTER ACCREDITED INVESTOR

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### (TO BE COMPLETED BY ACCREDITED INVESTORS)

**TO: ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION (the "Corporation")  
AND TO: N/A (the "Selling Agent")**

*(Capitalized terms not specifically defined in this Schedule have the meaning ascribed to them in the Subscription Agreement to which this Schedule is attached)*

In connection with the execution by the undersigned Subscriber of the Subscription Agreement which this Representation Letter forms a part of, the undersigned Subscriber hereby represents, warrants, covenants and certifies to the Corporation, the Selling Agent and their respective counsel that:

1. the undersigned Subscriber is resident in the jurisdiction set out as the "Subscriber's Residential Address" on the face page of the Subscription Agreement and, if the undersigned Subscriber is purchasing as agent for a disclosed beneficial purchaser, the disclosed beneficial purchaser is resident in the jurisdiction set out as the "Disclosed Beneficial Purchaser Information" on the face page of the Subscription Agreement;
2. the undersigned Subscriber is either (a) purchasing the Preferred Shares as principal for its own account, (b) deemed to be purchasing the Preferred Shares as principal in accordance with section 2.3(2) or (4) of NI 45-106, or (c) acting as agent for a disclosed beneficial purchaser who is purchasing the Preferred Shares as principal for its own account;
3. the undersigned Subscriber (or if the undersigned Subscriber is purchasing as agent for a disclosed beneficial purchaser, the disclosed beneficial purchaser) is an "accredited investor" within the meaning of NI 45-106 and Section 73.3(1) of the Securities Act (Ontario), as applicable, by virtue of satisfying the indicated criterion as set out in Exhibit A to this Representation Letter;
4. the Subscriber (or if the undersigned Subscriber is purchasing as agent for a disclosed beneficial purchaser, the disclosed beneficial purchaser) fully understands the meaning of the terms and conditions of the category of "accredited investor" applicable to it and confirms that it has reviewed and understands the definitions in Exhibit A to this Representation Letter in respect of the category of "accredited investor" applicable to it and, in particular, if the Subscriber is an "accredited investor" by virtue of satisfying paragraph (j), (j.1), (k) or (l) of Exhibit A to this Representation Letter, it has reviewed and understands the definitions of "financial assets", "related liabilities" and "financial assets", as applicable, contained in Exhibit A hereto;
5. the undersigned Subscriber (or if the undersigned Subscriber is purchasing as agent for a disclosed beneficial purchaser, the disclosed beneficial purchaser) was not created, and is not used, solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of "accredited investor" in NI 45-106;
6. if the Subscriber (or if the undersigned Subscriber is purchasing as agent for a disclosed beneficial purchaser, the disclosed beneficial purchaser) is an "accredited investor" by virtue of satisfying paragraph (j), (k) or (l) on Exhibit A to this Representation Letter, it acknowledges that it needs to complete Exhibit B to this Representation Letter and upon execution of Exhibit B by the Subscriber, Exhibit B shall be incorporated into and form a part of this Representation Letter and the Corporation and the Selling Agent and their respective counsel shall be entitled to rely thereon; and
7. upon execution of this Representation Letter by the undersigned Subscriber, this Representation Letter, including the Exhibits hereto, shall be incorporated into and form a part of the Subscription Agreement.

Name of Subscriber (please print) \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Signature \_\_\_\_\_

Official Title or Capacity (please print) \_\_\_\_\_

Name of Signatory (please print name of individual whose  
signature appears above different than name of Subscriber) \_\_\_\_\_

DATED at \_\_\_\_\_ this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**IMPORTANT**  
**PLEASE COMPLETE THE EXHIBITS TO THIS REPRESENTATION LETTER**

## EXHIBIT A TO SCHEDULE "A" (TO BE COMPLETED BY ACCREDITED INVESTORS)

### PLEASE MARK YOUR INITIALS BESIDE THE CATEGORY BELOW TO WHICH YOU BELONG

Please complete the Representation Letter to the Corporation by marking your initials beside the category of "accredited investor" to which you belong within the meaning of Section 1.1 of NI 45-106 and Section 73.3(1) of the Securities Act (Ontario), as applicable:

#### Meaning of "Accredited Investor"

"Accredited investor" is defined in Section 1.1 of NI 45-106 to mean any person who fits within any of the following categories at the time of the sale of securities to that person:

- (a) (i) except in Ontario, a Canadian financial institution, or a bank listed in Schedule III of the *Bank Act (Canada)*,  
(ii) in Ontario, (A) a bank listed in Schedule I, II or III to the *Bank Act (Canada)*; (B) an association to which the *Cooperative Credit Associations Act (Canada)* applies or a central cooperative credit society for which an order has been made under subsection 473 (1) of that Act; or (C) a loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative or credit union league or federation that is authorized by a statute of Canada or Ontario to carry on business in Canada or Ontario, as the case may be,
- (b) (i) except in Ontario, the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act (Canada)*,  
(ii) in Ontario, the Business Development Bank of Canada,
- (c) (i) except in Ontario, a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary,  
(ii) in Ontario, a subsidiary of any person referred to in paragraphs (a) through (e) above, 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,
- (d) (i) except in Ontario, a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer,  
(ii) in Ontario, a person or company registered under the securities legislation of a province or territory of Canada as an adviser or dealer, except as otherwise prescribed by the regulations under the *Securities Act (Ontario)*,
- (e) an individual registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (d),
- (e.1) an individual formerly registered under the securities legislation of a jurisdiction of Canada, other than an individual formerly registered solely as a representative of a limited market dealer under one or both of the *Securities Act (Ontario)* or the *Securities Act (Newfoundland and Labrador)*,
- (f) (i) except in Ontario, the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the government of Canada or a jurisdiction of Canada,  
(ii) in Ontario, the Government of Canada, the government of a province or territory of Canada, or any Crown corporation, agency or wholly owned entity of the Government of Canada or the government of a province or territory of Canada,
- (g) (i) except in Ontario, a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec,

- (ii) in Ontario, a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec,
- \_\_\_\_\_ (h) (i) except in Ontario, any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government,
- \_\_\_\_\_ (ii) in Ontario, any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government,
- \_\_\_\_\_ (i) (i) except in Ontario, a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada,
- \_\_\_\_\_ (ii) in Ontario, a pension fund that is regulated by the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a province or territory of Canada,
- \_\_\_\_\_ (j) an individual who, either alone or with a spouse, beneficially owns, directly or indirectly, financial assets having an aggregate realizable value that, before taxes, but net of any related liabilities, exceeds \$1,000,000,

**[Note: Financial assets include cash and securities, but do not include a personal residence – see the definition of “financial assets” later in this certificate. Financial assets are generally liquid or relatively easy to liquidate. You must subtract any liabilities related to your financial assets to calculate your net financial assets—see the definition of “related liabilities”. Financial assets held in a group RRSP under which you do not have the ability to acquire the financial assets and deal with them directly are not considered to be beneficially owned by you. If you meet the higher financial asset threshold set out in paragraph (j.1), then initial paragraph (j.1) instead of this paragraph (j).]**

**[Note: If you are an accredited investor described in this paragraph (j), and do not meet the higher financial asset threshold set out in paragraph (j.1), you must deliver a completed Form 45-106F9 – Form for Individual Accredited Investors (See Exhibit B hereto).]**

- \_\_\_\_\_ (j.1) an individual who beneficially owns financial assets having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds \$5,000,000,

**[Note: The financial assets of your spouse (including financial assets in a spousal RRSP) cannot be included in the calculation of net financial assets under this paragraph (j.1). See definition of “financial assets” below. If you meet the financial asset threshold set out in this paragraph (j.1), you are not required to complete Exhibit B.]**

- \_\_\_\_\_ (k) an individual whose net income before taxes exceeded \$200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of the two most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year, **[Note: You are required to complete Exhibit B]**

**[Note: If individual accredited investors wish to purchase through wholly-owned holding companies or similar entities, such purchasing entities must qualify under section (t) below, which must be initialed and complete. If you are an accredited investor described in this paragraph (k), you must deliver a completed Form 45-106F9 – Form for Individual Accredited Investors (See Exhibit B hereto).]**

\_\_\_\_\_ (l) an individual who, either alone or with a spouse, has net assets of at least \$5,000,000,

**[Note: To calculate net assets, take the value of your total assets (which may include a personal residence) and subtract your total liabilities (which may include a mortgage). The value attributed to assets should reasonably reflect their estimated fair value. Income tax should be considered a liability if the obligation to pay it is outstanding at the time of the subscription.]**

**[Note: If you are an accredited investor described in this paragraph (l), you must deliver a completed Form 45-106F9 – Form for Individual Accredited Investors (See Exhibit B hereto).]**

\_\_\_\_\_ (m) a person, other than an individual or an investment fund, that has net assets of at least \$5,000,000, as shown on its most recently prepared financial statements,

\_\_\_\_\_ (n) an investment fund that distributes or has distributed its securities only to:

- (i) a person that is or was an accredited investor at the time of the distribution,
- (ii) a person that acquires or acquired securities in the circumstances referred to in section 2.10 of National Instrument 45-106 (where the person subscribes for a minimum amount investment) and Section 2.19 of National Instrument 45-106 (where the person makes an additional investment in investment funds), or
- (iii) a person described in paragraph (i) or (ii) that acquires or acquired securities under section 2.18 of National Instrument 45-106 (investment fund reinvestment),

\_\_\_\_\_ (o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Quebec, the securities regulatory authority, has issued a receipt,

\_\_\_\_\_ (p) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be,

\_\_\_\_\_ (q) a person acting on behalf of a fully managed account managed by that person, if that person is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction,

\_\_\_\_\_ (r) a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded,

\_\_\_\_\_ (s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) or paragraph (i) in form and function,

\_\_\_\_\_ (t) a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are accredited investors,

**Note: If you initialed (t), then indicate the name and category of accredited investor (by reference to the applicable letter of this Exhibit A) of each of the owners of interests (attach additional pages if more than three):**

Name	Category of Accredited Investor

- (u) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser,
- (v) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator as an accredited investor, or
- (w) a trust established by an accredited investor for the benefit of the accredited investor's family members of which a majority of the trustees are accredited investors and all of the beneficiaries are the accredited investor's spouse, a former spouse of the accredited investor or a parent, grandparent, brother, sister, child or grandchild of that accredited investor, of that accredited investor's spouse or of that accredited investor's former spouse.

***Note: If you initialed (w), then indicate the name and category of accredited investor (by reference to the applicable letter of this Exhibit A) of each of the following (attach additional pages if more than three trustees):***

	<b>Name</b>	<b>Category of Accredited Investor</b>
Individual who established trust:		
Trustee		
Trustee		
Trustee		

**PLEASE MARK YOUR INITIALS BESIDE THE CATEGORY ABOVE TO WHICH YOU BELONG AND  
COMPLETE FORM 45-106F9 BELOW IF APPLICABLE**

## Interpretative Aids

The following definitions relate to certain of the categories set forth above:

- (a) "Canadian financial institution" means:
  - (i) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act, or
  - (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, *caisse populaire*, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;
- (b) "Canadian securities regulatory authorities" means the securities commissions and similar regulatory authorities of each of the provinces or territories of Canada;
- (c) "eligibility adviser" means:
  - (i) a person that is registered as an investment dealer or in an equivalent category of registration under the securities legislation of the jurisdiction of a purchaser and authorized to give advice with respect to the type of security being distributed; and
  - (ii) in Saskatchewan or Manitoba, also means a lawyer who is a practicing member in good standing with a law society of a jurisdiction of Canada or a public accountant who is a member in good standing of an institute or association of chartered accountants, certified general accountants or certified management accountants in a jurisdiction of Canada provided that the lawyer or public accountant must not:
    - (A) have a professional, business or personal relationship with the issuer, or any of its directors, executive officers, founders, or control persons; and
    - (B) have acted for or been retained personally or otherwise as an employee, executive officer, director, associate or partner of a person that has acted for or been retained by the issuer or any of its directors, executive officers, founders or control persons within the previous 12 months;
- (d) "EVCC" means an employee venture capital corporation that does not have a restricted constitution, and is registered under Part 2 of the *Employee Investment Act* (British Columbia), R.S.B.C. 1996 c. 112, and whose business objective is making multiple investments;
- (e) "financial assets" means:
  - (i).....cash;
  - (ii).....securities; or
  - (iii) a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purposes of securities legislation;
- (f) "foreign jurisdiction" means a country other than Canada or a political subdivision of a country other than Canada;
- (g) "fully managed account" means an account for which a person or company makes the investment decisions if that person or company has full discretion to trade in securities for the account without requiring the client's express consent to a transaction;
- (h) "investment fund" means a mutual fund or a non-redeemable investment fund, and, for greater certainty in British Columbia, includes an EVCC and a VCC;
- (i) "jurisdiction" means a province or territory of Canada;
- (j) "non-redeemable investment fund" means an issuer, (i) whose primary purpose is to invest money provided by its security-holders; (ii) that does not invest (A) for the purpose of exercising or seeking to exercise control of an issuer, other than an issuer that is a mutual fund or a non-redeemable investment fund, or (B) for the purpose of being actively involved in the management of any issuer in which it invests, other than an issuer that is a mutual fund or a non-redeemable investment fund; and (iii) that is not a mutual fund;
- (k) "person" includes:
  - (i).....an individual,
  - (ii).....a corporation,

- (iii) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not, and
- (iv) an individual or other person in that person's capacity as a trustee, executor, administrator or personal or other legal representative;

(l) "related liabilities" means:

- i.liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets, or
- ii.liabilities that are secured by financial assets;

(m) "securities legislation" means, for the local jurisdiction, the statute and other instruments issued by the securities regulator authority of the local jurisdiction;

(n) "subsidiary" means an issuer that is controlled directly or indirectly by another issuer and includes a subsidiary of that subsidiary; and

(o) "VCC" means a venture capital corporation registered under Part 1 of the *Small Business Venture Capital Act* (British Columbia), R.S.B.C. 1996 c. 429 whose business objective is making multiple investments.

All monetary references are in Canadian dollars.

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

<b>SECTION 1 TO BE COMPLETED BY THE ISSUER OR SELLING SECURITYHOLDER:</b>	
<b>1. About your investment</b>	
Type of securities: Preferred Shares	Issuer: ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION
Purchased from: ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION (the Issuer of the Preferred Shares)	
<b>SECTIONS 2 TO 4 TO BE COMPLETED BY THE PURCHASER</b>	
<b>2. Risk acknowledgement</b>	
This investment is risky. Initial that you understand that:	<b>Your initials</b>
Risk of loss – You could lose your entire investment of \$_____.	<i>[Instruction: Insert the total dollar amount of the investment.]</i>
Liquidity risk – You may not be able to sell your investment quickly – or at all.	
Lack of information – You may receive little or no information about your investment.	
Lack of advice – You will not receive advice from the salesperson about whether this investment is suitable for you unless the salesperson is registered. The salesperson is the person who meets with, or provides information to, you about making this investment. To check whether the salesperson is registered, go to <a href="http://www.aretheyregistered.ca">www.aretheyregistered.ca</a> .	
<b>3. Accredited investor status</b>	
You must meet at least <b>one</b> of the following criteria to be able to make this investment. Initial the statement that applies to you. (You may initial more than one statement.) The person identified in section 6 is responsible for ensuring that you meet the definition of accredited investor. That person, or the salesperson identified in section 5, can help you if you have questions about whether you meet these criteria.	<b>Your initials</b>
Your net income before taxes was more than \$200,000 in each of the 2 most recent calendar years, and you expect it to be more than \$200,000 in the current calendar year. (You can find your net income before taxes on your personal income tax return.)	
Your net income before taxes combined with your spouse's was more than \$300,000 in each of the 2 most recent calendar years, and you expect your combined net income before taxes to be more than \$300,000 in the current calendar year.	
Either alone or with your spouse, you own more than \$1 million in cash and securities, after subtracting any debt related to the cash and securities.	
Either alone or with your spouse, you have net assets worth more than \$5 million. (Your net assets are your total assets (including real estate) minus your total debt.)	
<b>4. Your name and signature</b>	
By signing this form, you confirm that you have read this form and you understand the risks of making this investment as identified in this form.	
First and last name (please print):	
Signature:	Date:

**SECTION 5 TO BE COMPLETED BY THE SALESPERSON****5. Salesperson information**

*[Instruction: The salesperson is the person who meets with, or provides information to, the purchaser with respect to making this investment. That could include a representative of the issuer or selling security holder, a registrant or a person who is exempt from the registration requirement.]*

First and last name of salesperson (please print):

Telephone:	Email:
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Name of firm (if registered):

**SECTION 6 TO BE COMPLETED BY THE ISSUER OR SELLING SECURITY HOLDER****6. For more information about this investment**

For investment in a non-investment fund

**ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION**

1821 Provincial Road, Suite 201, Windsor, Ontario, N8W 5V2

T: 226-790-0984

Email: admin@investorsuite.ca

For more information about prospectus exemptions, contact your local securities regulator. You can find contact information at [www.securities-administrators.ca](http://www.securities-administrators.ca).

**Form instructions:**

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



## SCHEDULE "B" TO SUB: RISK ACKNOWLEDGEMENT

(TO BE COMPLETED BY FAMILY, FRIENDS, BUSINESS ASSOCIATES OR THOSE RELYING ON OFFERING MEMO OR MINIMUM AMOUNT)

## RISK ACKNOWLEDGEMENT

<b>WARNING!</b> <b>This investment is risky. Don't invest unless you can afford to lose all the money you pay for this investment.</b>	
<b>1. Risks and other information</b>	<b>Your Initials</b>
Risk of loss - You could lose your entire investment of \$ _____. [Instruction: Insert the total dollar amount of the investment.]	
No approval - No securities regulatory authority or regulator has evaluated or approved the merits of these securities or the disclosure in the offering memorandum.	
Liquidity risk - You will not be able to sell these securities except in very limited circumstances. You may never be able to sell these securities.	
Repurchase - You have a right to require the issuer to repurchase the securities, but there are limitation on this right.	
<b>You are buying Exempt Market Securities</b> They are called <i>exempt market securities</i> because the issuer does not have to give you a prospectus (a document that describes the investment in detail and gives you some legal protections). <i>Exempt market securities</i> are more risky than other securities.	
<b>The securities you are buying are not listed</b> The securities you are buying are not listed on any stock exchange, and they may never be listed.	
<b>The issuer of your securities is a non-reporting issuer</b> A <i>non-reporting issuer</i> does not have to publish financial information or notify the public of changes in its business. You may not receive ongoing information about this issuer.	
For more information on the exempt market, contact your local securities regulator. You can find contact information at <a href="http://www.securities-administrators.ca">www.securities-administrators.ca</a> .	
<b>Total investment</b> - You are investing \$ _____ (total consideration) in total; this includes any amount you are obliged to pay in future. Erie Shores Capital Mortgage Investment Corporation will pay \$ _____ (amount of fee or commission) of this to _____ (name of person selling the securities) as a fee or commission.	
<b>Your name and signature</b>	
By signing this form, you confirm that you have read this form and you understand the risks of making this investment as identified in this form.	
First and last name (print):	
Signature:	Date:
[Instruction: Sign 2 copies of this document. Keep one copy for your records.]	

**2. Salesperson information**

Below information must be completed by the salesperson

*[Instruction: The salesperson is the person who meets with, or provides information to, the purchaser with respect to making this investment. That could include a representative of the issuer, a registrant or a person who is exempt from the registration requirement.]*

First and last name of salesperson (print):

Telephone:	Email:
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Name of firm:

**3. Additional information**

The issuer must complete the required information in this section before giving the form to the purchaser

**You have 2 business days to cancel your purchase.**

To do so, send a notice to Erie Shores Capital Mortgage Investment Corporation stating that you want to cancel your purchase. You must send the notice before midnight on the 2<sup>nd</sup> business day after you sign the agreement to purchase the securities. You can send the notice by fax or email or deliver it in person to Erie Shores Capital Mortgage Investment Corporation at its business address. Keep a copy of the notice for your records.

Issuer Name and Address:

**ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION**

1821 Provincial Road, Suite 201, Windsor, Ontario, N8W 5V2

T: 226-790-0984

Email: [admin@investorsuite.ca](mailto:admin@investorsuite.ca)

**You will receive an offering memorandum**

Read the offering memorandum carefully because it has important information about the issuer and its securities. Keep the offering memorandum because you have rights based on it. Talk to a lawyer for details about these rights.



## SCHEDULE "C" TO SUB: REPRESENTATION LETTER ELIGIBLE INVESTOR RE OM

(TO BE COMPLETED BY THOSE RELYING ON OFFERING MEMO)

Each Subscriber who is an Alberta, British Columbia, Quebec, or Ontario resident and who is subscribing for more than \$10,000 in Preferred Shares is required to complete and execute the following certificate.

### CERTIFICATE OF ALBERTA, BRITISH COLUMBIA, QUEBEC, OR ONTARIO ELIGIBLE INVESTOR

**TO: ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION (the "Corporation")  
AND TO: N/A (the "Selling Agent")**

*(Capitalized terms not specifically defined in this Schedule have the meaning ascribed to them in the Subscription Agreement to which this Schedule is attached)*

In connection with the purchase of Preferred Shares of the Corporation, the undersigned hereby represents, warrants and certifies to the Corporation and the Selling Agent that the undersigned is an "eligible investor" as defined in Section 1.1 of National Instrument 45-106 *Prospectus Exemptions* and is purchasing the securities offered hereunder as principal.

The undersigned has indicated below the category or categories which it, he or she satisfies to qualify as an "eligible investor".

The undersigned understands that the Corporation, the Selling Agent and their respective counsel are relying on this information in determining to sell securities to the undersigned in a manner exempt from the prospectus and registration requirements of the securities legislation in the jurisdiction in which the undersigned is a resident.

### ELIGIBLE INVESTOR STATUS

The undersigned represents, warrants and certifies that it, he or she is **[initial each applicable item]**:

- (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 general 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) a person who purchases the security as principal and is:
  - (i) a director, executive officer or control person of the Corporation or of an affiliate of the Corporation,

- (ii) a spouse, parent, grandparent, brother, sister or child of a director, executive officer or control person of the Corporation, or of an affiliate of the Corporation,
- (iii) a parent, grandparent, brother, sister or child of the spouse of a director, executive officer or control person of the Corporation, or of an affiliate of the Corporation,
- (iv) a close personal friend of a director, executive officer or control person of the Corporation, or of an affiliate of the Corporation,
- (v) a close business associate of a director, executive officer or control person of the Corporation, or of an affiliate of the Corporation,
- (vi) a founder of the Corporation or a spouse, parent, grandparent, brother, sister, child, close personal friend or close business associate of a founder of the Corporation,
- (vii) a parent, grandparent, brother, sister or child of the spouse of a founder of the Corporation,
- (viii) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons or companies described in paragraphs (i) to (vii), or
- (ix) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons described in paragraphs (i) to (vii), or

— (g) a person that has obtained advice regarding the suitability of the investment and, if the person or company is resident in a jurisdiction of Canada, that advice has been obtained from an eligibility adviser. "**Eligibility Advisor**" means a person that is registered as an investment dealer or in an equivalent category of registration under the securities legislation of the jurisdiction of the purchaser and authorized to give advice with respect to the type of security being distributed, and in Saskatchewan and Manitoba, also means a lawyer who is a practicing member in good standing with a law society of a jurisdiction of Canada or a public accountant who is a member in good standing of an institute or association of chartered accountants, certified general accountants or certified management accountants in a jurisdiction of Canada provided that the lawyer or public accountant (A) does not have a professional, business or personal relationship with the Corporation, or any of the directors, executive officers, founders or control persons of the Corporation, and (B) has not acted for or been retained personally or otherwise as an employee, executive officer, director, associate or partner of a person that has acted for or been retained by the Corporation or any of the Corporation's directors, executive officers, founders or control persons within the previous 12 months.

**[If you fall within this category, please indicate in the space below the name of the investment dealer, securities dealer or equivalent from whom you obtained advice:**

\_\_\_\_\_

The undersigned has executed this Questionnaire as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**If a Corporation, Partnership or Other Entity:**

*Name of Entity*

*Type of Entity*

*Signature of Person Signing*

**If an Individual:**

*Signature*

*Named Individual*

*Title of Person Signing*

As used in this certificate, the following terms have the following meaning:

**"affiliate"** means an issuer connected with another issuer because (i) one of them is the subsidiary of the other; (ii) each of them is controlled by the same person; or (iii) for the purposes of Saskatchewan securities law, both are subsidiaries of the same issuer.

**"close personal friend"** is an individual who has known the director, executive officer, founder or control person well enough and for a sufficient period of time to be in a position to assess their capabilities and trustworthiness. The term "close personal friend" can include family members not already specifically identified in the exemption if the family member satisfies the criteria described above.

An individual is not a close personal friend solely because the individual is a relative or a member of the same organization, association or religious group or a client, customer or former client or customer.

The relationship between the purchaser and director, executive officer, founder or control person must be direct. For example, the exemption is not available for a close personal friend of a close personal friend of the director, executive officer, founder or control person.

**"close business associate"** is an individual who has had sufficient prior business dealings with the director, executive officer, founder or control person to be in a position to assess their capabilities and trustworthiness.

An individual is not a close business associate solely because the individual is a client, customer or former client or customer.

The relationship between the purchaser and director, executive officer, founder or control person must be direct. For example, the exemption is not available for a close business associate of a close business associate of a director, executive officer, founder or control person.

**"control person"** means any person that holds or is one of a combination of persons that holds:

- (a) a sufficient number of any of the securities of the Corporation so as to affect materially the control of the Corporation; or
- (b) more than 20% of the voting shares of the Corporation except where there is evidence showing the holding of the shares does not affect materially the control of the Corporation.

**"director"** means (i) a member of the board of directors of a company or an individual who performs similar functions for a company, and (ii) with respect to a person that is not a company, an individual who performs functions similar to those of a director of a company.

**"executive officer"** means, for the Corporation, an individual who is:

- (a) a chair, vice-chair or president;
- (b) a vice-president in charge of a principal business unit, division or function including sales, finance or production,
- (c) an officer of the Corporation or any of its subsidiaries and who performs a policy-making function in respect of the Corporation, or
- (d) performing a policy-making function in respect of the Corporation.

**"founder"** means a person or company who,

- (a) acting alone, in conjunction or in concert with one or more other persons or companies, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of the Corporation, and
- (b) at the time of the proposed trade, is actively involved in the business of the Corporation.

**"person"** includes:

- (a) an individual;
- (b) a corporation;
- (c) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not; and
- (d) an individual or other person in that person's capacity as a trustee, executor, administrator or personal or other legal representative.

**WARNING!**

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

**EXHIBIT 1 TO 45-106F4 - INVESTMENT LIMITS FOR INVESTORS UNDER THE OFFERING MEMORANDUM EXEMPTION**

Each Subscriber who is an Alberta, British Columbia, Quebec or Ontario resident is required to complete and execute the following certificate;

<b>SECTION 1 TO BE COMPLETED BY THE ISSUER OR SELLING SECURITYHOLDER:</b>	
<b>1. About your investment</b>	
Type of securities: Preferred Shares	Issuer: ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION
Purchased from: ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION (the Issuer of the Preferred Shares)	
<b>SECTIONS 2 TO 4 TO BE COMPLETED BY THE PURCHASER</b>	
<b>2. You are an eligible investor</b>	
As an eligible investor that is an individual, you cannot invest more than \$30,000 in all offering memorandum exemption investments made in the previous 12 months, unless you have received advice from a portfolio manager, investment dealer or exempt market dealer, as identified in section 5 of this exhibit/schedule, that your investment is suitable.	Initial one of the following below if applicable:
You confirm that, after taking into account your investment of \$_____. [Instruction: Insert the total dollar amount of the investment.] today in this issuer, you have not exceeded your investment limit of \$30,000 in all offering memorandum exemption investments made in the previous 12 months.	
You confirm that you received advice from a portfolio manager, investment dealer or exempt market dealer, as identified in section 5 of this exhibit/schedule that the following investment is suitable.	
You confirm that, after taking into account your investment of \$_____. [Instruction: Insert the total dollar amount of the investment.] today in this issuer, you have not exceeded your investment limit in all offering memorandum exemption investments made in the previous 12 months of \$100,000.	
<b>3. You are not an eligible investor</b>	
You acknowledge that you cannot invest more than \$10,000 in all offering memorandum exemption investments made in the previous 12 months.	Your initials
You confirm that, after taking into account your investment of \$_____. [Instruction: Insert the total dollar amount of the investment.] today in this issuer, you have not exceeded your investment limit of \$10,000 in all offering memorandum exemption investments made in the previous 12 months.	
<b>4. Your name and signature</b>	
By signing this form, you confirm that you have read this form and you understand the risks of making this investment as identified in this form. You also confirm that you are eligible to make this investment because you are meeting the investment limits depending on if you are an eligible investor or not.	

First and last name (please print):	
Signature:	Date:
<b>SECTION 5 TO BE COMPLETED BY THE REGISTRANT</b>	
<b>5. Registrant Information</b>	
<i>This section must only be completed if an investor has received advice from a portfolio manager, investment dealer or exempt market dealer concerning his or her investment.</i>	
First and last name (please print):	
Registered as: <i>[Indicate whether registered as a dealing representative or advising representative.]</i>	
Telephone:	Email:
Name of firm: <i>[Indicate whether registered as an exempt market dealer, investment dealer or portfolio manager.]</i>	
Date:	Signature:
<b>SECTION 6 TO BE COMPLETED BY THE ISSUER OR SELLING SECURITY HOLDER</b>	
<b>6. For more information about this investment</b>	
<p>For investment in a non-investment fund  <b>ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION</b>  1821 Provincial Road, Suite 201, Windsor, Ontario, N8W 5V2  T: 226-790-0984  Email: admin@investorsuite.ca</p> <p>For more information about prospectus exemptions, contact your local securities regulator. You can find contact information at <a href="http://www.securities-administrators.ca">www.securities-administrators.ca</a>.</p>	
Signature of executive officer of issuer (other than the purchaser):  _____  Name:	Date:

**Form instructions:**

1. *This form does not mandate the use of a specific font size or style but the font must be legible.*
2. *The information in sections 1, 2, 3, 4 and 5 must be completed before the purchaser completes and signs the form.*
3. *The issuer is required to keep a copy of this form for 8 years after the distribution.*



## SCHEDULE "D" TO SUB: REPRESENTATION LETTER NON-CANADIAN

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(TO BE COMPLETED BY NON-CANADIAN OR U.S. RESIDENTS)

### FOR NON-CANADIAN RESIDENT INVESTORS ONLY, EXCLUDING U.S. PERSONS

**TO: ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION (the "Corporation")  
AND TO: N/A (the "Selling Agent")**

*(Capitalized terms not specifically defined in this Schedule have the meaning ascribed to them in the Subscription Agreement to which this Schedule is attached)*

In connection with the execution by the undersigned Subscriber of the Subscription Agreement which this Representation Letter forms a part of, the undersigned Subscriber hereby represents, warrants, covenants and certifies to the Corporation, the Selling Agent and their respective counsel that:

1. The undersigned Subscriber and (if applicable) any other purchaser for whom it is acting hereunder, is resident in the jurisdiction set out as the "Subscriber's Residential Address" and "Disclosed Beneficial Purchaser's Residential Address", as applicable, on the face page of the Subscription Agreement (the "**Foreign Jurisdiction**") and the undersigned Subscriber certifies that it and (if applicable) any other purchaser for whom it is acting hereunder is not resident in or otherwise subject to applicable securities laws of any province or territory of Canada.
2. The undersigned Subscriber and (if applicable) any other purchaser for whom it is acting hereunder, is a purchaser which is purchasing the Preferred Shares pursuant to an exemption from any prospectus or securities registration or similar requirements under the applicable securities laws of the Foreign Jurisdiction or any other securities laws to which the Subscriber and (if applicable) any other purchaser for whom the Subscriber is acting hereunder are otherwise subject.
3. The purchase of Preferred Shares by the Subscriber, and any other purchaser for whom it is acting hereunder, does not contravene any of the applicable securities laws in the Foreign Jurisdiction or any other securities laws to which the Subscriber and (if applicable) any other purchaser for whom the Subscriber is acting hereunder are otherwise subject and does not result in: (i) any obligation of the Corporation to prepare and file a prospectus, an offering memorandum or similar document; or (ii) any obligation of the Corporation to make any filings with or seek any approvals of any kind from any regulatory body in such jurisdiction or any other ongoing reporting requirements with respect to such purchase or otherwise; or (iii) any registration or other obligation on the part of the Corporation under the applicable securities laws in the Foreign Jurisdiction or any other securities laws to which the Subscriber and (if applicable) any other purchaser for whom the Subscriber is acting hereunder are otherwise subject.
4. The Preferred Shares are being acquired for investment purposes only and not with a view to the resale or distribution of all or any of the Preferred Shares.
5. The undersigned Subscriber and (if applicable) any other purchaser for whom it is acting hereunder, are knowledgeable of, and have been independently advised as to, the securities laws of the Foreign Jurisdiction or any other securities laws to which the Subscriber and (if applicable) any other purchaser for whom the Subscriber is acting hereunder are otherwise subject.
6. The undersigned Subscriber and (if applicable) any other purchaser for whom it is acting hereunder, is aware that its ability to enforce civil liabilities under applicable securities laws may be affected adversely by, among other things: (A) the fact that the Corporation is organized under the laws of Canada; (B) some or all of the directors and officers may be residents of Canada; and (C) all or a substantial portion of the assets of the Corporation and said persons may be located outside the Foreign Jurisdiction.

7. Upon execution of this Schedule by the undersigned Subscriber, this Representation Letter shall be incorporated into and form a part of the Subscription Agreement.

Dated: \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Print name of Subscriber

By: \_\_\_\_\_  
Signature

\_\_\_\_\_  
Print name of Signatory (if different from the  
Subscriber)

\_\_\_\_\_  
Title



## SCHEDULE "E" TO SUB: REPRESENTATION LETTER FAMILY, FRIENDS, BUSINESS ASSOCIATES

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(TO BE COMPLETED BY FAMILY, FRIENDS, BUSINESS ASSOCIATES)

**TO: ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION (the "Corporation")  
AND TO: N/A (the "Selling Agent")**

*(Capitalized terms not specifically defined in this Schedule have the meaning ascribed to them in the Subscription Agreement to which this Schedule is attached)*

In connection with the execution by the undersigned Subscriber of the Subscription Agreement which this Representation Letter forms a part of, the undersigned Subscriber hereby represents, warrants, covenants and certifies to the Corporation, the Selling Agent and their respective counsel that:

1. the undersigned Subscriber is resident in the jurisdiction set out as the "Subscriber's Residential Address" on the face page of the Subscription Agreement and, if the undersigned Subscriber is purchasing as agent for a disclosed beneficial purchaser, the disclosed beneficial purchaser is resident in the jurisdiction set out as the "Disclosed Beneficial Purchaser Information" on the face page of the Subscription Agreement;
2. the undersigned Subscriber is either (a) purchasing the Preferred Shares as principal for its own account, (b) deemed to be purchasing the Preferred Shares as principal in accordance with section 2.5 or 2.6 of NI 45-106, or (c) acting as agent for a disclosed beneficial purchaser who is purchasing the Preferred Shares as principal for its own account;
3. the undersigned Subscriber (or if the undersigned Subscriber is purchasing as agent for a disclosed beneficial purchaser, the disclosed beneficial purchaser) is "family, a friend or business associate" within the meaning of NI 45-106 and Section 73.3 of the *Securities Act (Ontario)*, as applicable, by virtue of satisfying the indicated criterion as set out in the attached form to this Representation Letter;
4. the Subscriber (or if the undersigned Subscriber is purchasing as agent for a disclosed beneficial purchaser, the disclosed beneficial purchaser) fully understands the meaning of the terms and conditions of the category of "family, friends and business associates" applicable to it and confirms that it has reviewed and understands the definitions in the form attached to this Representation Letter in respect of the category of "family, friends and business associates" applicable to it;
5. the Subscriber (or if the undersigned Subscriber is purchasing as agent for a disclosed beneficial purchaser, the disclosed beneficial purchaser) acknowledges that it needs to complete the form attached hereto this Representation Letter and upon execution the Subscriber, the form attached shall be incorporated into and form a part of this Representation Letter and the Corporation and the Selling Agent and their respective counsel shall be entitled to rely thereon; and
6. upon execution of this Representation Letter by the undersigned Subscriber, this Representation Letter, including the form attached hereto, shall be incorporated into and form a part of the Subscription Agreement.

Name of Subscriber (please print)

By:

\_\_\_\_\_  
Authorized Signature

Official Title or Capacity (please print)

Name of Signatory (please print name of individual whose  
signature appears above different than name of Subscriber)

DATED at \_\_\_\_\_ this \_\_\_ day of \_\_\_\_\_, 20\_\_.

**IMPORTANT**  
**PLEASE COMPLETE THE FORM ATTACHED BELOW TO THIS REPRESENTATION LETTER**

**WARNING!**

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

**FORM 45-105F12 - FOR FAMILY, FRIENDS AND BUSINESS ASSOCIATES INVESTORS**

<b>SECTION 1 TO BE COMPLETED BY THE ISSUER OR SELLING SECURITYHOLDER:</b>	
<b>1. About your investment</b>	
Type of securities: Preferred Shares	Issuer: ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION
Purchased from: ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION (the Issuer of the Preferred Shares)	
<b>SECTIONS 2 TO 4 TO BE COMPLETED BY THE PURCHASER</b>	
<b>2. Risk acknowledgement</b>	
This investment is risky. Initial that you understand that:	<b>Your initials</b>
Risk of loss – You could lose your entire investment of \$_____.	<i>[Instruction: Insert the total dollar amount of the investment.]</i>
Liquidity risk – You may not be able to sell your investment quickly – or at all.	
Lack of information – You may receive little or no information about your investment.	
Lack of advice – You will not receive advice from the contact person about whether this investment is suitable. The contact person is the person who can confirm your statements below in 3B, C and D only.	
<b>3. Family, friend or business associate status</b>	
You must meet at least <b>one</b> of the following criteria to be able to make this investment. Initial the statement that applies to you. (You may initial more than one statement.) The person identified in section 5, can help you if you have questions about whether you meet these criteria.	<b>Your initials</b>
A. You are: <ol style="list-style-type: none"><li>1. [check all applicable boxes] [ ] a director of the issuer or an affiliate of the issuer [ ] an executive officer of the issuer or an affiliate of the issuer [ ] a control person of the issuer or an affiliate of the issuer [ ] a founder of the issuer <b>OR</b> 2. [check all applicable boxes] [ ] a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, (i) individuals listed in (1) above and/or (ii) family members, close personal friends or close business associates of individuals listed in (1) above [ ] a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are (i) individuals listed in (1) above and/or (ii) family members, close personal friends or close business associates of individuals listed in (1) above</li></ol>	

<p>B. You are a family member of _____ [Instruction: Insert the name of the person who is your relative either directly or through his or her spouse], who holds the following position at the issuer or an affiliate of the issuer: _____.</p> <p>You are the _____ of that person or that person's spouse.</p> <p>[Instruction: To qualify for this investment, the person listed above must be (a) your spouse or (b) your or your spouse's parent, grandparent, brother, sister, child or grandchild.]</p>		
<p>C. You are a close personal friend of _____ [Instruction: Insert the name of your close personal friend], who holds the following position at the issuer or an affiliate of the issuer: _____.</p> <p>You have known that person for ____ years.</p>		
<p>D. You are a close business associate of _____ [Instruction: Insert the name of your close business associate], who holds the following position at the issuer or an affiliate of the issuer: _____.</p> <p>You have known that person for ____ years.</p>		
<p><b>4. Your name and signature</b></p> <p>By signing this form, you confirm that you have read this form and you understand the risks of making this investment as identified in this form. You also confirm that you are eligible to make this investment because you are a family member, close personal friend or close business associate of the person identified in section 5 of this form.</p>		
<p>First and last name (please print):</p>		
<p>Signature:</p>		<p>Date:</p>
<p><b>SECTION 5 TO BE COMPLETED BY THE PERSON WHO CLAIMS THE CLOSE PERSONAL RELATIONSHIP</b></p>		
<p><b>5. Contact person at the Issuer or an affiliate of the Issuer information</b></p> <p>[Instruction: To be completed by the director, executive officer, control person or founder with whom the purchaser has a close personal relationship indicated under sections 3B, C or D of this form.]</p>		
<p>By signing this form, you confirm that you have, or your spouse has, the following relationship with the purchaser: [check the box that applies]</p>		
<p><input type="checkbox"/> family relationship as set out in section 3B of this form</p>		
<p><input type="checkbox"/> close personal friendship as set out in section 3C of this form</p>		
<p><input type="checkbox"/> close business associate relationship as set out in section 3D of this form</p>		
<p>First and last name of contact person (please print):</p>		
<p>Telephone:</p>		<p>Email:</p>
<p>Signature:</p>		<p>Date:</p>
<p><b>SECTION 6 TO BE COMPLETED BY THE ISSUER OR SELLING SECURITY HOLDER</b></p>		
<p><b>6. For more information about this investment</b></p>		
<p>For investment in a non-investment fund</p> <p><b>ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION</b></p> <p>1821 Provincial Road, Suite 201, Windsor, Ontario, N8W 5V2</p> <p>T: 226-790-0984</p> <p>Email: <a href="mailto:admin@investorsuite.ca">admin@investorsuite.ca</a></p>		
<p>For more information about prospectus exemptions, contact your local securities regulator. You can find contact information at <a href="http://www.securities-administrators.ca">www.securities-administrators.ca</a>.</p>		

Signature of executive officer of issuer (other than the purchaser):  _____  Name:	Date:
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**Form instructions:**

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



## SCHEDULE "F" TO SUB: REPRESENTATION LETTER MINIMUM AMOUNT

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(TO BE COMPLETED BY THOSE RELYING ON MINIMUM AMOUNT)

**TO: ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION (the "Corporation")  
AND TO: N/A (the "Selling Agent")**

*(Capitalized terms not specifically defined in this Schedule have the meaning ascribed to them in the Subscription Agreement to which this Schedule is attached)*

In connection with the execution by the undersigned Subscriber of the Subscription Agreement which this Representation Letter forms a part of, the undersigned Subscriber hereby represents, warrants, covenants and certifies to the Corporation, the Selling Agent and their respective counsel that:

1. the undersigned Subscriber is resident in the jurisdiction set out as the "Subscriber's Residential Address" on the face page of the Subscription Agreement and, if the undersigned Subscriber is purchasing as agent for a disclosed beneficial purchaser, the disclosed beneficial purchaser is resident in the jurisdiction set out as the "Disclosed Beneficial Purchaser Information" on the face page of the Subscription Agreement;
2. the undersigned Subscriber is either (a) purchasing the Preferred Shares as principal for its own account, (b) deemed to be purchasing the Preferred Shares as principal in accordance with section 2.10 of NI 45-106, or (c) acting as agent for a disclosed beneficial purchaser who is purchasing the Preferred Shares as principal for its own account;
3. the undersigned Subscriber (or if the undersigned Subscriber is purchasing as agent for a disclosed beneficial purchaser, the disclosed beneficial purchaser) is acquiring a "minimum amount investment" of \$150,000.00 within the meaning of NI 45-106, as applicable, by virtue of satisfying the indicated criterion as set out in the attached form to this Representation Letter;
4. the Subscriber (or if the undersigned Subscriber is purchasing as agent for a disclosed beneficial purchaser, the disclosed beneficial purchaser) fully understands the meaning of the terms and conditions of the category of "minimum amount investment" applicable to it and confirms that it has reviewed and understands the definitions in the form attached to this Representation Letter in respect of the category of "minimum amount investment" applicable to it;
5. the Subscriber (or if the undersigned Subscriber is purchasing as agent for a disclosed beneficial purchaser, the disclosed beneficial purchaser) acknowledges that it needs to complete the form attached hereto this Representation Letter and upon execution the Subscriber, the form attached shall be incorporated into and form a part of this Representation Letter and the Corporation and the Selling Agent and their respective counsel shall be entitled to rely thereon; and
6. upon execution of this Representation Letter by the undersigned Subscriber, this Representation Letter, including the form attached hereto, shall be incorporated into and form a part of the Subscription Agreement.

Name of Subscriber (please print)

By:

Authorized Signature

Official Title or Capacity (please print)

Name of Signatory (please print name of individual whose signature appears above different than name of Subscriber)

DATED at \_\_\_\_\_ this \_\_\_ day of \_\_\_\_\_, 20\_\_.

**IMPORTANT**  
**PLEASE COMPLETE THE FORM ATTACHED BELOW TO THIS REPRESENTATION LETTER**

**WARNING!**

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

**FORM FOR MINIMUM AMOUNT INVESTMENT INVESTORS**

<b>SECTION 1 TO BE COMPLETED BY THE ISSUER OR SELLING SECURITYHOLDER:</b>	
<b>1. About your investment</b>	
Type of securities: Preferred Shares	Issuer: ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION
Purchased from: ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION (the Issuer of the Preferred Shares)	
<b>SECTIONS 2 TO 4 TO BE COMPLETED BY THE PURCHASER</b>	
<b>2. Risk acknowledgement</b>	
This investment is risky. Initial that you understand that:	<b>Your initials</b>
Risk of loss – You could lose your entire investment of \$_____.	<i>[Instruction: Insert the total dollar amount of the investment.]</i>
Liquidity risk – You may not be able to sell your investment quickly – or at all.	
Lack of information – You may receive little or no information about your investment.	
Lack of advice – You will not receive advice from the contact person about whether this investment is suitable. The contact person is the person who can confirm your statements below in 3B, C and D only.	
<b>3. Minimum amount investment status</b>	
You must meet the following criteria to be able to make this investment. Initial the statement below.	<b>Your initials</b>
A. You are: 1. <i>[all boxes must be checked and apply]</i> [ ] not an individual [ ] purchasing as principal or deemed to be [ ] the acquisition cost is not less than \$150,000.00 paid in cash at time of issuance	
<b>4. Your name and signature</b>	
By signing this form, you confirm that you have read this form and you understand the risks of making this investment as identified in this form. You also confirm that you are eligible to make this investment because you are acquiring at least \$150,000.00 of Preferred Shares.	
First and last name (please print):	
Signature:	Date:
<b>SECTION 5 TO BE COMPLETED BY THE ISSUER OR SELLING SECURITY HOLDER</b>	
<b>5. For more information about this investment</b>	
For investment in a non-investment fund	

**ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION**

1821 Provincial Road, Suite 201, Windsor, Ontario, N8W 5V2

T: 226-790-0984

Email: admin@investorsuite.ca

For more information about prospectus exemptions, contact your local securities regulator. You can find contact information at [www.securities-administrators.ca](http://www.securities-administrators.ca).

Signature of executive officer of issuer (other than the purchaser):

\_\_\_\_\_  
Name:

Date:

***Form instructions:***

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



## SCHEDULE "G" TO SUB: ENROLMENT FORM FOR DIVIDEND REINVESTMENT PLAN

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**TO: ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION** (the "Corporation")

By signing this form, the undersigned requests enrolment in the Corporation's Dividend Reinvestment Plan to have all dividends reinvested in additional Class A Preferred Shares in the capital of the Corporation. The undersigned acknowledges having received and read a copy of the Corporation's policy regarding the Dividend Reinvestment Plan and agrees that participation in the Plan will be subject to the disclosure regarding same set out in the said offering memorandum. The undersigned also acknowledges that this authorization to enroll Class A Preferred Shares will remain in effect until the undersigned notifies the Corporation in writing in accordance with the applicable provisions of said Plan.

DATE: \_\_\_\_\_

Shareholder Signature:

Name in which the Corporation's Class A Preferred Shares are registered:

\_\_\_\_\_  
Please Print

\_\_\_\_\_  
Address:

\_\_\_\_\_  
Residence:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Work: \_\_\_\_\_

### Completing and Returning the Form

Please print clearly. When a registered shareholder has completed this enrolment form, it should be returned to the Corporation at the following address:

**ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION**

1821 Provincial Road, Suite 201, Windsor, Ontario, N8W 5V2

T: 226-790-0984

Email: [admin@investorsuite.ca](mailto:admin@investorsuite.ca)



## SCHEDULE "H" TO SUB: ENROLMENT FORM FOR DIRECT DEPOSIT

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By signing this form, the undersigned agrees to have dividends accrued on Class A Preferred Shares of ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION (the "Corporation") directly deposited to the bank account specified below.

This authorization shall remain in effect until the Corporation has received written notification of its change or termination. This notification must be received at least ten (10) business days before the next scheduled deposit at:

**ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION**

1821 Provincial Road, Suite 201, Windsor, Ontario, N8W 5V2

T : 226-790-0984

Or by Email at: [admin@investorsuite.ca](mailto:admin@investorsuite.ca), with confirmation receipt by email from the Corporation.

Dividends will continue to be paid on a monthly or quarterly basis.

**Investor Information (Please Print Clearly)**

Name (s) \_\_\_\_\_

Address \_\_\_\_\_

Phone/ Email \_\_\_\_\_

These services are for (check one)  Personal  Business

**Bank Account Information (Please attach "Void" cheque)**

Financial Institution Number \_\_\_\_\_

Branch/Transit Number \_\_\_\_\_

Account Number \_\_\_\_\_

Financial Institution Name \_\_\_\_\_

Branch Address \_\_\_\_\_

Signature of account holder \_\_\_\_\_

Signature of joint account holder (if applicable) \_\_\_\_\_

Name (please print) \_\_\_\_\_

Name (please print) \_\_\_\_\_

Date \_\_\_\_\_

Date \_\_\_\_\_



## SCHEDULE "I" TO SUB: CONSENT TO DISCLOSURE OF PERSONAL INFORMATION

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**TO: ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION**

The undersigned hereby acknowledges and consents to the collection, use and disclosure of the personal information provided herein and other personal information provided by the Purchaser or collected by the Issuer as reasonably necessary in connection with the Purchaser's purchase of shares in the capital of ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION (collectively, "personal information") as follows: (a) the Issuer may use personal information and disclose personal information to intermediaries such as the Issuer's legal counsel for the purposes of determining the Purchaser's eligibility to invest in the Shares and for managing and administering the Purchaser's investment in the Shares; (b) if the Purchaser purchased securities through a registered dealer, the Issuer may disclose and collect such personal information relating to the Purchaser's holding of the Shares to and from the dealer; (c) the Issuer may use the Purchaser's social insurance number for income reporting purposes in accordance with applicable law; (d) the Issuer, its agents and advisors, may each collect, use and disclose personal information for the purposes of meeting legal, regulatory, self-regulatory, security and audit requirements (including any applicable tax, securities, money laundering or anti-terrorism legislation, rules or regulations) and as otherwise permitted or required by law, which disclosures may include disclosures to tax, securities or other regulatory or self-regulatory authorities in Canada and/or in foreign jurisdictions, if applicable, in connection with the regulatory oversight mandate of such authorities; (e) the Issuer and its agents and advisors may use personal information and disclose personal information to parties connected with the proposed or actual transfer, sale, assignment, merger or amalgamation of the Issuer or its business or assets or similar transactions, for the purpose of permitting such parties to evaluate and/or proceed with and complete such transaction.

As the Purchaser is resident in and subject to the applicable securities legislation of Ontario, the Purchaser acknowledges: (i) the delivery to the Ontario Securities Commission of the Purchaser's full name, residential address and telephone number, the number and type of securities purchased by the Purchaser, the total purchase price, the exemption relied on, and the date of distribution, (ii) that such information is being collected indirectly by the Ontario Securities Commission under the authority granted to it in securities legislation, (iii) that such information is being collected for the purposes of the administration and enforcement of the securities legislation of Ontario, and (iv) that the Administrative Support Clerk, at the Ontario Securities Commission, Suite 302903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, telephone (416) 593-3684, can be contacted to answer questions about the Ontario Securities Commission's indirect collection of such information. The Purchaser hereby authorizes the indirect collection of such information by the Ontario Securities Commission.

Dated as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

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Signature

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Name of Shareholder, (please indicate if signing on behalf of a corporation/trust or other)



## **SCHEDULE "J" TO SUB: CONSENT TO ELECTRONIC DELIVERY OF DOCUMENTS**

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1. I, the undersigned Subscriber, consent to receiving all documents of ERIE SHORES CAPITAL MORTGAGE INVESTMENT CORPORATION (the "Corporation") to which I am entitled, electronically rather than by mail. I understand the documents I am entitled to receive are determined by the class of Shares I hold and may include:
  - a. Transaction statements;
  - b. Quarterly account statements;
  - c. and Other information about the Corporation.
2. I understand and agree that the documents I am entitled to receive will be sent to me at my e-mail address set out below.
3. I acknowledge that access to the Internet, e-mail and the worldwide web is required in order to access a document electronically and I confirm that I have such access and I have the ability to access, view, download, and print documents from my computer, including documents in Adobe's Portable Document Format (PDF). (The Adobe Acrobat Reader software is required to view a document in PDF format and is available free of charge from Adobe's website at [www.adobe.com](http://www.adobe.com).)
4. I understand that I may revoke or modify my consent to receive documents electronically; that I may change my e-mail address to which documents are delivered; or request a paper copy of a document for which I have consented to electronic delivery by sending in such notification or request:
  - a. by email to: [admin@investorsuite.ca](mailto:admin@investorsuite.ca), with return confirmation receipt by email from the Corporation.
5. I understand and agree that at any time and without giving me advance notice, the Corporation may elect not to send me a document electronically, in which case a paper copy of the document will be mailed to me.
6. I understand I am not required to consent to electronic delivery.

Dated as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

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Signature

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Name of Shareholder, (please indicate if signing on behalf of a corporation/trust or other)

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Email of Shareholder