


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

Date:	January 15, 2020	
The Issuer		
Name:		Advanced Mortgage Investment Corporation ("AMIC" or "the Corporation")
Head Office:	Address:	788 Island Park Drive Ottawa, ON K1Y 0C2
	Phone #	(613) 274-0055
	E-mail Address:	info@advancedmic.com
	Fax #	(613) 274-7389
Currently Listed or Quoted?	No. These securities do not trade on any exchange or market.	
Reporting Issuer?	No. The Corporation is not a reporting issuer under applicable securities legislation.	
SEDAR Filer?	No. The Corporation does not currently make filings with SEDAR (the System for Electronic Document Analysis and Retrieval) but may commence filings as required by regulators. Profile # 00039171.	
The Offering		
Securities Offered:	Preferred Shares	
Price per Security:	\$1.00 per share	
Minimum/Maximum Offering:	There is no minimum. You may be the only purchaser. \$50,000,000.00 (50,000,000 shares) maximum. There will be a maximum of 50,000,000 shares issued under this Offering. Funds available under the Offering may not be sufficient to accomplish our proposed objectives.	
Minimum Subscription Amount:	10,000 Shares (\$10,000.00).	
Payment Terms:	The full subscription price is due upon closing.	
Proposed Closing Date(s):	Continuous offering. Closing dates will be determined from time to time by the Corporation as subscriptions for shares are received by the Issuer.	
Income Tax Consequences:	There are important tax consequences to these securities. See item 6.	
Selling Agent?	Yes. See item 7. Advanced Capital Corp. is the Agent.	
Resale Restrictions		
You may be restricted from selling your securities for an indefinite period. See item 10.		
Purchaser's Rights		
You have two (2) business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See item 11.		
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.		

Information required by National Instrument 33-105:

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

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

Advanced Mortgage Investment Corporation (the “Corporation”) is a “**related issuer**” of 7016514 Canada Inc. carrying on business as Advanced Alternative Lending (the “Manager”) and a “**related issuer**” and a “**connected issuer**” of Advanced Capital Corporation (the “Agent”) within the meaning of applicable securities legislation by virtue of **common control**, common directors and officers and the other factors described in this Offering Memorandum. See “Relationship Between the Corporation, the Manager and the Agent.”

CONFIDENTIAL OFFERING MEMORANDUM

Private Placement
Continuous Offering
January 15, 2020



\$50,000,000
Preferred Shares

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

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

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

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

The Corporation is subject to competition from other corporations which may have greater financial and technical resources competing in the same markets. The operations of the Corporation are dependent upon certain business risks. See Item 8 "**Risk Factors.**"

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

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

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

Since the Corporation is not a reporting issuer pursuant to applicable securities laws, the applicable hold periods may never expire, and if no further statutory exemption may be relied upon or if no discretionary order is obtained, this could result in a purchaser having to hold Shares for an indefinite period of time. The Corporation does not currently intend to file a prospectus or otherwise become a reporting issuer pursuant to applicable securities laws and accordingly it is not intended that the Shares will become freely tradable. See "**Restrictions on Resale.**"

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

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

SUMMARY OF THE OFFERING	6
FORWARD-LOOKING STATEMENTS	8
DOCUMENTS INCORPORATED BY REFERENCE	8
ITEM 1: USE OF AVAILABLE FUNDS	10
1.1 Funds.....	10
1.2 Use of Available Funds	10
1.3 Reallocation	11
ITEM 2 – BUSINESS OF ADVANCED MORTGAGE INVESTMENT CORPORATION	12
2.1 Structure	12
2.2 Our Business	12
Business of the Corporation	12
Policies, Practices and Restrictions.....	13
Portfolio Details	14
Borrowing Strategy	14
Compliance and Oversight.....	14
2.3 Development of the Business	15
2.4 Long Term Objectives	15
2.5 Short Term Objectives and How We Intend to Achieve Them	16
(a) Objectives for the Next 12 Months	16
(b) How the Corporation Intends to Meet Its Short Term Objectives	16
2.6 Insufficient Funds.....	16
2.7 Material Agreements	17
The Manager.....	17
Management Agreement	18
Responsibilities of the Manager	19
The Agent.....	20
Agency Agreement	20
Expenses Related to the Management Agreement and Agency Agreement	21
Compensation of the Manager and the Agent	21
Agent.....	22
Sum of Fees and Ability to Waive	22
ITEM 3: INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS.....	24
Related Party Compensation Paid to MBCI	24
3.1 Compensation and Securities Held	25
3.2 Management Experience	26
3.3 Penalties, Sanctions and Bankruptcy	29
3.4 Loans (Indebtedness of Directors and Officers).....	30
ITEM 4: CAPITALIZATION	31
4.1 Share Capital	31
4.2 Long Term Debt Securities.....	31
4.3 Prior Sales	31
ITEM 5: SECURITIES OFFERED.....	32
Description of the Preferred Shares	32
5.1 Terms of Securities	32
(a) Voting Rights or Restrictions on Voting.....	32
(b) Conversion or Exercise Price and Date of Expiry	32
(c) Rights of Redemption or Retraction	32
(d) Interest Rates or Dividend Rates	33
5.2 Subscription Procedure.....	36
(a) Subscribing for the Securities and Method of Payment.....	36
(b) Consideration in Trust and Hold Period	37

(c) Conditions to Closing	37
ITEM 6: INCOME TAX CONSEQUENCES AND REGISTERED PLAN ELIGIBILITY	38
6.1 Income Tax Consequences that Apply to You.....	38
6.2 Income Tax Consequences as a Material Aspect of the Securities Being Offered.....	38
(a) A Summary of the Significant Income Tax Consequences to Canadian Residents	38
(b) Name of the Person Providing the Income Tax Disclosure	42
6.3 RRSP Eligibility of the Securities.....	42
ITEM 7: COMPENSATION PAID TO SELLERS AND FINDERS.....	43
(a) Compensation: Descriptions and Amounts	43
(b) Compensation as a Percentage of Gross Proceeds of the Offering.....	43
(c) Broker's Warrants or Agent's Option	43
(d) Compensation Paid in Securities	43
ITEM 8: RISK FACTORS.....	44
(a) Investment Risk	44
(b) Issuer Risk.....	45
(c) Industry Risk	47
Relationship Between the Corporation, the Manager and the Agent.....	47
Conflicts of Interest	49
ITEM 9 – REPORTING OBLIGATIONS.....	51
9.1 Reporting to Shareholders	51
9.2 Disclosure of Availability of Information about the Issuer	51
ITEM 10 – RESALE RESTRICTIONS	52
10.1 General Statement.....	52
10.2 Restricted Period	52
10.3 Manitoba Resale Restrictions	52
ITEM 11 – PURCHASER'S RIGHTS.....	54
11.1 Two Day Cancellation Right	54
11.2 Statutory Rights of Action in the Event of a Misrepresentation.....	54
11.2.1 Right of Action for Rescission or Damages	54
11.2.2 Rights for Shareholders in Ontario	54
ITEM 12 – FINANCIAL STATEMENTS.....	56
ITEM 13: DATE AND CERTIFICATE.....	79

SUMMARY OF THE OFFERING

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

The Corporation:	Advanced Mortgage Investment Corporation (the Issuer) was incorporated in and maintains its head office in Ottawa, Ontario, Canada, on September 3, 2013, pursuant to the <i>Canada Business Corporations Act</i> (the “CBCA”).
The Shares:	Preferred shares, see “ Description of the Preferred Shares. ” Subject to sufficient returns, partial periodic dividends are paid monthly. Supplemental dividends are paid annually upon completion of audit.
Price:	\$1.00 per Share.
Minimum Subscription:	10,000 Shares (\$10,000). The Corporation has the right to waive or change either of the minimum subscription amounts at any time and from time to time.
Minimum Offering:	There is no minimum Offering, provided that no Shares will be issued until the Corporation has received subscriptions that it proposes to accept for Shares that are sufficient to enable the Corporation to meet the MIC qualification in the Income Tax Act with respect to ownership of Shares. Funds available under the Offering may not be sufficient to accomplish our proposed objectives.
Maximum Offering:	50,000,000 Shares (\$50,000,000).
Business of the Issuer & Use of Proceeds:	The net proceeds from the sale of the Shares will be used to make mortgage loans that are secured by real estate consisting of residential and commercial properties as described in this Offering Memorandum.
Subscription Procedure:	An investor wishing to subscribe for Shares will be required to deliver a duly completed and executed subscription agreement in the form accompanying this Offering Memorandum (“ Subscription Agreement ”). Subscriptions for Shares will be received subject to rejection or acceptance in whole or in part by the Corporation in its absolute discretion, and the Corporation reserves the right to close the subscription books for an initial closing of Shares distributed pursuant to this Offering Memorandum at any time without notice.
Risk Factors:	<p>An investment in the Shares is subject to significant risks, including but not limited to the following:</p> <ul style="list-style-type: none"> • the Shares will be subject to restrictions on resale and may only be resold if: <ul style="list-style-type: none"> i. the appropriate “hold periods” under applicable securities laws have been satisfied; ii. the trade is made in reliance on an available statutory exemption; or iii. an appropriate discretionary order is obtained pursuant to applicable securities laws; • the nature of the Corporation’s business; and • the Corporation being subject to competition from other corporations which may have greater financial and technical resources.

<p>Eligibility:</p>	<p>Eligible investors under certain prospectus exemptions under NI 45-106.</p> <p>The Issuer’s auditor Welch LLP have provided an opinion that the Issuer’s preferred shares are eligible for investment in registered retirement savings plans, tax-free savings accounts or other registered plans.</p>
<p>Selling Agent:</p>	<p>The Corporation has engaged the Agent (Advanced Capital Corp.) to assist with the sale of Shares. The Agent will receive an Agent’s Fee (as defined herein). See “The Agent” and “Compensation of the Manager and the Agent.” This fee is calculated annually, paid monthly and is calculated based on total Assets Under Management. Assets under management include funds raised through issuance of Preferred Shares. <u>When you invest, your investment will be included in the total Assets Under Management. The Agent Fee is calculated based on total Assets Under Management inclusive of your investment.</u></p> <p>The Corporation will also pay a commission to the Agent or any other registered dealer that may be engaged by the Corporation from time to time to assist with the sale of the Offering (collectively, the “Dealers”).</p> <p>The Corporation will pay up to a maximum of 2.00% of the aggregate purchase price of Shares sold to investors referred to the Corporation by the Agent or its Dealing Representatives.</p> <p>Where a commission is payable by the Corporation to the Agent, the entire amount of any such commission will be remitted by the Agent to the dealing representative of the Agent (“Dealing Representative”) responsible for affecting the sale of the Shares where that Dealing Representative is not an officer of the issuer.</p> <p>Where a commission is payable by the Corporation to a Dealer other than the Agent, the amount to be paid will be negotiated between the Dealer or finder and the Corporation on a case-by-case basis. See “Commissions Payable.”</p>
<p>Currency:</p>	<p>In this Offering Memorandum all references to \$ and dollars are to Canadian dollars.</p>
<p>Contact:</p>	<p>Michael Hapke President, Chief Executive Officer and Director of:</p> <ul style="list-style-type: none"> • Advanced Mortgage Investment Corporation • Advanced Alternative Lending (7016514 Canada Inc.) • Advanced Capital Corp. <p>Corporate Offices: 788 Island Park Drive Ottawa, ON K1Y 0C2 (613) 656-0866 mike.hapke@advancedcapitalcorp.com</p>

FORWARD-LOOKING STATEMENTS

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

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

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

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

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

Any statement contained herein, or in a document all the relative portion of which is incorporated or deemed to be incorporated by reference herein, shall be deemed to be modified or superseded for the purposes of this Offering Memorandum to the extent that a statement contained herein or in any supplement hereto, including

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

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

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

ITEM 1: USE OF AVAILABLE FUNDS

1.1 Funds

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

		Assuming minimum Offering ¹	Assuming maximum Offering ²
A	Amount to be raised by the Offering	\$15,481,604	\$50,000,000
B	Selling commissions and fees ³	\$127,354 ⁴	\$1,000,000 ⁵
C	Estimated Offering costs. ⁶	\$28,690	\$50,000
D	Net Proceeds: D=A-(B+C)	\$15,325,560	\$48,950,000
E	Additional Sources of Funding Required	\$0	\$0
F	Working Capital Deficiency	\$0	\$0
G	Total: G = (D+E) – F	\$15,325,560	\$48,950,000

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

1.2 Use of Available Funds

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

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

Description of intended use of available funds (net proceeds) in order of priority	Assuming minimum Offering	Assuming maximum Offering
Funding mortgages, general working capital	\$15,325,560	\$48,950,000
Total: Equal to G in the Funds table above	\$15,325,560	\$48,950,000

¹ There is no minimum Offering, provided that no Shares will be issued until the Corporation has received subscriptions that it proposes to accept for Shares that are sufficient to enable the Corporation to meet the MIC qualification under the Income Tax Act with respect to ownership of Shares. The Corporation has opted to use the position of the Corporation as of the date of this Offering Memorandum as the Assumed "Minimum Offering" for this table and for the securities percentages shown under section 3.1 "Compensation and Securities Held." The Corporation cannot guarantee that the amount shown as the assumed minimum amount to be raised will not be reduced through redemptions.

² After the initial closing, the Corporation intends to complete periodic closings at its discretion until the Offering is completed or terminated. See "Investing in the Corporation."

³ The Corporation will pay a commission to the Agent or any registered Dealer, or a referral fee to any non-registered finder (via a referral agreement with the Agent), who refers an investor resulting in a sale of Shares to such investors under the Offering.

- The Corporation will pay up to a maximum of 1.5% of the aggregate purchase price of Shares sold to investors referred to the Corporation by the Agent.
- The Corporation will pay up to a maximum of 2% of the aggregate purchase price of Shares sold to investors referred to the Agent by 1. the Agent's Dealing Representatives, by 2. external registered Dealers unaffiliated with the Agent who have independently approved the Offering, or by 3. non-registered finders via a referral agreement with the Agent. See "Commissions and Referral Fees Payable."
- Certain share issuance costs (specifically commissions, referral fees and per-issuance regulatory filing fees) will be capitalized and shown as a reduction of the carrying value of the preferred shares and are subsequently expensed upon redemption of preferred shares.

⁴ Amount shown is the total amount of commissions paid by the Corporation to the Agent since inception. This includes any amounts paid by the Agent to referrers. This amount does not reflect any amounts expensed upon redemption of preferred shares prior to the date of this Offering Memorandum.

⁵ Assumes the Corporation pays out the maximum possible commissions of 2% on the aggregate purchase price of Shares sold under a fully subscribed maximum Offering.

⁶ Offering costs as shown under the Maximum Offering are estimated; offering costs as shown under the Minimum Offering are actual costs since inception. Offering costs include trade-related postage, service fees (e.g. transfer agent or SEDAR filing fees), unrecoverable trustee fees, regulatory filing fees and other administrative and incidental costs associated with selling the Shares pursuant to this Offering Memorandum. Certain other costs (including certain marketing or advertising costs and printing of issuance documents, but not including commissions and referral fees as per note 3 above) will be paid as a general expense from revenues generated after investment of the proceeds of the Offering.

The Corporation files Form 45-106F16 Notice of Use of Proceeds with the regulator after the end of each fiscal year following the completion of the financial audit. The contents of the reports for Fiscal 2019 and Fiscal 2018 are shown below.

1 Opening Proceeds		2019F	2018F												
(A)	Closing unused proceeds balance from the last Notice in Form 45-106F16 filed, if any	\$ 491,905	\$ 192,931												
(B)	Proceeds raised in the most recently completed financial year Figure shown represents the aggregate gross proceeds raised under all prospectus exemptions during the most recently completed financial year.	\$ 4,861,266	\$ 2,573,821												
(C)	Total opening proceeds [Line (C) = Line (A) + Line (B)]	\$ 5,353,171	\$ 2,766,752												
2 Proceeds Used During the Most Recently Completed Financial Year															
Below and in reasonable detail is a breakdown of all proceeds used in the most recently completed financial year, including proceeds used to pay the following, as applicable:															
i.	selling commissions and fees The full amount of \$52,419 was comprised of commissions and referral fees paid to Advanced Capital Corp. (ACC), a company which is related and connected to the issuer (AMIC) by virtue of common ownership and control. ACC serves as agent for AMIC via an agency agreement.	\$ 52,419	\$ 29,138												
ii.	other offering costs The amount is comprised of fees paid to the Ontario Securities Commission for the filing of the Report of Exempt Distribution plus sundry other incremental costs associated with issuance of shares. *2018F number of \$4,500 includes only the fees paid to the Ontario Securities Commission for the filing of the Report of Exempt Distribution.	\$ 6,023	\$ 4,500												
iii.	amounts paid in respect of each use of available funds identified in the offering memorandum Per the OM: Funding mortgages and general working capital	\$ 3,649,906	\$ 1,960,255												
iv.	each other principal use of proceeds, identified separately The following amounts were paid to companies that are related or connected to the issuer by virtue of common ownership and control through the normal course of business and from the total income of the mortgage portfolio, including funds raised during this financial year:	\$ 430,119	\$ 280,954												
	<table border="1"> <thead> <tr> <th>2019F</th> <th>2018F</th> <th></th> </tr> </thead> <tbody> <tr> <td>\$ 59,639</td> <td>\$ 45,031</td> <td>Broker fees to Mortgage Brokers City Inc.</td> </tr> <tr> <td>\$ 326,085</td> <td>\$ 208,051</td> <td>Management and performance fees to AAL*</td> </tr> <tr> <td>\$ 44,395</td> <td>\$ 27,872</td> <td>Agent fees to Advanced Capital Corp.*</td> </tr> </tbody> </table>	2019F	2018F		\$ 59,639	\$ 45,031	Broker fees to Mortgage Brokers City Inc.	\$ 326,085	\$ 208,051	Management and performance fees to AAL*	\$ 44,395	\$ 27,872	Agent fees to Advanced Capital Corp.*	* The aggregate management and agency fees show at left are calculated and paid on all assets under management (AUM). AUM include funds raised in prior years and are not limited to the amounts raised in the last fiscal year as represented in this schedule.	
2019F	2018F														
\$ 59,639	\$ 45,031	Broker fees to Mortgage Brokers City Inc.													
\$ 326,085	\$ 208,051	Management and performance fees to AAL*													
\$ 44,395	\$ 27,872	Agent fees to Advanced Capital Corp.*													
(D)	Total used proceeds [Line (D) is the sum of the uses of proceeds itemized in this section 2 of the table and must equal the aggregate gross proceeds used during the most recently completed financial year.]	\$ 4,138,467	\$ 2,274,847												
3 Closing Unused Proceeds															
(E)	Closing Unused Proceeds [Line (E) = Line (C) – Line (D)] Line (E) represents cash on hand at year end. Cash on hand was allocated to pending mortgage advances and to routine expenses payable subsequent to year end.	\$ 1,214,704	\$ 491,905												

1.3 Reallocation

The Corporation intends to utilize the net proceeds as stated. The Corporation will reallocate funds only for sound business reasons and subject to the approval of the Board of Directors.

ITEM 2 – BUSINESS OF ADVANCED MORTGAGE INVESTMENT CORPORATION

2.1 Structure

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

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

2.2 Our Business

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

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

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

It is anticipated that a substantial portion of the Corporation’s mortgage loans will be located in Ontario.

In general, mortgages will generate income through a rate of interest, which is typically payable periodically throughout the terms of the mortgages, as well as through commitment fees.⁷

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

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

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

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

Business of the Corporation

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

⁷ A commitment fee is a one-time fee, net of the amount paid as compensation to the originator for sourcing the mortgage (on average, approximately 40% to 50% of the gross commitment fee), paid by a borrower to the Corporation in return for obtaining a commitment for mortgage financing, stated either as a fixed dollar amount or as a percentage of the principal amount of the mortgage, and generally is paid at the time of initial funding.

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

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

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

Policies, Practices and Restrictions

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

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

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

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

Portfolio Details

The Corporation's portfolio of funded mortgages changes monthly. Contact the Manager for current portfolio information. As of December 31, 2019:

- No mortgages are in arrears or are known to be in default of any kind.
- 91.19% of funds available to the Corporation are deployed and invested in mortgages.
- The weighted average interest rate of the portfolio is 8.30%.
- The portfolio is 100% residential, 80.08% first mortgages and 19.92% second mortgages.
- The weighted average loan to value is 75.74%.
- There are 59 mortgages in the portfolio, for an average mortgage amount of \$245,515.

Borrowing Strategy

The Corporation believes that utilization of a modest level of borrowing significantly enhances the total return to its Shareholders.

The Corporation may from time to time (and subject to review and approval by the Board of Directors) borrow funds from other entities.

Borrowing will enable the Corporation to make its use of funds much more efficient: borrowing allows the Corporation to operate without having excessive uninvested funds on hand due to the variable and unpredictable nature of funding commitments and investor inflows and outflows. Additionally, the Corporation anticipates that it will earn a positive interest rate spread between the interest earned from funding such borrowings and the interest rate paid by the Corporation on those borrowings.

The Corporation intends to establish a line of credit or other financing arrangement to support the continued funding of mortgages. The Corporation may enter into a credit facility or obtain a line of credit prior to or following the closing of the Offering subject to the review and approval of the Board of Directors.

As of the date of this Offering Memorandum, the Corporation has not entered into an agreement in principle, letter of intent or similar arrangement with a third-party lender regarding the line of credit or other financing arrangement.

Compliance and Oversight

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

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

1. adjudicating and advising on transactions involving potential conflicts of interest and, if necessary, escalating the matter to the Board of Directors for review and direction;
2. approving or rejecting the funding of mortgages which may adversely affect the status of the Corporation as a MIC; and
3. dealing with such other matters as may be referred to them by the Board of Directors.

2.3 Development of the Business

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

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

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

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

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

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

DISTRIBUTIONS SINCE INCEPTION (\$ PER SHARE)													TOTAL	0.4007
	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	TOP-UP	YTD
2020 F	0.0037	0.0039	0.0037	0.0038										0.0151
2019 F	0.0038	0.0039	0.0037	0.0038	0.0038	0.0035	0.0038	0.0037	0.0038	0.0037	0.0038	0.0038	0.0284	0.0736
2018 F	0.0038	0.0039	0.0037	0.0038	0.0038	0.0035	0.0038	0.0037	0.0038	0.0037	0.0038	0.0038	0.0282	0.0734
2017 F	0.0038	0.0040	0.0041	0.0039	0.0039	0.0035	0.0038	0.0037	0.0038	0.0037	0.0038	0.0038	0.0292	0.0751
2016 F	0.0036	0.0038	0.0039	0.0038	0.0038	0.0035	0.0038	0.0038	0.0041	0.0036	0.0039	0.0038	0.0311	0.0765
2015 F	0.0042	0.0043	0.0042	0.004	0.0043	0.0039	0.0043	0.0042	0.0043	0.0049	0.0044	0.0048	0.0314	0.0832

2.4 Long Term Objectives

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

There is an established need for real estate mortgage financing that is not readily provided by banks, trust companies, credit unions and other traditional lenders. Short term mortgage financing is a continuing need of individuals, builders and real estate developers. As a result of their needs for flexibility and prompt approvals, these borrowers often require the services of private lenders and organizations such as the Corporation.

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

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

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

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

2.5 Short Term Objectives and How We Intend to Achieve Them

(a) Objectives for the Next 12 Months

During the next twelve months, the Corporation intends to continue to raise capital and fund mortgages as per the Offering Memorandum and in such a way as to continue to pay attractive returns to shareholders while preserving capital.

It is anticipated that, due to recent regulatory changes, the demand for non-bank financing will continue to remain steady over the next year. To strive to meet that demand, the Corporation will continue to expand its marketing outreach and capital formation activities via the Agent. It will also be actively pursuing the approval of the Corporation’s preferred shares for sale by registered exempt market dealers other than the Agent.

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

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

What we must do and how we will do it:	<ul style="list-style-type: none"> • Raising of funds under the Offering • Investing net proceeds in mortgages
Target completion date or, if not known, number of months to complete:	<ul style="list-style-type: none"> • Ongoing throughout the next 12 months
Our cost to complete:	<ul style="list-style-type: none"> • The costs of this Offering which are estimated to not exceed \$50,000.00. • Commissions on share issuance as per Section 1.1.

2.6 Insufficient Funds

Funds available under the Offering may not be sufficient to accomplish our proposed objectives. There is no assurance that alternative financing will be available. As of the date of this Offering Memorandum, no alternative financing has been secured and it is not the intent of the Corporation to pursue or arrange alternative financing.

2.7 Material Agreements

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

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

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

The Manager

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

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

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

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

Name and Municipality of Residence	Positions held with the Manager
Michael Hapke, Ottawa, Ontario	Owner, President, Chief Executive Officer and Director
Frank Napolitano, Ottawa, Ontario	Vice President
Terri-Lyn Mason, Ottawa, Ontario	Vice President, Finance
Jennifer Anderson, Ottawa, Ontario	Senior Underwriter and Investor Relations
Andrew Malheiro, Ottawa, Ontario	Manager, Compliance and Operations
Isabelle Anderson, Ottawa, Ontario	Compliance Officer
Marvin Cajina, CPA, CA, Gatineau, Québec	Director, Corporate Finance

The Manager’s key personnel have been in the business of originating, underwriting, and servicing mortgages in the secondary mortgage market segments in Ontario, some for more than 25 years. These qualifications and experience put the Manager in an advantageous position to provide the Corporation with related management, administrative, mortgage lending and financing services.

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

- The backgrounds of Jennifer Anderson, Andrew Malheiro, Isabelle Anderson and Marvin Cajina can be found on the Corporation’s web site.
- The backgrounds of each of Michael Hapke, Frank Napolitano and Terri-Lyn Mason are described above under “Directors, Management, Promoters and Principal Holders of the Corporation.”
- Ms. J. Anderson, and Ms. I. Anderson are also registered with the Ontario Securities Commission as a Dealing Representatives with the Agent. and Ms. I Anderson serves as the Chief Compliance Officer of the Agent.
- Ms. J. Anderson and Mr. Malheiro are all licenced as Mortgage Brokers with MBCI.

Management Agreement

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

The Management Agreement has an initial term of ten years and is automatically renewable for further terms of ten years after the expiration of the initial term, unless terminated early in accordance with the terms of the agreement. The Manager may resign if the Corporation is in breach or default of the provisions of the Management Agreement and, if capable of being cured, any such breach or default has not been cured within 30 days of notice of such breach or default to the Corporation. The Manager is deemed to have resigned if the Manager becomes bankrupt or insolvent. The Manager may be removed as manager of the Corporation if the Manager is in material breach or default of the provisions of the Management Agreement and, if capable of being cured, any such breach or default has not been cured within 30 days of notice of such breach or default to the Manager. The Manager may also resign as manager of the Corporation and terminate the Management Agreement, or the Corporation may terminate the Management Agreement, upon not less than 120 days

written notice to the Corporation. The Management Agreement may not be amended except by the written agreement of the Manager and the Corporation.

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

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

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

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

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

Responsibilities of the Manager

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

- assists the Board of Directors in formulating and modifying the Corporation's investment policies and objectives related to the making of mortgage loans;
- uses its best efforts to source and present mortgage lending opportunities consistent with the Corporation's policies;
- provides information relating to proposed acquisitions, dispositions, financing and the making of mortgage loans;
- services and administers the Corporation's mortgage loans on its behalf, maintaining records and accounts in respect of each eligible loans and reports thereon on a monthly basis;

- provides those services required in connection with the collection, handling, prosecuting and settling of any claims with respect to the Corporation's mortgage loans, including foreclosing and otherwise enforcing security interests securing the Corporation's mortgage loans; and
- delivers portfolio reports on a regular basis with respect to the Corporation's mortgage loans and provides documentation and/or other information as requested.

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

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

The Agent

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

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

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

Agency Agreement

As per above, pursuant to the terms of an agency agreement dated March 17, 2014 (the "**Agency Agreement**"), the Corporation has retained the Agent to solicit and market securities on behalf of the Corporation. The Agency Agreement has an initial term of ten years and is automatically renewable for further terms of ten years after the expiration of the initial term, unless terminated early in accordance with the terms of the agreement. The Agent may resign if an adverse material change, or an adverse change in a material fact relating to the Shares, occurs or is announced by the Corporation or if the Shares cannot be marketed due to the state of the financial markets. The Agent may also resign if the Corporation is in breach or default of any material term of the Agency Agreement and, if capable of being cured, any such breach or default has not been cured within 30 days notice of such breach or default to the Corporation. In addition, either party may terminate the Agency Agreement upon 120 days written notice to the other party. The Agency Agreement may not be amended except by the written agreement of the Agent and the Corporation.

The Agency Agreement also provides that the Corporation will indemnify the Agent and its directors, officers, employees and Dealing Representatives (each, an "**Agent Indemnified Person**") from any claims arising in relation to the Agent's duties and responsibilities under the Agency Agreement provided that any such claim

was not the result of an Agent Indemnified Person's breach of, default under or non-compliance with any material representation, warranty, covenant, term, condition or provision of the Agency Agreement.

Expenses Related to the Management Agreement and Agency Agreement

Offering Expenses

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

Operating Expenses

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

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

The Corporation will also be responsible for all taxes, commissions, brokerage commissions and other costs of securities transactions, debt service, commitment fees and costs relating to any credit facilities, insurance premiums and any extraordinary expenses which it may incur or which may be incurred on its behalf from time to time, as applicable.

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

Compensation of the Manager and the Agent

Manager

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

- Management fees in respect of the Manager's general management services in an amount equal to 2.6% per annum of the Assets Under Management of the Corporation, calculated and paid monthly in arrears (the "**Management Fee**"). For this purpose, "**Assets Under Management**" means total assets calculated as mortgages receivable plus shares receivable plus cash on hand less total liabilities of the Corporation. For greater certainty, the liabilities of the Corporation do not include any amounts relating to the share capital.
- An annual performance fee (the "**Performance Fee**") each fiscal year equal to 25% of the amount by which the Corporation's net income for that fiscal year exceeds the corresponding Target Yield and prorated for any partial year.⁸
- Where the Manager acts as servicing agent for syndicated mortgages in which the Corporation is a participant, the Manager may receive a servicing fee of up to 300 basis points of the value of such syndicated mortgages, but such servicing fee shall not be payable to the Corporation.
- Ancillary fees as set out in the security documents with the borrowers as compensation or reimbursement for overhead expenses. The ancillary fees shall only be payable to the Manager to the extent they are recovered from the borrowers and are not payable by the Corporation. Examples of ancillary fees include fees for statements, late payments, enforcement, insurance, inspections, dishonoured cheques and defaults.

Agent

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

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

Sum of Fees and Ability to Waive

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

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

- The Manager waived its Management Fee for the Corporation's fiscal year ending on August 31, 2014.
- Refer to the Fiscal 2015 audited financial statements for more information about the treatment of the Fiscal 2015 Management Fee. In Fiscal 2015, Welch LLP (the auditor) allowed a partial deferral on collection of the Fiscal 2014 start-up costs and the Fiscal 2015 management fees. The AMIC board subsequently passed a resolution approving the Welch deferrals and allowing AMIC one (1) fiscal year to recover those deferred items.

⁸ The target yield (or hurdle rate) of the Corporation for Fiscal 2020 is equal to 7% (the "**Target Yield**"). The Manager will manage the Corporation so as to seek to achieve the Target Yield for fiscal 2020 and subsequent fiscal years; however, no assurance is given that the Corporation will achieve them. See "Risk Factors."

- Refer to the Fiscal 2016 audited financial statements for more information about the treatment of the Fiscal 2016 Management Fee. In lieu of paying the Fiscal 2016 Management Fee in full, the Manager elected to apply an equivalent amount to retire the Fiscal 2015 amount that had been carried forward per above.
- Refer to the Fiscal 2017 audited financial statements for more information about the treatment of the Fiscal 2017 Management Fee. The Corporation elected to fully adopt IFRS 9 in fiscal 2017 which required mandatory restatement of previous years' results to comply with IFRS accounting standards. This, in turn, resulted in net earnings that were sufficient to allow payment of the full fiscal 2017 base Management Fee and most of the 25% Performance Fee to the Manager. The Performance Fee amount paid in fiscal 2017 was roughly equivalent to the amounts waived in prior years.
- Refer to the Fiscal 2018 audited financial statements included in this Offering Memorandum for more information about the treatment of the Fiscal 2018 Management Fee. The Fiscal 2018 Management Fee was paid in full. The Manager was entitled to a Performance Fee of \$34,943 but waived \$31,996 of that Performance Fee.
- Refer to the Fiscal 2019 audited financial statements included in this Offering Memorandum for more information about the treatment of the Fiscal 2019 Management Fee. The Fiscal 2019 Management Fee was paid in full. The Manager was entitled to a Performance Fee of \$34,131 but waived the fee in full.
- As of the date of this Offering Memorandum, the Manager does not anticipate waiving Fiscal 2020 Management or Performance fees.

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

The Corporation is a “related issuer” of 7016514 Canada Inc. carrying on business as Advanced Alternative Lending (the “Manager”) and a “related issuer” and a “connected issuer” of Advanced Capital Corporation (the “Agent”) within the meaning of applicable securities legislation by virtue of common control, common directors and officers and the other factors described in this Offering Memorandum. See “**Relationship Between the Corporation, the Manager and the Agent.**”

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

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

Staff of the Manager may be compensated by a combination of salary and incentive compensation based on growth of mortgage assets under management.

Related Party Compensation Paid to MBCI

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

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

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

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

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

3.1 Compensation and Securities Held

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

Name and Municipality of Principal Residence	Positions held with the Corporation and the date of obtaining that position (MM/DD/YY)	Compensation paid by issuer or related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year		Number, type and percentage of securities of the Corporation held after completion of min. Offering		Number, type and percentage of securities of the Corporation held after completion of max. Offering	
		Completed ('19) Actual	Current ('20) Estimated	Completed ('19) Actual	Current ('20) Estimated	Completed ('19) Actual	Current ('20) Estimated
Michael Hapke Ottawa, Ontario	President, CEO and Director (09/23/13)	Completed ('19) Actual	\$1,000 Director Hon.	Common	0 (0%)	Common	0 (0%)
		Current ('20) Estimated	\$1,000 Director Hon.	Preferred	580,433 (3.65%)	Preferred	580,433 (0.42%)
6155383 Canada Inc. (Controlled by Michael Hapke)	Common Shareholder (09/23/13)	Completed ('19) Actual	\$0	Common	25 (25%)	Common	25 (25%)
		Current ('20) Estimated	\$0	Preferred	0 (0%)	Preferred	0 (0%)
Mortgage Brokers City Inc. (Controlled by Michael Hapke)	President, CEO and Director (09/23/13)	Completed ('19) Actual	\$0	Common	0 (0%)	Common	0 (0%)
		Current ('20) Estimated	\$0	Preferred	15,454 (0.10%)	Preferred	15,454 (0.10%)
6356630 Canada Inc. (Controlled by Frank Napolitano)	Common Shareholder (09/23/13)	Completed ('19) Actual	\$0	Common	9 (9%)	Common	9 (9%)
		Current ('20) Estimated	\$0	Preferred	0 (0%)	Preferred	0 (0%)
Sheri Creese Ottawa, Ontario	Director (09/16/15)	Completed ('19) Actual	\$1,000 Director Hon.	Common	25 (25%)	Common	25 (25%)
		Current ('20) Estimated	\$1,000 Director Hon.	Preferred	119,617 (0.77%)	Preferred	119,617 (0.24%)
Ken Alger Ottawa, Ontario	Director (09/16/15)	Completed ('19) Actual	\$1,000 Director Hon.	Common	0 (0%)	Common	0 (0%)
		Current ('20) Estimated	\$1,000 Director Hon.	Preferred	0 (0%)	Preferred	0 (0%)
Joanne Livingston Ottawa, Ontario	Director (09/13/17)	Completed ('19) Actual	\$1,000 Director Hon.	Common	0 (0%)	Common	0 (0%)
		Current ('20) Estimated	\$1,000 Director Hon.	Preferred	0 (0%)	Preferred	0 (0%)
Kimberley McKenney Ottawa, Ontario	Director (09/11/19)	Completed ('19) Actual	\$0	Common	0 (0%)	Common	0 (0%)
		Current ('20) Estimated	\$1,000 Director Hon.	Preferred	0 (0%)	Preferred	0 (0%)
Bill Harrington Ottawa, Ontario	Director (09/11/19)	Completed ('19) Actual	\$0	Common	0 (0%)	Common	0 (0%)
		Current ('20) Estimated	\$1,000 Director Hon.	Preferred	0 (0%)	Preferred	0 (0%)
Terri Mason Ottawa, Ontario	VP, Finance (09/23/13)	Completed ('19) Actual	\$0	Common	0 (0%)	Common	0 (0%)
		Current ('20) Estimated	\$0	Preferred	0 (0%)	Preferred	0 (0%)
Luke Clare Ottawa, Ontario	Common Shareholder (09/23/2013)	Completed ('19) Actual	\$0	Common	25 (25%)	Common	25 (25%)
		Current ('20) Estimated	\$0	Preferred	0 (0%)	Preferred	0 (0%)
Marvin Cajina Gatineau, Quebec	Common Shareholder (01/15/2020)	Completed ('19) Actual	\$0	Common	16 (16%)	Common	16 (16%)
		Current ('20) Estimated	\$0	Preferred	0 (0%)	Preferred	0 (0%)

The table above does not include remuneration paid to the Manager, to the Agent or to MBCI, all of which are related and connected to the Corporation by virtue of common ownership and control. Michael Hapke owns

and controls the Manager, the Agent and MBCI and therefore receive compensation via the Management Agreement, the Agency Agreement and via brokerage fees paid by the Corporation.

As of January 15, 2020, the total shares owned by the owner, or related parties of the owner, employees of AMIC along with agents/brokers of MBCI, totaled 2,493,706 or 16% of the total shares outstanding.

3.2 Management Experience

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

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

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

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

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

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

Mr. Hapke decided to pursue a career in the mortgage brokerage industry in 2003. By 2005 he formed his own mortgage brokerage operation with Frank Napolitano. In 2008 the pair successfully merged Ottawa’s two largest mortgage brokerage firms to form the current MBCI, which has over 100 licenced mortgage brokers and agents and originates roughly one billion dollars in mortgages on an annual basis.

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

Under the leadership of Mr. Hapke and his partners, MBCI has been honoured with the Consumer’s Choice award in the “Mortgage Companies and Brokers” category for nine consecutive years, from 2011 to 2019.

Name	Principal occupation and related experience (5-year history)
<i>Frank Napolitano</i>	Co Founder, Mortgage Brokers City Inc. 2005-present. Vice President, Advanced Alternative Lending, 2008-present. Vice President, Advanced Capital Corp., 2013-present. Vice President, Advanced Mortgage Investment Corporation, 2013-present.

Frank Napolitano is one of the founding partners of the Advanced Group of Companies.

Frank Napolitano is a Vice President of each of the Corporation, the Manager and the Agent. He is also the co Founder of MBCI and has been since its inception in 2005.

Prior to co-founding MBCI, Mr. Napolitano worked for TD Canada Trust for over 20 years. In his last eight years at TD, he worked as a mortgage specialist and was awarded the Paragon of Sales Award (Top 10 in Canada for volume of sales) every year during this eight-year period.

Mr. Napolitano is the “face” of MBCI and is responsible for all media, advertising and MBCI branding. Since 2006 he has hosted a weekly real estate and mortgage radio show on 580 CFRA. He can also be seen bi-weekly on CTV during the “Mortgage Minute.”

Mr. Napolitano holds his Mortgage Agent’s license in Ontario. He is also a member of Mortgage Professionals Canada (“MPC”), the national mortgage brokerage industry association.

Name	Principal occupation and related experience (5-year history)
<i>Sheri Creese</i>	VP Sales and Service, Mortgage Brokers City Inc. Jan. 2011-present. Mortgage Broker, Mortgage Brokers City Inc. Jan. 2011-present. Director, Advanced Mortgage Investment Corporation, 2015-present.

Sheri Creese joined the Corporation’s Board of Directors in 2015.

Ms. Creese has been in the financial services industry for over 25 years.

As the Vice President of Sales and Service for MBCI, her role is to provide leadership and direction to ensure that the firm’s excellent group of mortgage brokers and agents have the tools and resources to do what they do best: give clients superior mortgage advice. She also assists the partnership group in continuing to foster relationships with external partners in the community.

Ms. Creese is also a licensed mortgage broker, hockey parent and community volunteer.

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

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

After a 30+ year career in varied roles most of which were at the executive level, Mr. Alger took early retirement from TD Bank in November 2014.

He explains, “It was time to step back and refocus on priorities that became more important to me – family, friends, & community – while still maintaining my connections to the business community especially in the areas of People Development, Growing Business Opportunities and Governance.”

Mr. Alger is involved in the community and has served on both the Queensway Carleton Hospital Foundation and Hospital (QCH) boards over the past 9 years. He is currently Vice Chair of the board and chairs the Audit & Finance Committee as well as sits on the Executive Committee and the Human Resource and Executive Compensation Committees.

This year (2018/19) he was elected to the position of President of the College of Kinesiologists of Ontario, a public appointment from the Ministry of Health and Long Term Care (MOHLTC), where he also Chairs the Registration Committee and sits on the Quality Assurance Committee.

Per Mr. Alger, “Paying back by paying forward is a new mantra that I live by.”

Name	Principal occupation and related experience (5-year history)
<i>Joanne Livingston</i>	Vice President and Portfolio Manager, RBC Dominion Securities, 2017-present. Director, Branch Manager and Portfolio Manager, Richardson GMP, 2008-2017.

Joanne Livingston joined the Corporation's Board of Directors in 2017.

Joanne Livingston, CIM is a Vice President & Portfolio Manager with RBC Dominion Securities. She leads a team of professionals providing complete Portfolio and Wealth Management Services to clients nationally.

Prior to joining RBC DS, Ms. Livingston spent 25 years in financial services initially with a major Canadian Bank. Opting to pursue a career in Wealth Management she accepted a role within the Securities community and until recently was the Managing Partner at Canada's largest independent Wealth Management firm. In recent months Joanne has moved her private practice to RBC Dominion Securities to further expand her team's wealth management offering.

In addition to enjoying time with family and friends Joanne is active in the community having held several board and committee roles for local charities. Currently she sits on the University of Ottawa Heart Institute Foundation Board as well as participating in both their Audit and Finance Committees.

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

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

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

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

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

Kim is an industry leader and an avid participant in the mortgage community; having served as Vice-Chair on the Board of Directors for the Better Business Bureau for Eastern and Northern Ontario and the Outaouais and currently serving as past-president after two terms as President of the CMBA Ontario. Kim's mandate with the CMBA board has been to improve educational offerings from the association. This desire for better access to education for both new and seasoned agents and brokers is reflected in Kim's ongoing mentorship and support programs at DLC The Mortgage Source.

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

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

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

Bill obtained his Doctor of Laws degree from the University of Ottawa. He has 40 years of legal experience, both as a litigator and as an in-house counsel. Most recently, he was the General Counsel of the Canadian Real Estate Association,

one of the largest single-industry trade associations in Canada. In that role, he was responsible for the effective operation of the legal department, and provided advise, opinion and support on a wide range of legal issues to the CEO, the executive, the Board of Directors and various committees and task forces.

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

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

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

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

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

After ten years in the banking industry, Ms. Mason accepted a new challenge and took on the position of Administrative Assistant in the genetics department at the Children’s Hospital of Eastern Ontario (“**CHEO**”). After spending seven years with CHEO, she took some time off for personal reasons.

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

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

In addition to working for the Advanced Group of Companies and MBCI, Ms. Mason co-founded and manages a successful property management and rental company in Florida. As Vice President of Operations and co-founder of Annamariaislandhomerental.com, she and her co-founder currently manage over \$2.5 million worth of real estate in the Florida region.

3.3 Penalties, Sanctions and Bankruptcy

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

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

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

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

3.4 Loans (Indebtedness of Directors and Officers)

No director or officer of the Corporation is indebted to the Corporation. None of the directors, management, promoters and principal holders of the Corporation were indebted to the Corporation in any way as at January 15, 2020, or at any time subsequent to that date.

ITEM 4: CAPITALIZATION

4.1 Share Capital

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

Description of Security	Number authorized to be issued	Price per security	Number outstanding as at January 15, 2020	Number outstanding after minimum Offering	Number outstanding after maximum Offering
Common Shares	Unlimited	\$1	100	100	100
Preferred Shares	Unlimited	\$1	15,481,603.87	15,481,603.87	50,000,000

4.2 Long Term Debt Securities

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

Description of long term debt (including whether secured)	Interest rate	Repayment terms	Amount outstanding at December 11, 2017
None	N/A	N/A	\$0

4.3 Prior Sales

The issuer has issued the following securities of the class being offered under the Offering Memorandum within the last twelve (12) months and since the effective date of the previous version of this Offering Memorandum (January 31, 2019). This includes shares issued via dividend reinvestment. No securities were issued in exchange for assets or services.

Date	Type of security issued	Number of securities issued	Price per security	Total funds received
January 31, 2019	Preferred Shares o/s	10,018,204 as of record date	\$1	\$10,018,204
February 1, 2019	Preferred shares (new issuance)	281,217	\$1	\$281,217
February 28, 2019	Preferred shares via DRIP	28,719	\$1	\$28,719
March 1, 2019	Preferred shares (new issuance)	411,964	\$1	\$411,964
March 31, 2019	Preferred shares via DRIP	33,481	\$1	\$33,481
April 1, 2019	Preferred shares (new issuance)	1,708,222	\$1	\$1,708,222
April 30, 2019	Preferred shares via DRIP	38,108	\$1	\$38,108
May 1, 2019	Preferred shares (new issuance)	175,733	\$1	\$175,733
May 31, 2019	Preferred shares via DRIP	40,196	\$1	\$40,196
June 1, 2019	Preferred shares (new issuance)	244,781	\$1	\$244,781
June 30, 2019	Preferred shares via DRIP	40,508	\$1	\$40,508
July 1, 2019	Preferred shares (new issuance)	331,839	\$1	\$331,839
July 31, 2019	Preferred shares via DRIP	43,282	\$1	\$43,282
August 1, 2019	Preferred shares (new issuance)	278,079	\$1	\$278,079
August 31, 2019	Preferred shares via DRIP	296,437	\$1	\$296,437
September 1, 2019	Preferred shares (new issuance)	100,000	\$1	\$100,000
September 30, 2019	Preferred shares via DRIP	42,588	\$1	\$42,588
October 1, 2019	Preferred shares (new issuance)	152,907	\$1	\$152,907
October 31, 2019	Preferred shares via DRIP	46,271	\$1	\$46,281
November 1, 2019	Preferred shares (new issuance)	226,784	\$1	\$226,784
November 30, 2019	Preferred shares via DRIP	45,060	\$1	\$45,060
December 1, 2019	Preferred shares (new issuance)	925,796	\$1	\$925,796
December 31, 2019	Preferred shares via DRIP	48,635	\$1	\$48,635
January 1, 2020	Preferred shares (new issuance)	252,183	\$1	\$252,183

ITEM 5: SECURITIES OFFERED

Description of the Preferred Shares

The Corporation is offering up to 50,000,000 Shares for sale at a price of \$1.00 per Share. There is no minimum Offering, provided that no Shares will be issued until the Corporation has received subscriptions that it proposes to accept for Shares that are sufficient to enable the Corporation to meet the MIC qualification in the Income Tax Act with respect to ownership of Shares.

5.1 Terms of Securities

The rights and restrictions attaching to Shares are as follows:

(a) Voting Rights or Restrictions on Voting

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

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

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

(b) Conversion or Exercise Price and Date of Expiry

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

(c) Rights of Redemption or Retraction

Redemption by the Corporation

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

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

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

Redemption Rights - General

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

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

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

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

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

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

Redemption Rights - Redemption Restrictions

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

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

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

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

(d) Interest Rates or Dividend Rates

Dividends and Dividend Policy

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

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

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

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

Partial periodic dividends will be calculated at the lesser of 90% of actual year to date net income of the Corporation (with year to date income being calculated from the first day of the fiscal year to the last day of the month for which the dividend is being calculated) and a rate sufficient to achieve an annual effective rate of return equivalent to 5.0% as of March 1, 2020 (previously 4.5%). This dividend rate is to be reviewed annually by the Board of Directors.

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

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

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

Restrictions on Ownership

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

In the event that (a) the exercise by any Shareholder of a redemption right associated with the Shares, or (b) as determined by the Board of Directors in its sole discretion, any other transaction affecting Shares (each a "**Triggering Transaction**"), if completed, would cause any holder(s) of such Shares (each an "**Automatic Repurchase Shareholder**"), together with Related Persons, to hold more than 25% of the Shares, that portion of Shares held by each Automatic Repurchase Shareholder which constitutes in excess of 24.9% of the issued Shares (the "**Repurchased Shares**") will, simultaneously with the completion of a Triggering Transaction, automatically be deemed to have been repurchased by the Corporation (an "**Automatic Repurchase**") without any further action by the Corporation or the Automatic Repurchase Shareholder. The purchase price for any Repurchased Shares will be equal to no more than the Redemption Amount as of the date of the Triggering Transaction, less any costs associated with such purchase. The proceeds of any Automatic Repurchase will be remitted to each applicable Automatic Repurchase Shareholder within 60 days following the date of the Triggering Transaction.

Purchase for Cancellation

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

Liquidation, Dissolution or Winding Up

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

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

Dividend Reinvestment Plan

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

Eligibility

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

Investment Date

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

Cost and Attributes of Shares Purchased under the “DRIP”

DRIP shares are purchased in whole dollar increments of \$1 per Share and or whole cent increments of \$0.01 per fractional share. The Corporation uses the proceeds from the DRIP distributions attributable to a shareholder to purchase additional Shares on behalf of the Shareholder. All Shares acquired through the DRIP are credited to the Shareholder’s account. At the request of the Shareholder, physical certificates may periodically be issued to the Shareholder for Shares acquired under the DRIP for that period. For Shareholders who hold their Shares in registered plans, DRIP certificates will be issued to the trustee on a monthly or quarterly basis. The Corporation may issue fractional Shares under the DRIP. The price of Shares purchased via DRIP will be rounded to the nearest whole cent. Residual cash dividends which are not used to purchase additional Shares will be paid out to the Shareholder. No brokerage or administration fees will be charged by the Corporation or the Manager for participation in the DRIP. There is no minimum aggregate subscription amount under the DRIP.

Transaction Statements

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

Termination of Participation in the DRIP

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

Liabilities of the Corporation and Manager

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

Amendments to Plan and Termination by Corporation

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

Tax Consequences

The reinvestment of dividends does not relieve a Shareholder of liability for tax on those dividends. Shareholders who intend to participate in the DRIP should consult their tax advisers about the tax consequences which will result from their participation in the DRIP. See “Canadian Federal Income Tax Considerations.”

5.2 Subscription Procedure

(a) Subscribing for the Securities and Method of Payment

Investing in the Corporation

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

Prospectus Exemptions

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

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

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

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

Procedure for Purchase of Shares

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

Minimum Initial Subscription

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

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

Additional Investments

Additional investments in the Corporation by accredited investors are generally permitted in amounts of not less than \$10,000.

The Corporation reserves the right to change the minimum amount for additional investments in Shares at any time and from time to time.

(b) Consideration in Trust and Hold Period

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

(c) Conditions to Closing

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

ITEM 6: INCOME TAX CONSEQUENCES AND REGISTERED PLAN ELIGIBILITY

6.1 Income Tax Consequences that Apply to You

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

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

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

6.2 Income Tax Consequences as a Material Aspect of the Securities Being Offered

Commentary on Income Tax Consequences and RRSP Eligibility

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

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

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

This summary is based on the Corporation's understanding of the current provisions of the Income Tax Act, the regulations to the Income Tax Act and the current administrative and assessing practices of the Canada Revenue Agency.

(a) A Summary of the Significant Income Tax Consequences to Canadian Residents

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

- a) investors are, and will not cease to be, persons resident in Canada;
- b) investors acquire Shares pursuant to this Offering Memorandum and hold the Shares as capital property;
- c) investors hold Shares for the purpose of earning income and have a reasonable expectation of earning a profit from holding the Shares; and

- d) the Corporation will qualify at all material times as a MIC for the purposes of the Income Tax Act.

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

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

The Corporation

As a MIC, the Corporation is subject to special rules under the Income Tax Act that permit the Corporation to be operated, in effect, as a tax free “flow through” conduit of its profit to its Shareholders.

The income of the Corporation for purposes of the Income Tax Act includes interest earned and the taxable portion of any net realized capital gains.

The Corporation is permitted to deduct from its net income all taxable dividends it pays to its Shareholders, other than capital gains dividends, and the taxable portion of its net realized capital gains distributed to Shareholders as capital gains dividends within the periods prescribed by the Income Tax Act. If and to the extent the Corporation has income after these and other applicable deductions, such income is subject to the prevailing tax rates applicable to a public corporation. The Corporation intends to pay out as dividends substantially all of its net income and net realized capital gains each year, and as a result the Corporation anticipates it will not be liable to pay income tax in any year.

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

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

- i. a bank or other corporation any of whose deposits are insured by the Canada Deposit Insurance Corporation or the Régie de l'assurance-dépôts du Québec, or
 - ii. a credit union,
- plus the amount of any cash of the Corporation on hand must at all times be at least 50% of the cost amount to it of all of its property.
- 7) The cost amount of all of the Corporation's real property, including any leasehold interests in such property, will at no time exceed 25% of the cost amount of all of its property (excluding any real property acquired after default made on a mortgage, hypothec or agreement of sale of real property whether it be by way of foreclosure or otherwise).
 - 8) The Corporation's liabilities at any time in the year must not exceed three times the amount by which the cost amount to it of all of its property exceeds its liabilities, if at any time in the year the cost amount to the Corporation of the properties referred to above under item 6 (50% asset test) is less than two thirds of the cost amount to the Corporation of all of its property. However, where at any time in the year the cost amount to a Corporation of the properties referred to above under item 6 (50% asset test) is equal to two thirds or more of the cost amount to the Corporation of all of its property, the liabilities of the Corporation must not exceed five times the excess of the cost amount to the Corporation of all of its property over such liabilities.

From time to time, and with the approval and consent of the Board of Directors, the Corporation may borrow funds provided it is economical and prudent to do so. These borrowings may take the form of lines of credit from banks and other lending institutions and/or promissory notes and other types of debt contracts with individuals and companies, as the case may be. It is probable that debt instruments will be secured by a charge against the assets of the Corporation, and in the event of liquidation or wind up, will rank in priority to the rights of the shareholders of the Corporation.

Shareholders

Dividends

Taxable dividends, except capital gains dividends, received by a Shareholder are taxable in the hands of the Shareholder as interest and not as dividends. Capital gains dividends received by a Shareholder are treated as capital gains of the Shareholder, one half of which must be included as a "taxable capital gain" in computing the Shareholder's taxable income.

Dispositions

A Shareholder will be considered to have disposed of his Shares when he sells his Shares, his Shares are the subject of a gift, he dies, or where the Corporation is wound up or otherwise terminated.

Shares which are the subject of a gift or which are held by a Shareholder when he dies are generally deemed to be disposed of for proceeds equal to fair market value at that time. However, in certain circumstances a capital gain or capital loss will be deferred where, by gift or bequest the Shares are transferred to the Shareholder's spouse or common law partner (as defined in the Income Tax Act) who was resident in Canada at the time of the gift or immediately before the Shareholder's death.

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

Shareholders will include one half of any capital gain in computing taxable income as a "taxable capital gain." Similar proportions of a capital loss will be an "allowable capital loss" that may be used to offset taxable capital

gains in the year the capital loss is sustained. To the extent the allowable capital loss is not offset against taxable capital gains in that year, it may be carried back three years and forward indefinitely to offset taxable capital gains realized in those years.

Interest on Money Borrowed to Purchase Shares

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

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

Eligibility for Investment by Deferred Income Plans

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

Interest Expense Regarding RRSP/TFSA Contributions

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

Distributions Received From Corporation by RRSP

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

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

RRSP Contribution Limits

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

The transfer of a Share to an RRSP will result in the deemed disposition for income tax purposes at an amount equal to the fair market value of the Share at the time of the transfer. For an individual Shareholder who holds

a Share as capital property, the disposition will result in a capital gain equal to the excess of the fair market value of the Share over its adjusted cost base. Should the fair market value of the Share be less than its adjusted cost base upon contribution to the RRSP, no capital loss will be allowed.

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

Prohibited Investment for RRSPs/RRIFs and TFSAs

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

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

(b) Name of the Person Providing the Income Tax Disclosure

Marvin Cajina, CPA, CA, as Director, Corporate accounting of the Corporation is providing the income tax disclosure in 6.2 (a).

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

Each investor should consult his own professional advisers to obtain advice on the tax consequences that apply to the investor. No opinion from the Corporation's legal counsel or accountants has been given with respect to these income tax considerations.

6.3 RRSP Eligibility of the Securities

Not all securities are eligible for investment in a registered retirement savings plan (RRSP). You should consult your own professional advisers to obtain advice on the RRSP eligibility of these securities.

ITEM 7: COMPENSATION PAID TO SELLERS AND FINDERS

(a) Compensation: Descriptions and Amounts

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

- The Corporation will pay the Agent up to a maximum of 1.5% of the aggregate purchase price of Shares sold by the Agent where Michael Hapke (as principal of the Agent) acts as the Dealing Representative.
- The Corporation will pay the Agent up to a maximum of 2% of the aggregate purchase price of Shares sold by one of the Dealing Representatives of the Agent.
- The Corporation will pay the Agent up to a maximum of 2% of the aggregate purchase price of Shares sold by the Agent where the Agent is party to a referral agreement with a non-registered finder. The Agent will remit any referral fees payable to finders from the proceeds of the commission paid to the Agent, subject to the terms of the referral agreement between the Agent and the finder(s).
- Where a commission or referral fee is payable by the Corporation to a registered Dealer other than the Agent, the amount to be paid will be negotiated between the Dealer and the Corporation on a case-by-case basis.

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

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

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

None.

(d) Compensation Paid in Securities

As noted under Item 3.1 above, the Board of Directors may receive compensation from the Manager that can, subject to qualification under applicable prospectus exemptions, be invested in shares of the Corporation at the request of the individual Board of Directors members and subject to adherence to the terms of this Offering Memorandum.

ITEM 8: RISK FACTORS

(a) Investment Risk

General

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

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

Investors should consult with their own independent professional legal, tax, investment and financial advisors before purchasing Shares, to determine the appropriateness of this investment in relation to their financial and investment objectives and in relation to the tax consequences of any such investment.

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

No Assurance of Achieving Objectives or Paying Dividends

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

No Market for Shares

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

Absence of Management Rights

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

In assessing the risks and rewards of an investment in Shares, investors should appreciate they are relying solely on the good faith, judgment and ability of the directors, officers and employees of the Corporation and the Manager to make appropriate decisions with respect to the management of the Corporation, and that they will be bound by the decisions of the Corporation's and the Manager's directors, officers and employees. It would be inappropriate for investors unwilling to rely on these individuals to this extent to purchase Shares.

Redemption Liquidity

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

Restrictions on Ownership and Redemption of Shares

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

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

Suspension of Redemptions

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

(b) Issuer Risk

MIC Tax Designation

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

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

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

Reliance on the Manager

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

Key Personnel

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

Composition of Mortgage Portfolio

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

Mortgage Renewals

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

Use of Leverage

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

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

Insurance

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

Priority

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

Default

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

Changes in Land or Property Values

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

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

Yield

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

(c) Industry Risk

Changes in Legislation

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

Competition

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

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

Relationship Between the Corporation, the Manager and the Agent

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

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

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

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

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

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

Manager

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

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

In addition, the Corporation may from time to time accept assignments of mortgages that were funded by the Manager under its direct lending program, where in the discretion of the Manager, it would be in the best

interests of the Corporation and the Shareholders to do so. The Corporation will pay the Manager a fee in the range normally paid in the mortgage industry for such assignments.

Agent

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

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

Conflicts of Interest

General

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

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

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

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

The Manager

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

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

The Agent

The Agent and its Dealing Representatives may act as selling agent and may receive fees and commissions in connection with investments in entities other than the Corporation, including funds affiliated with the Corporation. As a result, these other entities may compete with the Corporation for financing, resources or otherwise. The Agent has adopted policies and procedures to identify and avoid, or address and disclose to

investors, conflicts between its own interests and the interests of the Corporation and/or its Shareholders, in accordance with applicable securities legislation. As part of the Agent's disclosure to investors, the Agent will provide a description of all relationships it shares with the Corporation and all related or associated parties or entities.

Lack of Separate Legal Counsel

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

ITEM 9 – REPORTING OBLIGATIONS

9.1 Reporting to Shareholders

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

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

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

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

9.2 Disclosure of Availability of Information about the Issuer

As of the date of this Offering Memorandum, no corporate or securities information about the issuer is available from a government, securities regulatory authority or regulator, SRO or quotation and trade reporting system with the exception of reports containing information from the Corporation’s filing of Form 45-106F1 with provincial regulators.

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

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

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

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

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

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

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

ITEM 10 – RESALE RESTRICTIONS

10.1 General Statement

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

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

10.2 Restricted Period

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

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

10.3 Manitoba Resale Restrictions

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

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

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

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

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

The Shares being distributed pursuant to this Offering Memorandum are subject to restrictions on resale until such times as: (a) appropriate hold periods have been satisfied; (b) the trade is made in reliance on an available statutory exemption; or (c) an appropriate discretionary order is obtained pursuant to applicable securities laws. Since the Corporation is not a reporting issuer pursuant to applicable securities legislation, the applicable hold period may never expire, and if no further statutory exemption is available and if no discretionary order is obtained, this could result in a potential investor having to hold Shares for an indefinite period of time. The Corporation does not intend to file a prospectus or otherwise become a reporting issuer pursuant to applicable securities legislation and accordingly it is not intended that any Shares will become freely tradable.

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

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

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

ITEM 11 – PURCHASER’S RIGHTS

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

11.1 Two Day Cancellation Right

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

11.2 Statutory Rights of Action in the Event of a Misrepresentation

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

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

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

If a Subscriber intend to rely on the rights described in (a) or (b) above, it must do so within strict time limitations. A Subscriber must commence its action to cancel the agreement within 180 days from the date of the transaction that gave rise to the cause of action. A Subscriber must commence its action for damages within the earlier of 180 days from the day it first had knowledge of the facts giving rise to the cause of action or 3 (three) years from the date of the transaction which gave rise to the cause of action.

11.2.1 Right of Action for Rescission or Damages

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

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

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

11.2.2 Rights for Shareholders in Ontario

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

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

The foregoing rights do not apply if the investor is:

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

ITEM 12 – FINANCIAL STATEMENTS

AUDITORS

For Fiscal 2019 and prior years, the auditors of the Corporation have been Welch LLP, 151 Slater Street, Suite 1200, Ottawa, Ontario, K1P 5H3.

The Board of Directors has not yet appointed an auditor for fiscal 2020. The audit will be completed no later than 90 days after the end of the fiscal year on August 31, 2020.

The Corporations' audited financial statements for Fiscal 2019 (21 pages) are attached hereto.

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

FINANCIAL STATEMENTS
For
ADVANCED MORTGAGE INVESTMENT CORPORATION
For the year ended
AUGUST 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the shareholders of

ADVANCED MORTGAGE INVESTMENT CORPORATION

Opinion

We have audited the financial statements of Advanced Mortgage Investment Corporation (the Corporation), which comprise the statement of financial position as at August 31, 2019, and the statements of income and comprehensive income, changes in retained earnings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at August 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
November 7, 2019.

ADVANCED MORTGAGE INVESTMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2019

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash	\$ 1,214,704	\$ 491,905
Accounts receivable	13,514	28,328
Mortgage investments (notes 5, 6 and 7)	12,492,381	8,065,846
Prepaid expenses	<u>152</u>	<u>152</u>
	<u>\$ 13,720,751</u>	<u>\$ 8,586,231</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
LIABILITIES		
Accounts payable and accrued liabilities (note 7)	\$ 116,740	\$ 112,653
Dividends payable - cash (note 8)	62,476	39,496
Dividends payable - dividend reinvestment plan (note 8)	296,437	187,313
Preferred shares (notes 7 and 8)	<u>13,244,998</u>	<u>8,246,669</u>
	<u>13,720,651</u>	<u>8,586,131</u>
SHAREHOLDERS' EQUITY		
Common shares (note 9)	100	100
Retained earnings	<u>-</u>	<u>-</u>
	<u>100</u>	<u>100</u>
	<u>\$ 13,720,751</u>	<u>\$ 8,586,231</u>

Approved by the Board:

KEN ALGER
..... Director

MICHAEL HAPKE
..... Director

(See accompanying notes)

Welch LLP

An Independent Member of EKR International

ADVANCED MORTGAGE INVESTMENT CORPORATION
STATEMENT OF CHANGES IN RETAINED EARNINGS
YEAR ENDED AUGUST 31, 2019

	<u>Common shares</u>		<u>Retained earnings</u>	<u>Total</u>
	<u>Number</u>	<u>Amount</u>		
Balance at August 31, 2017	100	\$ 100	\$ -	\$ 100
Comprehensive income for the year ended August 31, 2018	-	-	-	-
Balance at August 31, 2018	100	100	-	100
Comprehensive income for the year ended August 31, 2019	-	-	-	-
Balance at August 31, 2019	<u>100</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 100</u>

(See accompanying notes)

ADVANCED MORTGAGE INVESTMENT CORPORATION
STATEMENT OF INCOME AND COMPREHENSIVE INCOME
YEAR ENDED AUGUST 31, 2019

	<u>2019</u>	<u>2018</u>
Revenue		
Mortgage interest	\$ 883,533	\$ 575,432
Amortization of mortgage investments transaction costs	<u>(106,308)</u>	<u>(74,579)</u>
	777,225	500,853
Fees earned	423,740	272,632
Interest income	<u>5,365</u>	<u>-</u>
	<u>1,206,330</u>	<u>773,485</u>
Expenses		
Agency fees (note 7)	44,395	27,872
Bank charges	2,351	2,201
Insurance	5,953	3,833
Management fees (note 7)	326,085	208,051
Office and general	3,642	4,232
Professional fees	<u>18,761</u>	<u>17,763</u>
	<u>401,187</u>	<u>263,952</u>
Income before dividends on preferred shares	805,143	509,533
Dividends on preferred shares (note 8)	<u>801,770</u>	<u>508,194</u>
Net income	3,373	1,339
Share issuance costs expensed upon redemption of preferred shares (note 8)	<u>3,373</u>	<u>1,339</u>
Comprehensive income	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes)

ADVANCED MORTGAGE INVESTMENT CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2019

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Comprehensive income	\$ -	\$ -
Adjustments for:		
Amortization of mortgage investments transaction costs	106,308	74,579
Share issuance costs expensed upon redemption of preferred shares	3,373	1,339
Reinvested dividends	<u>551,281</u>	<u>363,208</u>
	660,962	439,126
Changes in level of:		
Accounts receivable	14,814	(28,328)
Subscription receivable	-	30,377
Accounts payable and accrued liabilities	4,087	7,079
Dividends payable	132,104	67,340
Mortgage interest receivable	<u>(39,643)</u>	<u>(16,913)</u>
	<u>772,324</u>	<u>498,681</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Mortgage advances	(11,395,642)	(6,242,447)
Mortgage discharge and principal repayments	7,014,116	3,787,698
Mortgage investment transaction costs incurred	<u>(111,674)</u>	<u>(82,100)</u>
	<u>(4,493,200)</u>	<u>(2,536,849)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of preferred shares	4,861,266	2,573,821
Redemption of preferred shares	(359,149)	(202,823)
Preferred shares issuance costs incurred	<u>(58,442)</u>	<u>(33,856)</u>
	<u>4,443,675</u>	<u>2,337,142</u>
INCREASE IN CASH	722,799	298,974
CASH AT BEGINNING OF YEAR	<u>491,905</u>	<u>192,931</u>
CASH AT END OF YEAR	<u>\$ 1,214,704</u>	<u>\$ 491,905</u>

(See accompanying notes)

Welch LLP

ADVANCED MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

1. NATURE OF OPERATIONS

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

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

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board including International Accounting Standards prevailing at August 31, 2019.

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

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

The financial statements were authorized for issue by the Board of Directors on November 7, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Financial instruments

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

Financial assets

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

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

ADVANCED MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED AUGUST 31, 2019

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

Financial instruments - Cont'd.

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

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

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

All other financial assets are subsequently measured at FVTPL.

Financial liabilities

All financial liabilities which include accounts payable and accrued liabilities, dividends payable and preferred shares are subsequently measured at amortized cost.

Impairment

The Corporation has experienced no loss or impairment to date and since inception, however, the Corporation must assume that credit loss may occur. When that circumstance arises, the Corporation will recognize a loss allowance for expected credit losses on investments in debt instruments, primarily mortgage receivables that are measured at amortized cost with allowance for impairment being recorded in net earnings at each period end.

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

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

The Corporation maintains strict controls around 1) actual default, defined as failure to make a scheduled payment under the mortgage contract. The Corporation acts immediately upon the instance of an NSF (no sufficient fund) payment and, to date, has not failed to collect the arrears within 30 days of the original payment date.

The Corporation has experienced similar success rate with 2) technical default, and at times on a longer timeline due to the required deferred nature of the resolution of the technical default. Technical default can include failure to maintain insurance, failure to repay property taxes when due, default in prior or subsequent encumbrances, failure to maintain property or any other breach of the standard charge terms or mortgage contract.

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

ADVANCED MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED AUGUST 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

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

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

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

Cash

Cash includes cash on deposit with financial institutions.

Accrued interest receivable

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

Revenue recognition

Revenue is substantively derived from the funding of non-conforming mortgages with funds raised from investors. Revenue is initially earned for administration and commitment fees and is recognized when the mortgage is signed, thereby ensuring the fee is fixed or determinable.

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

ADVANCED MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED AUGUST 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Income taxes

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

Preferred shares

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

Use of estimates and judgements

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

Management makes accounting estimates and judgements when determining the following:

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

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

ADVANCED MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED AUGUST 31, 2019

4. EMERGING ACCOUNTING PRONOUNCEMENTS UNDER IFRS

A number of new standards, amendments to standards and interpretations have been issued in IFRS but are not yet effective for the year ended August 31, 2019, and accordingly, have not been applied in preparing these financial statements.

The IASB issued a new standard, IFRS 16, *Leases*, which superseded IAS 17, *Leases*. The new standard brings most leases on the statement of financial position for lessees under a single model and eliminates the distinction between operating and financial leases. Lessor accounting remains largely unchanged. This standard becomes effective for annual reporting periods beginning on or after January 1, 2019. The Corporation has assessed there will be no impact from the new standard on its financial statements.

The IASB issued a new standard, IFRS 17, *Insurance Contracts* which replaces IFRS 4, *Insurance Contracts*. The new standard establishes principles for the recognition, presentation and disclosure of insurance contracts within the scope of the standard, to ensure that an entity provides relevant information that faithfully represents those insurance contracts. This standard becomes effective for annual reporting periods beginning on or after January 1, 2021. The Corporation has assessed there will be no impact from the new standard on its financial statements.

The IASB issued a new IFRS Interpretation, IFRIC 23, *Uncertainty Over Income Tax Treatments*. This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. This standard becomes effective for annual reporting periods beginning on or after January 1, 2019. The Corporation has assessed there will be no impact from the new standard on its financial statements.

The IASB issued amendments to the definition of business in IFRS 3, *Business Combinations*. The purpose of the new amendment is to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. This amendment to the standard becomes effective for annual reporting periods beginning on or after January 1, 2020. The Corporation has not yet assessed the impact of the new standard on its financial statements.

The IASB issued amendments to IAS 1, *Presentation of Financial Statements*, and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments clarify the definition of material to make it easier for entities to make materiality judgements. The amendments to the standard become effective for annual periods beginning on or after January 1, 2020. The Corporation has not yet assessed the impact of the new standard on its financial statements.

ADVANCED MORTGAGE INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED AUGUST 31, 2019

5. FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

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

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

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

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

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

A reconciliation of Level 3 assets is as follows:

	Mortgage principal	Transaction costs	Accrued interest and payments owing	Total
Balance at August 31, 2017	\$ 5,519,672	\$ 33,180	\$ 33,811	\$ 5,586,663
Funding of mortgage investments	6,242,447	-	-	6,242,447
Increase in accrued interest	-	-	16,913	16,913
Principal repayments on mortgage investments	(3,787,698)	-	-	(3,787,698)
Transaction costs incurred in the year				
Broker fees to MBCI (note 7)	-	45,031	-	45,031
Broker fees to third parties	-	37,069	-	37,069
Amortization of transaction costs included in mortgage interest	-	(74,579)	-	(74,579)
Balance at August 31, 2018	7,974,421	40,701	50,724	8,065,846
Funding of mortgage investments	11,395,642	-	-	11,395,642
Increase in accrued interest	-	-	39,643	39,643
Principal repayments on mortgage investments	(7,014,116)	-	-	(7,014,116)
Transaction costs incurred in the year				
Broker fees to MBCI (note 7)	-	59,639	-	59,639
Broker fees to third parties	-	52,035	-	52,035
Amortization of transaction costs included in mortgage interest	-	(106,308)	-	(106,308)
Balance at August 31, 2019	\$ 12,355,947	\$ 46,067	\$ 90,367	\$ 12,492,381

ADVANCED MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED AUGUST 31, 2019

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

b) *Risk management*

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

Credit risk

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

The Corporation mitigates this risk by having well established lending policies in place that ensure that mortgages are well secured and by limiting its exposure to any one mortgagor. The Corporation has recourse under these mortgages in the event of default by the borrower, in which case the Corporation would have a claim against the underlying property. At August 31, 2019, the Corporation assessed the mortgage investments as to impairment using the following methodology:

- All mortgage receivables share similar risk characteristics in that all mortgage loans are in the same geographical area which are all secured by real property as collateral as well as (in most instances) a PPSA registration against the borrowers and any guarantors.
- All of the loans were originated at a market rate of interest.
- The Corporation was unable to rebut the presumption that a loan will have a greater SICR when more than 30 days past due.
- The Corporation considered any loans over 90 days past due to be credit impaired.
- Mortgages in technical default were assessed on a file by file basis. No impairment loss was recognized for these mortgages as they were subsequently fully recovered from sale of related properties.
- Impairment losses were estimated using a provision matrix that incorporates the outstanding principal under the mortgage, any regular interest receivable, fees receivable from the borrower(s) and guarantor(s) prior to and subsequent to default, and fees and charges for file related one-time and ongoing legal, insurance and property management services paid to realize the value of the mortgage property.

The impairment assessment resulted in an immaterial amount of impairment losses and, accordingly, management has not recognized impairment losses for the year ended August 31, 2019 (2018 - \$nil).

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

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

In order to reduce the Corporation's credit risk on subscriptions receivable, the Corporation has a stringent process validating the ability of the preferred share subscriber to fund such subscriptions. Subscription applications undergo a comprehensive due diligence process adhering to the restrictions and eligibility under the offering memorandum and the Corporation's policies.

ADVANCED MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED AUGUST 31, 2019

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

b) *Risk management - Cont'd.*

Liquidity risk

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

The table below analyzes the Corporation's financial liabilities as at August 31, 2019 and August 31, 2018 into relevant groupings based on contractual maturity dates. The amounts in the table are contractual undiscounted cash flows. Balances due within 12 months equal their carrying values as the impact of discounting is not significant.

	<u>On demand</u>	<u>Within one year</u>	<u>No stated maturity</u>	<u>Total</u>
<u>August 31, 2019</u>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 116,740	\$ 116,740
Dividends payable	-	358,913	-	358,913
Preferred shares	<u>13,244,998</u>	<u>-</u>	<u>-</u>	<u>13,244,998</u>
Total	<u>\$ 13,244,998</u>	<u>\$ 358,913</u>	<u>\$ 116,740</u>	<u>\$ 13,720,651</u>
<u>August 31, 2018</u>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 112,653	\$ 112,653
Dividends payable	-	226,809	-	226,809
Preferred shares	<u>8,246,669</u>	<u>-</u>	<u>-</u>	<u>8,246,669</u>
Total	<u>\$ 8,246,669</u>	<u>\$ 226,809</u>	<u>\$ 112,653</u>	<u>\$ 8,586,131</u>

Market risk

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

i) *Currency risk*

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

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

ii) *Interest rate risk*

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

ADVANCED MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED AUGUST 31, 2019

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

b) *Risk management - Cont'd.*

Market risk - Cont'd.

iii) *Other price risk*

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

The Corporation is not exposed to significant other price risk.

Changes in risk

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

c) *Income and expenses*

	<u>2019</u>	<u>2018</u>
Fees earned from financial assets measured at amortized cost	\$ 423,740	\$ 272,632
Mortgage interest income from financial assets measured at amortized cost	883,533	575,432
Dividends declared on financial liabilities measured at amortized cost	801,770	508,194
Share issuance costs expensed for financial liabilities measured at amortized cost	3,373	1,339

6. **MORTGAGE INVESTMENTS**

Mortgage investments are secured by the real estate property to which they relate, mature at various dates up to September 2020 with interest rates ranging from 5.99% to 15.37%. All mortgages are secured and relate to residential properties located in Ottawa and the surrounding regions of Eastern Ontario.

	<u>2019</u>	<u>2018</u>
Total mortgages receivable	\$ 12,355,947	\$ 7,974,421
Balance of unamortized transaction costs at year-end	46,067	40,701
Accrued interest and payments owing	<u>90,367</u>	<u>50,724</u>
	<u>\$ 12,492,381</u>	<u>\$ 8,065,846</u>

ADVANCED MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED AUGUST 31, 2019

7. RELATED PARTY TRANSACTIONS

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

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

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

	<u>2019</u>	<u>2018</u>
Accounts payable to AAL	\$ 34,017	\$ 23,790
Accounts payable to ACC	4,655	1,793
Accounts payable to MBC	<u>-</u>	<u>11,765</u>
	<u>\$ 38,672</u>	<u>\$ 37,348</u>

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

	<u>2019</u>	<u>2018</u>
Broker fees to MBC (note 5)	<u>\$ 59,639</u>	<u>\$ 45,031</u>

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

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

	<u>2019</u>	<u>2018</u>
Commission fees to ACC (note 8)	<u>\$ 52,419</u>	<u>\$ 29,138</u>

Commission fees are preferred share issuance costs and are shown as a reduction of the carrying value of the preferred shares on initial recognition. These share issuance costs are expensed upon redemption of the applicable preferred shares.

The Corporation incurred the following management fees to AAL as follows:

	<u>2019</u>	<u>2018</u>
Management fees to AAL (inclusive of HST)	<u>\$ 326,085</u>	<u>\$ 208,051</u>

ADVANCED MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED AUGUST 31, 2019

7. **RELATED PARTY TRANSACTIONS - Cont'd.**

The management and performance fees, inclusive of HST, to AAL has been calculated as follows:

	<u>2019</u>	<u>2018</u>
Maximum fees under management agreement		
- management	\$ 288,571	\$ 181,169
- performance	34,191	34,943
Total maximum entitlement	<u>322,762</u>	<u>216,112</u>
Portion relating to performance waived by AAL	<u>(34,191)</u>	<u>(31,996)</u>
Sub-total	288,571	184,116
Applicable sales tax thereon at 13%	<u>37,514</u>	<u>23,935</u>
Total management fees to AAL	<u>\$ 326,085</u>	<u>\$ 208,051</u>

In accordance with the management agreement between the Corporation and AAL, AAL is entitled to a management fee equal to 2.6% per annum of the assets under management as well as an annual performance fee equal to 25% of the amount by which the Corporation's net income for the fiscal year exceeds the corresponding target yield. AAL may waive any of the fees in its sole discretion, in whole or in part, at any time, without notice and in any single instance. AAL has fully waived its entitlement to the performance fees for the year ended August 31, 2019 and in part for the year ended August 31, 2018.

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

	<u>2019</u>	<u>2018</u>
Agency fees to ACC (note 8)	<u>\$ 44,395</u>	<u>\$ 27,872</u>

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

ADVANCED MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED AUGUST 31, 2019

8. PREFERRED SHARES

Authorized:

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

Shares issued are:

	<u>2019</u>		<u>2018</u>	
	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>
Balance at beginning of year	8,311,540	\$ 8,311,540	5,577,334	\$ 5,577,334
Issuance of shares	4,861,266	4,861,266	2,573,821	2,573,821
Redemption of shares	(359,149)	(359,149)	(202,823)	(202,823)
Reinvested distributions	551,281	551,281	363,208	363,208
Balance at end of year	<u>13,364,938</u>	<u>13,364,938</u>	<u>8,311,540</u>	<u>8,311,540</u>
Issuance costs		<u>(119,940)</u>		<u>(64,871)</u>
		<u>\$ 13,244,998</u>		<u>\$ 8,246,669</u>

Share issuance costs are reconciled as follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	\$ 64,871	\$ 32,354
Commission fees to ACC (note 7)	52,419	29,138
Filing and other fees	6,023	4,718
Amortization of issuance costs	<u>(3,373)</u>	<u>(1,339)</u>
Balance at end of year	<u>\$ 119,940</u>	<u>\$ 64,871</u>

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

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

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

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

ADVANCED MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED AUGUST 31, 2019

8. PREFERRED SHARES - Cont'd.

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

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

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

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

Preferred shares are entitled to dividends at the discretion of the Board of Directors. The Corporation makes dividend payments to preferred shareholders on a monthly basis within 15 days after end of each month. The Corporation intends to pay out as cash dividends substantially all of its net income and net realized capital gains within 90 days of the fiscal year-end. For the year ended August 31, 2019, the Corporation declared dividends totaling \$801,770 (2018 - \$508,194), thereby distributing earnings of \$0.075 (2018 - \$0.073) per share based on the weighted average outstanding shares of the Corporation, of which \$358,913 is payable at August 31, 2019 (2018 - \$226,809).

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

9. COMMON SHARES

Authorized:

Unlimited number of common shares without par value.

Shares issued are:

	<u>2019</u>	<u>2018</u>
Common - 100 shares	\$ <u>100</u>	\$ <u>100</u>

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

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

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

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

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

ADVANCED MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED AUGUST 31, 2019

10. CAPITAL MANAGEMENT

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

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

The Corporation is not subject to externally imposed capital requirements.

11. SUBSEQUENT EVENT

Subsequent to year-end, the Board of Directors declared monthly dividends for an aggregate amount of \$49,966 (\$0.0037 per share) to preferred shareholders for September 2019.

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ITEM 13: DATE AND CERTIFICATE

Dated January 15, 2020

This Offering Memorandum does not contain a misrepresentation.

ADVANCED MORTGAGE INVESTMENT CORPORATION

Signed: *"Michael Hapke"*

Michael Hapke
President and CEO

ON BEHALF OF THE BOARD OF DIRECTORS

Signed: *"Ken Alger"*

Ken Alger
Chair & Director

Signed: *"Sheri Creese"*

Sheri Creese
Director

Signed: *"Michael Hapke"*

Michael Hapke
Director

Signed: *"Joanne Livingston"*

Joanne Livingston
Director

Signed: *"Bill Harrington"*

Bill Harrington
Director

Signed: *"Kimberley McKenney"*

Kimberley McKenney
Director

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