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Please contact the Inquiries & Contact Centre at 1-877-785-1555 or 416-593-8314 for any questions on any business day between 8:30am – 5:00pm (Eastern).



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June 22, 2022

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Dear Sir/Madam,

**Re: RiverRock Mortgage Investment Corporation (the "Corporation")
Amended Offering Memorandum**

Attached please find a copy of the amended Offering Memorandum for the Corporation dated June 22, 2022.

Please contact us should you have any questions or require additional information.

Sincerely,

(signed) "Gordana Beric"

Gordana Beric
Encl.

AMENDED AND RESTATED CONFIDENTIAL OFFERING MEMORANDUM

RIVERROCK MORTGAGE INVESTMENT CORPORATION

Continuous Offering

June 22, 2022



Class A1 Non-Voting Common Shares
Class A Non-Voting Common Shares
Class F Non-Voting Common Shares
Class N Non-Voting Common Shares

SUBSCRIPTION PRICE: \$10.00 PER SHARE

**MINIMUM INITIAL INVESTMENT:
\$25,000 FOR ACCREDITED INVESTORS**

This Amended and Restated Confidential Offering Memorandum (the “Offering Memorandum”) constitutes a continuous offering of securities of RiverRock Mortgage Investment Corporation (the “Corporation”) as described herein, on a private placement basis only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities and to those persons to whom they may be lawfully offered for sale. No securities commission or similar regulatory authority in Canada or any other jurisdiction has reviewed the Offering Memorandum or has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. No prospectus has been filed or will be filed with any such authority in connection with the securities offered hereunder. The Offering Memorandum is provided to specific prospective investors for the purpose of assisting them and their professional advisers in evaluating the securities offered hereby and is not, and under no circumstances, is to be construed as a prospectus or advertisement or a public offering of these securities. No person is authorized to give any information or make any representation not contained in the Offering Memorandum in connection with the offering of these securities and if given or made, any such information or representation may not be relied upon. The securities described herein are not “deposits” within the meaning of the Canada Deposit Insurance Corporation Act, are not insured under the provisions of that Act or any other legislation, and are not guaranteed. Under applicable laws, resale of the securities offered hereunder may be subject to indefinite restrictions, other than through redemption of the securities or another available exemption.

The Corporation has entered into an agreement with Ninepoint Partners LP (“Ninepoint”) pursuant to which Ninepoint will distribute the Class A1, Class F and Class N Non-Voting Common Shares offered hereunder.

The Corporation has entered into an agreement with Donville Kent Asset Management Inc. (“DKAM”) pursuant to which DKAM will distribute the Class A Non-Voting Common Shares offered hereunder. The Corporation may be considered a related issuer and a connected issuer of DKAM under National Instrument 33-105 - Underwriting Conflicts (“NI 33-105”). Each of the Corporation and DKAM are a related issuer of the same third person. The indirect controlling shareholder of DKAM holds more than 20% of the voting common shares of RiverRock Management Inc. (the “Administrator”). The directors and officers of DKAM are voting shareholders of the Corporation and certain directors and officers of DKAM are also directors and/or officers of the Corporation and the Administrator. See “DKAM Arrangement”, “The Administrator” and “Conflicts of Interest”.

Potential investors should pay particular attention to the information under “Risk Factors” in the Offering Memorandum. An investment in the securities described herein requires the financial ability and willingness to accept certain risks. No assurance can be given that the objective of the Corporation will be achieved or that investors will receive a return of their investment.

The Corporation is offering, on a private placement basis, an unlimited number of Class A1 Non-Voting Common Shares (hereinafter, the “**Class A1 Shares**”) an unlimited number of Class A Non-Voting Common Shares (hereinafter, the “**Class A Shares**”), an unlimited number of Class F Non-Voting Common Shares (hereinafter, the “**Class F Shares**”) and an unlimited number of Class N Non-Voting Common Shares (hereinafter, the “**Class N Shares**”, and together with the Class A1 Shares, the Class A Shares, and the Class F Shares, the “**Offered Shares**”) in the capital of the Corporation at a price of \$10.00 per Share (the “**Offering**”).

The Offered Shares will be offered to eligible investors under certain prospectus exemptions under National Instrument 45-106 - *Prospectus Exemptions* (“**NI 45-106**”) in accordance with the conditions specified in the Offering Memorandum. The Offered Shares may be offered in each of the provinces and territories of Canada (the “**Offering Jurisdictions**”) pursuant to available prospectus exemptions and subject to the registration requirements of applicable securities legislation in the Offering Jurisdictions.

The minimum initial investment amount for Offered Shares purchased by investors that are accredited investors is \$25,000. For investors who are not accredited investors and who are non-individuals, Offered Shares may be purchased by relying on the minimum amount exemption in NI 45-106 (the “**Minimum Amount Exemption**”), which requires a minimum initial investment of \$150,000. The Minimum Amount exemption is not available to investors that are resident in Alberta.

The so-called “Offering Memorandum Exemption” is not being relied on and investors do not have the benefit of certain additional protections that NI 45-106 gives to investors when an issuer relies on the Offering Memorandum Exemption. The Minimum Amount Exemption is not being relied on in Alberta.

The Corporation has the right to waive or vary the minimum subscription amount in its sole discretion, subject to applicable securities laws.

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

The Offered Shares being distributed pursuant to the 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 Offered 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 Offered Shares will become freely tradable. See “Restrictions on Resale”.

Purchasers of Offered Shares pursuant to the Offering Memorandum are granted certain rights of action for damages or rescission described herein under the heading “*Purchaser’s Rights of Action for Damages or Rescission*”.

EACH PURCHASER OF OFFERED 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 OFFERED SHARES PURSUANT TO SUCH EXEMPTIONS.

FORWARD-LOOKING INFORMATION

The disclosure in the Offering Memorandum contains “forward-looking information” for the purpose of applicable securities legislation, as it contains statements of the Corporation and the Administrator's intended course of conduct and future operations. These statements include those identified by the expressions “anticipates”, “believes”, “estimates”, “expects”, “may”, “will”, “intends” and similar expressions (including negative and grammatical variations) of such words or phrases or state that certain actions, events or results “may”, “could”, “would” or “will” be taken, occur or be achieved. Forward-looking information involves known and unknown risks, uncertainties and other factors including acts of war, terrorism, natural disasters or pandemics or epidemics, such as Covid-19, and the severity and duration thereof, which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Examples of such forward-looking information include, but are not limited to: the annual yield of the Corporation that the Corporation is targeting, the frequency of dividend payments that the Corporation is targeting, the Corporation's intended investment policies and strategies and the ability of the Corporation to qualify as a mortgage investment corporation under the Tax Act. Actual results, performance and developments may differ, and may differ materially, from those expressed or implied by the forward-looking information contained in the Offering Memorandum. Such forward-looking information is based on a number of factors and assumptions which may prove to be incorrect, including, but not limited to: the ability of the Corporation to acquire and maintain a portfolio of mortgages capable of generating the necessary annual yield or returns to enable the Corporation to achieve its objectives, the qualification of the Corporation as a mortgage investment corporation under the Tax Act, the maintenance of prevailing interest rates at favorable levels, the ability of borrowers to service their obligations under the mortgages held by the Corporation, the ability of the Administrator to effectively perform its obligations to the Corporation, anticipated costs and expenses, competition and changes in general economic conditions including the Covid-19 pandemic not becoming significantly more onerous on the Corporation. Neither the Corporation nor the Administrator intends, or assumes any obligations, to update any forward-looking information contained herein, except as required by applicable laws. Forward-looking information should not be relied upon as representing the Corporation's views as of any date subsequent to the date of the Offering Memorandum. Although the Corporation attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate. Investors are urged to read “*Risk Factors*” for a discussion of other factors that will impact the operations and success of the Corporation.

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SUMMARY

The following is a summary of the principal features of an investment in the Corporation and is qualified in its entirety by the more detailed information contained later in the Offering Memorandum.

The Corporation: RiverRock Mortgage Investment Corporation was incorporated on July 8, 2014 pursuant to the *Canada Business Corporations Act*.

The Offering: The Offering consists of an unlimited number of Offered Shares. See *"Description of the Offered Shares"*.

The Offering is limited to investors (a) who are accredited investors; (b) who are non-individuals who invest pursuant to the Minimum Amount Exemption; or (c) to whom Offered Shares may otherwise be sold in accordance with a prospectus exemption under NI 45-106. The Offered Shares may be offered in each of the provinces and territories of Canada (the **"Offering Jurisdictions"**) pursuant to available prospectus exemptions and subject to the registration requirements of the applicable securities legislation in the Offering Jurisdictions.

Price: The subscription price is \$10.00 per Offered Share.

Minimum Subscription: \$25,000 (2,500 Offered Shares) for accredited investors. Investors who are not accredited investors and who are non-individuals and who wish to purchase Offered Shares must invest a minimum of \$150,000 (15,000 Offered Shares) in accordance with the minimum amount exemption in NI 45-106 (although this exemption will not be made available to purchasers resident in Alberta), unless another prospectus exemption is available. Subject to applicable laws, the Corporation has the right to waive or vary the minimum subscription amounts above for investors who are not relying on the Minimum Amount Exemption, in its sole discretion. All minimum subscription amounts are net of any commissions paid by an investor to a registered dealer.

Additional Investments: Each additional investment amount for accredited investors must be in an amount that is not less than \$5,000 provided that the Corporation may in its sole discretion waive or vary the additional investment amount at any time, subject to applicable laws. For investors who are not accredited investors and are non-individual investors, the additional investment amount must be in an amount that is not less than \$150,000, unless another prospectus exemption is available.

Objective of the Corporation: The Corporation intends to qualify at all relevant times as a Mortgage Investment Corporation ("**MIC**") under the *Income Tax Act* (Canada) (the "**Tax Act**"). The Corporation's objective is to generate a regular stream of income from its holdings of mortgage loans within the MIC criteria prescribed by the Tax Act, while preserving capital. See *"Objective of the Corporation"*.

Investment Strategies: The Corporation intends to invest in a portfolio of residential mortgages from borrowers in market segments located in both suburban and urban areas of Ontario which are underserved by large financial institutions. See *"Investment Strategy"*.

Subscription Procedure:

Subscriptions for Offered Shares will be processed as of the first day of each calendar month (a “**Subscription Date**”). An investor wishing to subscribe for Offered Shares must ensure that a duly completed and executed subscription agreement (a “**Subscription Agreement**”) in the form provided by, or on behalf of, the Corporation is received by the Corporation (or its agent) by 4:00 p.m. (EST) within two (2) business days prior to the applicable Subscription Date in order for the subscription to be processed as of such Subscription Date. Subscriptions received after such time will be processed as of the next Subscription Date. Subscriptions for Offered Shares will be received subject to rejection or acceptance in whole or in part by the Corporation in its absolute discretion, and the right is reserved to close the subscription books at any time without notice. When used in the Offering Memorandum, the term “**business day**” means any day, other than Saturday, Sunday or any statutory or civic holiday in the Province of Ontario.

The Administrator

The Corporation has retained the Administrator to provide certain mortgage administration, brokerage and related services to the Corporation. The Administrator is licensed as a Mortgage Administrator (License No. 12514) and a Mortgage Brokerage (License No. 13306) through The Financial Services Regulatory Authority of Ontario. See “*The Administrator*”.

Arrangements with Registered Dealers:

The Corporation and the Administrator have retained Ninepoint Partners LP (“**Ninepoint**”), to provide exempt market dealer, distribution and marketing services for the Corporation on an exclusive basis with respect to the offering of the Class A1 Shares, the Class F Shares and the Class N Shares. Ninepoint shall receive fees from the Administrator in consideration for these services. See “*Ninepoint Arrangement*”.

The Corporation has also retained DKAM, in its capacity as exempt market dealer, to provide exempt market dealer and distribution services for the Corporation on a non-exclusive basis with respect to the offering of the Class A Shares. DKAM receives a commission from the Administrator for acting as an exempt market dealer with respect to the purchase of the Class A Shares. See “*DKAM Arrangement*”.

Relationship between the Administrator, DKAM and the Corporation:

In connection with the Offering, the Corporation may be considered to be a “related issuer” and a “connected issuer” of DKAM under applicable securities laws. The directors and officers of DKAM are voting shareholders of the Corporation and certain directors and officers of DKAM are also directors and/or officers of the Corporation and the Administrator. The officers of the Corporation are also officers of the Administrator. The indirect controlling shareholder of DKAM holds more than 20% of the voting common shares of the Administrator. See “*Conflicts of Interest*”.

Dividend Policy:

Holders of the Offered Shares are entitled to receive non-cumulative dividends, in any form or amount, as and when declared from time to time by the directors of the Corporation, acting in their sole discretion, out of the moneys of the Corporation properly applicable to the payment of dividends. The Corporation intends to calculate and declare dividends on a monthly basis on the last business day of each month (or as otherwise declared by the Corporation) and pay such dividends generally within thirty (30) days after the end of each month.

The Corporation expects the dividend yield on the Class A1 Shares and Class A Shares to be approximately 7.0% per annum, net of fees, on the Class F Shares to be approximately 7.25% per annum, net of fees, and on the Class N Shares to be approximately 6.25% per annum, net of fees (the “**Target Yields**”). The Corporation reserves the right to change the Target Yields without notice to holders of Offered Shares.

**Dividend
Reinvestment
Plan:**

The Corporation, subject to maintaining the status of the Corporation as a “MIC” under the Tax Act and applicable securities laws, provides a dividend reinvestment plan (“**DRIP**”). Under the DRIP, holders of Offered Shares can reinvest dividends in additional Offered Shares of the Corporation. Holders of Offered Shares may elect in the subscription agreement for Offered Shares (or by subsequently completing an enrolment form provided by the Corporation) to be enrolled in the DRIP.

**Retraction
Rights:**

Subject to the limits set out herein and in the Articles and to applicable laws, a shareholder may request the Corporation to retract all or any portion of his, her or its Offered Shares on the applicable Retraction Date (as defined below).

A holder of Class A1, Class F and Class N Shares wishing to retract all or any portion of his, her or its Class A1, Class F or Class N Shares on a Retraction Date must submit written notice of such intention to the Corporation a minimum of six (6) months prior to the Retraction Date (which period may be varied or waived by the directors of the Corporation in their sole discretion).

Provided a holder of Class A Shares has held his, her or its Class A Shares for a period of at least twelve (12) months (the “**Class A Hold Period**”), the holder may request the Corporation to retract all or any portion of his, her or its Class A Shares on a Retraction Date by submitting written notice of such intention to the Corporation during the period commencing on the first business day of the calendar quarter in which the Retraction Date occurs and ending on the last business day of the second month of such calendar quarter. The Class A Hold Period may be varied or waived by the directors of the Corporation in their sole discretion.

A “**Retraction Date**” means, (i) for Class A Shares, the last business day of each calendar quarter; and (ii) for Class A1 Shares, Class F Shares and Class N Shares, the last business day of each calendar month.

Notwithstanding the retraction rights outlined above, the Corporation shall not accept for retraction in any one calendar year, Offered Shares representing more than 10% of the total number of Offered Shares outstanding as of the first day of such calendar year. Additional provisions

The Corporation shall at all times have the discretion to reject or suspend any request for retraction for any period of time, including the right of a holder of Offered Shares to receive proceeds upon the exercise of such right of retraction. See “*Retraction Rights*”

Fees payable to the Administrator:

In consideration of the administration services the Administrator provides to the Corporation, the Corporation will pay to the Administrator the following fees:

1. An administration fee (the “**Administration Fee**”) in an amount equal to, for Class A1 Shares and Class A Shares, 1.5%, for the Class F Shares, 1.25%, and for the Class N Shares, 2.25% per annum of the gross outstanding principal amount of the mortgage investments (attributable to such class of Offered Shares) held by the Corporation, calculated and paid monthly in arrears plus applicable taxes.
2. An annual incentive fee (the “**Incentive Fee**”) equal to what would otherwise be 40% of the Corporation’s surplus net income and/or net capital gains available for distribution in a particular year after the Target Yields have been achieved on the outstanding Non-Voting Shares for such year. “**Non-Voting Share**” means the Offered Shares, the Class B Shares and the Class I Shares. The Incentive Fee will be calculated on the last business day of each calendar year and paid to the Administrator within ninety (90) days of the calendar year-end and is inclusive of applicable taxes. See “*Compensation Payable to the Administrator*”.

Expenses:

In addition to the Administration Fee and the Incentive Fee, the Corporation will pay for all expenses it incurs in connection with its operation and management including, without limitation: (a) financial reporting costs, and mailing and printing expenses for periodic reports to shareholders and other shareholder communications including marketing and advertising expenses; (b) any taxes payable by the Corporation; (c) costs and fees payable to any agent, legal counsel, actuary, valuator, technical consultant, accountant or auditor or other third party service provider; (d) any ongoing regulatory filing fees, license fees and other fees; (e) any expenses incurred in connection with any legal proceedings in which the Administrator participates on behalf of the Corporation or any other acts of the Administrator 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; (f) any fees payable to, and reasonable expenses incurred by, any directors; (g) any compensation payable to employees of the Corporation; (h) additional fees payable to the Administrator for performance of services not currently contemplated by the Corporation; (i) any consulting fees, including website maintenance costs and expenses associated with the preparation of tax filings; and (j) other administrative expenses of the Corporation. See “*Expenses of the Corporation*”.

Risk Factors:

An investment in the Offered Shares is subject to various risk factors, including but not limited to, the following:

- (a) the Offered Shares will be subject to restrictions on resale and may only be resold if: (i) the appropriate “hold periods” under applicable securities laws have been satisfied; (ii) the trade is made in reliance on an available statutory exemption; or (iii) an appropriate discretionary order is obtained pursuant to applicable securities laws;
- (b) the nature of the Corporation’s business; and

- (c) the Corporation being subject to competition from other corporations which may have greater financial and technical resources.

There is no guarantee that an investment in the Corporation will earn a positive return in the short or long-term. See “*Risk Factors*” for a discussion of the investment considerations that should be taken into account by prospective subscribers.

Eligibility for Registered Plans:

The Offered Shares will be qualified investments for trusts governed by registered retirement savings plans (“**RRSPs**”), registered retirement income funds (“**RRIFs**”), registered education savings plans (“**RESPs**”), registered disability savings plans (“**RDSPs**”), tax free savings accounts (“**TFSAs**”) and deferred profit sharing plans (collectively, “**Registered Plans**”) provided that the Corporation qualifies as a MIC throughout a taxation year and further provided that at any time in the relevant calendar year, the Corporation does not hold any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer, or a subscriber under, or a holder of, the particular Registered Plan, or of any other person who does not deal at arm’s length with that person for purposes of the Tax Act.

Notwithstanding that the Offered Shares may be a qualified investment for a TFSA, RDSP, RRSP, RRIF or RESP, the holder of a TFSA or RDSP, the annuitant of a RRSP or RRIF or the subscriber of a RESP, as the case may be, which acquires Offered Shares will be subject to a penalty tax under the Tax Act if such Offered Shares are a “prohibited investment” (within the meaning of the Tax Act) for the particular TFSA, RDSP, RRSP, RRIF or RESP. Offered Shares will not be a prohibited investment for a TFSA, RDSP, RRSP, RRIF or RESP provided the holder of the TFSA or RDSP, the annuitant of the RRSP or RRIF or the subscriber of a RESP, as applicable, deals at arm’s length with the Corporation for purposes of the Tax Act and does not have a “significant interest” (within the meaning of the Tax Act) in the Corporation. A “significant interest” of a shareholder of the Corporation generally means ownership by the shareholder, either alone or together with persons with which the shareholder does not deal at arm’s length for purposes of the Tax Act, of 10% or more of the issued shares of any class of the capital stock of the Corporation. In addition, the Offered Shares will not be a prohibited investment if they are “excluded property” as defined in the Tax Act for the applicable TFSA, RDSP, RRSP, RRIF or RESP. **Prospective investors who intend to hold Offered Shares in a Registered Plan should consult with their own tax advisors regarding the application of the prohibited investment rules in the Tax Act having regard to their particular circumstances.**

Currency:

In the Offering Memorandum all references to dollar amounts are to Canadian dollars.

THE CORPORATION

RiverRock Mortgage Investment Corporation was incorporated as a private corporation under the *Canada Business Corporations Act* by Articles of Incorporation (the “**Articles**”) on July 8, 2014. The head and registered office of the Corporation is located at 200 Bay Street, Suite 3120, PO Box 44, Toronto, Ontario, M5J 2J1.

The Corporation is authorized to issue an unlimited number of voting shares (the “**Voting Shares**”); an unlimited number of Class A1 Shares, Class A Shares, Class F Shares and Class N Shares; an unlimited number of Class B Non-Voting Common Shares (the “**Class B Shares**”); and an unlimited number of Class I Non-Voting Common Shares (the “**Class I Shares**”). Only the Offered Shares are offered hereunder.

Objective of the Corporation

The Corporation intends to qualify at all relevant times as a MIC under the Tax Act. The Corporation’s objective is to generate a regular stream of income from its holdings of mortgage loans within the MIC criteria prescribed by the Tax Act, while preserving capital. The Corporation’s primary activity is earning income by investing in mortgages.

ACTIVITIES OF THE CORPORATION

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

The MIC criteria under the 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. However, the Corporation currently intends to invest substantially all of its assets in mortgages secured by Canadian real estate consisting of residential properties in Ontario. Notwithstanding the Corporation’s current intent to focus its mortgage investments in Ontario, the Corporation has the discretion to expand the market segments in which it maintains its mortgage investments subject to compliance with applicable laws.

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. The Corporation’s borrowers generally do not meet traditional lenders criteria due to factors such as self-employment, limited or poor credit history and/or being new immigrants to Canada. As a result of their needs for flexibility and prompt approvals, they often require the services of private lenders and organizations such as the Corporation. The Corporation intends to indirectly originate and source mortgage loans through third-party registered mortgage brokers to facilitate such mortgage financing.

The rate of return the Corporation earns from its mortgage investments will fluctuate with prevailing market demand for short term mortgage financing. In some cases, the Corporation’s mortgage investments may not meet the financing criteria for conventional mortgages from institutional sources, and as a result, these investments will generally earn a higher rate of return than that normally attainable from conventional mortgage investments. The Corporation attempts to minimize risk by being prudent in both its credit decisions and in assessing the value of the underlying real property offered as security. See “*Risk Factors*”.

To facilitate the Corporation's investments in mortgages, including mortgage administration and the origination of mortgages, the Corporation has entered into a Mortgage Administration Agreement, as amended and restated from time to time (the "**Mortgage Administration Agreement**") with the Administrator. See "*The Administrator*".

All investments made by the Corporation will comply with the investment policies of the Corporation. The Corporation intends to conduct its affairs to qualify at all relevant times as a MIC under the Tax Act. See "*Risk Factors*". The Corporation will distribute all of its net income and any net realized capital gains, as determined under the Tax Act, as dividends during each year or within ninety (90) days of its year end. See "*Dividend Policy*". As a MIC under the Tax Act, the Corporation is allowed to deduct such dividends from income and as a result does not expect to pay any income tax. See "*Canadian Federal Income Tax Considerations*".

Investment Strategy

The investment strategy of the Corporation is to invest in a portfolio of residential mortgages from borrowers in market segments located in Ontario which are underserved by large financial institutions. The Corporation has discretion to expand the market segments in which it maintains its mortgage investments subject to compliance with applicable laws.

It is anticipated that all of the Corporation's mortgage investments will be residential mortgages secured by real property located in Ontario, which may include but is not limited to, single family dwellings, duplexes, townhouses, condominium units, apartment buildings, land or income producing property.

The Corporation intends to maintain a mix of mortgage types in its portfolio, including builder mortgages, first and second mortgages, inventory, owner occupied and rental properties and term financing on mortgages on income producing properties. A typical loan size for the Corporation is expected to range from \$50,000 to \$2,000,000 for first mortgages and \$25,000 to \$500,000 for second mortgages. It is anticipated that mortgages held by the Corporation will typically have a term of 6 months or 1 year.

Any cash held by the MIC pending investments in mortgages will be deposited into an interest bearing account at a chartered bank.

Although under the Tax Act, up to 25% of the cost amount to the Corporation of its property may be invested directly in real estate properties (which restriction is not applicable to real estate properties acquired by the Corporation by foreclosure or otherwise after default made on a mortgage, hypothec or agreement of sale of real or immovable property), it is expected that the Corporation will only acquire real estate properties by power of sale, foreclosure or otherwise after default occurs on a mortgage held by the Corporation.

The Corporation may employ leverage within the limits permitted for MICs by the Tax Act. Any loan facility/facilities obtained by the Corporation, if fully drawn down, could represent up to 100% of the total value of the Corporation's mortgage portfolio and less than the maximum amount permitted for MICs by the Tax Act. See "*Borrowing Strategy*" below.

Investment Policies, Practices and Restrictions

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

- the Corporation expects to invest only in residential mortgages and to hold first and second mortgages on residential properties up to 80% loan-to-value.
- the Corporation intends to focus its investments in both urban and suburban areas in Ontario, although the Corporation may expand the market segments in which it maintains its mortgage investments subject to compliance with applicable laws;
- the Corporation may invest in demand loans and/or term loans secured by commercial and residential real estate;
- the Corporation invests only in mortgages secured on real property;
- the Corporation will not borrow funds in excess of 100% of the total value of the mortgage portfolio;
- mortgage investments will be made only when presented to the Corporation by the Administrator and approved by the Investment Committee;
- all mortgages will be registered on title to the subject property in the Corporation's name;
- cash balances not invested in mortgages will be deposited with a Canadian chartered bank in short term deposits and/or savings accounts;
- the Corporation will not invest in any mortgage or make any investment that would result in its failure to qualify as a MIC as defined in the Tax Act;
- the Corporation will not invest for the purposes of exercising control over management of any issuer;
- the Corporation will not guarantee the securities or obligations of any person; and
- the Corporation will not loan money to, or invest in, securities of the Administrator, or the Administrator's affiliates or other non-arm's length parties, other than investments in mortgages recommended to the MIC by the Administrator in accordance with the Mortgage Administration Agreement.

The Corporation's investment policies, practices and restrictions set out above may be amended, supplemented or replaced from time to time by unanimous approval of the Corporation's Board of Directors. Notwithstanding the foregoing, unanimous approval of the Board of Directors is not required for any changes to the foregoing in order to comply with applicable laws.

Borrowing Strategy

Management believes that utilization of a moderate level of borrowing may enhance the total return to its shareholders. Accordingly, the Corporation may from time to time borrow funds from financial institutions, subject to applicable laws and the Articles. Management believes such borrowing will enable the Corporation to make its use of funds more efficient since it may allow it 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 expects to earn a positive interest rate spread between the interest earned from investing such borrowings and the interest rate paid by the Corporation on those borrowings.

The Corporation intends to enter into one or more credit facilities with financial institutions from time to time. It is expected that such credit facilities will be on a demand basis which allows the Corporation to draw down funds as needed and which can be repaid at any time without notice or penalty. From a leverage perspective, the credit facilities obtained by the Corporation may represent up to 100% of the value of the underlying mortgage assets and less than the maximum leverage allowed for MIC's under the Tax Act. In connection with any credit facility, the Corporation may grant security over any individual asset or any pool of assets.

Corporation's Credit Committee

The Corporation has established a credit committee (the "**Credit Committee**") the members of which will be appointed by the Board of Directors of the Corporation. As of the date hereof, the Credit Committee is comprised of Nick Kyprianou, Anthony Pistillo and Ali Jaffer. Two members of the Credit Committee are required to approve decisions by the Credit Committee, other than decisions which are exceptions to the Corporation's policy, which require all three members of the Credit Committee to approve. The Credit Committee meets as required and in any event no less than quarterly to provide strategic guidance and direction to the Corporation.

The Credit Committee's responsibilities include:

1. reviewing the Corporation's mortgage investments, borrowings and any proposed acquisitions and dispositions;
2. reviewing the Corporation's investment policies, practices and restrictions;
3. making recommendations to the Board of Directors regarding any changes to the Corporation's investment policies, practices and restrictions; and
4. dealing with such other matters as may be referred to the Credit Committee by the Board of Directors.

Corporation's Investment Committee

The Corporation has established an investment committee (the "**Investment Committee**") the members of which will be appointed by the Board of Directors of the Corporation. As of the date hereof, the Investment Committee is comprised of Nick Kyprianou and Anthony Pistillo.

The Investment Committee's responsibilities include:

1. reviewing all proposals regarding investments in, and acquisitions of, mortgages and approving or rejecting such proposals;
2. adjudicating and advising on transactions involving potential conflicts of interest; and
3. dealing with such other matters as may be referred to the Investment Committee by the Board of Directors.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

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

Each Investor should consult his, her or its 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 comments contained herein are 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 Offered Shares should be based primarily on the merits of the investment as such and on an investor's ability to bear any loss that may be incurred.

The following is a general summary, as of the date hereof, of the principal Canadian federal income tax consequences generally applicable to the acquisition, holding and disposition of Offered Shares by an investor who beneficially owns Offered Shares pursuant to this Offering and who, at all relevant times and for purposes of the Tax Act: (i) deals at arm's length, and is not affiliated, with the Corporation; and (ii) holds the Offered Shares as capital property. Generally, the Offered Shares will be considered to be capital property to an investor provided the investor does not hold the Offered Shares in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. A shareholder whose Offered Shares might not otherwise qualify as capital property may be entitled to make the irrevocable election provided by subsection 39(4) of the Tax Act to have the Offered Shares (and all other "Canadian securities", as defined in the Tax Act) owned by such shareholder in the taxation year of the election and in all subsequent taxation years deemed to be capital property. Shareholders should consult their own tax advisors for advice as to whether an election under subsection 39(4) of the Tax Act is available and/or advisable in their particular circumstances.

This summary is not applicable to an investor: (i) that is a "specified financial institution"; (ii) an interest in which is a "tax shelter investment"; (iii) that is a "financial institution" (as defined in the Tax Act for purposes of the mark-to-market rules); (iv) that reports its "Canadian tax results" in a currency other than Canadian currency; or (v) that enters into a "derivative forward agreement" or a "synthetic disposition arrangement" in respect of Offered Shares, each as defined in the Tax Act. Such investors should consult their own tax advisors.

This summary is based upon the facts set out in this Offering Memorandum, the current provisions of the Tax Act and the regulations thereunder, all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**"), and the current published administrative practices of the Canada Revenue Agency (the "**CRA**"). This summary assumes that the Tax Proposals will be enacted as proposed, although no assurance can be given in this regard. There can also be no assurance that the CRA will not change its administrative policies or assessing practices. This summary does not otherwise take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ significantly from those discussed herein.

The following discussion is of a general and limited nature only and is not intended to constitute a complete analysis of the income tax consequences of an investment in Offered Shares and should not be interpreted as legal or tax advice to any particular investor. Moreover, the income and other tax

consequences of acquiring, holding and disposing of the Offered Shares will vary depending on an investor's particular circumstances, including the province or territory in which the investor resides or carries on business. This summary does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Offered Shares. Each prospective investor should obtain advice from its own independent tax advisor as to the tax consequences of acquiring, holding and disposing of Offered Shares based on the investor's particular circumstances.

Status of the Corporation

It is intended, and this summary assumes, that the Corporation will qualify as a MIC at all relevant times. However, no assurances can be provided in this regard. If the Corporation were to not qualify as a MIC at any time, the income tax considerations would be materially different from (and generally adverse compared to) those described below. Tax considerations applicable where the Corporation does not so qualify as a MIC at any particular time are not discussed in this summary.

In order to qualify as a MIC for a taxation year, a Corporation must have met all of the following criteria throughout that taxation year:

1. The Corporation was a Canadian corporation as defined under the Tax Act.
2. The Corporation's only undertaking was the investing of its funds and it did not manage or develop any real or immovable property.
3. None of the property of the Corporation consisted of:
 - (a) debts owing to the Corporation that were secured on real or immovable property situated outside Canada;
 - (b) debts owing to the Corporation by non-resident persons, except any such debts that were secured on real or immovable property situated in Canada;
 - (c) shares of the capital stock of corporations not resident in Canada; or
 - (d) real or immovable property situated outside of Canada, or any leasehold interests in such property.
4. The Corporation had at least 20 shareholders (except that, in the Corporation's first taxation year this condition was considered to have been met if the condition was met on the last day of such year) and generally no one shareholder (together with Related Persons) owned, directly or indirectly, at any time, more than 25% of the issued shares of any class of shares of the Corporation. Special rules apply for the purposes of counting shareholders that are registered pension plans or deferred profit sharing plans.
5. Any holders of preferred shares of the Corporation, if any are issued, must have had the right after payment to them of their preferred dividends, and payment of dividends in a like amount per share to the holders of common shares of the Corporation, to participate *pari passu* with holders of the common shares in any further payment of dividends.
6. The cost amount (as defined in the 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 or on property included within a housing project (as these terms are defined in the *National Housing Act*); 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 money of the Corporation must at all times have been 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 or immovable property, including any leasehold interests in such property (excluding any real or immovable property acquired after default made on a mortgage, hypothec or agreement of sale of real or immovable property whether it be by way of foreclosure or otherwise) must at no time have exceeded 25% of the cost amount of all of its property.
8. The Corporation's liabilities at any time in the year must not have exceeded three times the amount by which the cost amount to it of all of its property exceeded 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) plus the amount of any money of the Corporation was less than two thirds of the cost amount to the Corporation of all of its property. In any other case, the liabilities of the Corporation must not have exceeded five times the excess of the cost amount to the Corporation of all of its property over its liabilities.

For purposes of the requirement noted above that no shareholder (together with Related Persons) may own more than 25% of the shares of any class of the Corporation, "**Related Persons**" include a corporation and the person or persons that control the corporation, a parent corporation and its subsidiary corporation(s) and corporations that are part of the same corporate group, and an individual and that individual's spouse, common-law partner or child under 18 years of age. The rules in the Tax Act defining "related persons" are complex and holders should consult with their own tax advisors in this regard.

For the purposes of the 50% asset test noted above, the requirement is that the Corporation's investments must comprise the specified minimum amount of debts that are secured by mortgages, hypothecs or in any other manner, on "houses" or on property included within a "housing project", as those terms are defined in the *National Housing Act* (Canada). Generally, a "house" includes all or part of a building or moveable structure that is intended for human habitation containing not more than two family housing shares, and "housing project" includes all or part of a building or movable structure intended for human habitation, any property intended to be converted or developed to provide housing accommodation, or property associated with housing accommodation such as parking, public and recreational facilities.

Taxation of the Corporation

The Corporation will be considered to be a "public corporation" for purposes of the Tax Act on the basis that it qualifies as a MIC. As a public corporation, the Corporation is subject to tax at the full general corporate income tax rates on its taxable income.

However, as long as the Corporation is a MIC, special rules in the Tax Act apply to the Corporation which generally enable it to deduct in computing its income for a taxation year the amount of its income for that taxation year that is distributed to its shareholders. Specifically, the Corporation will be entitled to deduct, in computing its income for a taxation year, the total of:

- (a) all taxable dividends, other than capital gains dividends, paid by the Corporation to its shareholders during the year (to the extent not deductible in computing the Corporation's income for the previous year) or within 90 days after the end of the year; and
- (b) one-half of all capital gains dividends paid by the Corporation to its shareholders during the period commencing 91 days after the commencement of the year and ending 90 days after the end of the year.

The Corporation must elect in a prescribed manner to have a dividend qualify as a capital gains dividend. The Corporation may elect that dividends paid during a 12-month period commencing 91 days after the commencement of a taxation year and ending 90 days after the end of the year be capital gains dividends to the extent of the Corporation's capital gains for the year less any applicable capital losses. The election must be made in respect of the full amount of a dividend and can only be made if the Corporation qualifies as a MIC throughout the taxation year in respect of which the dividend is paid. The payment of capital gains dividends allows the Corporation to flow capital gains it realizes through to its shareholders.

The Corporation intends to make distributions to the extent necessary so that it will generally have no taxes payable under Part I of the Tax Act and to elect to have dividends be capital gains dividends to the maximum extent allowable.

Taxation of Shareholders

Dividends

Taxable dividends, except capital gains dividends, received by a shareholder of the Corporation are taxable in the hands of (whether paid in cash or reinvested in Offered Shares) the shareholder as interest payable on a bond issued by the Corporation and not as dividends. Capital gains dividends received by a shareholder (whether paid in cash or reinvested in Offered Shares) will be 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.

The normal gross up and dividend tax credit rules will not apply to dividends paid by the Corporation to shareholders who are individuals and trusts. Shareholders that are corporations will not be entitled to deduct the amount of dividends paid by the Corporation from their taxable income. Similarly, the provisions of Part IV of the Tax Act will not be applicable to the receipt of ordinary dividends by a shareholder that is a corporation. A shareholder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax on certain investment income, including amounts in respect of dividends included in income as interest, as described above, and taxable capital gains.

Dispositions

On a disposition of Offered Shares to the Corporation, a shareholder will generally be deemed to have received, and the Corporation will be deemed to have paid, a dividend in an amount equal to the amount by which the price paid by the Corporation exceeds the paid-up capital of the purchased Offered Shares. This deemed dividend will be treated in the same manner as other dividends received by the shareholder from the Corporation (i.e., as interest income or a capital gain depending on whether the Corporation elects that the entire dividend be a capital gains dividend). The balance of the purchase price, if any, will constitute proceeds of disposition of the Offered Shares for purposes of the capital gains rules, as described below.

On the disposition or deemed disposition of an Offered Share by a shareholder, the shareholder will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition in respect of such Offered Share, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Offered Share to the shareholder. A shareholder's proceeds of disposition will not include an amount payable by the Corporation on the Offered Share that is otherwise required to be included in the shareholder's income.

The cost to a shareholder of Offered Shares acquired pursuant to this Offering will equal the purchase price of the Offered Shares plus the amount of any other reasonable costs incurred in connection therewith. This cost will be averaged with the cost of all other shares held by the shareholder to determine the adjusted cost base of each share. The amount of a dividend reinvested in additional shares will be the cost amount of such shares.

Generally, a shareholder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "**taxable capital gain**") realized in the year. Subject to and in accordance with the provisions of the Tax Act, a shareholder is required to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a taxation year from taxable capital gains realized by the shareholder in the year and allowable capital losses in excess of taxable capital gains for the year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years.

A shareholder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax on certain investment income, including taxable capital gains.

Alternative Minimum Tax

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

Eligibility for Investment by Registered Plans

The Offered Shares will be qualified investments under the Tax Act for Registered Plans at a particular time provided that the Corporation qualifies as a MIC throughout a taxation year and further provided that at any time in the relevant calendar year, the Corporation does not hold any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer, or a subscriber under, or a holder of, the particular Registered Plan, or of any other person who does not deal at arm's length with that person for the purposes of the Tax Act.

Notwithstanding that the Offered Shares may be a qualified investment for a TFSA, RDSP, RRSP, RRIF or RESP, the holder of a TFSA or RDSP, the annuitant of a RRSP or RRIF or the subscriber of a RESP, as the case may be, which acquires Offered Shares will be subject to a penalty tax under the Tax Act if such Offered Shares are a "prohibited investment" (within the meaning of the Tax Act) for the particular TFSA, RDSP, RRSP, RRIF or RESP. Offered Shares will not be a prohibited investment for a TFSA, RDSP, RRSP, RRIF or RESP provided the holder of the TFSA or RDSP, the annuitant of the RRSP or RRIF or the subscriber of a RESP, as applicable, deals at arm's length with the Corporation for purposes of the Tax Act and does not have a "significant interest" (within the meaning of the Tax Act) in the Corporation. A "significant interest" of a shareholder of the Corporation generally means ownership by the shareholder, either alone or together with persons with which the shareholder does not deal at arm's length for purposes of the Tax Act, of 10% or more of the issued shares of any class of the capital stock of the Corporation. In addition, the Offered

Shares will not be a prohibited investment if they are “excluded property” as defined in the Tax Act for the applicable TFSA, RDSP, RRSP, RRIF or RESP. **Prospective investors who intend to hold Offered Shares in a Registered Plan should consult with their own tax advisors regarding the application of the prohibited investment rules in the Tax Act having regard to their particular circumstances.**

Taxation of Registered Plans

Dividends received by a Registered Plan on Offered Shares that are a qualified investment for the Registered Plan will generally be exempt from income tax in the Registered Plan, as will capital gains realized by the Registered Plan on the disposition of such shares. Other than withdrawals from a TFSA and certain withdrawals from a RDSP or RESP, withdrawals from Registered Plans are generally subject to tax under the Tax Act.

DESCRIPTION OF THE OFFERED SHARES

The Corporation is offering four classes of Offered Shares, the Class A1 Shares, the Class A Shares, the Class F Shares and the Class N Shares, for a subscription price of \$10.00 per Offered Share. The Class A1 Shares and Class N Shares are available to investors who subscribe for Offered Shares through registered dealers other than DKAM and who do not have fee-based accounts with such registered dealers. The Class A Shares are available to investors who subscribe for Offered Shares through DKAM, in its capacity as exempt market dealer, or other registered dealers in the discretion of the Corporation. The Class F Shares are available to investors who subscribe for Offered Shares through registered dealers other than DKAM with whom they maintain fee-based accounts.

The rights and restrictions attaching to the Offered Shares are set out below. The following summary is qualified in its entirety by the more detailed provisions of the Articles:

Ranking

The Class A1 Shares, the Class A Shares, the Class F Shares, the Class I Shares, the Class N Shares and if the terms of the applicable series of the Class B Shares so provide, the Class B Shares of such series, rank equally with respect to the payment of dividends and the distribution of assets of the Corporation in connection with a Liquidation Event (as defined below).

Non-Voting

Except as otherwise required by applicable laws and/or the Articles, the holders of Offered Shares are not entitled to notice of, or to attend or vote at, meetings of shareholders of the Corporation.

Holders of a class of Offered Shares are not entitled to any voting or dissent rights as prescribed by the *Canada Business Corporations Act* (the “CBCA”) in respect of any proposal to amend the articles of the Corporation to: (a) increase or decrease any maximum number of authorized Offered Shares of such class, or increase any maximum number of authorized Offered Shares of such class having rights or privileges equal to or superior to the Offered Shares of such class; (b) effect an exchange, reclassification or cancellation of the Offered Shares of such class; or (c) create a new class or series of shares of the Corporation equal or superior to the Offered Shares of such class.

In the event the Board of Directors of the Corporation were to decide to change the Corporation’s objective of qualifying as a MIC under the Tax Act, the Articles provide that such a change would not become effective

until ratified with the consent (given either at a meeting or in writing) of the holders of not less than 50% of the issued and outstanding Class A1, Class A, Class F, Class I and Class N Shares.

Except as otherwise required by applicable laws and/or the Articles or the requirements of any applicable stock exchange, the holders of the Offered Shares will not be entitled to vote on a decision to facilitate a public offering of the shares of the Corporation or the listing of any class of shares of the Corporation on a stock exchange.

At any meetings of holders of Offered Shares required under the CBCA or the Articles, a holder of Offered Shares will be entitled to one vote for each Offered Share held.

Dividend Policy

Holders of the Offered Shares are entitled to receive non-cumulative dividends, in any form or amount, as and when declared from time to time by the directors of the Corporation, acting in their sole discretion, out of the moneys of the Corporation properly applicable to the payment of dividends.

The Corporation intends to calculate and declare dividends on a monthly basis on the last business day of each month (or as otherwise declared by the Corporation) and to pay such dividends generally within thirty (30) days after the end of each month. The Corporation will pay out as cash dividends substantially all of its net income and net realized capital gains every year to the holders of Offered Shares. The payment of dividends is subject to the discretion of the Board of Directors to establish working capital and other reserves for the Corporation and to comply with the Articles and applicable laws.

The Corporation expects the dividend yield on the Class A1 Shares and the Class A Shares to be approximately 7.0% per annum, net of fees, on the Class F Shares to be approximately 7.25% per annum, net of fees, and on the Class N Shares to be approximately 6.25% per annum, net of fees (the “**Target Yields**”). The Corporation reserves the right to change the Target Yields on the Offered Shares without notice to holders of the Offered Shares. If the Target Yields have been achieved in a particular year, the Incentive Fee will be paid to the Administrator and the Corporation’s remaining net income and/or net capital gains will be paid out to the holders of the Offered Shares in the form of a special dividend.

If in any year, dividends on the Offered Shares are not declared, then the rights of the holders of the Offered Shares to such dividends will be forever extinguished.

Dividend Reinvestment Plan

The Corporation, subject to maintaining the status of the Corporation as a “MIC” under the Tax Act and applicable securities laws, provides a dividend reinvestment plan (the “**DRIP**”). Under the DRIP, holders of Offered Shares can reinvest dividends in additional Offered Shares of the Corporation. The Corporation or the Administrator administers all aspects of the DRIP. Holders of Offered Shares may elect in the subscription agreement for Offered Shares (or by subsequently completing an enrolment form provided by the Corporation) to be enrolled in the DRIP.

The following summary is qualified by the more detailed provisions of the DRIP.

Eligibility

Subject to applicable laws, all holders of Offered Shares are eligible to participate in the DRIP by completing the Subscription Agreement or an enrolment form otherwise provided by the Corporation and returning it

to the Corporation. Subject to the discretion of the Board of Directors, holders of Offered Shares may enroll all or a portion of their Offered Shares in the DRIP.

Investment Date

Dividends are expected to be calculated, paid and reinvested in Offered Shares on the last business day of each month (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 Offered Shares Purchased under the “DRIP”

Offered Shares are purchased at \$10.00 per Offered Share and are issued from the treasury of the Corporation. The Corporation uses the cash dividends attributable to a shareholder to purchase additional Offered Shares of the applicable class on behalf of the shareholder. All Offered Shares acquired through the DRIP are credited to the shareholder’s account. Upon request, following the end of each calendar quarter, physical certificates may be issued to the shareholder for Offered Shares acquired under the DRIP for that period. The Corporation may issue fractional Offered Shares under the DRIP. Any residual cash which is not used to purchase additional Offered Shares on a particular Investment Date will be credited to the account of the participant and will be utilized for the purchase of additional Offered Shares on a subsequent Investment Date or will be distributed to the participant at the end of the year, in the sole discretion of the Corporation. No brokerage or administration fees will be charged by the Corporation or the Administrator for participation in the DRIP. There is no minimum aggregate subscription amount under the DRIP. Offered Shares issued under the DRIP may not be transferred, except with the approval of the directors of the Corporation.

Transaction Statements

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

Termination of Participation in the DRIP

Participation in the DRIP may be terminated by a shareholder at any time by giving written notice to the Corporation. In the event that written notice terminating participation in the DRIP is not received by the Corporation at least five (5) business days before an Investment Date, the requested action will not be taken until after such Investment Date. The Corporation reserves the right to deny the right to participate in the DRIP to any person or terminate the participation of any participant in the DRIP if the Board of Directors deems it advisable under any applicable laws or regulations or to preserve the Corporation’s status as a MIC.

Liabilities of the Corporation and Administrator

Neither the Corporation nor the Administrator is liable for any act undertaken or omitted in good faith in connection with the DRIP. Neither the Corporation nor the Administrator can assure a profit or protect any shareholder against a loss relating to Offered 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 holders of Offered Shares in accordance with the Plan. In the case of an amendment, notice will only be provided if in the Corporation's opinion, such amendment may materially prejudice participants. The Corporation 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 own tax advisers about the tax consequences which will result from their participation in the DRIP.**

Redemption by the Corporation

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

If not all of the outstanding Offered Shares are to be redeemed, the Corporation intends to redeem the Offered Shares based in proportion to the number of Offered Shares registered in the name of each holder as a percentage of the total number of Offered Shares outstanding, subject to the discretion of the Board of Directors to determine another equitable method for selecting the Offered Shares to be redeemed.

The amount to be paid by the Corporation in respect of each Offered Share to be redeemed, upon presentation and surrender of any certificates representing the Offered Shares called for redemption, will be the Redemption Amount. The "**Redemption Amount**" is an amount equal to \$10.00 per Offered Share, together with all dividends or other distributions declared thereon and unpaid up to and including the Redemption Date, excluding any distributions arising solely as a result of a Liquidation Event.

The Redemption Amount will be paid in Canadian dollars by cheque, bank draft, money order, wire transfer or such other manner determined by the directors of the Corporation. The Corporation has the right at any time after giving the Redemption Notice but no later than the redemption date specified in the notice, to deposit the aggregate Redemption Amount in respect of the Offered Shares being redeemed, or such Offered Shares called for redemption which are represented by certificates which have not at the date of such deposit been surrendered by the holders thereof, in a separate account in any chartered bank or any trust company in Canada named in the notice of redemption or any subsequent notice. Amounts deposited shall be paid without interest to or to the order of the respective holders of Offered Shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the Offered Shares.

Upon such deposit being made or upon the applicable redemption date, whichever is later, the Offered Shares in respect of which such deposit was made will be deemed to be redeemed and the rights of the holders thereof will be limited to receiving without interest the aggregate Redemption Amount of their respective Offered Shares upon presentation and surrender of the certificate(s) representing such shares.

From and after the applicable redemption date, the Offered Shares called for redemption will cease to be entitled to dividends or any other participation in any distribution of the assets of the Corporation.

Purchase for Cancellation

Subject to applicable laws, the Corporation may at any time and from time to time purchase for cancellation all or any part of the outstanding Offered Shares at the price agreed upon by the holder thereof and the Corporation.

Retraction Rights - General

Subject to the limits set out herein and in the Articles and to applicable laws, a shareholder may request the Corporation to retract all or any portion of his, her or its Offered Shares on a Retraction Date (as defined below).

A holder of Class A1, Class F and Class N Shares wishing to retract all or any portion of his, her or its Class A1, Class F or Class N Shares on a Retraction Date must submit written notice of such intention to the Corporation a minimum of six (6) months prior to the Retraction Date (which period may be varied or waived by the directors of the Corporation in their sole discretion).

Provided a holder of Class A Shares has held his, her or its Class A Shares for a period of at least twelve (12) months (the “**Class A Hold Period**”), the holder may request the Corporation to retract all or any portion of his, her or its Class A Shares on a Retraction Date by submitting written notice of such intention to the Corporation during the period commencing on the first business day of the calendar quarter in which the Retraction Date occurs and ending on the last business day of the second month of such calendar quarter. The Class A Hold Period may be varied or waived by the directors of the Corporation in their sole discretion.

“**Retraction Date**” means, (i) for Class A Shares, the last business day of each calendar quarter; and (ii) for Class A1 Shares, Class F Shares and Class N Shares, the last business day of each calendar month.

The amount payable by the Corporation in respect of each Offered Share to be retracted shall be the Redemption Amount (defined above) which is generally paid in Canadian dollars within two (2) calendar weeks following the applicable Retraction Date (defined below).

Requests for retractions of Offered Shares received after the applicable periods noted above will be eligible for retraction on the following Retraction Date. Requests for retraction must specify the number of Offered Shares to be retracted. A notice of retraction shall be revocable at any time prior to the applicable Retraction Date on which the Offered Shares specified therein are to be retracted. Any certificates for Offered Shares to be retracted must be surrendered to the Corporation.

Notwithstanding the foregoing, the Corporation shall at all times have the discretion to reject or suspend any request for retraction, including the right of holders of Offered Shares to receive any proceeds upon the exercise of such right of retraction. In the event this right is exercised, the Corporation will promptly provide a notice to any holder of Offered Shares who has delivered a retraction notice to the Corporation. See “*Rejection or Suspension of Retractions*” below.

Compassionate Early Retraction

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

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

A shareholder may submit a request to the Corporation for an early retraction of all or part of the Offered Shares held by such shareholder, provided the Corporation receives the request for early retraction at least thirty (30) days prior to the proposed retraction date.

Upon notification in writing to the Corporation of the death of a shareholder who is an individual, the Corporation may redeem the Offered Shares held by such shareholder within ninety (90) days of such notification, subject to applicable laws.

Substantial Shareholders

A “**Substantial Shareholder**” is defined as a shareholder who together with parties related to that shareholder (as defined in the Tax Act) holds a total number of Offered Shares which is equal to or greater than 10% of the total number of Offered Shares outstanding.

As long as a particular shareholder is classified as a Substantial Shareholder such shareholder may, in the sole discretion of the Corporation, be restricted to retracting no more than 20% of his, her or its Offered Shares on any Retraction Date.

Annual Limit on Retractions

Notwithstanding the retraction rights outlined above, in the interests of all shareholders of the Corporation, the Corporation shall not accept for retraction in any one calendar year, Offered Shares representing more than 10% of the total number of Offered Shares outstanding as of the first day of such calendar year. In the event that the number of Offered Shares tendered for retraction in respect of a Retraction Date exceeds the limit specified herein, the Offered Shares to be retracted shall be selected in the order in which the requests for retraction were received by the Corporation, as determined by the Corporation. The Corporation, in its sole discretion, may waive or vary the annual limit from time to time.

Rejection or Suspension of Retractions

Notwithstanding the retraction rights outlined above, the Corporation shall at all times have the discretion to reject or suspend any request for retraction for any period of time, including the right of a holder of Offered Shares to receive proceeds upon the exercise of such right of retraction. The Corporation may exercise such right where, in the view of the Corporation, such retraction would not be in the best interests of the corporation, including where in the view of the Corporation:

- (a) such retraction will result in the Corporation failing to qualify as a MIC under the Tax Act;
- (b) the Corporation has a working capital deficiency or such retraction would cause the Corporation to have a working capital deficiency;
- (c) such retraction would cause the Corporation to be in default of its financial obligations under bona fide arm's length loan or credit arrangements; or
- (d) such retraction is otherwise prohibited under applicable laws.

If, in accordance with the foregoing criteria, the Corporation is only able to retract a portion of the Offered Shares tendered at any time for retraction, the Offered Shares shall be retracted in the order in which requests for retraction are received, as determined by the Corporation. The Corporation will promptly notify holders of Offered Shares if their request for retraction is rejected or suspended.

So long as the directors of the Corporation have acted in good faith in making any of the determinations referred to herein as to the number of Offered Shares which the Corporation is permitted at any one time to redeem, neither the Corporation nor the directors will have any liability in the event that any such determination proves to be inaccurate.

Pre-emptive Rights

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

Liquidation Event

In connection with a Liquidation Event, the holders of the Offered Shares will be entitled to receive from the assets of the Corporation an amount equal to the Redemption Amount per Offered Share, whether in cash or property, before any amount will be paid by the Corporation, or any assets of the Corporation distributed to, the holders of Voting Shares.

If the property and assets available for distribution in connection with a Liquidation Event among the holders of the Offered Shares is insufficient to satisfy the Redemption Amount payable to each holder of Offered Shares, then the entire amount available for distribution shall be distributed, whether in cash or property, ratably among the holders of the Offered Shares in proportion to the amounts which such holders would otherwise be entitled to receive.

After the satisfaction of (1) the payment of the Redemption Amount per Offered Share; and (2) the amounts payable to the holders of Voting Shares in accordance with the Articles, the holders of the Offered Shares shall be entitled to share equally with the other classes of Shares of the Corporation (if the terms thereof so provide) in any further distribution of the assets of the Corporation.

“**Liquidation Event**” means any of the following: (i) a reduction of capital; (ii) the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs; or (iii) the sale of the Corporation, including any merger, amalgamation, reorganization or similar business transaction that results in a change of control or other disposition of all or substantially all of the assets of the Corporation (except to an affiliate).

OTHER NON-VOTING COMMON SHARES

The Corporation is authorized to issue an unlimited number of Class B Shares which may be issued in series with the attributes of each series of Class B Shares to be determined by the Board of Directors from time to time. There are currently no Class B Shares issued. Class B Shares may be issued in the future after the rights, privileges, restrictions and conditions attributable to such Class B Shares have been determined by the Board of Directors and filed in accordance with applicable laws. The Corporation is authorized to issue an

unlimited number of Class I Shares which shares have the same attributes as the Class A1 Shares, Class F Shares and the Class N Shares. The Corporation may also create additional classes of non-voting common shares which, along with the Class B Shares and the Class I Shares may be offered in the future.

DESCRIPTION OF THE VOTING SHARES

The Voting Shares have been issued for nominal value and are owned by the principal shareholders (the “**Principal Shareholders**”) being Nick Kyprianou, Jason Donville, Ali Jaffer, and Anthony Pistillo, as to 25% each. Accordingly, the Principal Shareholders, as holders of all of the issued and outstanding Voting Shares, will have the power to vote on all matters to be considered by the holders of Voting Shares.

The holders of Voting Shares will be entitled to one vote per Voting Share at all meetings of shareholders of the Corporation except meetings at which only the holders of any class of non-voting common shares are entitled to vote under the CBCA.

The Voting Shares are not redeemable or retractable by the Corporation.

The holders of Voting Shares are not entitled to receive any dividends or other distributions from the Corporation except in connection with a Liquidation Event.

The Voting Shares rank subsequent to the Offered Shares with respect to distributions as a result of a Liquidation Event. In connection with a Liquidation Event, the holders of the Voting Shares will be entitled to receive from the Corporation, subject to and upon the satisfaction in full of the distributions payable to the holders of the non-voting common shares in connection with such Liquidation Event, an amount equal to \$1.00 per Voting Share after which holders of Voting Shares shall be entitled to share equally with the holders of the other classes of shares in any further distribution of the assets of the Corporation. See “*Liquidation Event*” above.

POWERS OF THE CORPORATION TO MAINTAIN MIC STATUS

The Articles provide that each holder of shares of the Corporation grants the directors of the Corporation a power of attorney to make, file, execute and deliver all instruments, agreements and documents necessary or desirable to ensure that the Corporation qualifies as a MIC under the Tax Act.

The Articles also provide that no holder of any shares of the Corporation is permitted to acquire, hold, transfer, encumber or otherwise deal in or with any shares of the Corporation, or any interest therein, in a manner that will cause the Corporation to cease to qualify as a MIC under the Tax Act. In the event that any holder of shares of the Corporation purports to transfer any shares of the Corporation, exercises or purports to exercise any retraction rights in respect of any shares of the Corporation or any repurchase rights affecting any shares of the Corporation or enters, or does anything for the purpose of entering, into any other transaction affecting any of the shares of the Corporation (each of the foregoing, a “**Triggering Transaction**”), that, if completed, would cause the Corporation, in the reasonable opinion of the directors of the Corporation, to cease to qualify as a MIC under the Tax Act, the directors of the Corporation shall have the power to cause any affected holder of shares of the Corporation or prospective holder of shares of the Corporation (i) to delay, terminate, modify or otherwise restructure the terms of, or not to enter into or engage in, such Triggering Transaction or (ii) to enter into any alternative transaction on the terms and conditions determined by the directors of the Corporation, including the power to force the conversion of shares of the Corporation of any class or series into shares of another class or series of the Corporation, all without consent of any actual or prospective holder of shares of the Corporation affected thereby; provided

that all such powers shall be exercised by the directors solely for purpose of ensuring that the Corporation continues to qualify as a MIC under the Tax Act, on commercially reasonable terms and subject to the CBCA, the Articles and the Shareholder Agreement.

DIRECTORS, MANAGEMENT AND PRINCIPAL SHAREHOLDERS

The following table sets out the specified information about each director and officer of the Corporation and the Administrator and each Principal Shareholder of the Corporation.

Name and Municipality of Residence	Positions held	Number of Voting Shares held
Nick Kyprianou Toronto, Ontario	President, Chief Executive Officer and Director of the Corporation and the Administrator	25 Voting Shares
Anthony Pistillo Oakville, Ontario	Senior Vice-President of the Corporation and the Administrator, Principal Broker of the Administrator	25 Voting Shares
Phil Braginetz Mont-Tremblant, Quebec	Director of the Corporation and the Administrator	N/A
Jason Donville Toronto, Ontario	Principal Shareholder and Director of the Corporation and Director of the Administrator	25 Voting Shares
Ali Jaffer Toronto, Ontario	Principal Shareholder and Director of the Corporation and Chief Financial Officer and Director of the Administrator	25 Voting Shares
David Guiney Toronto, Ontario	Director	N/A

Management Experience

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

Nick Kyprianou, President, Chief Executive Officer and Director of the Corporation and the Administrator.

Nick Kyprianou has over 30 years of experience with regulated trust companies. Prior to co-founding the Corporation and the Administrator, Mr. Kyprianou was the Chief Executive Officer of Equity Financial Trust Company (“EFT”) from 2010 to 2013, where he steered the company through change and growth by developing a strategic plan to start a mortgage and deposit taking business. Mr. Kyprianou oversaw all of EFT’s operations to ensure efficiency, quality, service and cost-effective management of resources and built all aspects of EFT’s mortgage business, including strategy, policies and procedures compliant with industry standards. During his tenure, EFT’s market capitalization increased from \$37 million to \$119 million.

Prior to joining EFT, Mr. Kyprianou was the President of Home Trust Company from 2008 to 2010. In this position, he worked directly with the Chief Executive Officer to develop a strategic plan to advance the company’s mission and objectives and to promote revenue, profitability and growth as an organization. Mr. Kyprianou held various senior level positions during his 18 years at Home Trust Company including Chief Operating Officer and Senior Vice-President.

Mr. Kyprianou attended McMaster University. He completed the Executive Program in Sales Management at York University’s Schulich School of Business (2002) and the Executive Program at Queen’s School of Business (2000) and the Institute of Corporate Directors at the Joseph L. Rotman School of Business (2007).

Anthony Pistillo, Senior Vice-President of the Corporation and the Administrator

Anthony Pistillo is a dedicated mortgage professional with over 20 years of industry experience. He graduated from the Seneca College Financial Services Underwriting Program in 2002 and is a member of CMBA. Just prior to joining RiverRock, Mr. Pistillo was a Director of Underwriting with Home Trust. In that role he worked closely with the senior management team to help grow the mortgage portfolio while ensuring files met company guidelines. Mr. Pistillo also managed an underwriting team at Equity Financial Trust and was a Business development Manager at Equitable Bank. Prior to making the switch to the lending side of the business, Mr. Pistillo ran a successful mortgage brokerage operation. Mr. Pistillo is also Principal Broker of the Administrator.

Phil Braginetz, Director of the Corporation and the Administrator

Phil Braginetz is the President of P. Braginetz Associates, a provider of consulting services to small and medium-sized financial institutions. Since 2008, his practice has focused on balance sheet risk assessments and regulatory compliance requirements. Over a prior career in treasury and capital markets, he held the positions of Chief Financial Officer of Home Capital Group Inc., Chief Operating Officer of Credit Union Central of Ontario and Treasurer of Deutsche Bank Canada. Mr. Braginetz is a graduate of Montreal’s Concordia University, holds the Chartered Financial Analyst designation, and serves on the board of directors of motusbank, Canada’s newest Schedule 1 chartered bank.

Jason P. Donville, Director of the Corporation and the Administrator

Jason P. Donville is one of the co-founders of the Administrator and is the President and Chief Executive Officer and founder of DKAM and has accumulated over 17 years of experience in the investment industry. Following graduation from the Ivey School of Business at the University of Western Ontario in 1992, Mr. Donville held a variety of research and analyst positions in both Asia and Canada, including positions at Credit Lyonnais Securities Asia, Credit Suisse First Boston and Sprott Securities Ltd. (now Cormark Securities

Inc.). Prior to founding DKAM, Mr. Donville was consistently ranked as one of the top financial services analysts in the country.

Ali Jaffer, Director of the Corporation and Chief Financial Officer and Director of the Administrator

Ali Jaffer is the Chief Financial Officer and a Director of DKAM and has over 25 years of financial and administrative management experience in the software, alternative energy and real estate sectors, working in both public and private companies. Prior to joining DKAM, Mr. Jaffer was the Chief Financial Officer of a software company ranked as one of North America's Fastest Growing Companies in Deloitte's Fast 500 program. Mr. Jaffer is a Chartered Professional Accountant and holds a Master of Business Administration in Investment Management from the Goodman Institute, Concordia University.

David Guiney, Director of the Corporation

David Guiney is a Director of the Corporation. David practised corporate law for 15 years, mostly in his own firm, Tanner & Guiney Associates. He specialized in credit union and cooperative law on the local, provincial, and national levels. He was legal counsel on many credit union mergers and spent his entire legal career providing advice on corporate governance matters. In addition, David represented the credit union system in the drafting of Ontario's credit union legislation and Canada's cooperative credit association legislation.

In the final 10 years of his career, David was the Chief Operating Officer of Ontario's private, not-for-profit, new home warranty program.

David is currently a member of the board of directors of: Lumenus Community Services, the Greater Toronto Area's largest not-for-profit mental health, developmental, and community services for infants, children, youth, individuals, and families; Xenia Concerts Inc., a charitable organization that provides free classical music concerts primarily to children with autism and other mental health challenges; and Markland Wood Golf Club.

The Corporation may pay reasonable fees and/or other compensation to the directors and officers of the Corporation as determined by the Board of Directors.

THE ADMINISTRATOR

The Administrator is a corporation incorporated under the laws of the Province of Ontario on April 17, 2014. The Administrator is licensed as a Mortgage Administrator (License No. 12514) and a Mortgage Brokerage (License No. 13306) through the Financial Services Regulatory Authority of Ontario.

The Administrator conducts its mortgage brokerage business under the trade name "Custom Capital Lending" and will provide mortgage origination and underwriting services for the Corporation. The Administrator may also rely on its network of third-party licensed mortgage brokers to originate mortgages on behalf of the Corporation.

The Administrator's key personnel have extensive experience in the business of originating, underwriting and servicing mortgages in the alternative mortgage market segments in Ontario. The Corporation believes that these qualifications and experience put the Administrator in an advantageous position to provide the Corporation with related mortgage administration and origination services.

Nick Kyprianou, the President and Chief Executive Officer of the Administrator and Anthony Pistillo, Senior Vice-President of the Administrator, each have extensive experience in mortgage lending and also have established relationships with experienced brokers, owners, builders, developers and others active in the real estate industry. The Corporation believes the Administrator is therefore suitably qualified to locate and recommend investment opportunities for the Corporation.

Mortgage Administration Agreement

The Corporation has retained the Administrator pursuant to the terms of the Mortgage Administration Agreement to provide, directly or indirectly through licensed service providers, as applicable, mortgage administration and origination services and to present mortgage investment opportunities to the Corporation, subject to the discretion and decision making authority of the Board of Directors of the Corporation to determine the mortgages in which the Corporation will invest.

The Administrator has agreed it will exercise its powers and discharge its duties under the Mortgage Administration Agreement honestly and in good faith and that it shall exercise the degree of care, diligence and skill that a reasonably prudent mortgage administrator would exercise in comparable circumstances.

The Mortgage Administration Agreement prohibits the Administrator from taking any action that could cause the MIC to fail or cease to qualify as a MIC under the Tax Act.

The services of the Administrator are not exclusive and nothing in the Mortgage Administration Agreement or any other agreement prevents the Administrator from providing similar services to other entities and other clients (whether or not their investment objectives and policies are similar to those of the Corporation) or from engaging in other activities.

The Corporation acknowledges in the Mortgage Administration Agreement that the Administrator and its shareholders, directors and senior officers may have interests and dealings in other entities which may in the future be actively engaged in a similar business as the Corporation. Neither the Administrator nor its shareholders, directors or senior officers will be liable to the Corporation for any conflict of interest as a result of such other interests or dealings, even if competitive with the business of the Corporation, and even if the business opportunity could have been pursued by the Corporation.

The Administrator will not be liable to the Corporation in respect of any loss or damage suffered by the Corporation, including any loss or diminution in the net assets (that is, the value of the Corporation's assets less its liabilities) of the Corporation, unless such loss or damage is a direct result of gross negligence, wilful misconduct, fraud, bad faith or a material breach of applicable laws or the provisions set forth in the Mortgage Administration Agreement.

The Mortgage Administration Agreement also provides that the Corporation will indemnify the Administrator, in its capacity as mortgage administrator, and its principals, shareholders, directors, officers, employees and agents from any and all expenses, losses, damages and claims of any kind or nature whatsoever incurred or suffered by such persons which are directly or indirectly the result of, or caused by, the performance of the Administrator's duties, obligations and responsibilities under the Mortgage Administration Agreement. The indemnity will not apply to acts or omissions of any of the foregoing persons in breach of the Administrator's standard of care as set forth in the Mortgage Administration Agreement or through the gross negligence, wilful misconduct, fraud, bad faith or a material breach of applicable laws or the provisions set forth in the Mortgage Administration Agreement. The Mortgage Administration Agreement includes a reciprocal indemnity from the Administrator to the Corporation and its principals, shareholders, directors, officers, employees and agents.

Responsibilities of the Administrator

In the performance of its obligations under the Mortgage Administration Agreement, the Administrator shall without limitation, perform, or cause to be performed, all services that a mortgage administrator would perform including:

- using its best efforts to source and present investment opportunities consistent with the Corporation's investment policies;
- directly or indirectly originate mortgage investments on behalf of the Corporation;
- providing recommendations to the Board of Directors of the Corporation with respect to formulating, evaluating, and as required, modifying the Corporation's investment policies;
- providing information to the Corporation relating to proposed acquisitions, dispositions, financing and related transactions with respect to the mortgage investments;
- servicing and administering the Corporation's mortgage investments on its behalf;
- arranging for the purchase, sale or exchange of such mortgage investments as determined by the Investment Committee and/or the Credit Committee, as applicable, to be in the best interest of the Corporation to purchase, sell or exchange;
- maintaining records and accounts in respect of each mortgage investment;
- making reasonable efforts to collect or cause to be collected all payments on account of principal and interest (and taxes where applicable) due under the mortgages held by the Corporation and cause mortgagors to perform their obligations under the mortgages;
- giving such notice to the borrowers and others in respect of amounts due or overdue on mortgages held by the Corporation and in respect of other security documents as the Administrator considers necessary;
- providing those services required in connection with the collection, handling, prosecuting and settling of any claims with respect to the Corporation's mortgage investments, including foreclosing or power of sale and otherwise enforcing security interests securing the Corporation's mortgage holdings; and
- arranging for the preparation of financial statements, audit reports, tax statements and such other reports that may be required under the Tax Act within the requested time periods;
- delivering portfolio reports to the Corporation on a regular basis with respect to the Corporation's investments and providing documentation and/or other information to the Corporation as requested.

Compensation Payable to the Administrator

In consideration of the services provided by the Administrator as described above, the Mortgage Administration Agreement provides that effective June 1, 2018 the Corporation will pay the following fees to the Administrator:

1. A base administration fee (the “**Administration Fee**”) in respect of the Administrator’s general administration services in an amount equal to, for the Class A1 Shares and Class A Shares, 1.5%, for the Class F Shares, 1.25%, and for the Class N Shares, 2.25%, per annum of the gross outstanding principal amount of the mortgage investments attributable to such class of Offered Shares held by the Corporation, calculated and paid monthly in arrears by the 15th day of the month.
2. An annual incentive fee (the “**Incentive Fee**”) equal to 40% of what would otherwise be the Corporation’s surplus net income and/or net capital gains available for distribution in a particular year after the Target Yields have been achieved on the outstanding Non-Voting Shares for such year. “**Non-Voting Share**” means the Offered Shares, the Class B Shares and the Class I Shares. The Incentive Fee will be calculated on the last business day of each calendar year and paid to the Administrator within ninety (90) days of the calendar year-end and is inclusive of applicable taxes.
3. Underwriting fees in respect of any underwriting, commitment, brokerage or renewal services, in an amount equal to any underwriting, commitment, brokerage, renewal or similar fees set out in the commitment for the mortgage investments. The underwriting fees shall only be payable to the Administrator to the extent that they are recovered from the borrowers.
4. 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 Administrator to the extent they are recovered from the borrowers. Examples of ancillary fees include fees for statements, late payments, enforcement, insurance, inspections, dishonoured cheques and defaults.
5. Service fees in respect of any project monitoring, property management, mortgage or real estate services are provided on an ad hoc basis upon agreement of the Corporation and the Administrator. The Corporation will pay the Administrator as agreed between them at the time the particular service is initiated, but in no case will the Administrator be paid a fee which is greater than the fair value for the services performed.

Any fees payable to the Administrator will be pro-rated for partial periods, as required, and unless otherwise stated will be subject to applicable taxes.

The Administrator may from time to time waive any portion of the fees and/or reimbursement of expenses otherwise payable to it under the Administration Agreement, and may reimburse the Corporation for all or a portion of the Administration Fee paid to it thereunder, but no such waiver or reimbursement shall affect its right to such fees and/or reimbursement of expenses subsequently accruing under the Administration Agreement.

EXPENSES OF THE CORPORATION

In addition to the Administration Fee and the Incentive Fee, if applicable, the Corporation will pay for all expenses it incurs in connection with its operation and management including, without limitation: (a) financial reporting costs, and mailing and printing expenses for periodic reports to shareholders and other

shareholder communications including marketing and advertising expenses; (b) any taxes payable by the Corporation; (c) costs and fees payable to any agent, legal counsel, actuary, valuator, technical consultant, accountant or auditor or other third party service provider; (d) any ongoing regulatory filing fees, license fees and other fees; (e) any expenses incurred in connection with any legal proceedings in which the Administrator participates on behalf of the Corporation or any other acts of the Administrator 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; (f) any fees payable to, and reasonable expenses incurred by, any directors; (g) any compensation payable to employees of the Corporation; (h) additional fees payable to the Administrator for the performance of services not currently contemplated by the Corporation; (i) any consulting fees, including website maintenance costs and expenses associated with the preparation of tax filings; and (j) other administrative expenses of the Corporation.

The Corporation will also be responsible for all taxes, debt service and costs relating to any credit facilities and any extraordinary expenses which it may incur or which may be incurred on its behalf from time to time, as applicable. To the extent that the Administrator pays for any expenses of the Corporation, upon the direction of the Corporation, it shall be promptly reimbursed by the Corporation.

COMMISSIONS PAYABLE TO REGISTERED DEALERS

The Offered Shares may be distributed in the Offering Jurisdictions through registered dealers, including Ninepoint and DKAM.

Registered Dealers, other than Ninepoint, who distribute Class A1 Shares or Class N Shares may be paid a front-end sales commission or initial sales charge by the investor of up to 0.5% of the subscription price for each Class A1 Share of the Corporation and up to 2.0% of the subscription price for each Class N Share of the Corporation held by clients of the dealer. Such commissions will be negotiated between the dealer and the investor and will be paid directly by the investor to the dealer. All minimum subscription amounts are net of any commissions paid by an investor to a registered dealer.

Registered Dealers, other than Ninepoint and DKAM, purchasing Class A1, Class A or Class N Shares on behalf of their clients may be paid trailing commissions for ongoing services they provide to investors, including investment advice, account statements and newsletters. A trailing commission for Class A1, Class A and Class N Shares is generally calculated and payable quarterly in arrears to dealers whose clients hold Class A1, Class A or Class N Shares, as applicable, at a rate equal to, for Class A1 Shares and Class A Shares, one-quarter (1/4) of 0.5%, and for Class N Shares, one-quarter (1/4) of 1.0%, of the gross outstanding principal amount of the mortgage investments held by the Corporation that are attributable to the Class A1 or Class A Shares sold by such dealers as at the last business day of the applicable calendar quarter. The trailing commissions are paid by the Administrator out of the fees it receives from the Corporation.

The Administrator may change or cancel the trailing commission at any time in its sole discretion. There is no trailing commission for Class F Shares.

DKAM will not receive any compensation from the investor for acting as an exempt market dealer with respect to the distribution of the Class A Shares. DKAM will be entitled to compensation from the Administrator for acting as an exempt market dealer with respect to the distribution of Class A Shares. See *“DKAM Arrangement”*.

NINEPOINT ARRANGEMENT

Ninepoint is a limited partnership established under the laws of Ontario and registered in the provinces of Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia and Saskatchewan as an exempt market dealer and portfolio manager; in Quebec as an exempt market dealer and investment fund manager; and in Ontario, Newfoundland and Labrador as an exempt market dealer, portfolio manager and investment fund manager.

The Corporation and the Administrator have entered into an agreement with Ninepoint pursuant to which Ninepoint has agreed to provide exempt market dealer, distribution and marketing services for the Corporation on a non-exclusive basis with respect to the offering of the Class A1 Shares, Class F Shares and the Class N Shares. In consideration for these services, Ninepoint is entitled to receive a portion of the fees (including a portion of the Administration Fee, the Incentive Fee and ancillary fees) received by the Administrator and that are attributable to the Class A1 Shares, Class F Shares and the Class N Shares.

HOW TO SUBSCRIBE

Subscriptions for Offered Shares will generally be accepted and processed on the first business day of each calendar month (a “**Subscription Date**”) subject to applicable laws and the Corporation’s discretion to accept or reject subscriptions in whole or in part. A duly completed Subscription Agreement must be received by the Corporation or its designate at least two (2) Business Days before the relevant Subscription Date and subscription proceeds in cleared funds must be received by the Corporation by 4:00 p.m. (ET) on the relevant Subscription Date otherwise the subscription will generally be processed as of the next Subscription Date. Offered Shares may only be purchased in Canadian dollars.

Subscription proceeds may be paid by cheque (payable to “RiverRock Mortgage Investment Corporation”), bank draft, wire transfer or such other form of payment as may be acceptable by the Corporation or its designate (including, other than for Class A1 Shares, through the facilities of FundSERV) representing payment of the subscription price. Subscription orders may be sent to the Corporation by courier, priority post, or electronic means (including, other than for Class A1 Shares, through the facilities of FundSERV).

Subscription proceeds provided prior to a Subscription Date will be kept in a non-interest bearing account.

In the event a subscription for Offered Shares is rejected by the Corporation, any subscription proceeds forwarded by the subscriber will be refunded forthwith, without interest, other compensation, or deduction.

No subscription will be accepted unless the Corporation is satisfied that the subscription is in compliance with applicable securities laws.

Share certificates will be issued to subscribers upon request.

PROSPECTUS EXEMPTIONS

The Offering is limited to investors (a) who are accredited investors; (b) non-individual investors who invest a minimum of \$150,000 in the Corporation except in Alberta where this exemption will not be relied upon; or (c) to whom Offered Shares may otherwise be sold in accordance with a prospectus exemption under NI 45-106. The Offered Shares may be offered in each of the Offering Jurisdictions pursuant to available prospectus exemptions and subject to the registration requirements of the applicable securities legislation in the Offering Jurisdictions.

Purchasers of Offered Shares will be required to make certain representations in the Subscription Agreement, and the Corporation and the applicable registered dealer will rely on such representations to establish that the purchaser is qualified to purchase the Offered Shares in reliance upon the exemptions from prospectus requirements described above.

Investors, other than individuals, that are not accredited investors, or are accredited investors solely on the basis that they have net assets of at least \$5,000,000, must also represent to the Corporation (and may be required to provide additional evidence at the request of the Corporation to establish) that such investor was not formed solely in order to make private placement investments which may not have otherwise been available to any persons holding an interest in such investor.

The so-called “Offering Memorandum Exemption” is not being relied on in any offering jurisdiction and investors do not have the benefit of certain additional protections that applicable securities legislation give to investors when an issuer relies on the Offering Memorandum Exemption. The Minimum Amount Exemption is available only to investors who are non-individuals and is not being relied on in Alberta.

A list of criteria for accredited investors is set out in the Subscription Agreement.

The Corporation reserves the right in its sole discretion, to accept or reject orders, to change the minimum amount for investments in any class of the Offered Shares and to discontinue or suspend the offering of Shares of any Class at any time and from time to time.

MINIMUM SUBSCRIPTION AMOUNTS

The minimum initial investment amount for accredited investors is \$25,000 (2,500 Shares). Investors who are not accredited investors and who are non-individuals who wish to purchase Shares must invest a minimum of \$150,000 (15,000 Shares), in accordance with the Minimum Amount Exemption (although this exemption will not be made available to purchasers resident in Alberta), unless another prospectus exemption is available. The Corporation has the right to waive or vary the minimum subscription amount for investors who are not relying on the Minimum Amount Exemption, subject to applicable laws.

All minimum subscription amounts above are net of any commissions paid by an investor to a registered dealer.

ADDITIONAL INVESTMENTS

Each additional investment amount for accredited investors must be in an amount that is not less than \$5,000 provided that the Corporation may in its sole discretion waive or vary the additional investment amount at any time, subject to applicable laws. For investors who are not accredited investors and are non-individual investors, the additional investment amount must be in an amount that is not less than \$150,000, unless another prospectus exemption is available.

All minimum subscription amounts are net of any commissions paid by an investor to a registered dealer.

BANKERS

The Royal Bank of Canada, Toronto, Ontario, is the Corporation’s banker. The Corporation will deposit all funds received from subscribers with its bank prior to acceptance of the subscription. Other banks may be appointed by the Corporation at the discretion of the Board of Directors.

AUDITORS

The Board of Directors of the Corporation has appointed Deloitte LLP, Toronto, Ontario as auditors of the Corporation.

RECORDKEEPER

SGGG Fund Services Inc., Toronto, Ontario, provides recordkeeping and administration services to the Corporation such as maintaining the register of holders of Offered Shares.

CONFLICTS OF INTEREST

General

Certain of the Corporation's directors and officers may face actual or potential conflicts of interest due to their positions as directors and/or officers of the Corporation, the Administrator and/or DKAM and/or their direct or indirect ownership interests in the Corporation, the Administrator and/or DKAM.

Certain of the shareholders, directors and officers of the Corporation are also shareholders, directors and officers of the Administrator and DKAM. As the Administrator is paid the Administration Fee, the Incentive Fee and other fees (as more particularly described elsewhere in the Offering Memorandum) by the Corporation, there exists the possibility that such shareholders, officers and directors will be in a position of conflict. See "*Compensation Payable to the Administrator*".

Persons considering a purchase of Offered Shares must rely on the judgment and good faith of the directors, officers and employees of the Administrator and the Corporation in resolving such conflicts of interest as may arise. The directors and officers of the Corporation are required by law to act in the best interests of the Corporation.

Phil Braginetz is the only independent director of the Corporation and the Administrator. There are no independent members of either the Investment Committee or the Credit Committee.

The Administrator

The Corporation and its shareholders are dependent in large part upon the experience and good faith of the Administrator, which is entitled to earn fees for providing certain services to the Corporation in accordance with the Mortgage Administration Agreement.

The directors of the Administrator are also directors of the Corporation and certain officers of the Administrator are also officers of the Corporation. The Administrator is controlled, directly and/or indirectly, by certain Principal Shareholders of the Corporation. In addition, certain directors and officers of the Administrator serve as members of the Credit Committee and Investment Committee.

The Administrator is entitled to receive the Administration Fee, the Incentive Fee, if applicable, and the other fees payable to the Administrator (as more particularly discussed elsewhere in the Offering Memorandum). See "*Compensation Payable to the Administrator*".

The services the Administrator performs may not be exclusive to the Corporation and nothing in the Mortgage Administration Agreement or any other agreement prevents the Administrator from providing

similar services to other entities and other clients (whether or not their investment objectives and policies are similar to those of the Corporation) or from engaging in other activities.

The Administrator and its shareholders, directors and senior officers may have interests and dealings in other entities which may in the future be actively engaged in a similar business as the Corporation. Neither the Administrator nor its shareholders, directors or senior officers are required to avoid any conflict of interest as a result of such other interests or dealings, even if competitive with the business of the Corporation, and even if the business opportunity could have been pursued by the Corporation.

DKAM Arrangement

DKAM may act as an exempt market dealer with respect to the distribution of Class A Shares and will be entitled to receive a commission from the Administrator equal to 2.5% of the subscription proceeds received by the Corporation for such Class A Shares. DKAM may, in its discretion, waive such commission.

The securities legislation of certain jurisdictions in Canada require dealers and advisers, when they trade in or advise with respect to their own securities or securities of certain other issuers to which they, or certain other parties related to them, are related or connected, to do so only in accordance with particular disclosure and other rules. These rules require dealers and advisers, prior to trading with or advising their customers or clients, to inform them of the relevant relationships and connections with the issuer of the securities. Investors should refer to the applicable provisions of securities legislation for the details of such provisions and their rights or consult with a legal adviser.

DKAM is registered as a portfolio manager, exempt market dealer and investment fund manager in Ontario, as an exempt market dealer and investment fund manager in Québec, and as an exempt market dealer in Alberta, British Columbia and Saskatchewan and may become registered as an exempt market dealer and/or investment fund manager in such other jurisdictions as required under applicable securities legislation. As a result, potential conflicts of interest could arise in connection with DKAM acting in such capacities. As an exempt market dealer, DKAM may sell securities of the Corporation and pooled funds organized and managed by DKAM in accordance with applicable laws.

DKAM 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.

The Corporation may be considered a “related issuer” and a “connected issuer” of DKAM under NI 33-105. The Corporation is a related issuer of DKAM because each of DKAM and the Corporation are a related issuer of Jason Donville. Mr. Donville is the indirect controlling shareholder of DKAM as well as a Principal Shareholder of the Corporation and also has indirect beneficial ownership of more than 20% of the equity securities of the Administrator. The directors and officers of DKAM are voting shareholders of the Corporation and certain directors and officers of DKAM are also directors and/or officers of the Corporation and the Administrator. The controlling shareholder of DKAM is also the controlling shareholder of the Administrator.

The directors and officers of DKAM may be considered to be involved in the decision to distribute the Offered Shares and the determination of the terms of the distribution as the directors and officers of DKAM were consulted by the Corporation when the terms of the distribution of the Offered Shares were being determined.

The Administrator, a related issuer of DKAM, is entitled to the Administration Fee, the Incentive Fee and other fees in connection with providing the mortgage administration services to the Corporation as described above.

The definitions of the terms “related issuer” and “connected issuer” can be found in NI 33-105.

REPORTING

Upon request, the Corporation will provide holders of Offered Shares with a copy of the Corporation’s annual audited financial statements within ninety (90) days of the Corporation’s year end.

RISK FACTORS

Investors should carefully review the following risk factors, together with the other information contained in the Offering Memorandum, before making an investment decision to invest in the Offered Shares. The Corporation does not make any recommendation as to the suitability of the Offered Shares for investment by any person.

The following list of risk factors does not purport to be a complete explanation of all the risks that may arise as a result of investing in the Corporation. Investors should consult with their own independent professional legal, tax, investment and financial advisors before purchasing Offered Shares, to determine the appropriateness of this investment in relation to their financial and investment objectives, risk/return constraints and time horizons and in relation to the tax consequences of any such investment. In the Corporation’s view, the Offered Shares involve a moderate degree of risk.

General Investment Risk

The purchase of Offered Shares involves a number of risks and is not suitable for investors who cannot afford to assume moderate risks in connection with their investments. Investors should be aware of the risks inherent in the real estate industry, have the ability and willingness to accept the risk of loss of all or some of their investment and have no immediate need for liquidity. There is no assurance of any return on an investor’s investment and an investor may lose some or all of the amount invested in the Corporation.

No Market for Offered Shares

There is no market through which the Offered Shares may be sold and the Corporation does not expect any market will develop in the future. Shareholders have restricted rights under the Articles to request retraction of their Offered Shares by the Corporation, and the Corporation may impose limits on retractions and suspend the payment of retraction proceeds. Accordingly, an investment in Offered Shares should only be considered by investors who do not require liquidity and are able to bear the financial risks of the investment for an extended period of time. See “*Restrictions on Resale*”.

Absence of Management Rights

The Offered Shares being sold under the Offering Memorandum do not carry voting rights, and consequently an investor’s investment in Offered Shares does not carry with it any right to take part in the control or management of the Corporation’s business, including without limitation matters such as the election of directors, when or if dividends will be declared, whether there will be a change of control of the Corporation or a change of the Administrator or whether to facilitate a public offering of the shares of the

Corporation or the listing of any class of shares of the Corporation on a stock exchange, except as otherwise required by applicable laws.

In assessing the risks and rewards of an investment in Offered Shares, investors should appreciate they are relying solely on the good faith, judgment and ability of the directors, officers and employees of the Corporation 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 directors, officers and employees. It would be inappropriate for investors unwilling to rely on these individuals to this extent to purchase Offered Shares.

MIC Tax Designation

The directors of the Corporation will use their best efforts to ensure the Corporation qualifies at all relevant times as a MIC pursuant to the Tax Act. To that end, the directors have the discretion to reject any applications for share subscriptions, transfers or retractions where, in the view of the directors, such acts would result in the Corporation failing to meet the requirements of a MIC under the Tax Act. The Corporation may also require the redemption of Offered Shares. The Articles also grant the directors other powers to preserve the Corporation's MIC status which include, the power to delay, terminate, modify and restructure potential transactions impacting the Offered Shares, including forcing the conversion of the Offered Shares to shares of another class of the Corporation, all without consent of the actual or prospective holders of Offered Shares affected thereby.

If, for any reason, the Corporation fails to maintain its MIC qualification throughout a particular year, the dividends paid by the Corporation on the Offered Shares would cease to be deductible from the income of the Corporation for that year and the dividends it pays on the Offered Shares would be subject to the normal gross-up and dividend tax credit rules. In addition, the Offered Shares could cease to be qualified investments for Registered Plans, with the effect that adverse tax consequences may arise for the Registered Plan and the annuitant thereunder.

The Corporation undertook certain measures in its taxation year ending June 30, 2016 that it considered necessary for the Corporation to qualify as a MIC throughout such taxation year (and future years). However, there can be no assurance that the CRA will agree to the effectiveness of such measures in respect of such taxation year. If the CRA took the position that the Corporation did not qualify as a MIC throughout such taxation year, certain adverse tax consequences described above would apply and the Corporation could be assessed taxes, interest and penalties under Part I of the Tax Act for such taxation year which could adversely impact the Corporation's ability to pay dividends.

There can be no assurance that the Corporation will be able to meet the Tax Act's MIC qualifications at all material times. If the Corporation fails to meet the Tax Act's MIC qualifications at all material times, there could be adverse tax consequences to the Corporation and to a holder of Offered Shares.

General Economic and Market Conditions

The success of the Corporation's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. Adverse economic and market conditions could impair the Corporation's profitability or result in losses.

Covid-19

The coronavirus pandemic (“**Covid-19**”) presents various risks to the Corporation. There is a significant amount of uncertainty regarding the potential duration and impact of Covid-19 on the Corporation. Without limitation, set out below are some of the potential impacts that Covid-19 may have upon the Corporation. Covid-19 may also heighten other risk factors faced by the Corporation, including without limitation, dependence upon key personnel, sensitivity to interest rates, changes to property values and the risks of non-institutional mortgage investments.

To date, Covid-19 has caused unemployment to rise sharply, disrupted global supply chains, required governments to impose travel bans, quarantines, social distancing and other restrictive measures which have reduced economic activity, led to economic shutdowns and caused governments to incur significant amounts of debt. Elevated levels of unemployment coupled with historic government deficits could lead to a prolonged economic slowdown. Such circumstances may impact real estate values, the ability of borrowers to repay mortgages and the Administrator’s ability to source mortgage investments resulting in reduced returns to investors.

Beginning in March 2020, Covid-19 lockdowns slowed Ontario housing market activity. Despite the slowdown in activity, housing prices remained stable across the province. To mitigate the potential risk, the Corporation has taken action to become more selective in its underwriting process and to ensure no mortgage investment exceeds an acceptable loan-to-value ratio. Additionally, the Corporation has increased the frequency of its communication with borrowers and has arranged flexible payment terms as necessary to limit the potential of borrowers falling into arrears.

Despite these mitigation efforts, the impact of the Covid-19 outbreak on the value of the Corporation’s mortgage investments will depend on future developments, including the duration and spread of the outbreak, and related advisories and restrictions. These developments and the impact of Covid-19 on the Ontario housing market and the overall economy are uncertain. If the Ontario housing market and/or the overall economy are impacted for an extended period, the Corporation’s future financial performance may be materially adversely affected.

Additionally, Covid-19 presents risks to key personnel and staff of the Corporation and the Administrator to perform their roles in the event they become ill or are unable to continue to effectively operate on a remote basis. Due to the uncertainty relating to Covid-19, it is impossible to list all of the potential impacts the pandemic could have upon the Corporation and investors are cautioned to consider the uncertainty relating to the Covid-19 pandemic prior to deciding to invest in the Corporation.

No Guaranteed Return

The value of the Offered Shares will vary directly with the performance of the business of the Corporation. The Corporation requires significant funds to carry out its business plan. In the event the Corporation is unable to raise sufficient funds, the Corporation may have insufficient funds available to implement its business plan, and investors may receive no return on their investment.

There is no guarantee that the Corporation will earn the targeted yield on its mortgage portfolio. There can be no assurance that mortgagors will not default on their mortgage payments, that the value of the mortgaged property, if realized upon, will be sufficient to satisfy the mortgagor’s obligations to the Corporation or that the Corporation will not incur losses. In the event that additional security is given by the mortgagor or that a third party guarantees the mortgagor’s obligations, there is no assurance that such

additional security or guarantee will be sufficient to make the Corporation whole if and when the Corporation resorts to it.

The funds available for distribution to the Corporation will vary according to many factors, notably the timing and amount of interest payments received in respect of mortgage loans held by the Corporation and the costs associated with borrowing funds. Although the Corporation's Investment Committee carefully selects the mortgages (presented to it by the Administrator) that the Corporation will hold, there is no assurance that such mortgages will have a guaranteed rate of return to investors, or that losses will not be suffered on one or more of such mortgages.

Moreover, at any point in time, the interest rates being charged for mortgages are reflective of the general level of interest rates and, as interest rates fluctuate, it is expected that the aggregate yield on mortgage investments will also change.

Reliance on the Administrator

In accordance with the terms of the Mortgage Administration Agreement between the Corporation and the Administrator, the Administrator has significant responsibility for assisting the Corporation in conducting its affairs. Any inability of the Administrator to fulfill its responsibilities under the Mortgage Administration Agreement competently or on a timely basis could negatively affect the Corporation. Investors unwilling to rely on the judgment of the directors, officers and employees of the Administrator should not purchase the Offered Shares.

Key Personnel

The operations of the Corporation and the Administrator 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 and achieve its objectives.

Operating History

Although persons involved in the management of the Corporation and the Administrator have had considerable experience in their respective fields, the Corporation and the Administrator were formed in 2014 and have a relatively limited operating history upon which prospective investors can evaluate the Corporation's likely performance.

Lack of Independent Experts Representing Shareholders

Each of the Corporation, the Administrator and DKAM have consulted with a single legal counsel regarding the formation and terms of the Corporation and the offering of the Offered Shares. Shareholders of the Corporation have not, however, been independently represented. Therefore, to the extent that the Corporation, the shareholders and/or the Offering could benefit by further independent review, such benefit will not be available. Each prospective investor should consult his, her, or its own legal, tax and financial advisors regarding the desirability of purchasing Shares and the suitability of investing in the Corporation.

No Involvement of Unaffiliated Selling Agent

No outside selling agent unaffiliated with the Administrator has made any review or investigation of the terms of the Offering, the structure of the Corporation or the background of the Administrator.

Use of Leverage

The Corporation has the option to incur indebtedness secured by the Corporation's assets to purchase or make mortgage investments. There can be no assurance such a strategy will enhance returns, and in fact, use of this strategy could adversely affect returns. Use of leverage through borrowing (and the assignment of mortgages as collateral) can also expose the Corporation to additional losses of capital.

Uninsured Investment

None of the Corporation nor the Administrator is a member of the Canada Deposit Insurance Corporation and the Offered Shares hereunder are therefore not insured against loss through the Canada Deposit Insurance Corporation.

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

Potential Indemnification Obligations

Under certain circumstances, the Corporation might be subject to indemnification obligations in favour of the Administrator, their directors, officers, shareholders and employees. The Corporation will not carry any insurance to cover such potential obligations and, to the Corporation's knowledge, none of the foregoing parties will be insured for losses for which the Corporation has agreed to indemnify them. Any indemnification paid by the Corporation would reduce the Corporation's projected returns.

Possible Changes in Laws

There can be no assurance that income tax laws, securities laws and other applicable legislation or regulations will not be repealed, amended or implemented, from time to time, and that such change will not adversely affect shareholders of the Corporation or necessitate changes in the manner in which the business of the Corporation or the Administrator is conducted.

Priority Over Security

Notwithstanding that the Administrator (on behalf of the Corporation) monitors title issues and payment of realty taxes on a regular basis, any real property may be subject to one or more unregistered liens or charges which may take priority over a mortgage granted by the Corporation, even a first-ranking one. Such liens or charges may arise, for example, without limitation, as a result of unpaid municipal taxes, utility bills or condominium fees. With respect to a subordinate debt mortgage, the interest of the Corporation will be secured by a charge upon or in the underlying real property, but will be in a subordinate position. Therefore, in the event of a default by the mortgagor under any prior ranked charge on the mortgage, the Corporation may not recover any or all of its monies advanced.

If a mortgagor is in default under the terms of its obligations to a holder of an unregistered lien or charge or a holder of a first ranking charge on real property, any such holder may take a number of actions against the borrower and ultimately against the underlying real property without any obligation to obtain the consent of, or act in co-operation with, the subordinated mortgagees. Such actions may include foreclosure or an action forcing the underlying real property to be sold (known as a “power of sale”). Foreclosure may have the ultimate effect of depriving any other person, even the holder of a registered first-ranking charge on the underlying real property, of the security of such real property. If an action is taken to sell the underlying real property and sufficient proceeds are not realized from such sale to pay off all creditors who have charges or liens on the property ranking prior to the Corporation, the Corporation may lose all or part of its investment.

Competition

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

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.

Sensitivity to Interest Rates

It is anticipated that the value of the Corporation's assets and the income therefrom at any given time may be affected by the level of interest rates prevailing at such time. The Corporation's income will consist primarily of interest payments on the mortgages comprising the Corporation's mortgage portfolio. If there is a decline in interest rates (as measured by the benchmarks upon which the interest rates of the Corporation's mortgage assets are based), the Corporation may find it difficult to source/originate a mortgage loan bearing rates sufficient to achieve the targeted distributions. There can be no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect the Corporation's ability to maintain distributions at a consistent level. Due to the inability to accurately predict the extent to which the mortgages in which the Corporation invests in, may be prepaid, it is possible that the Corporation may not be able to sufficiently reduce interest rate risk associated with the replacement of such mortgages through new investments in mortgages.

Changes in Property Values

The mortgage loans in which the Corporation invests, will be secured by real estate, the value of which can fluctuate. The value of real estate is affected by general economic conditions, local real estate markets, the attractiveness of the property to tenants where applicable, competition from other available properties, fluctuations in occupancy rates, operating expenses, environmental hazards, and other factors. The value of properties on which the Corporation holds mortgages could fall below the principal amount of the outstanding mortgage loans on those properties, thereby exposing the Corporation to potential losses if the mortgagor defaults on the mortgage loan and the Corporation must sell the property in an attempt to recover its mortgage loan. Losses sustained by the Corporation in respect of a mortgage loan(s) may result in a decrease in the value of the assets of the Corporation and may delay or prevent the Corporation from meeting retraction requests and/or making distributions. The value of income-producing real property may also depend on the credit worthiness and financial stability of the borrowers and/or the tenants. While

independent appraisals may be obtained before the Corporation may make any mortgage investment, the appraised values, even where reported on an “as is” basis, are not necessarily reflective of the market value of the underlying real property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain conditions and assumptions, including the completion, rehabilitation or making of leasehold improvements on the real property providing security for the loan. There can be no assurance that these conditions will be satisfied and, if and to the extent they are not satisfied, the appraised value may not be achieved. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.

Renewal of Mortgages

There can be no assurances that any of the mortgages held by the Corporation can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to each mortgage held by the Corporation, it is possible that the mortgagor or the Corporation, or both, will elect not to renew such mortgage. In addition, if the mortgages in the Corporation’s mortgage portfolio are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such mortgages will be subject to negotiations between the Corporation and the mortgagors at the time of renewal and the terms of a refinancing may therefore not be as favorable as the terms of existing indebtedness.

Illiquidity of the Investments

Investments in mortgages are relatively illiquid. Such illiquidity will tend to limit the Corporation’s ability to vary the mortgage portfolio promptly in response to changing economic or investment conditions or to ensure that sufficient funds are available to meet redemption requests and/or make distributions. Furthermore, certain significant expenditures, including principal and interest payments on borrowed funds, property taxes, capital repair and replacement costs, maintenance costs, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing income or whether mortgage payments are being made. The Corporation may be required to incur such expenditures to protect its investment, even if the mortgagor is not honoring its contractual obligations.

Specific Investment Risk for Non-Institutional Mortgage Investments

Non-institutional mortgage investments attract higher loan loss risk. This higher risk is compensated for by a higher rate of return. The failure of one or more borrowers to make payments according to the terms of their loan could result in the Corporation exercising its rights as mortgagee and may adversely affect the Corporation’s rate of return which is directly correlated to the receipt of mortgage payments. Also, the recovery of a portion of the Corporation’s assets, i.e. the property put up as collateral by the defaulting mortgagor, would be tied up for a period of time, diverting resources away from the funding of new investments. Legal fees and other costs incurred by the Corporation in enforcing its rights as mortgagee against a defaulting borrower are borne by the Corporation. Although a portion of these fees and costs are often recoverable from the borrower directly or through the sale of the mortgaged property by power of sale or otherwise, there is no assurance that they will actually be recovered. Due to fluctuations in the market and the economy generally, there is a possibility that historical loan default rates may increase, resulting in increased fees and costs and lower profits, and that in any power of sale, the Corporation could lose some or a substantial portion of the principal amount loaned to the borrower.

Environmental Liability of a Mortgagee in Possession

Environmental legislation and policies have become an increasingly important feature of property ownership and management in recent years. Under various laws, where the Corporation may exercise its right of re-entry or foreclosure or has otherwise assumed the control, occupation or management of the property, the Corporation could become liable for the costs of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and wastes at or from a property, or disposed of at another location. The failure to effect remedial work may adversely affect an owner's ability to sell real estate or to borrow using the real estate as collateral and could result in claims against the owner.

Data Security and Privacy Breaches

The cybersecurity risks faced by the Corporation, the Administrator, service providers and shareholders have increased in recent years due to the proliferation of cyber-attacks that target computers, information systems, software, data and networks. Cyber-attacks include, among other things, unauthorized attempts to access, disable, modify or degrade information systems and networks, the introduction of computer viruses and other malicious codes such as "ransomware", and fraudulent "phishing" emails that seek to misappropriate data and information or install malware on users' computers. The potential effects of cyber-attacks include the theft or loss of data, unauthorized access to, and disclosure of, confidential personal and business-related information, service disruption, remediation costs, increased cyber-security costs, lost revenue, litigation and reputational harm which can materially affect the Corporation. The Administrator continuously monitors security threats to its information systems and implements measures to manage these threats, however the risk to the Corporation and the Administrator and therefore shareholders cannot be fully mitigated due to the evolving nature of these threats, the difficulty in anticipating such threats and the difficulty in immediately detecting all such threats.

RESTRICTIONS ON RESALE

No prospectus has been filed in connection with this Offering in Canada or elsewhere. As a result, the securities acquired hereunder may only be resold pursuant to National Instrument 45-102 - *Resale of Securities* ("**NI 45-102**"). The following summary is based upon the current provisions of NI 45-102. The summary does not take into account, or anticipate, any changes in the law, whether by judicial, governmental or legislative action or decision.

The Offered Shares being distributed pursuant to the Offering Memorandum are subject to restrictions on resale until such times as: (i) appropriate hold periods have been satisfied; (ii) the trade is made in reliance on an available statutory exemption; or (iii) an appropriate discretionary order is obtained pursuant to applicable securities laws. Since the Corporation is not a reporting issuer pursuant to applicable securities legislation of any jurisdiction, the applicable hold period may never expire, and if no further statutory exemption is available or if no discretionary order is obtained, this could result in a potential investor having to hold Offered 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 Offered Shares will become freely tradable.

Transfers of shares of the Corporation are also subject to the approval of the directors of the Corporation.

Purchasers of Offered Shares 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 Offered Shares acquired pursuant to the Offering Memorandum.

PURCHASER'S RIGHTS OF ACTION FOR DAMAGES OR RESCISSION

Securities legislation in certain of the jurisdictions of Canada provides investors with (or requires that investors be provided contractually with), in addition to any other right they may have at law, rights of rescission or damages, or both, where an offering memorandum and any amendment thereto contains a misrepresentation (as such term may be defined in the applicable statute but generally 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 any statement not false or misleading in light of the circumstances in which it was made). However, such rights must be exercised by the subscriber within the prescribed time limits and are subject to the defences contained in applicable securities legislation. Investors should refer to the applicable provisions of such securities legislation for the particulars of these rights or consult with a legal advisor. The following summary is subject to the express provisions of the relevant securities laws and regulations thereunder and reference is made thereto for the complete text of such provisions. **The rights of action discussed below are in addition to and without derogation from any other rights or remedies available at law to the subscriber.**

Ontario

Section 130.1 of the *Securities Act* (Ontario) (the "**Ontario Act**") provides that every purchaser of securities pursuant to an offering memorandum (such as this offering memorandum) or any amendment thereto shall have a statutory right of action for damages or rescission against the issuer and any selling security holder in the event that the offering memorandum contains a misrepresentation (as defined in the Ontario Act). A purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the misrepresentation, a right of action for damages or, alternatively, while still the owner of the securities, for rescission against the issuer and any selling security holder provided that:

- (a) if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages as against the issuer and the selling security holders, if any;
- (b) the issuer and the selling security holders, if any, will not be liable if they prove that the purchaser purchased the securities with knowledge of the misrepresentation;
- (c) the issuer and the selling security holders, if any, will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and
- (d) in no case shall the amount recoverable exceed the price at which the securities were offered.

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

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of an action for damages, the earlier of:

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

This offering memorandum is being delivered in reliance on certain exemptions from the prospectus requirements, including those contained under section 2.3 (the “accredited investor exemption”) and section 2.10 (the “minimum amount exemption”) of NI 45-106. The rights referred to in section 130.1 of the Ontario Act do not apply in respect of an offering memorandum (such as this offering memorandum) delivered to a prospective purchaser in connection with a distribution made in reliance on the accredited investor exemption if the prospective purchaser is:

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

The rights of action for rescission or damages are in addition to and do not derogate from any other right that the purchaser may have at law.

Saskatchewan

Section 138 of The Securities Act, 1988 (Saskatchewan), as amended (the “**Saskatchewan Act**”) provides that in the event that an offering memorandum (such as this offering memorandum) or any amendment to it sent or delivered to a purchaser contains a misrepresentation (as defined in the Saskatchewan Act), a purchaser who purchases Units covered by the offering memorandum or any amendment to it has a right of action against the issuer or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

- (a) the issuer or a selling security holder on whose behalf the distribution is made;
- (b) every promoter and director of the issuer or the selling security holder, as the case may be, at the time the offering memorandum or any amendment to it was sent or delivered;
- (c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;
- (d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or the amendment to the offering memorandum; and
- (e) every person who or company that sells securities on behalf of the issuer or selling security holder under the offering memorandum or amendment to the offering memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

- (a) if the purchaser elects to exercise its right of rescission against the issuer or selling security holder, it shall have no right of action for damages against that party;

- (b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the securities resulting from the misrepresentation relied on;
- (c) no person or company, other than the issuer or a selling security holder, will be liable for any part of the offering memorandum or any amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation;
- (d) in no case shall the amount recoverable exceed the price at which the securities were offered; and
- (e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation.

In addition, no person or company, other than the issuer or selling security holder, will be liable if the person or company proves that:

- (a) the offering memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered; or
- (b) with respect to any part of the offering memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, the part of the offering memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Not all defences upon which the issuer or others may rely are described herein. Please refer to the full text of the Saskatchewan Act for a complete listing.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the Saskatchewan Act also provides that where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the individual.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities

are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Saskatchewan Financial Services Commission.

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by Section 80.1 of the Saskatchewan Act.

Section 147 of the Saskatchewan Act provides that no action shall be commenced to enforce any of the foregoing rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any other action, other than an action for rescission, the earlier of:
 - (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or
 - (ii) six years after the date of the transaction that gave rise to the cause of action.

The Saskatchewan Act also provides a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act has a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended offering memorandum.

The rights of action for damages or rescission under the Saskatchewan Act are in addition to and do not derogate from any other right which a purchaser may have at law.

Manitoba

Section 141.1 of the Securities Act (Manitoba), as amended (the "**Manitoba Act**") provides that where an offering memorandum (such as this offering memorandum) or any amendment to it contains a misrepresentation, a purchaser who purchases a security offered by the offering memorandum is deemed to have relied on the representation if it was a misrepresentation at the time of purchase and has a right of rescission against the issuer or has a right of action for damages against (i) the issuer, (ii) every director of the issuer at the date of the offering memorandum, and (iii) every person or company who signed the offering memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

- (a) if the purchaser chooses to exercise a right of rescission against the issuer, the purchaser shall have no right of action for damages against the parties (i), (ii) and (iii) listed above;
- (b) in an action for damages, a defendant will not be liable for all or any part of the damages that he or she proves do not represent the depreciation in value of the security as a result of the misrepresentation;

- (c) in no case shall the amount recoverable exceed the price at which the securities were offered under the offering memorandum; and
- (d) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser had knowledge of the misrepresentation.

In addition, no person or company, other than the issuer, will be liable if the person or company proves that:

- (a) the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent, and that, after becoming aware that it was sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the person's or company's knowledge and consent;
- (b) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that:
 - (i) there had been a misrepresentation, or
 - (ii) the relevant part of the offering memorandum
 - a. did not fairly represent the expert's report, opinion or statement, or
 - b. was not a fair copy of, or an extract from, the expert's report, opinion or statement; or
- (c) with respect to any part of the offering memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or (ii) believed there had been a misrepresentation.

Not all defences upon which the issuer or others may rely are described herein. Please refer to the full text of the Manitoba Act for a complete listing.

Section 141.2 of the Manitoba Act provides that a purchaser of a security to whom an offering memorandum was required to be sent in compliance with Manitoba securities legislation, but was not sent within the prescribed time has a right of action for rescission or damages against the dealer, offeror or issuer who did not comply with the requirement.

Section 141.3 of the Manitoba Act also provides that a purchaser of a security to whom an offering memorandum is required to be sent may rescind the contract to purchase the security by sending a written notice of rescission to the issuer not later than midnight on the second day, excluding Saturdays and holidays, after the purchaser signs the agreement to purchase the securities.

Section 141.4 of the Manitoba Act provides that no action may be commenced to enforce any of the foregoing rights:

- (a) in the case of an action for rescission, more than 180 days after the day of the transaction that gave rise to the cause of action; or

- (b) in the case of any other action, other than an action for rescission, the earlier of:
 - (i) 180 days after the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or
 - (ii) two years after the day of the transaction that gave rise to the cause of action.

The rights of action for damages or rescission under the Manitoba Act are in addition to and do not derogate from any other right which a purchaser may have at law.

Nova Scotia

The right of action for damages or rescission described herein is conferred by section 138 of the Securities Act (Nova Scotia) (the “**Nova Scotia Act**”). Section 138 of the Nova Scotia Act provides, in relevant part, that in the event that an offering memorandum (such as this offering memorandum), together with any amendment thereto, or any advertising or sales literature (as such terms are defined in the Nova Scotia Act) contains a misrepresentation (as defined in the Nova Scotia Act), the purchaser will be deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the issuer and, subject to certain additional defences, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, while still the owner of the securities purchased by the purchaser, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer, directors of the issuer or persons who have signed the offering memorandum, provided that, among other limitations:

- (a) no action shall be commenced to enforce any of the foregoing rights more than 120 days after the date on which the initial payment was made for the securities;
- (b) no person will be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- (c) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and
- (d) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

- (a) the offering memorandum or amendment to the offering memorandum was sent or delivered to the purchaser without the person’s or company’s knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person’s or company’s knowledge or consent;
- (b) after delivery of the offering memorandum or amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the offering memorandum or amendment to the offering memorandum the person or company withdrew the person’s or company’s consent to the

offering memorandum or amendment to the offering memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or

- (c) with respect to any part of the offering memorandum or amendment to the offering memorandum purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (A) there had been a misrepresentation, or (B) the relevant part of the offering memorandum or amendment to offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Furthermore, no person or company, other than the issuer, will be liable with respect to any part of the offering memorandum or amendment to the offering memorandum not purporting (a) to be made on the authority of an expert or (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation or (ii) believed that there had been a misrepresentation.

If a misrepresentation is contained in a record incorporated by reference into, or deemed incorporated by reference into, the offering memorandum or amendment to the offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum or an amendment to the offering memorandum.

The rights of action for rescission or damages under the Nova Scotia Act are in addition to and do not derogate from any other right the purchaser may have at law.

New Brunswick

Section 150 of the Securities Act (New Brunswick) (the “**New Brunswick Act**”) provides that where an offering memorandum (such as this offering memorandum) contains a misrepresentation, a purchaser who purchases securities shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and:

- (a) the purchaser has a right of action for damages against the issuer and any selling security holder(s) on whose behalf the distribution is made, or
- (b) where the purchaser purchased the securities from a person referred to in paragraph (a), the purchaser may elect to exercise a right of rescission against the person, in which case the purchaser shall have no right of action for damages against the person.

This statutory right of action is available to New Brunswick purchasers whether or not such purchaser relied on the misrepresentation. However, there are various defences available to the issuer and the selling security holder(s). In particular, no person will be liable for a misrepresentation if such person proves that the purchaser purchased the securities with knowledge of the misrepresentation when the purchaser purchased the securities. Moreover, in an action for damages, the amount recoverable will not exceed the price at which the securities were offered under the offering memorandum and any defendant will not be liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation.

If the purchaser intends to rely on the rights described in (a) or (b) above, such purchaser must do so within strict time limitations. The purchaser must commence an action for rescission within 180 days after the date of the transaction that gave rise to the cause of action. The purchaser must commence its action for damages within the earlier of:

- (a) one year after the purchaser first had knowledge of the facts giving rise to the cause of action; or
- (a) six years after the date of the transaction that gave rise to the cause of action.

The foregoing summary is subject to the express conditions of the New Brunswick Act and the regulations promulgated thereunder and specific reference should be made to same. The rights of action for rescission or damages under the New Brunswick Act are in addition to and do not derogate from any other right the purchaser may have at law.

Prince Edward Island

Section 112 of the Securities Act (Prince Edward Island) (the “**PEI Act**”) provides to a purchaser who purchases, during the distribution period, a security offered by an offering memorandum (such as this offering memorandum) containing a misrepresentation, without regard to whether he or she relied on the misrepresentation, a right of action for damages against (a) the issuer, (b) the selling security holder on whose behalf the distribution is made, (c) every director of the issuer at the date of the offering memorandum, and (d) every person who signed the offering memorandum.

If an offering memorandum contains a misrepresentation, a purchaser, as described above, has a right of action for rescission against the issuer or the selling security holder on whose behalf the distribution is made. If the purchaser elects to exercise a right of action for rescission, the purchaser shall have no right of action for damages.

In addition, no person or company, other than the issuer and selling security holder, will be liable if the person proves that:

- (a) the offering memorandum was sent to the purchaser without the person’s knowledge or consent and that, on becoming aware of its being sent, the person had promptly given reasonable notice to the issuer that it had been sent without the knowledge and consent of the person;
- (b) the person, on becoming aware of the misrepresentation in the offering memorandum, had withdrawn the person’s consent to the offering memorandum and had given reasonable notice to the issuer of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe and did not believe that (i) there had been a misrepresentation, or (ii) the relevant part of the offering memorandum (A) did not fairly represent the report, statement or opinion of the expert, or (B) was not a fair copy of, or an extract from, the report, statement or opinion of the expert.

Not all defences upon which the issuer or others may rely are described herein. Please refer to the full text of the PEI Act for a complete listing.

In an action for damages, the defendant is not liable for any damages that he or she proves do not represent the depreciation in value of the security resulting from the misrepresentation. In addition, the amount recoverable must not exceed the price at which the securities purchased by the purchaser were offered.

Section 121 of the PEI Act provides that no action may be commenced to enforce any of the foregoing rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any action other than an action for rescission, the earlier of:
 - (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or
 - (ii) three years after the date of the transaction giving rise to the cause of action.

The rights of action for rescission or damages conferred are in addition to and do not derogate from any other right that the purchaser may have at law.

Northwest Territories

Securities legislation in the Northwest Territories provides that if an offering memorandum (such as this offering memorandum) contains a misrepresentation, a purchaser who purchases a security offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation:

- (a) a right of action for damages against
 - (i) the issuer;
 - (ii) the selling security holder on whose behalf the distribution is made;
 - (iii) every director of the issuer at the date of the offering memorandum; and
 - (iv) every person who signed the offering memorandum; and
- (b) a right of rescission against:
 - (i) the issuer; or
 - (ii) the selling security holder on whose behalf the distribution is made.

If the purchaser chooses to exercise a right of rescission against the issuer, the purchaser has no right of action for damages against a person or company referred to above.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, an offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum.

If a misrepresentation is contained in the offering memorandum, no person is liable if the person proves that the purchaser purchased the securities with knowledge of the misrepresentation.

A person, other than the issuer or selling security holder, is not liable in an action for damages if the person proves that:

- (a) the offering memorandum was sent to the purchaser without the person's knowledge or consent, and that, on becoming aware of its being sent, the person had promptly given reasonable notice to the issuer that it had been sent without the person's knowledge and consent;
- (b) the person, on becoming aware of the misrepresentation, had withdrawn the person's consent to the offering memorandum and had given reasonable notice to the issuer of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, opinion or statement of an expert, the person had no reasonable grounds to believe and did not believe that
 - (i) there had been a misrepresentation, or
 - (ii) the relevant part of the offering memorandum
 - a. did not fairly represent the report, opinion or statement of the expert, or
 - b. was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

A person, other than the issuer or selling security holder, is not liable in an action for damages with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person

- (a) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or
- (b) believed there had been a misrepresentation.

The amount recoverable shall not exceed the price at which the securities were offered under the offering memorandum. In an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation.

All or any one or more of the persons or companies that are found to be liable or accept liability in an action for damages are jointly and severally liable. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all circumstances of the case, the court is satisfied that it would not be just and equitable.

The issuer, and every director of the issuer at the date of the offering memorandum who is not a selling security holder, is not liable if the issuer does not receive any proceeds from the distribution of the securities and the misrepresentation was not based on information provided by the issuer, unless the misrepresentation

- (a) was based on information previously publicly disclosed by the issuer;

- (b) was a misrepresentation at the time of its previous public disclosure; and
- (c) was not subsequently publicly corrected or superseded by the issuer before completion of the distribution of the securities being distributed.

No action may be commenced to enforce a right more than,

- (a) in the case of an action for rescission, 180 days after the date of the transaction giving rise to the cause of action; or
- (b) in the case of any action other than an action for rescission,
 - (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or
 - (ii) three years after the date of the transaction giving rise to the cause of action, whichever period expires first.

The rights of action for rescission or damages conferred are in addition to and do not derogate from any other right that the purchaser may have at law.

Yukon

Securities legislation in the Yukon provides that if an offering memorandum (such as this offering memorandum) contains a misrepresentation, a purchaser who purchases a security offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation:

- (a) a right of action for damages against:
 - (i) the issuer;
 - (ii) the selling security holder on whose behalf the distribution is made;
 - (iii) every director of the issuer at the date of the offering memorandum;
 - (iv) every person who signed the offering memorandum; and
- (b) a right of rescission against:
 - (i) the issuer; or
 - (ii) the selling security holder on whose behalf the distribution is made.

If the purchaser chooses to exercise a right of rescission against the issuer, the purchaser has no right of action for damages against a person or company referred to above.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, an offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum.

If a misrepresentation is contained in the offering memorandum, no person is liable if the person proves that the purchaser purchased the securities with knowledge of the misrepresentation.

A person, other than the issuer or selling security holder, is not liable in an action for damages if the person proves that:

- (a) the offering memorandum was sent to the purchaser without the person's knowledge or consent, and that, on becoming aware of its being sent, the person had promptly given reasonable notice to the issuer that it had been sent without the person's knowledge and consent;
- (b) the person, on becoming aware of the misrepresentation, had withdrawn the person's consent to the offering memorandum and had given reasonable notice to the issuer of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, opinion or statement of an expert, the person had no reasonable grounds to believe and did not believe that:
 - (i) there had been a misrepresentation, or
 - (ii) the relevant part of the offering memorandum
 - a. did not fairly represent the report, opinion or statement of the expert, or
 - b. was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

A person, other than the issuer or selling security holder, is not liable in an action for damages with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person

- (a) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or
- (b) believed there had been a misrepresentation.

The amount recoverable shall not exceed the price at which the securities were offered under the offering memorandum. In an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation.

All or any one or more of the persons or companies that are found to be liable or accept liability in an action for damages are jointly and severally liable. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all circumstances of the case, the court is satisfied that it would not be just and equitable.

The issuer, and every director of the issuer at the date of the offering memorandum who is not a selling security holder, is not liable if the issuer does not receive any proceeds from the distribution of the securities and the misrepresentation was not based on information provided by the issuer, unless the misrepresentation

- (a) was based on information previously publicly disclosed by the issuer;
- (b) was a misrepresentation at the time of its previous public disclosure; and
- (c) was not subsequently publicly corrected or superseded by the issuer before completion of the distribution of the securities being distributed.

No action may be commenced to enforce a right more than,

- (a) in the case of an action for rescission, 180 days after the date of the transaction giving rise to the cause of action; or
- (b) in the case of any action other than an action for rescission:
 - (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or
 - (ii) three years after the date of the transaction giving rise to the cause of action, whichever period expires first.

The rights of action for rescission or damages conferred are in addition to and do not derogate from any other right that the purchaser may have at law.

British Columbia, Alberta and Québec

Notwithstanding that the *Securities Act* (British Columbia), the *Securities Act* (Alberta) and the *Securities Act* (Québec) do not provide, or require the issuer to provide to purchasers resident in the Province of Alberta purchasing under the exemption contained in section 2.3 (the “accredited investor exemption”) of NI 45-106 and to purchasers resident in British Columbia or Québec any rights of action in circumstances where this offering memorandum or an amendment hereto contains a misrepresentation, the issuer hereby grants to such purchasers contractual rights of action that are equivalent to the statutory rights of action set forth above with respect to purchasers resident in Ontario.

The rights summarized above are in addition to and without derogation from any other rights or remedy which investors may have at law.