

OFFERING MEMORANDUM

This Offering Memorandum constitutes a private offering of securities only in those jurisdictions and to those persons where and to whom they may be lawfully sold and therein only by those entities permitted to sell such securities. This Offering Memorandum is not, and under no circumstances is it to be construed as a prospectus, advertisement or public offering of the securities referred to herein. No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See "Risk Factors". Persons who will be acquiring securities pursuant to this Offering Memorandum will not have the benefit of the review of the material by the securities commissions or similar authorities in Canada. The securities offered hereunder will be issued under exemptions from the registration and prospectus requirements of the applicable securities laws of British Columbia and the rules, regulations and policies thereunder and will be subject to certain resale restrictions. These securities will not be offered for sale in the United States of America.

April 29, 2024

Continuous Offering

ARMADA MORTGAGE CORPORATION

C405-20175 96 Avenue

Langley, British Columbia V1M 0B2

Email: reception@armadamortgage.com

Telephone: (604) 467-6449

Fax: (604) 467-6409

\$1.00 per Class A Preferred Non-Voting Share

Minimum Subscription: \$5,000 (5,000 Class A Preferred Shares)

\$1.00 per Class B Preferred Non-Voting Share

Minimum Subscription: \$5,000 (5,000 Class B Preferred Shares)

Armada Mortgage Corporation (the "**Company**") is a private mortgage investment corporation incorporated under the *Company Act* (British Columbia) on December 29, 1995. On January 28, 2005, the Company transitioned under the new *Business Corporations Act* (British Columbia).

The Company is offering on a private placement basis up to a maximum of 15,000,000 Class A Preferred Non-Voting Shares and 5,000,000 Class B Preferred Non-Voting Shares (the "**Preferred Shares**") in the capital of the Company at an initial price of \$1.00 per Preferred Share (the "**Offering**"). Each Preferred Share represents a beneficial interest in the profits of the Company, which will principally be comprised of annual dividends paid in cash or in shares of the Company.

The Offering is being made with reliance on certain exemptions from the registration and prospectus filing requirements available under the securities laws of British Columbia. As a result, the Preferred Shares offered herein will be subject to the applicable resale restrictions under these laws. You will be restricted from selling your securities for an indefinite period. See "*Resale Restrictions*". There are certain risk factors inherent in an investment in the Preferred Shares and in the activities of the Company. See "*Risk Factors*".

Subscriptions will be accepted at the discretion of the Company subject to prior sale and satisfaction of the conditions set forth under "Subscription Procedure" and to the right of the Company to close the subscription books at any time without notice. The Offering is continuous and Preferred Shares will be available for sale. Purchasers will have two business days to cancel their agreement to purchase these securities. If there is a misrepresentation in this offering memorandum, purchasers will have the right to sue either for damages or to cancel their agreement to purchase these securities. See "*Subscription Procedure*" and "*Purchasers' Rights*".

DISCLAIMERS

This Offering Memorandum does not constitute, and may not be used for or in conjunction with, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized, or to any person to whom it is unlawful to make such an offer or solicitation. You are directed to inform yourself of and observe such restrictions and all legal requirements of your jurisdiction of residence in respect of the acquisition, holding and disposition of the securities offered hereby. Subscribers should thoroughly review this Offering Memorandum and are advised to consult with their professional advisors to assess the business, legal, income tax and other aspects of this investment. The securities offered hereby will be issued only on the basis of information contained in this Offering Memorandum and no other information or representation is authorized or may be relied upon as having been authorized by the Company. Any subscription for the securities offered hereby made by any person on the basis of statements or representations not contained in this Offering Memorandum or so provided, or inconsistent with the information contained herein or therein, will be solely at the risk of such person.



OFFERING MEMORANDUM
Dated April 29, 2024 for
ARMADA MORTGAGE CORPORATION

The Issuer

Name: **ARMADA MORTGAGE CORPORATION** (the
Head Office Address: **“Company”**)C405-20178 96 Avenue
Langley, BC V1M 0B2
Telephone Number: (604) 467-6449
Website Address: <https://armadamortgage.com/>
Email Address: reception@armadamortgage.com
Currently Listed/Quoted: No. **These securities do not trade on any exchange or market.**
Reporting Issuer: No.

The Offering

Securities Offered: Redeemable, retractable, non-voting Class “A” Preferred Shares with a par value of \$1.00 each and redeemable, retractable, non-voting Class “B” Preferred Shares without par value (the **“Preferred Shares”**).

Price Per Security: \$1.00 per Preferred Share (the **“Subscription Price”**).

Minimum/Maximum Offering: There is no minimum. The maximum is \$20,000,000. **You may be the only purchaser.**

Minimum Subscription Amount: The minimum number of Preferred Shares that may be subscribed for by any one Subscriber is 5,000 Preferred Shares of a particular class at a subscription price of \$1.00 per Preferred Share for a total of \$5,000 for any subscription made through Armada Wealth Management Inc. or 25,000 Preferred Shares of a particular class at a subscription price of \$1.00 per Preferred Share for a total of \$25,000 for any subscription made through a third-party dealer or distributor. The Company reserves the right to change the minimum amount at any time and from time to time.

Payment Terms: The full Subscription Price is payable upon subscription, by cheque or electronic transfer payable to “Armada Capital Corp. In Trust”. See Item 5.2 - *“Subscription Procedure”*.

Proposed Closing Date(s): The closing of the sale of the Preferred Shares offered hereunder will take place at such times as are chosen by the Company (each, a **“Closing”**). The Company reserves the right to close the Offering at any time as subscriptions are received.

Income Tax Consequences: There are important income tax consequences to these securities (see Item 8 - *“Income Tax Consequences and RRSP Eligibility”*).

Insufficient Funds: **Funds available under the Offering may not be sufficient to accomplish the Company’s proposed objectives. See item 2.6 “Insufficient Funds.”**

Compensation Paid to Sellers and Finders: The Company has entered into or may enter into agency agreements for the sale of securities under this offering. See item 9 *“Compensation Paid to Sellers and Finders.”*

Resale Restrictions and Redemption Rights: As there is no market for the Preferred Shares, it may be difficult or even impossible to sell them. Preferred Shares are subject to resale restrictions and you will be restricted from selling your Preferred Shares for an indefinite period (see Item 12 - *“Resale Restrictions”*). However, **Preferred Shares are redeemable by the holder by providing advance written notice, subject to certain restrictions (see Item 12 – “Resale Restrictions” and Item 5.1 – “Terms of Preferred Shares – Retraction by Preferred Shareholder”). As a result, you might not receive the amount of proceeds that you want.**

Working Capital Deficiency: The Company does not have a working capital deficiency at the date of this offering memorandum.

Payments to
Related Party:

Some of your investment will be paid to related parties of the Company. The Company pays to its administrator, Armada Capital Corporation, an annual servicing and administration fee equal to 1.5% of the aggregate outstanding balance of the total assets of the Company. It also pays the operating expenses of the selling agent, Armada Wealth Management Inc. See item 9 “*Compensation Paid to Sellers and Finders.*”

Purchaser’s
Rights:

You have 2 business days to cancel your agreement to subscribe for Preferred Shares. If there is a misrepresentation in this offering memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 13 - “*Purchaser’s Rights*”

No securities regulatory authority has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment (see Item 10 - “*Risk Factors*”).

TABLE OF CONTENTS

ITEM 1 - USE OF AVAILABLE FUNDS	1
1.1 FUNDS	1
1.2 USE OF AVAILABLE FUNDS.....	1
1.3 PROCEEDS TRANSFERRED TO OTHER ISSUERS	1
ITEM 2 – BUSINESS OF OUR COPORATION AND OTHER INFORMATION AND TRANSACTIONS	2
2.1 STRUCTURE	2
2.2 THE COMPANY’S BUSINESS	2
2.3 DEVELOPMENT OF BUSINESS	7
2.4 LONG TERM OBJECTIVES	11
2.5 SHORT TERM OBJECTIVES	12
2.6 INSUFFICIENT FUNDS.....	12
2.7 ADDITIONAL DISCLOSURE FOR ISSUERS WITHOUT SIGNIFICANT REVENUE.....	12
2.8 MATERIAL CONTRACTS.....	12
2.9 RELATED PARTY TRANSACTIONS	13
ITEM 3 - DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS	14
3.1 COMPENSATION AND SECURITIES HELD.....	14
3.2 MANAGEMENT EXPERIENCE.....	16
3.3 PENALTIES, SANCTIONS AND BANKRUPTCY, INSOLVENCY AND CRIMINAL OR QUASI-CRIMINAL MATTERS	17
3.4 CERTAIN LOANS.....	18
ITEM 4 – CAPITAL STRUCTURE	18
4.1 SECURITIES EXCEPT FOR DEBT SECURITIES	18
4.2 LONG TERM DEBT	18
4.3 PRIOR SALES.....	18
ITEM 5 – SECURITIES OFFERED	19
5.1 TERMS OF PREFERRED SHARES	19
5.2 SUBSCRIPTION PROCEDURE.....	23
ITEM 6 – REPURCHASE REQUESTS.....	24
ITEM 7 – CERTAIN DIVIDENDS OR DISTRIBUTIONS.....	24
ITEM 8 - INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY	24
8.1 PURCHASERS’ INDEPENDENT TAX ADVICE	24
8.2 MIC STATUS; INCOME TAX CONSEQUENCES.....	24
8.3 REGISTERED PLAN ELIGIBILITY	25
ITEM 9 - COMPENSATION PAID TO SELLERS AND FINDERS	25
ITEM 10 - RISK FACTORS	26
ITEM 11 - REPORTING OBLIGATIONS	30
11.1 DOCUMENTS PROVIDED TO SHAREHOLDERS ANNUALLY	30
11.2 SOURCES OF INFORMATION ABOUT THE COMPANY	30
ITEM 12 - RESALE RESTRICTIONS	30
12.1 GENERAL.....	30
12.2 RESTRICTED PERIOD	30
ITEM 13 - PURCHASER’S RIGHTS.....	31
ITEM 14 - FINANCIAL STATEMENTS	35

GLOSSARY

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

“**Administrator**” means Armada Capital Corporation. See Administration and Services Provider in Item 2.2;

“**affiliate**” or “**affiliates**” has the same meaning as in the B.C. Securities Act;

“**AWM**” means Armada Wealth Management Inc, an affiliate of the Company with whom the Company and the Administrator have an agreement in terms of which AWM will act as a selling agent for the Company. See Item 9 - Compensation Paid to Sellers and Finders;

“**B.C. Securities Act**” means the *Securities Act* (British Columbia), with all amendments thereto in force from time to time and any statutes that may be passed which have the effect of supplementing or superseding such statute;

“**Business Day**” means a day other than a Saturday, Sunday or any day on which the principal office of the Company’s bankers located in Vancouver, British Columbia, is not open for business during normal banking hours;

“**Closing**” means a closing of the sale of Preferred Shares as the Company may determine from time to time;

“**Date of Closing**” means in respect of any Preferred Shares the date upon which the subscription for such Preferred Share is accepted by the Company;

“**Fiscal Year**” means each consecutive period of 12 months ending on December 31;

“**Loans**” means the portfolio of short to medium-term loans in which the Company will invest the net proceeds from the issuance of Preferred Shares pursuant to this Offering Memorandum;

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

“**Mortgage**” or “**Mortgages**” means a mortgage, a mortgage of a mortgage or a mortgage of a leasehold interest (or other like instrument, including an assignment of or an acknowledgement of an interest in a mortgage), hypothecation, deed of trust, charge or other security interest of or in Real Property used to secure obligations to repay money by a charge upon the underlying Real Property;

“**Mortgage Broker**” means a party licensed under the Mortgage Brokers Act;

“**Mortgage Brokers Act**” means the *Mortgage Brokers Act* (British Columbia), with all amendments thereto in force from time to time and any statutes that may be passed which have the effect of supplementing or superseding such statute;

“**Net Subscription Proceeds**” means the gross proceeds to the Company from the sale of the Preferred Shares less the costs of this Offering;

“**Offering**” means this offering of up to 20,000,000 Preferred Shares;

“**Preferred Share**” means a Class A Preferred, Non-Voting Share and/or a Class B Preferred, Non-Voting Share in the capital of the Company;

“**Preferred Shareholder**” means those investors whose subscriptions to purchase Preferred Shares are accepted by the Company and thereafter at any particular time the persons entered in the central securities register of the Company as holders of Preferred Shares and the singular form means one such registered holder;

“**Real Property**” means land, rights or interest in land (including without limitation leaseholds, air rights and rights in condominiums, but excluding Mortgages) and any buildings, structures, improvements and fixtures located thereon;

“**Securities Authority**” means the British Columbia Securities Commission and any other applicable provincial securities regulator;

“**Subscriber**” means a subscriber for Preferred Shares;

“**Subscription Form**” means the subscription form to subscribe for Preferred Shares;

“**Subscription Price**” means \$1.00 per Preferred Share; and

“**Tax Act**” means the *Income Tax Act* (Canada), R.S.C. 1985 (5th Supp.) c.11, and the regulations promulgated thereunder, as amended from time to time.

ITEM 1 - USE OF AVAILABLE FUNDS

1.1 Funds

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

	Description	Assuming	
		Minimum Offering ⁽¹⁾	Maximum Offering ⁽¹⁾
A	Amount to be raised by the Preferred Share Offering	\$0	\$20,000,000
B	Selling commissions and fees	\$0 ⁽²⁾	\$60,000 ⁽²⁾
C	Estimated offering costs (e.g. legal, accounting, audit etc.)	\$20,000	\$20,000
D	Available funds: $D = A - (B+C)$	(\$20,000)	\$19,920,000
E	Additional sources of funding required ⁽³⁾	\$20,000	\$0
F	Working capital deficiency	\$0	\$0
G	Total: $G = (D + E) - F$	\$0	\$19,920,000

(1) There is no minimum offering. The Company may raise only a portion of the maximum offering.

(2) Under the terms of an agreement between the Company, the Administrator and AWM, the Administrator may pay AWM a monthly fee equal to 1/6 of the fee the Administrator receives from the Company, to cover AWM's operating expenses until AWM is able to fund its own operating expenses. The Company may enter into arrangements with external dealers to sell the Preferred Shares.. See Item 9 - Compensation Paid to Sellers and Finders.

(3) If necessary, the Company will provide funds from existing working capital to cover the estimated offering costs. In addition, the Company has a credit facility with a Canadian chartered bank, with a credit limit capped at the lesser of \$5,000,000 and the total of 75% of qualified first and second position mortgages on residential properties, secured by a general security agreement.

1.2 Use of Available Funds

The Company will use the available funds as follows:

Description of intended use of available funds listed in order of priority	Assuming Minimum Offering	Assuming Maximum Offering
Investment in mortgages and other permitted investments	\$0	\$19,620,000
Operating expenses ⁽¹⁾	\$0	\$300,000
Total: Equal to G in the Funds table above	\$0	\$19,920,000

(1) The Company will use the total funds raised from this Offering primarily to invest in mortgages. Operating expenses include the fees payable to the Manager as described in Item 2.8 below, which is equal to 1.5% per year of the invested assets of the Company. Based on funds of \$20,000,000, the fee charged by the Manager would be \$300,000

1.3 Proceeds Transferred to Other Issuers

The Company intends to spend the funds as stated. No significant amount of the proceeds of the Offering will be invested in, loaned to, or otherwise transferred to another issuer that is not a subsidiary controlled by the Company.

ITEM 2 – BUSINESS OF THE COMPANY AND OTHER INFORMATION AND TRANSACTIONS

2.1 Structure

The Company was incorporated under the *Company Act* (British Columbia) on December 29, 1995. On January 28, 2005, the Company transitioned under the new *Business Corporations Act* (British Columbia). The Company intends to carry on business as a mortgage investment corporation (a “MIC”) as this term is defined under section 130.1 of the Tax Act. The directors of the Company intend to refuse the registration of an allotment or transfer of the Company’s shares which may result in the Company ceasing to meet such qualification.

The head office and principal place of business of the Company is located at C405-20178 96 Avenue, Langley, British Columbia, Canada V1M 0B2. The registered and records office of the Company is located at 6345 – 197th Street, Langley, British Columbia, Canada V2Y 1K8.

The Company is registered as a corporation in British Columbia, Alberta, and Ontario. The Company’s investment policies require it to conduct its operations so as to qualify as a “*mortgage investment corporation*”

2.2 The Company’s Business

The Company

The Company is a mortgage investment corporation, formed for the purpose of generating a stable stream of income for investors, primarily by making Loans secured by Mortgages, thereby providing investors with an opportunity to participate indirectly in a portfolio of Mortgages. It has developed its mortgage investment business steadily since 1996 and expects that demand for private mortgage financing will remain high as traditional institutional lenders maintain tight lending policies.

The Tax Act provides that a MIC may invest its funds as it sees fit, provided that a MIC must not invest in mortgages on Real Property (land and buildings) situated outside of Canada or any leasehold interest in such property, debts owing by non-resident persons unless secured by Real Property situated in Canada or shares of corporations not resident in Canada. The Tax Act also provides that at least 50% of the cost amount of a MIC’s property must consist of debts secured by mortgages or otherwise on “houses” or property included within a “housing project” (as those terms are defined by section 2 of the *National Housing Act* (Canada)) and money on deposit in a bank or credit union. No more than 25% of the cost amount of a MIC’s property may be Real Property, including leasehold interests in Real Property (except for Real Property acquired by foreclosure or otherwise after default on a mortgage or other security).

The Company invests primarily in first and second mortgages each having a principal amount which, when added to the principal amount of prior mortgages, is generally not more than 75% of the appraised value of the Real Property against which they are secured. There may be instances in which the Company will invest in Loans with a higher loan-to-value ratio if such Loans are approved by the Board of Directors of the Company.

The Company is in the business of investing in Mortgages granted as security for Loans to a variety of borrowers, including builders, developers and owners of commercial, industrial and residential real estate located primarily in British Columbia, Alberta, and Ontario. To the extent that the Company’s funds are not invested in Mortgages from time to time, they are held in cash deposited with a Canadian chartered bank or credit union or are invested in short term deposits, savings accounts or government guaranteed income certificates so that the Company may maintain a level of working capital for its ongoing operations considered acceptable by the directors of the Company. Subject to limitations and restrictions applicable to MICs that are contained in the Tax Act, the Company may make other permitted investments over time, including the direct ownership of Real Property (including Real Property acquired by way of foreclosure under Mortgages).

The Company’s mortgage investment portfolio is directed by the management of the Company and board of directors and all potential mortgage investments are also approved by management of the Company as long as the mortgage investments are within the investment policies and guidelines established by the Board of Directors of the Company.

As a MIC, the Company is allowed to deduct dividends that it pays from its income. The Company intends to pay out all of its net income and net realized capital gains as dividends within the time period specified in the Tax Act (see Item 8 - “*Income Tax Consequences*”).

The Company may fund its investments through equity financings or, by law, the Company may employ leverage, as permitted by applicable legislation, by issuing debt obligations up to a maximum of five (5) times its equity if at least 2/3 of its equity is in Canadian residential property or on deposit with qualifying financial institutions and four (4) times its equity if less than 2/3 of its equity is in Canadian residential property or on deposit with qualifying financial institutions. The Company currently has a revolving credit facility with a Canadian Chartered Bank, with a credit limit capped at the lesser of \$5,000,000 and 75% of qualified first and second position mortgages on residential properties (see Item 2.8 – “*Material Contracts*”). The Company intends to borrow to the extent that the Directors are satisfied that such borrowing and additional investments will increase the overall profitability of the Company.

Mortgage Brokerage

The Company is registered as a Mortgage Broker with the British Columbia Financial Services Authority in accordance with the *Mortgage Brokers Act*.

The Office of the Registrar of Mortgage Brokers at the British Columbia Financial Services Authority regulates the mortgage brokering and lending activities of MICs under the *Mortgage Brokers Act*. The Registrar and the *Mortgage Brokers Act* do not regulate the capital raising and investment marketing activities of MICs which are subject to securities legislation and regulation.

Administration and Services Provider

The Company does not have and does not expect to have any employees other than the officers described herein, and therefore, all mortgage administration and other ancillary services will be performed by Armada Capital Corporation (the “**Administrator**”), which will provide ongoing mortgage administration and other ancillary services relating to the Company’s business pursuant to an Administrative and Services Agreement between the Company and the Administrator, dated June 1, 2015. The Administrator is responsible for processing and administering mortgage loans on behalf of the Company and handling the day-to-day administrative services for the Company’s operations. The Administrator is a related party of the Company in that the Administrator is controlled by Mr. Gordon Hone, a Director, officer, and shareholder of the Company. Karin Schmidtke has been added as an officer of the administrator in 2023.

The administrator is registered as a Mortgage Brokerage in BC with the British Columbia Financial Services authority or BCFSFA, registered with the Real Estate Council of Alberta or RECA in Alberta & with the Financial Services Regulatory Authority of Ontario or FSRA

Pursuant to the Administrative and Services Agreement, the Administrator will be paid an annual servicing and administration fee equal to 1.5% of the aggregate outstanding balance of the total assets of the Company, with such fee being calculated and payable monthly in arrears on the 15th of each month.

The Administrator will provide mortgage administration and other ancillary services to the Company with such services to be rendered immediately and competently and with professional skill and acumen.

The Administrator is required to and shall:

- (a) administer mortgage loans on behalf of the Company;
- (b) undertake and be responsible for the day-to-day administration of the Company;
- (c) provide financial services to the Company including administering general security agreements and other forms of security of the Company;
- (d) provide quarterly reports on the operation of the Company to the Board of Directors of the Company;
- (e) communicate regularly with mortgage brokers engaged in business with the Company and answer any such mortgage broker queries;
- (f) prepare accounting information for the auditors of the Company;
- (g) undertake any accounting task which shall reduce the accounting fees of the auditor;
- (h) maintain the business premises of the Company for the conduct of its business; and
- (i) perform other assignments related to the business and affairs of the Company as directed by its Board of Directors.

The Administrator shall furnish itself with all necessary administrative services including provision of office space, clerical staff and maintenance of books and records to the extent required to perform the duties and services set forth in the Administrative and Services Agreement.

In exercising its powers and discharging its duties under the Administrative and Services Agreement, the Administrator must carry out its duties fairly, honestly and in the best interests of the Company and must exercise the degree of care, diligence and skill that a reasonably prudent person experienced in the business of providing mortgage administration and ancillary services would exercise in comparable circumstances. The Administrator is not liable to the Company for any loss caused by the Administrator in carrying out its duties under the Administrative and Services Agreement unless the loss resulted from the gross negligence, willful misconduct or dishonesty of the Administrator, its officers, employees or agents in the performance of its duties. The Company has agreed, under the terms of the Administrative and Services Agreement, to indemnify and save the Administrator and its officers harmless in the event that the Administrator suffers a loss of any nature whatsoever in connection with the performance of its duties under the Administrative and Services Agreement, except where such loss resulted from the gross negligence, willful misconduct or dishonesty of the Administrator or its officers, employees or agents.

The Company will reimburse the Administrator for all reasonable and necessary out-of-pocket disbursements excluding wages, office space and maintenance of books and records incurred by the Administrator in connection with the administration of the business of the Company.

The appointment of the Administrator shall be for a five-year period and shall renew automatically for consecutive five-year periods unless the Administrative and Services Agreement is otherwise terminated.

In the event of termination of the Administrative and Services Agreement, the Administrative and Services Agreement and any agency created thereby shall terminate and be of no further force or effect and all rights or obligations of the Company and the Administrator shall cease. In addition, in the event of termination of the Administrative and Services Agreement, the Administrator shall return and deliver to the Company (or its authorized agent) all funds received by the Administrator in respect of all mortgages serviced thereunder and all documents, records, tax receipts, insurance policies, appraisals, correspondence, files and other documents in its possession pertaining to the mortgages serviced thereunder. See Item 2.8 – Material Contracts.

Investment in Loans

The Company will seek out and originate Loans for investment, which are consistent with the investment and operating policies and objectives of the Company.

The Mortgages to be invested in by the Company are a common form of financing within the real estate industry. The standard documentation used with respect to Mortgages will provide that, in the event of a failure by the mortgagor to pay any amount owing under a Mortgage, the mortgagees will be entitled to enforce the Mortgage in accordance with applicable law. In the event of a failure by a mortgagor to make a payment of interest and/or principal when due, the mortgagees will immediately communicate with the mortgagor and, failing prompt rectification, will issue a notice of its intent to exercise the remedy or remedies which are available to the mortgagee which the Company considers appropriate. Typically, all legal costs, costs related to registration of Mortgages and costs relating to obtaining appraisals of Real Property, as allowed by law, will be for the account of the mortgagors.

The Mortgages are held by and registered in the name of the Company.

In addition, the Company will obtain standard security in respect of commercial Mortgages which, depending on the specific Mortgage, may include one or more of an assignment of rents, an assignment of insurance proceeds, an assignment of purchase agreements (on residential development projects) and a general security agreement.

The Company will invest in Mortgages secured primarily by residential Real Property but may invest in Mortgages secured by various other types of Real Property, including single-family dwellings, duplexes, townhouses, condominium units and other multi-family residential properties, subdivisions and construction projects and commercial property, small strata retail, industrial and office units/buildings. The Company will invest in Mortgages secured by Real Property that is located within a 50-kilometre radius of a major urban center which has a minimum population of 35,000 in British Columbia, Alberta, and Ontario, although smaller population centers may be approved by the board of directors of the Company as an exception on a case-by-case basis. Such Mortgages will comply with the investment policies of the Company and any Loans relating to property outside of the 50-kilometre radius of a major urban center may have the lending criteria altered with the intention of protection of the capital.

The Mortgages in which the Company invests will often be short term (i.e., with terms of one year or less), but will attempt to stagger the maturity dates in order to produce an orderly turnover of assets and liabilities. The Mortgages may be second or, in exceptional cases, subsequent ranking Mortgages. As well, the Company may invest, either alone or in participation with other lenders, in mezzanine and subordinated Mortgage debt for investment properties, which Mortgages may carry longer terms.

Investment Policies

The Company's goal is to preserve invested capital and provide a steady stream of income to Preferred Shareholders by investing in Loans recommended by the Company's management. The Company will comply with the following policies and guidelines in order to accomplish this goal. These policies and guidelines are consistent with the provisions of the Tax Act and real estate legislation which apply to mortgage investment corporations generally. In addition, the Company has a credit committee in place which reviews all proposed Mortgages including all funding recommendations which fall outside of the Company prescribed guidelines below. The credit committee is currently comprised of three board members, Gordon Hone, Andrew Danneffel and Ed Monteiro, which members of the credit committee may change from time to time throughout the year; however, the credit committee will always be comprised of board members of the Company, all of whom are not paid for their services as credit committee members. The following are the investment criteria to be applied when selecting Mortgages in which the Company will invest:

- (a) No funds will be loaned in respect of any property in which a director or officer of the Company has a direct or indirect interest.
- (b) The Company intends that the overall loan-to-value ratio of any Mortgage will not exceed 75% of the appraised value of the property (including prior ranking mortgages) which is mortgaged at the date of the advance unless approved by the Board of Directors as an exception on a case-by-case basis. The following maximum loan-to-value guidelines will apply to certain classes of Real Estate:
 - (i) 50% for raw land
 - (ii) 65% for construction on serviced land
 - (ii) 65% for commercial or non-residential
 - (iv) 75% for residential
- (c) The Company requires a current appraisal with every mortgage application unless otherwise directed by the Directors of the Company. Each appraisal is required to be signed by appraisers that carry a Canadian Residential Appraiser (CRA) or Accredited Appraiser Canadian Institute (AACI) designation.
- (d) The Company will primarily invest in first Mortgages on residential properties, with no greater than 40% of the value of its portfolio in second and subsequent Mortgages.
- (e) All Mortgages will, prior to funding, be registered on title to the subject property in the name of the Company.
- (f) No single Loan or related group of Loans involving one property or development, or involving several properties or developments owned by one borrower and its affiliates, will exceed 10% of the book value of the Mortgage portfolio of the Company at the time of funding.
- (g) Construction, commercial or interim Mortgages, each as a separate group, are restricted to 5% of the Mortgage portfolio of the Company at the time of funding; unless otherwise directed by the Directors of the Company.
- (h) Investment in Mortgages is restricted to within a 50-kilometre radius of a major urban center which has a minimum population of 35,000 in British Columbia, Alberta, and Ontario, although smaller population centers may be approved by the non-management Directors of the Company as an exception on a case-by-case basis.

- (i) The term of any Mortgage will be no more than 3 years, with a focus on Mortgages with a term of 1 year.
- (j) The maximum Loan amount per first Mortgage is limited to \$950,000 unless such Loan is approved by the credit committee and/or at least two or more non-management Directors of the Company.
- (k) The maximum Loan amount per second or subsequent Mortgage is limited to \$250,000 unless such Loan is approved by the credit committee and/or at least two or more non-management Directors of the Company.
- (l) The Mortgage portfolio of the Company will be, from time to time partially margined by the revolving credit facility in order to optimize deployment of capital through reasonable leverage.
- (m) To the extent that, from time to time, the Company's funds are not invested in Loans, they will be held in cash deposited with a Canadian chartered bank or will be invested in short term deposits, savings accounts or government guaranteed income certificates or treasury bills so as to maintain a level of working capital for the Company's ongoing operations considered acceptable by the Directors of the Company.
- (n) The Company will not make any Loan that would result in it failing to qualify as a MIC pursuant to the Tax Act.

If, due to a change in the provisions of the Tax Act or other legislation applicable to the Company, any of the foregoing policies, guidelines and restrictions require amendment in order to comply with such change in legislation, the Company may make such change and such change will be binding on the Company. In addition, the foregoing policies, guidelines and restrictions may be changed at any time (so long as such change complies with applicable legislation) if the change is determined by the Company to be required in order to ensure that the Company remains competitive in making the highest quality Loans being undertaken in the marketplace at the time of such change and is in the best interests of the Company.

Operating Policies

The Tax Act imposes certain restrictions on MICs and on investments made by MICs, which restrictions can be summarized as follows:

- (a) The corporation must be a Canadian corporation.
- (b) The corporation must have at least 20 shareholders.
- (c) No shareholder can own more than 25% of the issued shares of any class of the corporation.
- (d) Except in limited circumstances, the corporation cannot manage or develop Real Property.
- (e) The corporation cannot own shares of non-resident corporations.
- (f) The corporation cannot hold Real Property located outside of Canada.
- (g) The corporation cannot loan funds where the security is property located outside of Canada.
- (h) More than 50% of the cost of the corporation's property must be invested in mortgages over residential properties or deposits with a qualifying financial institution.
- (i) No more than 25% of the cost of the corporation's property can be invested in Real Property, except property acquired by foreclosure.

- (j) The corporation must not exceed certain debt-to-equity ratios, which vary depending on the percentage of the cost of property invested in residential mortgages or on deposit with qualifying financial institutions. If less than two-thirds of the cost of the corporation's property is invested in this manner, the debt-to equity ratio may not exceed three to one. If more than two-thirds of the cost of the corporation's property is invested in this manner, then the allowable debt-to-equity ratio is five to one.

2.3 Development of Business

The Company has increased its loan portfolio, since its inception, by securing additional capital from previous offerings of Preferred Shares and shareholders' reinvestment of dividends as well as from its line of credit. This Offering is intended to provide the Company with additional funds and to advance further Loans with emphasis on urban centers and growth areas in British Columbia, Alberta, and Ontario.

The Company's target return to investors is 3.75% over the Bank of Canada 3-5 year bond rate, a target that has been reached each year since operations began in 2001. The Company is also following the Bank of Canada 1-3 year bond rate to more closely align the company's current mortgage terms.

Size and Composition of Portfolio

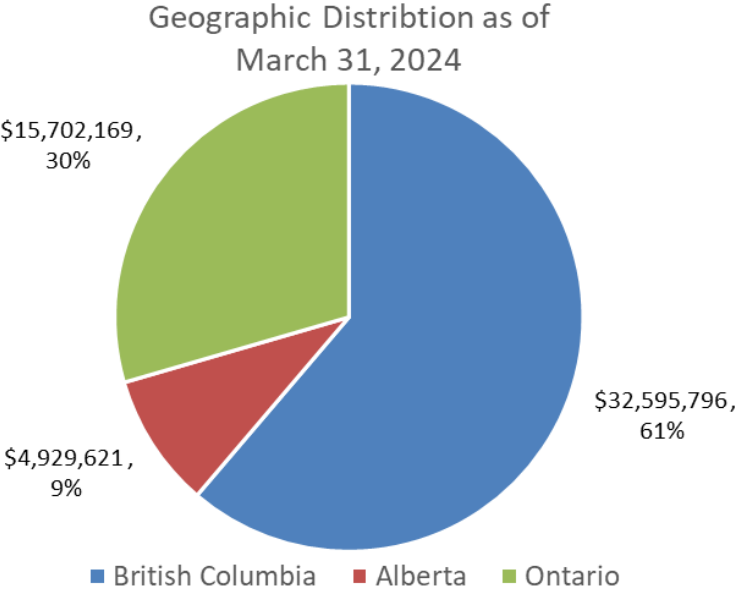
As of March 31, 2024, the Company's funds are invested in 223 Mortgages ranging in amounts from \$41,453 to \$1,300,000 for a total aggregate principal amount of approximately \$53,227,586. The interest rates on these Mortgages range from 5.80% to 13.16% with an average of 9.43%. Mortgages are issued for 1 to 3 year terms. 98% of mortgages outstanding are 1 year terms. Of the Company's 223 Mortgages, which are all on residential properties; 22 are on properties located in Alberta, 67 are on properties located in Ontario, and 134 are on properties located in British Columbia. In addition, of the 223 Mortgages, 87 are ranked as first mortgages, and the remaining 136 are ranked as second mortgages. The Mortgage portfolio composition as of March 31, 2024 was as follows:

Region	# of Mortgages	1st Mortgage	2nd Mortgage	Total Mortgage Value	Average LTV
Central Vancouver Island	4	\$ 757,000	\$ 49,873	\$ 806,873	38.56%
Fraser Valley	47	\$ 5,237,952	\$ 4,218,837	\$ 9,456,789	40.50%
Kamloops	3	\$ 387,924	\$ 207,676	\$ 595,600	61.49%
Kelowna	8	\$ 115,207	\$ 799,534	\$ 914,741	44.25%
North Fraser	14	\$ 1,924,143	\$ 1,212,469	\$ 3,136,612	41.95%
North Shore	6	\$ 2,447,632	\$ 596,107	\$ 3,043,739	44.95%
Penticton	1	\$ 400,000	\$ -	\$ 400,000	50.00%
Richmond/Delta	6	\$ -	\$ 923,195	\$ 923,195	46.78%
Surrey/White Rock	28	\$ 6,377,512	\$ 2,786,030	\$ 9,163,542	44.76%
Vancouver	9	\$ 1,602,500	\$ 551,598	\$ 2,154,098	39.85%
Vernon	1	\$ 110,000	\$ -	\$ 110,000	17.60%
Victoria	7	\$ 1,155,227	\$ 735,380	\$ 1,890,607	44.76%
Alberta	22	\$ 4,356,334	\$ 573,287	\$ 4,929,621	49.46%
Hamilton	6	\$ 742,343	\$ 398,236	\$ 1,140,579	38.50%
Kitchener-Waterloo	3	\$ 312,000	\$ 365,485	\$ 677,485	44.57%
Ontario Other	13	\$ 1,893,028	\$ 1,323,914	\$ 3,216,942	55.48%
Ottawa	10	\$ 1,706,824	\$ 577,070	\$ 2,283,894	48.74%
Toronto CMA	35	\$ 4,958,699	\$ 3,424,570	\$ 8,383,269	44.98%
Total	223	\$ 34,484,325	\$ 18,743,261	\$ 53,227,586	44.10%

Notes:

- (1) LTV is the acronym for "Loan to Value". The LTV of any specific mortgage is equal to the sum of the Company's mortgage plus any prior mortgages divided by the value the property. The LTV calculations in the above table were completed at the time the mortgages were originally funded. Thus, the above calculations are not an exact indicator of the actual LTV(s) as of March 31, 2024 as the property prices and/or mortgage values may have changed since the time the mortgage was originally funded.
- (2) Victoria includes the following cities and municipalities: Victoria, Saanich, and Sooke
- (3) Central Vancouver Island includes the following cities and municipalities: Nanaimo, Duncan, Port Alberni, and Ladysmith
- (4) Fraser Valley includes the following cities and municipalities: Langley, Chilliwack, Aldergrove, Langley-Township, Maple Ridge, Pitt Meadows, Abbotsford, Mission, Hope, Agassiz and Harrison Hot Springs.
- (5) North Fraser includes the following cities and municipalities: New Westminster, Port Coquitlam, Port Moody, Burnaby, Coquitlam, Anmore and Belcarra.

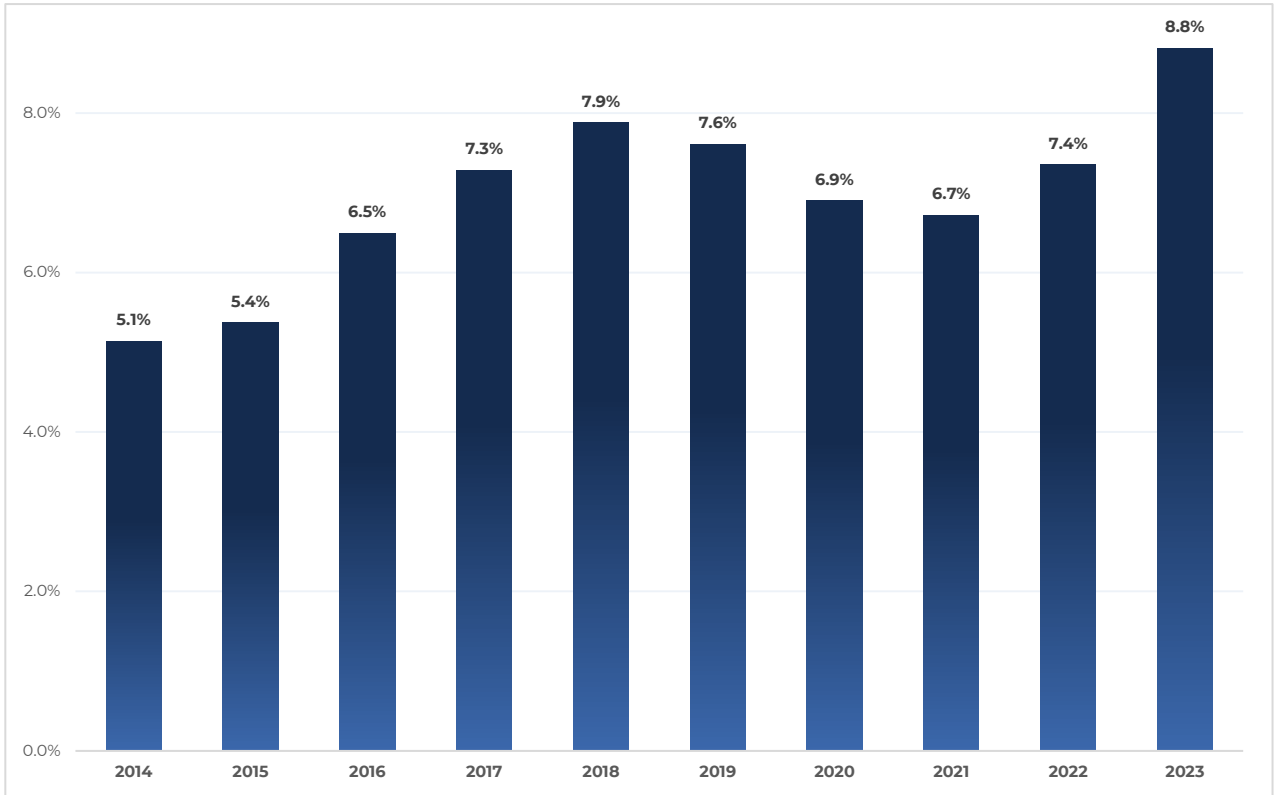
The following outlines the geographic distribution in British Columbia ,Alberta and Ontario where the Company’s Mortgages are located, as at March 31, 2024:



At March 31st, the Company had an accumulated allocation of \$291,833.35 for potential loan impairment. At March 31st the Company had eleven mortgages in foreclosure with remaining balances of \$4,717,812; a full recovery is expected on all eleven. Subsequent to March 31st the company has received payout requests for four mortgages. In addition, one has reinstated totaling \$1,907,757 leaving six mortgages in foreclosure with balances of \$2,810,055 or 5.2% of the outstanding portfolio.

Yearly Rate of Return to Investors

The following table sets out the average rate of returns to the Company's investors on a yearly basis since 2003.*



7.6%

7.5%

6.7%

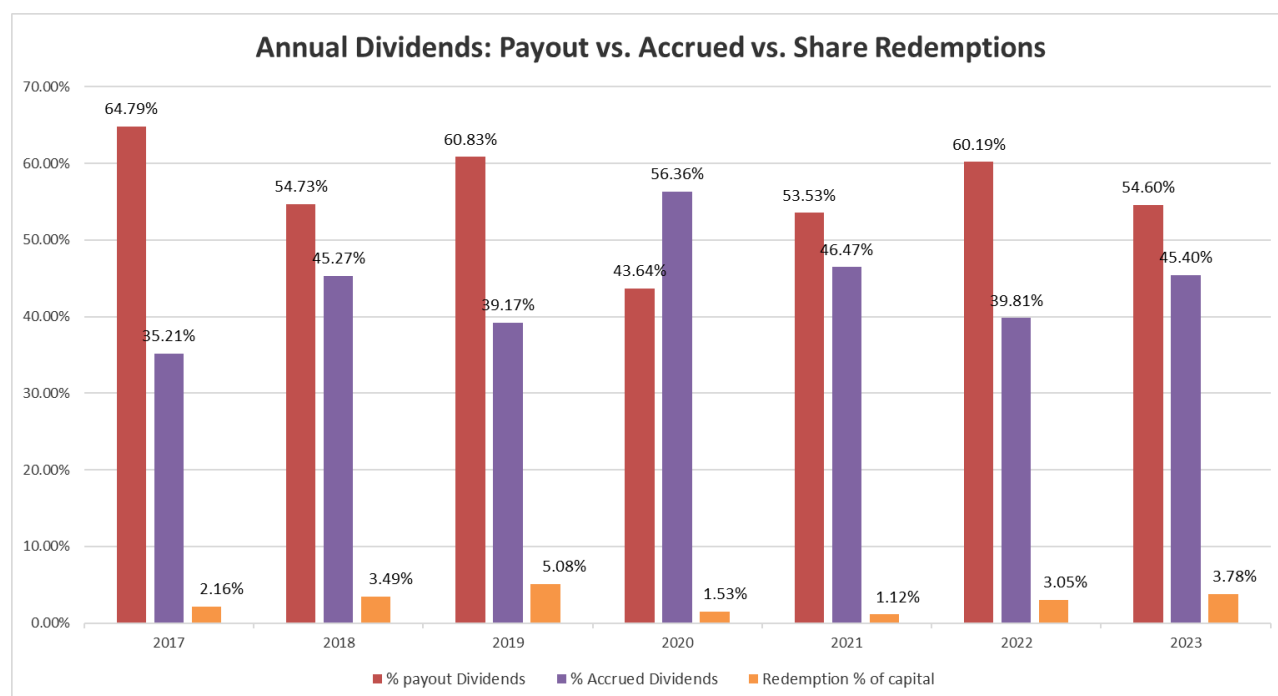
6.9%

*Past performance does not indicate future returns

The Company's dividends are paid monthly and not guaranteed. The returns will fluctuate from year to year mainly due to the Company's ability to deploy its capital and avoid losses on its mortgage portfolio. The Company's ability to deploy its capital is influenced by the state of the Canadian private mortgage market. The Canadian private mortgage market is influenced by factors such as the price of real estate, interest rates, lending competition for private mortgages, employment conditions and general economic activity.

The Company's annualized rate of return of the dividends paid to the holders of Class A Preferred Shares for 2023 was 8.81%, which resulted in a distribution of dividends of \$4,110,637 of which \$2,100,829 was paid in cash from operating activities and the remaining \$1,746,582 was reinvested in Class A Preferred Shares through the reinvestment option. The Company pays monthly dividends and the dividend rate is declared quarterly by the directors based on cash flows.

The following graph indicates shareholder liquidity over the past seven years:



2.4 Long Term Objectives

The Company's long-term objectives are:

- (i) to provide the holders of Preferred Shares with a monthly rate return that is superior to term deposits, GICs and money market funds, with due consideration to preservation of their capital;
- (ii) to distribute income by way of monthly dividends to holders of Preferred Shares, with an annual 'special distribution' to ensure that 100% of the Company's net income is distributed to holders of Preferred Shares on an annual basis;
- (iii) to maintain profitability on a sustainable basis;
- (iv) to maintain the Company's status as an MIC under the Tax Act;
- (v) to carry on developing the geographic distribution of the MICs portfolio, with due consideration to the local real estate market, and property types;
- (vi) to offer Loans to suitable borrowers who may need slightly more financing than larger institutional lenders may from time to time be willing to provide; and

- (vii) to expand the assets of the Company to a value exceeding \$70,000,000 while maintaining an intended annualized rate of return to investors based on the current Bank of Canada 3-5 year bond yields plus 3.75%, while maintaining a Mortgage portfolio weighted average loan-to-value ratio of less than 60%.

2.5 Short Term Objectives

The Company’s business objectives for the next 12 months are to complete the offering of up to 20,000,000 Preferred Shares pursuant to this Offering Memorandum and to invest the net subscription proceeds thereof in Loans secured by Mortgages. It is the intention of the Company that the net subscription proceeds of the Offering will be invested as quickly as is reasonably possible pursuant to the investment policies, to raise further equity capital and to optimize returns. The Company intends to meet the following objectives for the next 12 months as follows:

What we must do and how we will do it	Target completion date or, if not known, number of months to complete	Our cost to complete
The Company intends to raise capital pursuant to the Preferred Share Offering: to use the proceeds to fulfil its investment program as described in Items 2.2, 2.3 and 2.4 above, to expand its loan portfolio subject to market conditions, to maintain lending practices, and to match up investor funds with suitable mortgages.	Since the Company has an ongoing investment program, there is no target completion date for its business plan. Investments will be made as the Company’s available funds permit.	N/A

2.6 Insufficient Funds

The funds available as a result of the Preferred Share Offering may or may not be sufficient to accomplish all of the Company’s proposed objectives and there is no assurance that alternative financing will be available.

2.7 Additional Disclosure for Issuers Without Significant Revenue

This section does not apply to the Company, as the Company has had significant revenue from operations in its two most recently completed financial years.

2.8 Material Contracts

The Company has the following material contracts:

1. Administration Services Agreement between the Company and the Administrator (see Section 2.2 - “*The Company’s Business – Administration and Services Provider*” above).
2. On October 24, 2013, the Company and a Canadian Chartered Bank (“**the Bank**”) entered into a Demand Operating Facility Agreement, which was amended on December 31, 2014 (the “**Credit Facility**”). The Credit Facility provides the Company with a revolving credit facility, with a credit limit capped at the lesser of \$5,000,000 and the total of 75% of qualified first and second position mortgages on residential properties, secured by a general security agreement with the Bank representing a first charge on all of the Company’s present and after acquired personal property. Any borrowings by the Company under the Credit Facility will be payable on demand and bear interest at a floating rate of the Bank’s prime lending rate, which at April 29, 2024 was 7.350% per annum, plus 0.50% per annum. Interest is calculated daily and payable monthly in arrears. Among other covenants and conditions, the Credit Facility requires the Company to comply with certain Mortgage requirements, debt to tangible net worth ratio and interest coverage ratio. In addition, the Company must also comply with certain reporting and financial statement requirements to the bank on a regular basis. The objective is to realize profits from such interest rate spread, and to use the leverage to increase returns to the Company’s shareholders. However, the Company’s operations will not normally rely upon the use of the credit facility or debt financing from a bank or any other source.

3. A services agreement between the Company, the Administrator, and AWM in terms of which AWM will act as a selling agent for the Company. The agreement provides for a revenue-sharing arrangement between the Administrator and AWM, in terms of which the Administrator will pay a monthly fee to AWM (currently 25 basis points of the fee it receives from the Company) to cover AWM's operating costs until AWM is able to finance its own operating costs.
4. A loan agreement between the Company and AWM, in terms of which the Company made a loan to Armada Wealth Management Inc. of \$80,000 which has been subordinated to the claims of other creditors of AWM.
5. A services agreement between the Company and a third party exempt market dealer (EMD) to act as a non-exclusive selling agent for the Company. This EMD is registered in British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario. The agreement provides that EMD will be paid 0.50% or a minimum of \$500 for each share purchase completed for each individual investor they provided EMD services for.

2.9 Related Party Transactions

There was no purchase and sale transaction between the Company and a related party that does not relate to real property.

ITEM 3 - DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 Compensation and Securities Held

The following table sets out information about each Director, officer and promoter of the Company and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Company (a “principal holder”):

Name & municipality of principal residence ⁽¹⁾	Positions held and the date of obtaining that position	Compensation paid by Company (i) in the most recent financial year; and (ii) anticipated to be paid in the current financial year	Number, type & percentage of securities of the Company held ⁽²⁾ after completion of Minimum Offering	Number, type & percentage of securities of the Company held ⁽²⁾ after completion of Maximum Offering
Gordon Arthur Hone ⁽³⁾ Maple Ridge, BC	President & Director (as of December 29, 1995)	Nil ⁽⁴⁾	527,350 Class “A” Preferred Shares ⁽⁵⁾ (1.00%) 2 Common Shares ⁽⁶⁾ (2.11%)	527,350 Class “A” Preferred Shares ⁽⁵⁾ (0.78%) 2 Common Shares ⁽⁶⁾ (2.11%)
Andrew Danneffel Port Coquitlam, BC	Director (as of April 12, 2010)	Nil ⁽⁴⁾	196,726 Class “A” Preferred Shares ⁽¹⁴⁾ (0.37%) 2 Common Shares (2.11%)	196,726 Class “A” Preferred Shares ⁽¹⁴⁾ (0.29%) 2 Common Shares (2.11%)
Steve Drew Maple Ridge, BC	Director (as of May 27, 2020)	(i) \$5,950.00 ⁽¹¹⁾ (ii) Nil	277,284 Class “A” Preferred Shares ⁽¹⁵⁾ (0.53%) 1 Common Share (1.05%)	277,284 Class “A” Preferred Shares ⁽¹⁵⁾ (0.41%) 1 Common Share (1.05%)
Edward Monteiro Coquitlam, BC	Director (as of October 10, 2011)	Nil ⁽⁴⁾	364,183 Class “A” Preferred Shares ⁽⁷⁾ (0.69%) 2 Common Shares (2.11%)	364,183 Class “A” Preferred Shares ⁽⁷⁾ (0.54%) 2 Common Shares (2.11%)
Patricia Milewski Maple Ridge, BC	Director (as of April 22, 2014)	Nil ⁽⁴⁾	1,382,156 Class “A” Preferred Shares ⁽⁸⁾ (2.62%) 0 Common Shares ⁽⁹⁾ (0%)	1,382,156 Class “A” Preferred Shares ⁽⁸⁾ (2.04%) 0 Common Shares ⁽⁹⁾ (0%)
Lance Felgnar Pitt Meadows, BC	Director (as of April 21, 2015)	Nil ⁽⁴⁾	564,468 Class “A” Preferred Shares ⁽¹⁶⁾ (1.07%) 3 Common Shares (3.16%)	564,468 Class “A” Preferred Shares ⁽¹⁶⁾ (0.83%) 3 Common Shares (3.16%)

Name & municipality of principal residence ⁽¹⁾	Positions held and the date of obtaining that position	Compensation paid by Company (i) in the most recent financial year; and (ii) anticipated to be paid in the current financial year	Number, type & percentage of securities of the Company held ⁽²⁾ after completion of Minimum Offering	Number, type & percentage of securities of the Company held ⁽²⁾ after completion of Maximum Offering
Don Pearce Maple Ridge, BC	Director (as of April 25, 2017)	(i) Nil (ii) \$300 ⁽¹⁹⁾	124,351 Class "A" Preferred Shares ⁽¹⁷⁾ (0.24%) 1 Common Share (1.05%)	124,351 Class "A" Preferred Shares ⁽¹⁷⁾ (0.18%) 1 Common Share (1.05%)
Karin Schmidtke ⁽³⁾ Maple Ridge, BC	Secretary (as of December 18, 2002)	Nil ⁽⁴⁾	570,579 Class "A" Preferred Shares ⁽¹⁰⁾ (1.08%) 3 Common Share ⁽⁶⁾ (3.16%)	570,579 Class "A" Preferred Shares ⁽¹⁰⁾ (0.84%) 3 Common Share ⁽⁶⁾ (3.16%)
Armada Capital Corporation ⁽¹²⁾	Administrator (as of June 1, 2015)	(i) \$787,162 (ii) \$825,000	Nil	Nil
Armada Wealth Management Inc. ⁽¹³⁾	Selling agent (as of January 21, 2020)	Nil ⁽¹⁸⁾	Nil	Nil

Notes:

- (1) Information as to municipality of residence has been provided by the individual Directors and officers.
- (2) Directly and indirectly.
- (3) Gordon Hone and Karin Schmidtke are married to each other.
- (4) The Directors and officers do not receive compensation in their capacity as Directors and officers of the Company.
- (5) This figure includes 413,846 Preferred Shares held directly by Gordon Hone, and 50% share of 227,009 Preferred Shares held jointly by Gordon Hone and Karin Schmidtke.
- (6) This figure includes 1 common share held jointly by Gordon Hone and Karin Schmidtke.
- (7) Mr. Monteiro additionally has a controlling interest in the 38,335 Preferred Shares held by his company Pacific Marine Services
- (8) This figure includes Ms. Milewski's 50% share holdings of the 2,764,312 Preferred Shares held jointly by Patricia Milewski and her husband, Martin Milewski. Additionally Ms. Milewski has a controlling interest in the 606,034 Preferred Shares held by Milewski Enterprises Inc.
- (9) 3 Common Shares are held by Milewski Enterprises Inc. in which Ms. Milewski has a controlling interest.
- (10) This figure includes 438,793 Preferred Shares held directly by Karin Schmidtke, 50% share of 227,009 Preferred Shares held jointly by Gordon Hone and Karin Schmidtke, and 33% share of 54,711 Preferred Shares held jointly by Erwin Schmidtke, Edgar Schmidtke, and Karin Schmidtke.
- (11) This amount is paid by the Manager throughout the year to Mr. Drew for business development services provided to the Company. The Company reimburses the amount to the Manager as a marketing expense.
- (12) Controlled by Gordon Hone.
- (13) Controlled by Gordon Hone and Karin Schmidtke.
- (14) Mr. Danneffel additionally has a controlling interest in the 309,027 Preferred shares held by his company Danneffel Holdings Ltd.
- (15) This figure includes 172,029 Preferred Shares held directly by Steve Drew, and 50% share of 210,509 Preferred Shares held jointly by Steve and Helen Drew.
- (16) This figures includes 387,061 Preferred Shares held directly by Lance Felgnar and 50% share of the 354,814 Preferred Shares held jointly by Lance and Carell Felgnar.
- (17) This figure is Mr. Pearce's 50% share of 248,701 Preferred Shares held jointly by Don and Debra Pearce
- (18) Armada Wealth Management Inc is compensated by a tri-lateral agreement with Armada Capital Corp and Armada Mortgage Corporation; see Item 9 for "Compensation paid to finders and sellers"
- (19) Don Pearce supplies current market evaluations when requested for properties located in his trade area as a licensed real estate agent, for which he is paid by the company.

As at the date of this Offering Memorandum, the Directors and officers of the Company, as a group, directly own (i) 14 Common Shares representing 14.74% of the issued and outstanding Common Shares of the Company; and (ii) 4,007,097 Class "A" Preferred Shares representing 7.60% of the issued and outstanding Preferred Shares of the Company.

3.2 Management Experience

The following table sets out the principal occupations of the Directors and executive officers of the Company over the past five years and any relevant experience in a business similar to the Company's:

<u>Name</u>	<u>Principal occupation and related experience</u>
Gordon Arthur Hone	Mr. Gordon Hone has been the President, Director and founder of the Company since inception in 1995. Mr. Hone was a licensed realtor from 1992 to 1994, has been a licensed mortgage broker since 1993 and was the previous owner of Westgate Homes, a residential home builder in Maple Ridge, British Columbia. Mr. Hone has been the owner and mortgage broker of Armada Capital Corporation and Armada Mortgage Corporation since 1995. This registration was extended to Alberta in 2013 and Ontario in 2014. Mr. Hone attended Simon Fraser University and was accepted to the Faculty of Economics & Business Administration in 1989. Mr. Hone has obtained his certification for completing the Partners, Director & Officers Course as well as the Canadian Securities Course, and has received the designation as a Registered Deposit Broker. In 2018 Mr. Hone became the founder and the CEO, UDP & CCO of Armada Wealth Management. Mr. Hone successfully completed the Chief Compliance Officer exam in December 2019. Mr. Gordon Hone is the husband of the Secretary of the Company, Karin Schmidtke.
Andrew Danneffel	Mr. Danneffel has been a Director of the Company since April 2010. Mr. Danneffel graduated from Simon Fraser University in 2002 with a Bachelor of Business Administration degree (concentrations in Information Technology and Marketing). He is currently a director of Newsfile Corp., a national corporation providing electronic filing and news dissemination services to public companies. Mr. Danneffel is a past President of the Port Moody Arts Centre Society (2010-2012), a non-profit registered society providing arts related programming and events to residents of the Tri-Cities.
Steve Drew	Mr. Drew is a licensed Mortgage Broker since 2017 and completed the EMP course in 2020. He is currently working for Armada Wealth as an Investment Dealer Representative, and for Armada Mortgage as a Business Development Manager. He is a shareholder in Armada, and has invested in and understands a variety of financial vehicles. Introduced to the power of compounding at an early age he has used a wide variety of investment types to build wealth, before retiring at 65. On the personal side, he was a soccer player for 40 years, and now he manages a running club in Maple Ridge.
Edward Monteiro	Captain Monteiro has been a Director of the Company since October 2011. Captain Monteiro commenced his seagoing career as a Cadet on the training ship Dufferin, and over the next 18 years was promoted to the rank of officer and subsequently a captain of deep-sea ships for international voyages. Captain Monteiro was employed at Canadian Transport Company Ltd. (a subsidiary of MacMillan Bloedel) from 1974 to 1996. After leaving Canadian Transport Company Ltd., Captain Monteiro started his own shipping company, Pacific Marine Services Ltd. Captain Monteiro has served on the boards of the British Columbia Institute of Technology from 1994 to 2000 and the Pacific Marine Training Campus from 1992 to 1994.
Lance Felgnar	Mr. Felgnar has been a Director of the Company since April 2015. Mr. Felgnar has been involved in the Lower Mainland real estate and property business since 1972. During the last 35 years he has both owned and managed multi-family rental properties. Being a motivated realtor in Maple Ridge for 24 years he was also a founding shareholder of Royal

LePage Brookside Realty. Mr. Felgnar is currently retired from real estate, was an active member of the community, has been a member of the Swan-e-set Golf Club since 1993 and has served on several membership committees.

Patricia Milewski

Ms. Milewski has been a Director of the Company since April 2014. Ms. Milewski's professional experience includes being a self-employed bookkeeper since 1992, a B.C. Registered Music Teacher from 1995 to 2011, as well as serving 3 terms as the executive secretary of the Coquitlam-Maple Ridge Branch of the B.C.R.M.T.A. Since retirement, she has followed an interest in finance by completing two certified courses offered by the Canadian Securities Institute. Ms. Milewski has been a member of the board of Armada Wealth Management since inception in 2018. Ms. Milewski is currently studying full time at UBC towards a PhD in Germanic Studies.

Don Pearce

Mr. Pearce has been a Director of the Company since 2017. Mr. Pearce has been a resident of Maple Ridge since 1988 and is an active real estate agent with Royal LePage Brookside Realty since November 1991. Mr. Pearce was a Director of the Real Estate Board of Greater Vancouver for 7 years and was President from 2001-2002. Don also served as a director of the BC Real Estate Association 2002-2004. He has been ranked in the top 10% of realtors since 1991 (Medallion Club). With 25 years as a Medallion Club qualifier Don is a 'Lifetime Member'. This designation is currently held by less than 200 agents out of 14,500 agents on the Real Estate Board of Greater Vancouver. Mr. Pearce was previously a service manager for Western Canada of a private telephone company responsible for management on budgets of buildings in three cities and a staff of approximately 50 people.

Karin Schmidtke

Ms. Schmidtke has been the Controller of the Company since its inception in 1995 and has been the Company Secretary since 2002. Ms. Schmidtke is a licensed mortgage broker since 2010 and completed the Exempt Market Proficiency (EMP) course in 2020. She is the CFO, VP, and Dealer Representative of Armada Wealth Management since inception in 2018. Ms. Schmidtke oversees the Company's accounting and administration division. Ms. Schmidtke has been investing in residential mortgages since 1994, and has experience in budgeting for residential construction as a previous co-owner of Westgate Homes. Ms. Schmidtke is the wife of the President of the Company, Gordon Hone.

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

- (a) There has been no penalty or other sanction imposed by a court or a regulatory body relating to a contravention of securities legislation that has been in effect during the last 10 years, or any order restricting trading in securities that have been in effect for a period of more than 30 consecutive days during the past 10 years, against:
 - (i) A Director, executive officer or control person of the Company; or
 - (ii) An issuer of which a person referred to in 3.3(a)(i) above was a Director, executive officer or control person at that time;

- (b) There has been no declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, that has been in effect during the last 10 years with regard to any:
 - (i) Director, executive officer or control person of the Company; or
 - (ii) Issuer of which a person referred to in 3.3(b)(i) above was a Director, executive officer or control person at that time.

- (c) There has been no summary conviction or indictable offence under the *Criminal Code* (Canada), quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction, misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory of the United States of America, or offence under the criminal legislation of any other foreign jurisdiction against:
 - (i) The Company; or

- (ii) A director, executive officer or control person of the Company.

3.4 Certain Loans

There is a loan agreement between the Company and AWM, in terms of which the Company made a loan to AWM of \$80,000, which has been subordinated to the claims of other creditors of AWM.

ITEM 4 – CAPITAL STRUCTURE

4.1 Securities Except for Debt Securities

The authorized capital of the Company consists of an unlimited number of voting common shares without par value, an unlimited number of Class “A” redeemable, non-voting preferred shares with a par value of \$1.00 each and an unlimited number of Class “B” non-voting preferred shares without par value.

Description of Security	Number of authorized to be issued	Price per Security	Number outstanding as at April 29, 2024	Number outstanding after Minimum Offering	Number outstanding after Maximum Offering
Common Shares	Unlimited	\$1.00	95	95	95
Class “A” Preferred Shares ⁽¹⁾	Unlimited	\$1.00	52,733,279	52,733,279	67,733,279
Class “B” Preferred Shares	Unlimited	\$1.00	Nil	Nil	5,000,000

Notes:

- (1) Complete details of the attributes and characteristics of the Class “A” Preferred Shares and the Class “B” Preferred Shares are set forth under the heading “*Terms of Preferred Shares*”.

4.2 Long Term Debt

The Company has no long-term debt.

4.3 Prior Sales

During the last 12 months, the Company has issued the following Preferred Shares (including Preferred Shares issued as a result of the reinvesting of dividends):

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
June 2023	Preferred Shares	612,185	\$1.00	\$612,185
July 2023	Preferred Shares	813,629	\$1.00	\$813,629
August 2023	Preferred Shares	687,908	\$1.00	\$687,908
September 2023	Preferred Shares	862,202	\$1.00	\$862,202
October 2023	Preferred Shares	103,871	\$1.00	\$103,871
November 2023	Preferred Shares	200,000	\$1.00	\$200,000
January 2024	Preferred Shares	671,899	\$1.00	\$671,899
February 2024	Preferred Shares	448,619	\$1.00	\$448,619
March 2024	Preferred Shares	416,419	\$1.00	\$416,419
April 2024	Preferred Shares	409,993	\$1.00	\$409,993
Total		5,226,725		\$5,226,725

ITEM 5 – SECURITIES OFFERED

5.1 Terms of Preferred Shares

The Company is offering up to 15,000,000 Class “A” Preferred Shares and 5,000,000 Class “B” Preferred Shares at \$1.00 per Preferred Share. The Class “A” Preferred Shares have a par value of \$1.00 and the Class “B” Preferred Shares have no par value.

The Company is offering up to 20,000,000 Preferred Shares at \$1.00 per Preferred Share. Shares are available through registered dealers and financial intermediaries who have entered into a distribution agreement with the Company

Class “A” Preferred Non-Voting Shares

The Class “A” Preferred Non-Voting Shares have a par value of \$1.00 and the following material terms apply to them:

(a) Dividend Entitlement

Part 27.2 of the Company’s Articles stipulates that the holders of the Class “A” Preferred Shares rank in priority to the holders of the Common Shares of the Company but always equally with the holders of the Class “B” Preferred Shares with respect to dividend entitlement. Each year, at the discretion of the Directors, the holders of Class “A” Preferred Shares will be entitled, out of any or all profits or surpluses available for dividends, to non-cumulative dividends up to the amount that pursuant to clause 130.1(1)(a)(i) of the Tax Act is deductible in computing the Company’s income for the year and up to twice the amount that pursuant to clause 130.1(1)(a)(ii) of the Tax Act is deductible in computing the Company’s income for the year. Any distributions made by way of dividends declared on the issued and outstanding Class “A” Preferred Shares will be subject to the provisions of the *Business Corporations Act* (British Columbia).

Such dividends, if any, will be declared and paid within 90 days of the end of such fiscal year. Preferred Shareholders may elect to receive such dividends as cash or reinvested as additional shares. Dividends reinvested as additional shares will qualify for dividend entitlement paid pro rata based on the date on which the shares were purchased. Dividends taken as cash will not be eligible for further dividend or interest consideration.

The Company intends to distribute all of the net income and net realized capital gains, if any, of the Company to Class “A” and Class “B” Preferred Shareholders by way of dividends, so that the Company will not be liable to pay income tax pursuant to the Tax Act during any year.

(b) Redemption by the Company

The Company may, pursuant to and in accordance with the requirements of Part 27.3 of its Articles, redeem upon providing at least 30 days’ notice at any time or from time to time in whole or in part any of the Class “A” Preferred Shares in such proportions as the Directors may specify on payment of a redemption price per Class “A” Preferred Share which will be equal to the paid up capital of the Class “A” Preferred Share plus the aggregate of all dividends declared but unpaid on the Class “A” Preferred Share plus the Class “A” Preferred Share’s *pro rata share* of any undistributed net income and net capital gains. The Company cannot offer to redeem or purchase any Preferred Shares if the Company is insolvent at the time of redemption or if the redemption would render it insolvent, or if such redemption would result in the Company losing its status as a MIC. Any Preferred Shares so redeemed by the Company will be cancelled upon redemption.

(c) Priority on Liquidation, Dissolution or Winding Up

In the event of the liquidation, dissolution or winding up of the Company or other distribution of its property or assets among shareholders, distributions of the property or assets will be made:

- (i) first, to the holders of the Class “A” Preferred Shares and the Class “B” Preferred Shares, such amount as is equal to all dividends declared and unpaid thereon; and
- (ii) the balance, to the registered holders of the Class “A” Preferred Shares, the Class “B” Preferred Shares and the Common Shares, who shall be entitled to participate equally with each other, *pro rata* in accordance with the number of Class “A” Preferred Shares, Class “B” Preferred Shares or Common Shares held, respectively.

(d) Retraction by Preferred Shareholder

For the purposes of the following paragraphs, “**Class “A” Retraction Date**” means the date that is one year from the last day of the fiscal quarter in which the Class “A” Preferred Share was subscribed for by an investor. Where Class “A” Preferred Shares were acquired by way of re-invested dividends on an originally subscribed for Class “A” Preferred Share, the Class “A” Retraction Date for such Class “A” Preferred Shares will be the same Class “A” Retraction Date as the original Class “A” Preferred Shares.

If a Class “A” Retraction Date for a Class “A” Preferred Share expires, the new Class “A” Retraction Date for such Class “A” Preferred Shares will be one year from the expired Class “A” Retraction Date.

Part 27.4 of the Company’s Articles provides the holders of Class “A” Preferred Shares with the right to require the Company to redeem all or any portion of their fully paid Class “A” Preferred Shares upon providing the Company with written notice at least 90 days but not more than 180 days, prior to the Class “A” Retraction Date for such Class “A” Preferred Shares. The aggregate value of the Redemption Amount payable by the Company to Requestors holding Class “A” Preferred Non-Voting Shares within any fiscal year, shall be limited to a percentage for the year or for the quarter as determined by the Board of Directors of the Company within the first 120 days of the fiscal year. This limit shall not be less than 5% nor exceed 10% of the total aggregate value of all Classes of Preferred Non-Voting shares outstanding at the previous fiscal year end. Unless the Board of Directors determines a different percentage, the percentage shall be 5% per year or 1.25% per quarter. Redemption requests shall be processed on a pro rata basis across all Class “A” Preferred Non-Voting Shares requests. The Company shall have no obligation to subsequently redeem any Class “A” Preferred Non-Voting shares not redeemed on the applicable Retraction Date. In addition, the obligation of the Company to redeem Preferred Shares is subject to the qualification that the Company is not permitted to redeem Preferred Shares if the Company is insolvent at the time of the redemption or if the redemption would render the Company insolvent or cause the Company to cease being qualified as a MIC pursuant to the provisions of the Tax Act.

Where, on completion of a redemption by the Company pursuant to a request by a holder of Class “A” Preferred Shares the value of the remaining Class “A” Preferred Shares held by such holder would be less than \$5,000, then the Company shall have the right, at its sole discretion, to redeem all such remaining Class “A” Preferred Shares held by such holder by making payment in respect thereof, in priority to any other requests received from other holders of Class “A” Preferred Shares.

Please note that the processing of a Preferred Share redemption request may incur service fees to the holder from third party service providers such as Olympia Trust Company, or the Company’s Administrator, if applicable.

(e) Constraints on Transferability

Part 30 of the Company’s Articles provides that no Preferred Shares may be sold, transferred or otherwise disposed of without the consent of the Directors, and the Directors are not required to give any reason for refusing the consent to any such sale, transfer or other disposition. In addition, Directors are mandated to use their best efforts to ensure that the Company at all relevant times qualifies as a MIC pursuant to the Tax Act and, accordingly, the Directors may, in their sole discretion, reject any applications for share dividends or share subscriptions, transfers, redemptions or retractions where in the view of the Directors such would not be in the Company’s best interests as a MIC under the Tax Act.

Accordingly, the Directors of the Company intend to refuse registration of an allotment or any transfer of shares which would result in the Company ceasing to meet the qualifications of a MIC. See also Item 12 “*Resale Restrictions*” for further restrictions on the transferability of the Company’s Preferred Shares.

(f) Voting Rights

The Class “A” Preferred Shares of the Company are non-voting, and do not have any right to vote except in respect of any amendment to their special rights and privileges. The holders of the Class “A” Preferred Shares are not entitled to receive notice of or vote at meetings of the shareholders of the Company, unless otherwise permitted under the *Business Corporations Act* (British Columbia).

Class “B” Preferred Non-Voting Shares

The Class “B” Preferred Non-Voting shares have no par value and the following material terms apply to them:

(a) Dividend Entitlement

Part 28.2 of the Company’s Articles stipulates that the holders of the Class “B” Preferred Shares rank in priority to the holders of the Common Shares of the Company but always equally with the holders of the Class “A” Preferred Shares with respect to dividend entitlement. Each year, at the discretion of the Directors, the holders of Class “B” Preferred Shares will be entitled, out of any or all profits or surpluses available for dividends, to non-cumulative dividends up to the amount that pursuant to clause 130.1(1)(a)(i) of the Tax Act is deductible in computing the Company’s income for the year and up to twice the amount that pursuant to clause 130.1(1)(a)(ii) of the Tax Act is deductible in computing the Company’s income for the year. Any distributions made by way of dividends declared on the issued and outstanding Class “B” Preferred Shares will be subject to the provisions of the *Business Corporations Act* (British Columbia).

Such dividends, if any, will be declared and paid within 90 days of the end of such fiscal year. Preferred Shareholders may elect to receive such dividends as cash or reinvested as additional shares. Dividends reinvested as additional shares will qualify for dividend entitlement paid pro rata based on the date on which the shares were purchased. Dividends taken as cash will not be eligible for further dividend or interest consideration.

The Company intends to distribute all of the net income and net realized capital gains, if any, of the Company to Class “A” and Class “B” Preferred Shareholders by way of dividends, so that the Company will not be liable to pay income tax pursuant to the Tax Act during any year.

(b) Redemption by the Company

The Company may, pursuant to and in accordance with the requirements of Part 28.3 of its Articles, redeem upon providing at least 30 days’ notice at any time or from time to time in whole or in part any of the Class “B” Preferred Shares in such proportions as the Directors may specify on payment of a redemption price per Class “B” Preferred Share which will be equal to the paid up capital of the Class “B” Preferred Share plus the aggregate of all dividends declared but unpaid on the Class “B” Preferred Share plus the Class “B” Preferred Share’s *pro rata share* of any undistributed net income and net capital gains. The Company cannot offer to redeem or purchase any Preferred Shares if the Company is insolvent at the time of redemption or if the redemption would render it insolvent, or if such redemption would result in the Company losing its status as a MIC. Any Preferred Shares so redeemed by the Company will be cancelled upon redemption.

(c) Priority on Liquidation, Dissolution or Winding Up

In the event of the liquidation, dissolution or winding up of the Company or other distribution of its property or assets among shareholders, distributions of the property or assets will be made:

- (i) first, to the holders of the Class “A” Preferred Shares and the Class “B” Preferred Shares, such amount as is equal to all dividends declared and unpaid thereon; and
- (ii) the balance, to the registered holders of the Class “A” Preferred Shares, the Class “B” Preferred Shares and the Common Shares, who shall be entitled to participate equally with each other, *pro rata* in accordance with the number of Class “A” Preferred Shares, Class “B” Preferred Shares or Common Shares held, respectively.

(d) Retraction by Preferred Shareholder

For the purposes of the following paragraphs, “**Class “B” Retraction Date**” means the date that is one year, two years, or three years from the last day of the fiscal quarter in which the Class “B” Preferred Share was issued. Where Class “B” Preferred Shares were acquired by way of re-invested dividends on an originally subscribed for Class “B” Preferred Share, the Class “B” Retraction Date for such Preferred Shares will be the same Class “B” Retraction Date as the original Class “B” Preferred Shares. Where the Class “B” Preferred Non-Voting Shares are being redeemed within three years from the last day of the fiscal quarter in which such shares were issued, the Class B Redemption Amount shall be reduced by a percentage determined by the Board of Directors at the previous fiscal year end. Class “B” Preferred Non-Voting Shares being redeemed

three years or more after the last day of the fiscal quarter in which such shares were issued will receive the full Class B Redemption Amount.

Example Calculation if shares are redeemed after 1- or 2-years:

$$A-(A*B) = C$$

Where:

A = The dollar value of shares that have been requested for retraction

B = The percentage reduction as determined by the board of directors at previous fiscal year end

C = The dollar value that will be issued to the investor on the retraction date

If a Class “B” Retraction Date for a Class “B” Preferred Share expires after the initial three years from the last day of the fiscal quarter in which the Class “B” Preferred Non-Voting Share was issued as set forth in the preceding paragraph, the new Class “B” Retraction Date for such Class “B” Preferred Shares will be one year from the expired Class “B” Retraction Date.

Part 28.4 of the Company’s Articles provides the holders of Class “B” Preferred Shares with the right to require the Company to redeem all or any portion of their fully paid Class “B” Preferred Shares upon providing the Company with written notice at least 90 days but not more than 180 days, prior to the Class “B” Retraction Date for such Preferred Shares. The aggregate value of the Class B Redemption Amount payable by the Company to Requestors holding Class “B” Preferred Non-Voting Shares within any fiscal year shall be limited to a percentage for the year or for the quarter determined by the Board of Directors of the Company within the first 120 days of the fiscal year. This limit shall not be less than 5% nor exceed 10% of the total aggregate value of all Classes of Preferred Non-Voting shares outstanding at the previous fiscal year end. Unless the Board of Directors determines a different percentage, the percentage shall be 5% per year or 1.25% per quarter. Redemption requests shall be processed on a pro rata basis across all classes of Preferred Non-Voting Shares. The Company shall have no obligation to subsequently redeem any Class “B” Preferred Non-Voting shares not redeemed on the applicable Class B Retraction Date. In addition, the obligation of the Company to redeem Preferred Shares is subject to the qualification that the Company is not permitted to redeem Preferred Shares if the Company is insolvent at the time of the redemption or if the redemption would render the Company insolvent or cause the Company to cease being qualified as a MIC pursuant to the provisions of the Tax Act.

Where, on completion of a redemption by the Company pursuant to a request by a holder of Class “B” Preferred Shares the value of the remaining Class “B” Preferred Shares held by such holder would be less than \$5,000, then the Company shall have the right, at its sole discretion, to redeem all such remaining Class “B” Preferred Shares held by such holder by making payment in respect thereof, in priority to any other requests received from other holders of Class “B” Preferred Shares.

Please note that the processing of a Preferred Share redemption request may incur service fees to the holder from third party service providers such as Olympia Trust Company, or the Company’s Administrator, if applicable.

(e) Constraints on Transferability

Part 30 of the Company’s Articles provides that no Preferred Shares may be sold, transferred or otherwise disposed of without the consent of the Directors, and the Directors are not required to give any reason for refusing the consent to any such sale, transfer or other disposition. In addition, Directors are mandated to use their best efforts to ensure that the Company at all relevant times qualifies as a MIC pursuant to the Tax Act and, accordingly, the Directors may, in their sole discretion, reject any applications for share dividends or share subscriptions, transfers, redemptions or retractions where in the view of the Directors such would not be in the Company’s best interests as a MIC under the Tax Act.

Accordingly, the Directors of the Company intend to refuse registration of an allotment or any transfer of shares which would result in the Company ceasing to meet the qualifications of a MIC. See also Item 12 “*Resale Restrictions*” for further restrictions on the transferability of the Company’s Preferred Shares.

(f) Voting Rights

The Class “B” Preferred Shares of the Company are non-voting, and do not have any right to vote except in respect of any amendment to their special rights and privileges. The holders of the Class “B” Preferred Shares are not entitled to receive notice of or vote at meetings of the shareholders of the Company, unless otherwise permitted under the *Business Corporations Act* (British Columbia).

5.2 Subscription Procedure

The Preferred Shares are being offered for sale under applicable prospectus exemptions in the provinces and territories of Canada where the Company has selling arrangements with registered dealers. The Preferred Shares are conditionally offered if, as and when subscriptions are accepted by the Company and subject to prior sale. Subscriptions for Preferred Shares will be received by the Company subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Company may terminate the Preferred Share Offering at any time without notice and in such case, the Company will not be required to accept later subscriptions. Closings may occur from time to time as determined by the Company.

Subscriptions may be sent to the Company at its principal office or such other address as specified by the Company by courier or telecommunication facilities.

Subscribers wishing to purchase Preferred Shares must submit to the Company at its head office address shown at the beginning of page one:

1. A completed and signed Subscription Agreement in the form provided by the Company, specifying the number and class of Preferred Shares being subscribed for along with all applicable schedules
2. A cheque, electronic transfer, wire transfer or other payment acceptable to the Company in the amount of your total investment made payable to “Armada Capital Corp In Trust”; and
3. Any other forms, declarations and documents as may be required by the Company to complete the subscription.

The Administrator will hold your subscription funds in trust until midnight on the second business day after the day on which your signed Subscription Agreement is received. The Company will return all consideration to you if you exercise the right to cancel the Subscription Agreement within the prescribed time.

Upon acceptance, the Subscription Price for the Preferred Shares will be deposited in a designated bank account. Upon the Preferred Shares having been issued, the Subscription Price will be made available to the Company for use in its business, as set out in this Offering Memorandum.

The Company reserves the right to accept or reject subscriptions in whole or in part at its discretion and to close the subscription books at any time without notice. Any subscription funds for subscriptions that the Company does not accept will be returned promptly after it has determined not to accept the funds, without interest.

Notwithstanding the above, subscription agreements from Trustees for RRSPs or RRIFs under the Tax Act will be accepted by the Company without the accompanying payment, to accommodate their administrative procedures. In such case, the share certificates for the Preferred Shares will be delivered to the Trustee by the Company in exchange for payment of the Subscription Price.

The Company may decide not to issue physical share certificates to represent an investor’s Preferred Shares. Instead of receiving a physical share certificate, the Preferred Shares will be registered in an investor’s name and recorded electronically in the Company’s books and records. However, shareholders may request a physical share certificate representing any or all of their Preferred Shares.

The Preferred Shares have not been and will not be registered under the United States *Securities Act of 1933*, as amended, and subject to certain exceptions, may not be offered or sold in the United States.

ITEM 6 - Repurchase Requests

Within the last two fiscal years and up to April 1, 2023, the Company has redeemed the following Preferred Shares:

Date of redemption	Type of security redeemed	Number of securities redeemed	Price per security	Total funds paid
March 31, 2022	Preferred Shares	352,085	\$1.00	\$352,085
June 30, 2022	Preferred Shares	281,335	\$1.00	\$281,335
September 30, 2022	Preferred Shares	87,034	\$1.00	\$87,034
December 31, 2022	Preferred Shares	486,534	\$1.00	\$486,534
March 31, 2023	Preferred Shares	121,688	\$1.00	\$121,688
June 30, 2023	Preferred Shares	391,742	\$1.00	\$391,742
September 30, 2023	Preferred Shares	670,949	\$1.00	\$670,949
December 31, 2023	Preferred Shares	508,492	\$1.00	\$508,492
March 31, 2024	Preferred Shares	379,518	\$1.00	\$379,518
Total		1,724,506		\$1,724,506

During its most recently completed financial year ended December 31, 2023, the Company received requests to redeem 1,692,871 Class "A" Preferred Shares. In addition, subsequent to the fiscal year ended December 31, 2023, the Company received requests to redeem 379,518 Class "A" Preferred Shares. The Company honored all of these redemptions. The Company redeemed an aggregate of 2,072,389 Class "A" Preferred Shares. The Company used funds available from current operations and from the operating line of credit to honor these redemptions.

During the financial year ended December 31, 2022, the Company received requests to redeem 1,206,987 Class "A" Preferred Shares. The Company honored all of these redemptions. The Company redeemed an aggregate of 1,206,987 Class "A" Preferred Shares. The Company used funds available from current operations and from the operating line of credit to honor these redemptions.

ITEM 7 - Certain Dividends or Distributions

Within the last two fiscal years and up to April 1, 2024, the Company has not paid dividends or distributions that exceeded cash flow from operations.

ITEM 8 - INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY

8.1 Purchasers' Independent Tax Advice

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

8.2 MIC Status; Income Tax Consequences

The Tax Act stipulates that for a corporation to qualify as a MIC, among other requirements, the corporation must have a minimum of 20 shareholders and no shareholder, including related individuals, can own in excess of 25% of the total issued and outstanding shares of any class of the capital of the corporation. A minimum of 50% of the cost of the corporation's assets must be invested in residential mortgages as defined in the Tax Act, including mortgages on multiple unit residential developments and deposits with Canada Deposit Insurance Corporation-insured institutions.

The Company intends to maintain its qualification as a mortgage investment corporation under the terms of the Tax Act. As a mortgage investment corporation, dividends paid during the year or within 90 days thereafter can be deducted from income for tax purposes. The dividends received are not subject to usual dividend treatment in the hands of shareholders. If shares are held within a non-registered account, they will be taxable in the hands of shareholders who are subject to tax as if they had received an interest or capital gains payment. If shares are held within a registered plan, the dividends will be received on a tax-deferred basis so tax is not paid by the shareholder until it is withdrawn from the registered plan.

Accordingly, it is anticipated that for each taxation year of the Company throughout which it qualifies as a MIC under the Tax Act, the Company will receive “flow through” treatment and will not be required to pay income taxes on the net earnings from which dividends are paid in each year. Income in excess of allowable deductible reserves under the Tax Act which is not distributed to shareholders within 90 days of each of the Company’s year-ends will be subject to ordinary corporate tax under the Tax Act.

8.3 Registered Plan Eligibility

The Company confirms, upon the advice of their auditors, that as long as the Company remains a MIC and continues to meet all of the MIC requirements prescribed under the Tax Act, then the Preferred Shares will, subject to the conditions in the next paragraph, constitute a “qualified investment” for RRSP, RRIF, RESP and TFSA purposes pursuant to the Tax Act.

The Tax Act restricts the ability of RRSPs, RRIFs and RESPs to invest in shares of MICs and have extended to RRSPs, RRIFs and RESPs the same criteria as is applied to TFSAs. For these four types of plans, a “prohibited investment” is one in which the holder of the TFSA or the annuitant of the RRSP, RRIF or RESP has a close connection. Included in this definition is a share of, an interest in, or a debt of a corporation in which the annuitant (or a non-arm’s length person) has a significant interest (generally 10% or more of any class of the shares of the corporation). If an investment in Preferred Shares becomes a prohibited investment after acquisition, it must be disposed of.

As such, it will be important for investors to check with other members of their family as to their ownership prior to making an investment in the MIC through an RRSP, RRIF or TFSA. Please note that this does not affect investments in the MIC held outside of one of these types of plans.

Management may not be aware of the identity of persons with whom investors do not deal at arm’s length for the purpose of determining whether a non-arm's length group meets the 10% ownership threshold. If management does become aware of the identity of such persons, management cannot advise investors of this situation due to privacy legislation. Investors will be responsible for ensuring that they, along with non-arm’s length persons, remain below the 10% ownership threshold if investments are to be made through a TFSA, RRSP, RRIF or RESP. Management cannot be liable for taxes or penalties that may apply if these ownership thresholds are exceeded.

The Company is making the income tax disclosure contained in this section 6.2, but it makes no other warranties or representations, implied or otherwise, with respect to taxation issues. If the Company were not to qualify as a MIC, the income tax consequences would be materially different from those described in this section 6.2.

Purchasers should consult with their own tax advisor regarding the income tax consequences of acquiring, holding and disposing of the Preferred Shares, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.

ITEM 9 - COMPENSATION PAID TO SELLERS AND FINDERS

AWM will sell the Preferred Shares under the terms of an agreement between the Company, the Administrator, and AWM. The agreement provides, among other things, that the Administrator will pay a monthly fee to AWM (currently 1/6 of the fee the Administrator receives from the Company) to cover the operating costs of AWM until AWM is able to finance its own operating costs.

There is a services agreement between the Company and a third party exempt market dealer (EMD) to act as a non-exclusive selling agent for the Company. The agreement provides that EMD will be paid 0.50% or a minimum of \$500 for each share purchase completed for each individual investor they provided EMD services for.

The Company may also pay commissions and referral fees to other registered securities dealers. Commissions and referral fees will be negotiated on a case-by-case basis and may involve cash commissions and/or securities (including options and warrants) but the amounts negotiated will not exceed commissions normally paid in the securities industry.

ITEM 10 - RISK FACTORS

In addition to the factors set forth elsewhere in this Offering Memorandum, potential subscribers should carefully consider the following factors, many of which are inherent to the ownership of the Preferred Shares. The following is a summary only of the risk factors involved in an investment of the Preferred Shares. Purchasers should consult with their own professional advisors to assess the income tax, legal and other aspects of an investment in the Preferred Shares.

Speculative Investment

An investment in the Preferred Shares is highly speculative. Investment in the Preferred Shares should be considered only by investors who are able to make a long-term investment and are aware of the risk factors involved in such an investment. You should only invest in the Preferred Shares if you are able to bear the risk of the loss associated with an investment in Preferred Shares.

Risks Associated With Mortgage Loans

Real estate investment contains elements of risk and is subject to uncertainties such as costs of operation and financing and fluctuating demand for developed real estate. In addition, prospective investors should take note of the following:

1. Credit Risk : As with most mortgage investment corporations, the Company provides financings to borrowers who may not meet financing criteria for conventional mortgages from institutional sources and, as a result, these investments generally earn a higher rate of return than what institutional lenders may receive. Credit risk is the risk that the mortgagor will fail to discharge the obligation causing the Company to incur a financial loss. The Company minimizes its credit risk primarily by ensuring that the collateral value of the security fully protects both first and second mortgage advances, that there is a viable exit strategy for each loan, and that loans are made to experienced developers and owners. In addition, the Company limits concentration of risk by diversifying its mortgage portfolio by way of location, property type, maximum loan amount on any one property and maximum loan amount to any one borrower or connection.
2. Liquidity Risk : Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to hedge this liquidity risk by maintaining a line of credit (refer to Item 2 above) and managing the Preferred Shares (refer to Item 5 above). Successful utilization of leverage, as contemplated by any bank line of credit or other financing depends on the Company's ability to borrow funds from outside sources and to use those funds to make loans and other investments at rates of return in excess of the cost to the Company of the borrowed funds. Leverage increases exposure to loss. The Company controls liquidity risks through cash flow projections used to forecast funding requirements on mortgage proposals and includes anticipated redemption of Preferred Shares. The Company commits to mortgage investments only on an assured cash availability basis.
3. Mortgage Insurance : The Company's Mortgage Loans will not usually be insured by CMHC or any other mortgage insurer in whole or in part.
4. Property Insurance : The insurance coverage on the property may be inadequate, expire or be cancelled and may expose the investor to potential loss of investment. The Company minimizes its property insurance risk by carrying its own portfolio mortgage protection insurance to cover losses on property over which it has a registered mortgage.
5. Decline in Property Value: The Company's Mortgage Loans will be secured by real estate. All real estate investments are subject to elements of risk. Real property value is affected by general economic conditions, local real estate markets, the attractiveness of the property to tenants, competition from other available properties and other factors. While independent appraisals are required before the Company may make any mortgage investments, the appraised values provided therein, even where reported on an "as is" basis, are not necessarily reflective of the market value of the underlying real property, which may fluctuate.
6. Default: In case of default on a mortgage, it may be necessary for the Company, in order to protect the investment, to engage in foreclosure or sale proceedings and to make further outlays to complete an

unfinished project or to maintain prior encumbrances in good standing. As at the date of this Offering Memorandum, there are six (6) Mortgage Loans considered to be in default for \$2,810,055. The Corporation expects to fully recover the full amounts of these mortgage loans.

7. **Impaired Loans:** The Company may from time to time have one or more impaired loans in its portfolio, particulars of which can be obtained by contacting the Company. The Company defines loans as being impaired where full recovery is considered in doubt based on a current evaluation of the security held and for which write-downs have been taken or specific loss provisions established. As at the date of this Offering Memorandum, there no Loans considered to be impaired.
8. **Priority:** Financial charges funded by first mortgage lenders may in some cases rank in priority to the mortgages registered in favour of the Company. In the event of default by the mortgagor under any prior financial charge, the Company may be required to arrange a new first mortgage or pay out same, in order to avoid adverse financial implications.
9. **Risk of Losses:** There is no assurance that the Company will not incur losses in the future. As of December 31, 2023 the Company had a loss provision of \$291,833.
10. **Market Interest Rate Risk:** Changes in interest rate benchmarks may effect demand for financing, and as such impact the Company's ability to source suitable mortgage investments. An increase in interest rates would also increase the costs associated with leveraged capital.
11. **Risk of Mortgage Fraud:** Mortgage fraud can occur if a borrower misrepresents themselves to be the owner of a subject property of which they are not the legal owner, and obtains a Mortgage secured by such property. Although the Company's policies are designed to avoid this risk, there is no guarantee that fraudulent transactions will not adversely affect the earnings of the Company.

In recognition of the risks which may be involved in the Company's investments, the Company will establish reserves against potential losses in such amounts as are anticipated to be deductible for income tax purposes under the Tax Act as determined in consultation with the Company's auditors.

Competition

The ability of the Company to make investments in mortgages in accordance with its investment policies will depend upon the availability of suitable investments and the amount of mortgages available. The Company will be competing for investments with individuals, corporations and institutions (both Canadian and foreign) which are seeking or may seek investments similar to those desired by the Company. Many of these investors will have greater financial resources than those of the Company, or operate without the investment or operating restrictions of the Company or according to more flexible conditions. An increase in the availability of investment funds and an increase in interest in such investments may increase competition for those investments, thereby increasing purchase prices and reducing the yield on the investments.

Prospectus Exemption

The Preferred Share Offering is being made pursuant to exemptions from the prospectus requirements of applicable securities legislation (the "Exemptions"). As a consequence of acquiring the Preferred Shares offered hereby pursuant to such Exemptions and the fact that no prospectus has or is required to be filed with respect to any of the Preferred Shares offered hereby under applicable securities legislation in Canada: (i) you will be restricted from using certain of the civil remedies available under applicable securities legislation; (ii) certain protections, rights and remedies provided in such legislation will not be available to you; (iii) you may not receive information that might otherwise be required to be provided to you under such legislation; and (iv) the Company is relieved from certain obligations that would otherwise apply under such legislation.

Marketability

There is no market for resale of the Preferred Shares as they are not traded on any stock exchange; consequently, it may be difficult or even impossible for investors to sell them. In addition, the Preferred Shares may not be readily acceptable as collateral for loans.

There are restrictions on resale of the Preferred Shares by investors. Such restrictions on resale may never expire and investors should consult with their professional advisors in respect of resale of the Preferred Shares. See Item 12 - “*Resale Restrictions*” in this regard.

The Company does not presently intend to qualify its securities for sale to the public by way of prospectus.

The Preferred Shares are not Insured

The Company is not a member institution of the Canada Deposit Insurance Corporation and the Preferred Shares offered pursuant to this Offering Memorandum are not insured against loss through the Canada Deposit Insurance Corporation. The Preferred Shares are redeemable at the option of the holder, but only under certain circumstances and due to the illiquid nature of mortgage lending, the Company may not be in a position to redeem the shares when requested by a Preferred Shareholder.

Absence of Voting Rights

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

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

Dilution

The number of Preferred Shares the Company is authorized to issue is unlimited and the Directors have the sole discretion to issue additional Preferred Shares. The proceeds of this offering may not be sufficient to accomplish all of the Company's proposed objectives. In addition to alternate financing sources, the Company may conduct future offerings of Preferred Shares in order to raise the funds required which will result in a dilution of the economic interests of the Preferred Shareholders in the Company and the income or loss from the Company.

Less than Full Offering

There can be no assurance that more than the minimum Offering will be sold. In that case, less than the maximum proceeds will be available to the Company and, consequently, its business development plans and prospects could be adversely affected, since fewer Mortgage Loans will be granted by the Company.

Reliance on Management

To the extent that the Company invests in mortgages, Preferred Shareholders will be relying on the good faith and expertise of the Company and its principals in selecting such investments and negotiating the pricing and other terms of the agreements leading to the acquisition of such investments.

Nature of Mortgage Backed Investments

Investments in Mortgages are affected by general economic conditions, pandemics, local real estate markets, demand for leased premises, fluctuation in occupancy rates and operating expenses, and various other factors. The value of a real estate property may ultimately depend on the credit and financial stability of the tenants. Investments in Mortgages are relatively illiquid. Such illiquidity will tend to limit the Company's ability to change its portfolio promptly in response to changing economic or investment conditions. Investments in Mortgages on residential Real Property projects under development may be riskier than investments in Mortgages on already constructed residential Real Property developments.

Renewal of Mortgages

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

Composition of the Mortgage Portfolio

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

Changes in Legislation

There can be no assurance that income tax laws and government incentive programs relating to the real estate industry will not be changed in a manner which adversely affects the Company or distributions received by its security holders.

Tax Matters

The return on the Preferred Shareholder's investment in the Preferred Shares is subject to changes in Canadian federal and provincial tax laws, tax proposals, other governmental policies or regulations and governmental, administrative or judicial interpretation of the same. There can be no assurance that tax laws, tax proposals, policies or regulations, or the interpretation thereof, will not be changed in a manner which will fundamentally alter the tax consequences to Preferred Shareholders acquiring, holding or disposing of Preferred Shares.

If, for any reason, the Company fails to maintain its qualification as a mortgage investment corporation under the Tax Act, dividends paid by the Company on the Preferred Shares will cease to be deductible from the Company's income and the Preferred Shares may cease to be qualified investments for Deferred Plans. See Item 8 "*Income Tax Considerations and RRSP / TFSA Eligibility*".

For all of the aforesaid reasons and others set forth and not set forth herein, the Preferred Shares involve a certain degree of risk. Any person considering the purchase of the Preferred Shares should be aware of these and other factors set forth in this Offering Memorandum and should consult with his/her legal, tax and financial advisors prior to making an investment in the Preferred Shares. The Preferred Shares should only be purchased by persons who are able to maintain their investment and can afford the risk of loss associated with an investment in the Company.

Conflict of Interest

The Company, the Administrator and AWM are related entities and negotiations between them have not been and will not be, conducted at arm's length. Therefore, the Company will be subject to various conflicts of interest arising from its relationship with the Administrator and AWM, affiliates of the Administrator, and the officers and directors thereof. In addition, there may be situations where the interests of the Company or its shareholders conflict with the interests of the officers and directors of the Administrator or AWM. The risk exists that such conflicts will not be resolved in the best interests of the Company and its shareholders. However, in accordance with the Administrative and Services Agreements between the Company, the Administrator, and AWM, the Administrator and AWM are bound to deal honestly and in good faith.

The Directors of the Company and the Administrator may be employed by or act in other capacities for other companies involved in mortgage and lending activities.

Potential Liability under Environmental Protection Legislation

Environmental and ecological legislation and policies have become increasingly important in recent years. Under various laws, as the owner of real estate properties the Company could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on, from or in one or more of the properties. The failure to remove or remediate such substances, if any, may adversely affect the Company's ability to sell such a property or to borrow using a property as collateral.

Cyber Security Risk

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

ITEM 11 – REPORTING OBLIGATIONS

11.1 Documents Provided to Shareholders Annually

The Company is not a “reporting issuer” as such term is defined in applicable securities legislation and accordingly is not subject to most of the continuous disclosure reporting obligations imposed on reporting issuers by securities legislation in British Columbia. In accordance with requirements of the *Business Corporations Act* (British Columbia), the Company is required to place audited financial statements before its shareholders at each annual general meeting and to deposit copies for inspection in its corporate records maintained at its records office which are available for inspection by any shareholders during normal business hours.

11.2 Sources of Information About the Company

Information about the Company's incorporation, amendments to its documents, Directors, officers, annual corporate filings and other corporate information can be obtained from the British Columbia Registrar of Companies, 200 – 940 Blanshard Street, (PO Box 9431 Stn. Pvo. Govt.) Victoria, British Columbia V3W 9V3 (Telephone: 250.387.7848; Facsimile: 250.387.7848.)

ITEM 12 - RESALE RESTRICTIONS

12.1 General

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

12.2 Restricted Period

For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Québec, Saskatchewan and Yukon, unless permitted under securities legislation, you cannot trade the securities before the date that is four months and a day after the date the Company becomes a reporting issuer in any province or territory of Canada.

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

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

After such period, the Preferred Shares may be transferable, subject to restrictions on transfer required in order to comply with certain provisions of the Tax Act. Section 130.1(6)(d) of the Tax Act stipulates that a mortgage investment corporation may not have fewer than 20 shareholders and no one shareholder may hold more than 25% of the issued and outstanding shares of any class of the Company's capital. Accordingly, the Articles of the Company provide that the Directors of the Company may prohibit the transfer of shares in any case where as a result of the transfer the Company would no longer meet the requirements of a MIC.

ITEM 13 - PURCHASER'S RIGHTS

Securities legislation in certain of the Provinces of Canada requires you as a purchaser of securities to be provided with a remedy for rescission or damages, or both, in addition to any other right that a Purchaser may have at law, where this Offering Memorandum and any amendments to it contains a misrepresentation. These remedies must be exercised by a Purchaser within the time limits prescribed by the applicable securities legislation. Purchasers should refer to the applicable provisions of the securities legislation for the complete text of these rights.

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

(a) Two-Day Cancellation Right

You can cancel your agreement to purchase these securities. To do so, you must send a notice to the Company by midnight on the second business day after you sign the agreement to buy the securities.

(b) Statutory Rights of Action in the Event of a Misrepresentation

Rights for Purchasers in British Columbia

Securities legislation in British Columbia provides that if you purchase securities pursuant to this Offering Memorandum, you shall have, in addition to any other rights you may have at law, a right of action for damages or rescission against the Company, every Director of the Company and every person who signs the Offering Memorandum or any amendment thereto in the event that the Offering Memorandum or any amendment thereto contains a misrepresentation. However, such rights must be exercised within prescribed time limits. You should refer to the applicable provisions of the British Columbia securities legislation for particulars of those rights or consult with a lawyer. For these purposes, a “*misrepresentation*” means an untrue statement of a material fact or an omission to state a material fact that is required to be stated, or necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made. A “*material fact*” means any fact that significantly affects or could reasonably be expected to significantly affect the market price or the value of the Preferred Shares.

The Company will not be liable if it proves that you had knowledge of the misrepresentation. In the case of an action for damages, the Company will not be liable for all or any portion of such damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon, and in no case will the amount recoverable in any action exceed the price at which the Preferred Shares were sold to you.

In British Columbia, no action shall be commenced to enforce a statutory right of action unless the right is exercised:

- (a) in the case of rescission, on notice to the Company not later than 180 days from the day of the transaction that gave rise to the cause of action, or
- (b) in the case of damages, on notice given to the Company not later than:
 - (i) 180 days from the day you first had knowledge of the facts giving rise to the cause of action; or
 - (ii) three years from the day of the transaction that gave rise to the cause of action.

The rights of action for rescission or damages are in addition to and without derogation from any other right you may have at law.

Reference is made to the *Securities Act* (British Columbia) and this summary is subject to the express provisions of the *Securities Act* (British Columbia). For the complete text of the provisions under which these rights are conferred, you should refer to the applicable provisions of the British Columbia securities legislation, as applicable, for particulars of your rights or consult with a lawyer.

Rights for Purchasers in Alberta

In addition to any other right or remedy available to you at law, if there is a misrepresentation in this Offering Memorandum, purchasers in Alberta have a statutory right of action:

- (a) for rescission or cancellation against the Company, or
- (b) for damages against the Company, every person who was a director of the Company at the date of this Offering Memorandum and any person or company who signed this Offering Memorandum or any amendment hereto.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. If you choose to rescind your purchase, you cannot then sue for damages. In addition, in an action for damages, the defendant will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of your Preferred Shares as a result of the misrepresentation. Further, the amount recoverable in an action for damages will not exceed the price at which the Preferred Shares were offered. There are various defences available to the persons or companies that you have a right to sue. For example, they have a defence if you knew of the misrepresentation when you purchased the Preferred Shares.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action for rescission to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action, namely purchasing the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation or three years after you purchased the securities.

Rights for Purchasers in Saskatchewan

If this Offering Memorandum contains a misrepresentation, purchasers in Saskatchewan who purchase a security offered by this Offering Memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation, the following rights:

- (a) a right to exercise a right of rescission against the Company; or
- (b) a right to sue for damages against the Company, every promoter and director of the Company, 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, every person who or company that signed this Offering Memorandum or any amendment hereto, and every person who or company that sells the Preferred Shares on behalf of the Company under this Offering Memorandum or any amendment hereto.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. If you chose to exercise your right of rescission to cancel your agreement, you cannot sue for damages against the Company. However, there are various defences available to the persons or entities that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In addition, in an action for damages, the Company will not be liable for all or any portion of damages that the Company proves do not represent the depreciation in value of the securities as a result of the misrepresentation. In no case will the amount recoverable exceed the price at which the Preferred Shares were offered under this Offering Memorandum.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action for rescission within 180 days after the date of the transaction that gave rise to the cause of action, namely purchasing the securities. You must commence your action for damages within the earlier of one year after learning of the misrepresentation or six years after you purchased the securities.

Rights for Purchasers in Manitoba

If this Offering Memorandum contains a misrepresentation, purchasers in Manitoba who purchase a security offered by this Offering Memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation, the following rights:

- (a) a right to exercise a right of rescission against the Company; or
- (b) a right to sue for damages against the Company, every director of the Company at the date of this Offering Memorandum, and every person or company who signed this Offering Memorandum or any amendment hereto.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. If you chose to exercise your right of rescission to cancel your agreement, you cannot sue for damages against the Company. However, there are various defences available to the persons or entities that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In addition, in an action for damages, the Company will not be liable for all or any portion of damages that the Company proves do not represent the depreciation in value of the securities as a result of the misrepresentation. In no case will the amount recoverable exceed the price at which the Preferred Shares were offered under this Offering Memorandum.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action for rescission within 180 days after the date of the transaction that gave rise to the cause of action, namely purchasing the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation or two years after you purchased the securities.

Rights for Purchasers in Ontario

If this Offering Memorandum contains a misrepresentation, purchasers in Ontario who purchase a security offered by this Offering Memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation, the following rights:

- (a) a right of action for damages against the Company and a selling security holder on whose behalf the distribution is made; and
- (b) a right of rescission against the Company or a selling security holder on whose behalf the distribution is made. if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against the Company.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. If you choose to rescind your purchase, you cannot then sue for damages. In addition, in an action for damages, the defendant will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of your Preferred Shares as a result of the misrepresentation. Further, the amount recoverable in an action for damages will not exceed the price at which the Preferred Shares were offered. There are various defences available to the persons or companies that you have a right to sue. For example, they have a defence if you knew of the misrepresentation when you purchased the Preferred Shares.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action for rescission within 180 days after the date of the transaction that gave rise to the cause of action, namely purchasing the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation or three years after you purchased the securities.

Rights for Purchasers in Nova Scotia

If this Offering Memorandum, or any record incorporated by reference in, or deemed incorporated into, this Offering Memorandum or any amendment thereto, or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)) in respect of the Preferred Shares, contains a misrepresentation, purchasers in Nova Scotia who purchase a security offered by this Offering Memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation, the following rights:

- (a) a right to exercise a right of rescission against the Company; or
- (b) a right to sue for damages against the Company, every director of the Company at the date of this Offering Memorandum, and every person who signed this Offering Memorandum or any amendment hereto.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. If you chose to exercise your right of rescission to cancel your agreement, you cannot sue for damages against the Company. However, there are various defences available to the persons or entities that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In addition, in an action for damages, the Company will not be liable for all or any portion of damages that the Company proves do not represent the depreciation in value of the securities as a result of

the misrepresentation. In no case will the amount recoverable exceed the price at which the Preferred Shares were offered under this Offering Memorandum.

If you intend to rely on the rights described in (a) or (b) above, you must do so within 120 days after the date on which payment was made for the Preferred Shares, or after the date on which initial payment was made for the Preferred Shares where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment.

Rights for Purchasers in New Brunswick

If this Offering Memorandum contains a misrepresentation, purchasers in New Brunswick who purchase a security offered by this Offering Memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation, the following rights:

- (a) a right to exercise a right of rescission against the Company; or
- (b) a right to sue for damages against the Company, every person who was a director of the Company at the date of this Offering Memorandum, and every person who signed this Offering Memorandum or any amendment hereto.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. If you chose to exercise your right of rescission to cancel your agreement, you cannot sue for damages against the Company. However, there are various defences available to the persons or entities that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In addition, in an action for damages, the Company will not be liable for all or any portion of damages that the Company proves do not represent the depreciation in value of the securities as a result of the misrepresentation. In no case will the amount recoverable exceed the price at which the Preferred Shares were offered under this Offering Memorandum.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action for rescission within 180 days after the date of the transaction that gave rise to the cause of action, namely purchasing the securities. You must commence your action for damages within the earlier of one year after learning of the misrepresentation or six years after you purchased the securities.

Rights for Purchasers in Prince Edward Island

If this Offering Memorandum, or any record incorporated by reference in, or deemed incorporated into, this Offering Memorandum or any amendment thereto, contains a misrepresentation, purchasers in Prince Edward Island who purchase a security offered by this Offering Memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation, the following rights:

- (a) a right to exercise a right of rescission against the Company; or
- (b) a right to sue for damages against the Company, every director of the Company at the date of this Offering Memorandum, and every person who signed this Offering Memorandum or any amendment hereto.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. If you chose to exercise your right of rescission to cancel your agreement, you cannot sue for damages against the Company. However, there are various defences available to the persons or entities that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. The Company and its director also have a defence if the Company does not receive any proceeds from the distribution and the misrepresentation was not based on information provided by the Company, unless the misrepresentation

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

In addition, in an action for damages, the Company will not be liable for all or any portion of damages that the Company proves do not represent the depreciation in value of the securities as a result of the misrepresentation. In no case will the amount recoverable exceed the price at which the Preferred Shares

were offered under this Offering Memorandum.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action for rescission within 180 days after the date of the transaction that gave rise to the cause of action, namely purchasing the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation or three years after you purchased the securities.

Rights for Purchasers in Newfoundland and Labrador

If this Offering Memorandum, or any record incorporated by reference in, or deemed incorporated into, this Offering Memorandum or any amendment thereto, contains a misrepresentation, purchasers in Newfoundland and Labrador who purchase a security offered by this Offering Memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation, the following rights:

- (a) a right to exercise a right of rescission against the Company; or
- (b) a right to sue for damages against the Company, every director of the Company at the date of this Offering Memorandum, and every person who signed this Offering Memorandum or any amendment hereto.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. If you chose to exercise your right of rescission to cancel your agreement, you cannot sue for damages against the Company. However, there are various defences available to the persons or entities that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In addition, in an action for damages, the Company will not be liable for all or any portion of damages that the Company proves do not represent the depreciation in value of the securities as a result of the misrepresentation. In no case will the amount recoverable exceed the price at which the Preferred Shares were offered under this Offering Memorandum.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action for rescission within 180 days after the date of the transaction that gave rise to the cause of action, namely purchasing the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation or three years after you purchased the securities.

Cautionary Statement Regarding Report, Statement or Opinion by Expert

This Offering Memorandum includes a copy of the audited annual financial statements of the Company as at December 31, 2023, by Nice Accounting Chartered Professional Accountant. You do not have statutory right of action against this party for a misrepresentation in the Offering Memorandum. You should consult with a legal adviser for further information.

ITEM 14 - FINANCIAL STATEMENTS

Audited annual financial statements as at December 31, 2023 are attached.

ARMADA MORTGAGE CORPORATION

Financial Statements

Year Ended December 31, 2023

ARMADA MORTGAGE CORPORATION

Index to Financial Statements

Year Ended December 31, 2023

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Income and Comprehensive Income	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 17

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Armada Mortgage Corporation

Opinion

We have audited the financial statements of Armada Mortgage Corporation (the Company), which comprise the statement of financial position as at December 31, 2023, and the statements of income and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies, and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

(continues)

Independent Auditor's Report to the Shareholders of Armada Mortgage Corporation *(continued)*

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

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

Abbotsford, British Columbia
March 19, 2024

Nice Accounting

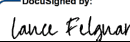
NICE ACCOUNTING
CHARTERED PROFESSIONAL ACCOUNTANT

ARMADA MORTGAGE CORPORATION**Statement of Financial Position****December 31, 2023**

	2023	2022
ASSETS		
CURRENT		
Cash	\$ -	\$ 8,038
Mortgages receivable (Note 4)	47,853,623	45,136,395
Interest receivable	321,076	263,874
Due from related parties (Note 8)	430,819	430,819
	<u>48,605,518</u>	<u>45,839,126</u>
Mortgages receivable - long-term (Note 4)	4,026,645	1,164,601
	<u>52,632,163</u>	<u>47,003,727</u>
TOTAL ASSETS	\$ 52,632,163	\$ 47,003,727
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
CURRENT		
Bank indebtedness (Note 5)	\$ 571,073	\$ 1,130,000
Redemptions payable (Note 7)	-	486,534
Accounts payable (Note 8)	92,400	78,057
Dividends payable (Note 6)	898,347	635,121
Preferred shares (Note 7)	51,122,279	44,725,951
	<u>52,684,099</u>	<u>47,055,663</u>
TOTAL LIABILITIES	52,684,099	47,055,663
SHAREHOLDERS' DEFICIENCY		
Commons shares (Note 7)	95	95
Deficit (Note 1)	(52,031)	(52,031)
	<u>(51,936)</u>	<u>(51,936)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	\$ 52,632,163	\$ 47,003,727

SUBSEQUENT EVENTS (NOTE 4)**APPROVED MARCH 19, 2024 BY**

DocuSigned by:
 _____ Director

DocuSigned by:
 _____ Director

ARMADA MORTGAGE CORPORATION**Statement of Changes in Equity****Year Ended December 31, 2023**

	Common shares	Deficit	Total equity
As at January 1, 2022	\$ 95	\$ (52,031)	\$ (51,936)
Net income and comprehensive income for the year	-	-	-
Common share dividends paid	-	-	-
Redemption of common shares	-	-	-
Proceeds from issuance of common shares	-	-	-
As at December 31, 2022	<u>\$ 95</u>	<u>\$ (52,031)</u>	<u>\$ (51,936)</u>
As at January 1, 2023	\$ 95	\$ (52,031)	\$ (51,936)
Net income and comprehensive income for the year	-	-	-
Common share dividends paid	-	-	-
Redemption of common shares	-	-	-
Proceeds from issuance of common shares	-	-	-
As at December 31, 2023	<u>\$ 95</u>	<u>\$ (52,031)</u>	<u>\$ (51,936)</u>

See notes to financial statements

ARMADA MORTGAGE CORPORATION
Statement of Income and Comprehensive Income
Year Ended December 31, 2023

	2023	2022
REVENUES		
Mortgage interest	\$ 4,437,221	\$ 3,270,540
Other fees	414,910	248,326
Lender fees	379,986	425,843
	<u>5,232,117</u>	<u>3,944,709</u>
EXPENSES		
Management fees (Note 8)	787,162	704,023
Interest	91,294	125,759
Professional fees	35,170	40,882
Software (Note 8)	63,358	34,020
Net loss allowance	43,592	1,394
Advertising and promotion	36,997	42,472
Insurance	32,285	24,183
Office	31,622	26,798
	<u>1,121,480</u>	<u>999,531</u>
INCOME FROM OPERATIONS	4,110,637	2,945,178
OTHER ITEM		
Dividend expense	<u>(4,110,637)</u>	<u>(2,945,178)</u>
NET INCOME AND COMPREHENSIVE INCOME	\$ -	\$ -

See notes to financial statements

ARMADA MORTGAGE CORPORATION

Statement of Cash Flows

Year Ended December 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Net income and comprehensive income	\$ -	\$ -
Items not affecting cash:		
Mortgage interest	(4,437,221)	(3,270,540)
Dividend expense	4,110,637	2,945,178
Net loss allowance	43,592	1,394
Interest expense	91,293	125,759
	<u>(191,699)</u>	<u>(198,209)</u>
Changes in non-cash working capital:		
Accounts payable	14,343	3,823
Unearned lender fees	42,746	(28,070)
	<u>57,089</u>	<u>(24,247)</u>
Cash flows relating to interest and dividends		
Interest received	4,380,020	3,217,392
Interest paid	(91,293)	(125,759)
Dividends paid	(2,100,829)	(1,633,283)
	<u>2,187,898</u>	<u>1,458,350</u>
Cash flow from operating activities	<u>2,053,288</u>	<u>1,235,894</u>
INVESTING ACTIVITIES		
New mortgages funded	(28,296,490)	(28,830,807)
Mortgages repaid	22,630,879	22,120,951
Cash flow used by investing activities	<u>(5,665,611)</u>	<u>(6,709,856)</u>
FINANCING ACTIVITIES		
Preferred shares issued	6,342,617	5,325,267
Preferred shares redeemed	(2,179,405)	(720,454)
Proceeds from bank indebtedness	17,481,073	21,010,000
Repayment of bank indebtedness	(18,040,000)	(20,140,000)
Cash flow from financing activities	<u>3,604,285</u>	<u>5,474,813</u>
INCREASE (DECREASE) IN CASH FLOW	(8,038)	851
CASH - BEGINNING OF YEAR	<u>8,038</u>	<u>7,187</u>
CASH - END OF YEAR	<u>\$ -</u>	<u>\$ 8,038</u>

See notes to financial statements

ARMADA MORTGAGE CORPORATION
Notes to Financial Statements
Year Ended December 31, 2023

1. Nature of operations

Armada Mortgage Corporation (the "Company") is a mortgage investment corporation pursuant to Section 130.1 of the Income Tax Act. It was incorporated under the British Columbia Companies Act on December 29, 1995 and is also registered in Alberta and Ontario. The Company's target return to investors is 3.75% over the Bank of Canada 3-5 year bond rate, a target that has been reached each year since operations began in 2001. The Company's deficit was a result of the recognition of increase in the allowance for impairment of mortgages of \$52,031 at the date of initial application of IFRS 9, Financial Instruments, on January 1, 2018.

The address of the Company's registered office is 20178 96 Ave C405, Langley, BC V1M 0B2.

2. Basis of presentation

The financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These annual financial statements were authorized for issuance by the Board of Directors on March 19, 2024.

Basis for measurement

These financial statements are prepared on the historical cost basis, except for financial instruments classified as fair value through profit or loss that have been measured at fair value.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is also the Company's functional currency.

Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period.

Significant areas requiring the use of management estimates relate to the valuation of mortgages and the expected credit loss for loans.

Management believes that its estimates are appropriate, however, actual results could differ from the amounts estimated. Estimates and underlying assumptions are reviewed annually and revisions to accounting estimates are recognized in the period in which the estimate is revised and any future periods affected.

ARMADA MORTGAGE CORPORATION
Notes to Financial Statements
Year Ended December 31, 2023

3. Summary of significant accounting policies

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification upon recognition and initial measurement of financial assets

All financial assets are initially measured at fair value. Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost;
- fair value through other comprehensive income (“FVOCI”); or
- fair value through profit or loss (“FVTPL”).

In the periods presented, the Company does not have any financial assets categorized as FVOCI or FVTPL.

The classification is determined by both:

- the entity’s business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

After initial recognition, these are measured at amortized cost using the effective interest method.

The Company’s financial assets are all categorized as amortized cost.

Impairment of financial assets

Impairment of financial assets is determined using forward-looking information to recognize expected credit losses – the ‘expected credit loss (ECL) model’.

The Company considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

ARMADA MORTGAGE CORPORATION
Notes to Financial Statements
Year Ended December 31, 2023

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

In applying the forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (“Stage 1”) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (“Stage 2”).

‘Stage 3’ would cover financial assets that have objective evidence of impairment at the reporting date.

‘12-month expected credit losses’ are recognized for the first stage while ‘lifetime expected credit losses’ are recognized for the second stage.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

The Company’s financial liabilities include bank indebtedness, accounts payable, dividends payable, and preferred shares.

Financial liabilities are initially measured at fair value, and where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, the Company’s financial liabilities are measured at amortized cost using the effective interest method.

Dividends

Dividends on new shares and redemptions are calculated on a pro-rated monthly basis.

Revenue recognition

Interest income on mortgages is recorded using the accrual method. The majority of the mortgages receivable are for a one year term and, therefore, loan fees and expenses are recognized in the year received or incurred. All discounts on mortgages are deferred at the time of acquisition. The discounts on mortgages purchased below face value are amortized to income over the mortgage term and recognized as revenue on a monthly basis until the earlier of the maturity date or pay out date.

Interest income on impaired loans ceases to accrue if it is determined that insufficient equity exists. Any interest income after that point is only recognized when received at the successful completion of the foreclosure action.

Interest and penalties received as a result of loan prepayments are recognized as income in the year in which the prepayment was made.

ARMADA MORTGAGE CORPORATION

Notes to Financial Statements

Year Ended December 31, 2023

3. Summary of significant accounting policies (continued)

Revenue recognition (continued)

In foreclosure situations, the Company will continue to accrue interest until management believes there will be no recovery of the mortgage and successful completion of the foreclosure action is inevitable. The Company will carefully review the situation with these mortgages and recognize any impairment when it arises.

4. Mortgages receivable

The portfolio consists of the following:

	No.	%	2023	No.	%	2022
First mortgages	86	66.0	\$ 34,556,386	82	71.1	\$ 33,212,401
Second mortgages	131	33.3	17,428,928	106	27.9	13,025,852
Third mortgages	3	0.7	383,180	4	1.0	464,630
			52,368,494			46,702,883
Less: allowance for loan impairment			291,833			248,241
Less: unearned lender fees			196,393			153,646
			\$ 51,880,268			\$ 46,300,996
			2023			2022
The average mortgage balance			\$ 238,039			\$ 243,244
The weighted average interest rate			8.62%			7.03%
The weighted average return on mortgages			10.44%			8.41%

Mortgages are issued typically with terms between one to two years and are subject to approval based on lending criteria. Due to the short-term nature of the loans, the carrying value of the mortgage receivable approximates fair value.

At December 31, 2023 there were ten (2022 - two) mortgages in foreclosure proceedings with a value of \$4,368,977 (2022 - \$858,709). Subsequent to year-end, two of the ten mortgages with a receivable value of \$661,404 were collected in full. Subsequent to year-end, two of the ten mortgages with a receivable value of \$661,664 were being defended by title insurance. Subsequent to year-end, one of the ten mortgages with a receivable value of \$1,192,000, received its New Builder Home Warranty certificate; therefore, completion of construction can be finalized. There were no mortgage loans that were past due not classified as impaired (2022 – Nil).

The majority of the mortgages are residential mortgages registered against properties in the major urban centres of British Columbia, Alberta and Ontario.

As at December 31, 2023, there were no significant mortgage amounts of over 4% of the overall value of mortgages receivable within the mortgage portfolio (2022 – no significant mortgages).

The mortgages bear interest at fixed rates, which are within the Company's guidelines and are consistent with the equity based lending market.

ARMADA MORTGAGE CORPORATION

Notes to Financial Statements

Year Ended December 31, 2023

4. Mortgages receivable (continued)

The Company applies the IFRS 9 general approach in measuring ECL wherein 12-month and lifetime expected loss allowance for all mortgages receivable are recognized based on the performance and credit risk characteristic, with reference to days the receivable are past due, of the mortgages.

The expected loss rates are based on the payment profiles of the mortgages over a period of 10 years before December 31, 2023 or January 1, 2023, respectively, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the mortgagees to settle the receivables. The Company has identified the demand and supply of real estate properties affecting prices and the economic activity in the region, mortality rate, unemployment rate, inherent limitations on property appraisal values, and mortgaged property locations, among others, to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. On the basis of the foregoing, the accumulated loss allowance as at December 31, 2023 and 2022 were detailed as follows:

	Stage 1	Stage 2	Stage 3	Total
Mortgage balance as of December 31, 2023	48,022,166	3,102,416	1,243,912	\$ 52,368,494
Accumulated loss allowance 2023	80,662	124,097	87,074	\$ 291,833
Mortgage balance as of December 31, 2022	45,227,312	1,383,001	92,570	\$ 46,702,883
Accumulated loss allowance 2022	180,909	60,852	6,480	\$ 248,241

There was no reclassification of losses between Stage 1 and Stage 2 categories.

Type of mortgage

The following is an analysis of the mortgage's receivable showing the diversification of the mortgages by the type of property the mortgage has been advanced upon and the location of the mortgage. Also included is an analysis of the delinquent mortgages, allowance for loan impairment and losses expended during the year.

	First mortgages	Second mortgages	Third mortgages	2023	2022
Residential	33,413,786	17,428,928	383,180	51,225,894	44,110,274
Construction	1,142,600	-	-	1,142,600	2,592,609
	34,556,386	17,428,928	383,180	52,368,494	46,702,883
Location analysis					
	First mortgages	Second mortgages	Third mortgages	2023	2022
British Columbia	19,645,573	11,173,928	383,180	31,202,681	29,101,746
Alberta	5,580,551	573,610	-	6,154,161	3,847,289
Ontario	9,330,262	5,681,390	-	15,011,652	13,753,848
	34,556,386	17,428,928	383,180	52,368,494	46,702,883

ARMADA MORTGAGE CORPORATION
Notes to Financial Statements
Year Ended December 31, 2023

4. Mortgages receivable (continued)

Delinquent mortgages

	2023	2022
Mortgages in the process of foreclosure	\$ 4,368,977	\$ 858,709

Impairment allowance

	2023	2022
Balance, beginning of the year	\$ 248,241	\$ 246,847
Current year impairment allowance	43,592	1,394
Balance, end of year	\$ 291,833	\$ 248,241

Mortgage losses

	2023	2022
Increase in impairment allowance	\$ 43,592	\$ 1,394
Loss recovery	-	-
	\$ 43,592	\$ 1,394

	2023	2022
Mortgage contracts expiring within 12 months	\$ 48,302,076	\$ 45,523,147
Mortgage contracts expiring over 12 months	4,066,418	1,179,736
	\$ 52,368,494	\$ 46,702,883

5. Bank indebtedness

The Company has a credit facility with TD Canada Trust for a demand operating loan to a maximum of \$5,000,000. Interest is charged at the bank's prime lending rate plus 0.50% per annum.

At December 31, 2023, the Company was in compliance with all bank covenants and had drawn \$570,000 (2022 – \$1,130,000).

The bank overdraft is included under the credit facility with TD Canada Trust following the same terms.

ARMADA MORTGAGE CORPORATION
Notes to Financial Statements
Year Ended December 31, 2023

6. Dividends payable

The Company follows a dividend policy in accordance with the provision of the Income Tax Act related to Mortgage Investment Corporations. Dividends are paid on a monthly basis at \$0.006 (2022 - \$0.0049) per share and an annual dividend which has been calculated that will be paid at \$0.0199 (2022 - \$0.0153) per share.

Dividends previously declared on the preferred shares of the Company were distributed as follows:

	2023	2022
Dividends payable, beginning of year	\$ 635,121	\$ 403,345
Dividends paid in cash	(2,100,829)	(1,633,283)
Dividends paid in shares	(1,746,582)	(1,080,119)
Dividends declared during the year	4,110,637	2,945,178
Dividends payable, end of year	\$ 898,347	\$ 635,121

7. Share capital

Authorized

Unlimited	Common voting shares without par value.
Unlimited	Class A non-voting preferred shares with a par value of \$1.00 each.
Unlimited	Class B non-voting preferred shares without par value.

	2023		2022	
	Shares	Amount	Shares	Amount
Common shares outstanding, beginning of year	95	\$ 95	95	\$ 95
Issued	-	-		
Redeemed	-	-		
Common shares outstanding, end of year	95	\$ 95	95	\$ 95
Preferred shares outstanding, beginning of year	44,725,951	\$ 44,725,951	39,527,553	\$ 39,527,553
Issued	6,342,617	6,342,617	5,325,267	5,325,267
Redeemed	(1,692,871)	(1,692,871)	(1,206,988)	(1,206,988)
Dividends issued as shares	1,746,582	1,746,582	1,080,119	1,080,119
Preferred shares outstanding, end of year	51,122,279	\$ 51,122,279	44,725,951	\$ 44,725,951

As at December 31, 2023, redemption of the Company's class A non-voting preferred shares amounting to \$Nil (2022 - \$486,534) remained unpaid. All preferred shares are equally eligible to receive dividends and the repayment of capital. Each common share represents one vote at the shareholders' meeting.

The Company follows the IFRS recommendations for accounting for financial instruments, therefore issued share capital which is redeemable at the request of the shareholder and has the attributes of a financial liability is presented as such.

ARMADA MORTGAGE CORPORATION

Notes to Financial Statements

Year Ended December 31, 2023

8. Related party transactions

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

The Company contracted Armada Capital Corp. (“ACC”) to manage the mortgage portfolio for a fee which is calculated at one twelfth of 1.50% of the mortgage portfolio per month plus GST. ACC is owned by Gordon Hone, a shareholder and director of the Company.

Management fees for the fiscal year total \$787,162 (2022 - \$704,023). Included in accounts payable is an amount owing to ACC of \$69,996 (2022 - \$68,976). Unpaid amounts are in the normal course of business and non-interest bearing.

The Company uses an internally generated mortgage program, Mortgage Pro. During the year, the Company fully paid \$15,498 (2022 - \$18,900) to Catamaran Software Corporation (“Catamaran”) for system maintenance; which is considered to be the software expense for the use of the program. Catamaran is owned by Gordon Hone, a shareholder and director of the Company. Included in accounts payable is an amount owing to Catamaran of \$Nil (2022 - \$4,725).

The Company sold a mortgage in foreclosure in 2017 to a related party, 1097617 BC Ltd, and currently has extended funds on a non-interest bearing basis for the amount of \$350,819 (2022 – \$350,819) for the renovation of the property.

The Company had previously advanced \$100,000 to Armada Wealth Management Inc. (“AWM”) in the form of a subordinated loan of which \$80,000 remains outstanding at year-end (2022 - \$80,000). The loan is unsecured, non-interest bearing, and is subordinated to the claims of the general creditors of AWM, pursuant to standard uniform subordination agreements in the form required by the British Columbia Securities Commission (“BCSC”). The loan is payable on demand, subject to the approval of the BCSC following a 10 day notice to the regulatory authority. In addition, included in accounts payable is an amount owing to AWM for shared expenses of \$5,772 (2022 - \$4,355).

The Company paid a total of \$26,395 (2022 - \$32,580) in expenses relating to professional fees, software, office, and insurance on behalf of AWM. These expenses have been shown in their respective income statement expense accounts.

Directors and officers who have investments in the Company received \$491,799 (2022- \$317,004) in dividend income. In all cases, the dividends received were based on the same criteria as all other investors holding the same class of shares in the Company.

At December 31, 2023, the majority of directors each owned one voting common share and an aggregate total of 12.63% (2022 – 11.20%) of non-voting preferred shares, either directly or indirectly.

9. Fair value of financial instruments

The following provides an analysis of financial instruments that are measured, subsequent to initial recognition, at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

ARMADA MORTGAGE CORPORATION
Notes to Financial Statements
Year Ended December 31, 2023

9. Fair value of financial instruments (continued)

Level 1 – quoted prices in active markets for identical investments

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the investment, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 – inputs for the investments that are not based on observable market data

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level of input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of three levels.

As at December 31, 2023 and 2022 there are no financial instruments carried at fair value.

10. Financial instruments

The Company's financial instruments consist of accounts receivable, due from a related party, interest receivable, mortgages receivable, bank indebtedness, accounts payable, redemption payable, dividends payable, and preferred shares. The Company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Company's risk exposure and concentration as of December 31, 2023.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk in that the mortgagor will fail to discharge the obligation causing the Company to incur a financial loss. In order to reduce its credit risk, the Company ensures that the collateral value of the security fully protects first, second and subsequent mortgage advances and that there is a viable exit strategy for each loan. Credit risks policies include the following:

- General mortgage policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity and loan administration;
- Mortgage lending limits and criteria set by the Board of Directors;
- Review of mortgages by the Board of Directors; and
- Mortgage delinquency controls regarding procedures followed for loans in arrears.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises four types of risk: currency rate risk, interest rate risk, fair value risk and other price risk. The Company is mainly exposed to interest rate risk and other price risk.

Fair value risk

Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. The Company is not impacted by fair value risk.

ARMADA MORTGAGE CORPORATION
Notes to Financial Statements
Year Ended December 31, 2023

10. Financial instruments (continued)

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The mortgages receivable are advanced for mainly one year terms, with the rate of interest fixed for that term. Interest rates on mortgages receivable reflect credit risk and prime interest rates. Upon renewal of the mortgage, the Company has the option of adjusting the interest rate to respond to changes in credit risk or the prime interest rate.

In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company is also exposed to interest rate risk through its floating interest rate bank indebtedness and credit facilities.

If interest rates on mortgage receivable had been one percent point higher (lower) during the year ended December 31, 2023, earnings would have been reduced (increased) by approximately \$502,442 (2022 - \$447,071) during the year, assuming that no changes had been made to the interest rates at which new mortgage loans were entered into. Similarly if interest rates on debt had been one percent point higher (lower) during the year ended December 31, 2023, earnings would have been reduced (increased) by approximately \$11,041 (2022 - \$23,614) during the year.

Currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not hold any financial instruments in foreign currency, therefore it is not exposed to foreign currency risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company does not hold financial instruments traded in the active market.

Included in other price risk is the real estate property that provides the underlying security for mortgages receivable. The Company aims to minimize other price risk through maintaining sufficient loan to value ratios on the advance of mortgages.

11. Capital management

The Company's objective when managing capital is to continue operations as a going concern so that it can provide its shareholders with a safe, superior-yielding and liquid investment that also qualifies as an eligible investment for Registered Retirement Savings Plan, Registered Retirement Income Funds and Tax-Free savings Accounts.

The Company defines capital as being the funds raised through the issuance of Class A and B shares of the Company. The Company is currently issuing Class A shares. The overall objective of capital management is to ensure that the Company has sufficient capital to maintain its operations based on current activities and expected business developments in the future and to provide a return to the shareholders commensurate with the risk of the business and comparable to other similar companies.

The Company is required to comply with Section 130.1(6) of the Income Tax Act which defines the requirements for Mortgage Investment Corporations. These guidelines give specific externally imposed capital requirements. During the year the Company complied with these requirements.

ARMADA MORTGAGE CORPORATION
Notes to Financial Statements
Year Ended December 31, 2023

11. Capital management (continued)

The Company's investment restrictions and asset allocation models incorporate various restrictions and investments parameters to manage the risk profile of the mortgage investments. The investment restrictions also permit the Company to maintain constant leverage. The aggregate amount of borrowing may not exceed 75% of the principal balance of reducing and non-reducing mortgages on eligible properties, up to a maximum of 75% of appraised property value. As at December 31, 2023, the Company was in compliance with its investment restrictions.

Pursuant to the terms of the credit facility, the Company is required to meet certain financial requirements, including a maximum debt to tangible net worth ratio and a minimum interest coverage ratio. At December 31, 2023, the Company is in compliance with all financial covenants.

12. Rate of return

The effective annual yield on adjusted share capital is as follows:

	<u>2023</u>	<u>2022</u>
Shares with interim dividend accrued	8.81%	7.35%
Shares with interim dividend paid in cash	8.61%	7.12%

The weighted average share capital for the 2023 fiscal year was 48,814,461 (2022 – 41,979,508).

The average rate of return for the last 21 years is 6.94%

Certificate of the Company

Dated this 29th day of April, 2024.

This Offering Memorandum does not contain a misrepresentation.

Per:
"Gordon Hone"
GORDON HONE, President & Director

Per:
"Karin Schmidtke"
KARIN SCHMIDTKE, Secretary

ON BEHALF OF THE BOARD OF DIRECTORS

Per:
"Gordon Hone"
GORDON HONE, President & Director

Per:
"Edward Monteiro"
EDWARD MONTEIRO, Director

Per:
"Don Pearce"
DON PEARCE, Director

Per:
"Andrew Danneffel"
ANDREW DANNEFFEL, Director

Per:
"Steve Drew"
STEVE DREW, Director

Per:
"Patricia Milewski"
PATRICIA MILEWSKI, Director

Per:
"Lance Felgnar"
LANCE FELGNAR, Director