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**OFFERING MEMORANDUM**  
**MAGENTA MORTGAGE INVESTMENT CORPORATION**  
(FORM 45-106F2 FOR NON-QUALIFYING ISSUERS)

DATE: March 28, 2023

**THE ISSUER** Magenta Mortgage Investment Corporation (the “Issuer” or the “Corporation”)

HEAD OFFICE: First Canadian Place, 30<sup>th</sup> Floor, 100 King Street West, Toronto, ON M5X 1C9  
Tel: 1.888.267.1744  
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CURRENTLY LISTED OR QUOTED? **No. These securities do not trade on any exchange or market.**

REPORTING ISSUER? No.

**THE OFFERING**

SECURITIES OFFERED: First Preferred Shares (“**First Preferred Shares**”) of the Corporation as follows:  
  
Series A First Preferred Shares (Fundserv code MMI401)  
Series B First Preferred Shares (Fundserv code MMI403)  
Series F First Preferred Shares (Fundserv code MMI402)

PRICE PER SECURITY: \$10.00 per First Preferred Share

MINIMUM/MAXIMUM OFFERING: **There is no minimum or maximum offering. You may be the only purchaser.** First Preferred Shares have been sold in prior offerings of the Corporation. As at February 28, 2023, 23,331,221 First Preferred Shares are issued and outstanding. See Section 4.1, “Securities Except for Debt Securities” and Section 4.3, “Prior Sales”.

MINIMUM SUBSCRIPTION: \$30,000 (3,000 First Preferred Shares). The Corporation may, however, in its sole discretion, accept subscriptions for lesser amounts provided such subscriptions are otherwise made in compliance with applicable securities legislation.

PAYMENT TERMS: The subscription amount must be paid before completion of the sale of First Preferred Shares by cheque, bank draft or wire transfer to “Magenta Mortgage Investment Corporation” or any other manner of payment acceptable to the Issuer. Payment may also be made via electronic settlement through the Fundserv network through Fundserv registered dealers under its Fundserv manufacturer’s code MMI401 for Series A First Preferred Shares, MMI403 for Series B First Preferred Shares and MMI402 for Series F First Preferred Shares. Each transaction to complete the sale of a First Preferred Share is a “**Closing**”.

PROPOSED CLOSING DATES: First Preferred Shares are being offered on a continuous basis. The first Closing under this Offering Memorandum is expected to occur on or about March 31, 2023. Thereafter, the Corporation completes Closings from time to time as subscriptions are received.

INCOME TAX CONSEQUENCES: **There are important tax consequences to these securities.** The First Preferred Shares will be qualified investments for inclusion in a Canadian RRSP, RRIF, RESP, TFSA, or DPSP subject to the Corporation maintaining its status as a “mortgage investment corporation” (“**MIC**”). For further information, see Item 7, “Income Tax Consequences and DIP Eligibility”.

**INSUFFICIENT FUNDS** **Funds available under this Offering may not be sufficient to accomplish our proposed objectives.** See Section 2.6, “Insufficient Proceeds”.

**COMPENSATION PAID TO SELLERS AND FINDERS** A person has received or will receive compensation for the sale of securities under this Offering.  
  
Magenta Capital Corporation (“**Magenta Capital**” or the “**General Partner**”) in its capacity as sole general partner of Magenta Mortgage Investment Limited Partnership, Magenta II Mortgage Investment Limited Partnership and Magenta III Mortgage Investment Limited Partnership (each a “**Limited Partnership**” and collectively the “**Limited Partnerships**”) (each of which the Corporation is the sole limited partner) sells First Preferred Shares on behalf of the Corporation. **The Corporation is a connected issuer of Magenta Capital by virtue of their common directors and officers and by virtue of Magenta Capital’s role in acting as general partner of the Limited Partnerships and its receipt of general partnership distributions as a result thereof. In addition, Magenta Capital is registered as an exempt market dealer in the Provinces of Ontario, British Columbia, New Brunswick and Alberta.** See Item 8, “Compensation Paid to Sellers and Finders”.

**RESALE RESTRICTIONS** You will be restricted from selling your securities for an indefinite period. See Item 11, “Resale Restrictions”. In addition, no First Preferred Shares shall be transferred without the consent of the majority of the board of directors of the Corporation (the “**Board of Directors**”). Requests to transfer shares of the Corporation will be acceded to by the Board of Directors provided that the requested transfer of shares does not impair or endanger the Corporation’s status as a MIC or contravene any law, rule, policy or regulation prescribed by any applicable securities commission or the provisions of the *Business Corporations Act* (Ontario) (the “**OBCA**”) or any other applicable laws.

**PAYMENTS TO RELATED PARTIES** All net proceeds of the Offering are to be used by the Corporation to acquire additional class A limited partnership units of Magenta Mortgage Investment Limited Partnership (“**MMILP**”), a related party of the Corporation, in order to fund MMILP’s lending business. See Section 1.2, “Use of Available Funds” and Section 2.2, “The Business”. Accordingly, some of your investment will be paid to a related party of the Corporation.

**CERTAIN RELATED PARTY TRANSACTIONS** This Offering Memorandum contains disclosure with respect to one or more transactions between the Corporation and related parties. See Section 2.8, “Related Party Transactions”.

**CONDITIONS ON RETRACTIONS** **You will have a right to require the Corporation to repurchase the First Preferred Shares from you but this right is qualified by restrictions and fees. As a result, you might not receive the amount of proceeds that you want.** See Section 5.1, “Terms of Securities - Retraction Rights - First Preferred Shares”.

**PURCHASERS’ RIGHTS** You have two (2) business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue for damages or to cancel the agreement. See Item 12, “Purchasers’ 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 9, “Risk Factors”.**

## GENERAL DISCLAIMERS

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

The securities offered hereby have not been and will not be registered under the *U.S. Securities Act of 1933*, as amended (the “**U.S. Securities Act**”) or any state securities laws. The securities may not be offered or sold in the United States or to U.S. persons, as defined in Regulation S under the U.S. Securities Act, unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States.

## FORWARD LOOKING STATEMENTS

This Offering Memorandum contains certain statements or disclosures that may constitute forward-looking information under applicable securities laws. Forward-looking statements may be identified by the use of words like “believes”, “intends”, “expects”, “may”, “will”, “should”, or “anticipates”, or the negative equivalents of those words or comparable terminology, and by discussions of strategies that involve risks and uncertainties. All forward-looking statements are based on the Corporation’s current beliefs as well as assumptions made by and information currently available to the Corporation and relate to, among other things, anticipated financial performance; prospects; strategies; the nature of the Corporation’s operations; sources of income; forecasts of capital expenditures and the sources of the financing thereof; expectations regarding the ability of the Corporation to raise capital; the Corporation’s outlook; plans and objectives for future operations; forecast results; and anticipated financial performance.

The risks and uncertainties of the Corporation’s activities, including those discussed under Item 9, “Risk Factors”, could cause the Corporation’s actual results and experience to differ materially from the anticipated results or other expectations expressed. In addition, the Corporation bases forward-looking statements on assumptions about future events, which may not prove to be accurate. In light of these risks, uncertainties and assumptions, prospective purchasers should not place undue reliance on forward-looking statements and should be aware that events described in the forward-looking statements set out in this Offering Memorandum may not occur.

The Corporation cannot assure prospective purchasers that its future results, levels of activity and achievements will occur as the Corporation expects, and neither the Corporation nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. Except as required by law, the Corporation assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## DOCUMENTS INCORPORATED BY REFERENCE

In addition to and apart from this Offering Memorandum, the Corporation may utilize certain OM marketing materials (as defined below) in connection with the Offering, including an executive summary of certain of the material set forth in this Offering Memorandum. Such OM marketing materials may include fact sheets and investor sales promotion brochures, question and answer booklets, and presentations. All such OM marketing materials are specifically incorporated by reference into and form an integral part of this Offering Memorandum. All such OM marketing materials will be delivered or made reasonably available to a prospective purchaser prior to the purchase by such prospective purchaser of First Preferred Shares.

Any statement contained in any OM marketing material incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Offering Memorandum to the extent that a statement contained herein or in any other subsequently delivered Offering Memorandum which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the OM marketing material that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum.

For purposes hereof, “**OM marketing materials**” means a written communication, other than an OM standard term sheet (as such term is defined in NI 45-106), intended for prospective purchasers regarding the distribution of First Preferred Shares under this Offering Memorandum that contains material facts relating to the Corporation, the First Preferred Shares and this Offering.

## CURRENCY

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

## SCHEDULE

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

Schedule “A” – Subscription Agreement

## INTERPRETATION

In this Offering Memorandum, unless the context otherwise requires, when we use terms such as the “**Corporation**”, the “**Issuer**”, “**we**”, “**us**” and “**our**”, we are referring to Magenta Mortgage Investment Corporation and when we use the terms such as “**Investor**”, or “**you**” we are referring to a person who purchases First Preferred Shares under the Offering, thereupon becoming an Investor in the Corporation.

Words importing the singular number only, include the plural and vice versa, and words importing the masculine, feminine or neuter gender include the other genders.

## GLOSSARY OF TERMS

The following are definitions of certain terms used in this Offering Memorandum:

“**Amalgamation**” means the amalgamation of MMIC 1, MMIC 2 and MMIC 3 under the OBCA, effective November 1, 2021, to form the Corporation.

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

“**Common Shares**” or “**Shares**” means the common shares of the Corporation.

“**Corporation**” means Magenta Mortgage Investment Corporation.

“**DPSP**” means a ‘deferred profit sharing plan’ as defined under the Tax Act.

“**DRIP**” means the dividend reinvestment plan of the Corporation adopted November 1, 2021.

“**First Preferred Shares**” means the First Preferred Shares of the Corporation.

“**Fundserv**” means the fund transactions processing system operated in Canada by Fundserv Inc. that electronically connects issuers, distributors and intermediaries, enabling them to buy, sell, transfer securities among each other.

“**General Partner**” means Magenta Capital, the sole general partner of each of the Limited Partnerships.

“**Investor**” or “**Subscriber**” means a purchaser of First Preferred Shares pursuant to this Offering.

“**Limited Partnership**” means each of MMILP, Magenta II Mortgage Investment Limited Partnership and Magenta III Mortgage Investment Partnership, as applicable.

“**Magenta Capital**” means Magenta Capital Corporation.

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

“**MMIC 1**” means Magenta Mortgage Investment Corporation, which amalgamated with MMIC 2 and MMIC 3 on November 1, 2021 to form the Corporation.

“**MMIC 2**” means Magenta II Mortgage Investment Corporation, which amalgamated with MMIC 1 and MMIC 3 on November 1, 2021 to form the Corporation.

“**MMIC 3**” means Magenta III Mortgage Investment Corporation, which amalgamated with MMIC 1 and MMIC 2 on November 1, 2021 to form the Corporation.

“**MMILP**” means the Magenta Mortgage Investment Limited Partnership.

“**OBCA**” means the *Business Corporations Act* (Ontario).

“**Offering**” means the offering of First Preferred Shares pursuant to this Offering Memorandum.

“**Principal Holder**” means a person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Corporation.

“**RDSP**” means a ‘registered disability savings plan’ as defined under the Tax Act.

“**RESP**” means a ‘registered education savings plan’ as defined under the Tax Act.

“**Rover Financial**” means 2770550 Ontario Inc. o/a Rover Financial, an affiliate of Magenta Capital.

“**RRIF**” means a ‘registered retirement income fund’ as defined under the Tax Act.

“**RRSP**” means a ‘registered retirement savings plan’ as defined under the Tax Act.

“**Series A Shares**” means the First Preferred Shares, Series A of the Corporation.

“**Series B Shares**” means the First Preferred Shares, Series B of the Corporation.

“**Series F Shares**” means the First Preferred Shares, Series F of the Corporation.

“**SPP**” means the amended and restated share purchase plan of the Corporation adopted January 31, 2023.

“**Tax Act**” means the *Income Tax Act* (Canada), R.S.C. 1985, c.1 (5<sup>th</sup> Supp.), as amended.

“**TFSA**” means a ‘tax free savings account’ as defined under the Tax Act.

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## ITEM 1: USE OF AVAILABLE FUNDS

### 1.1 Funds

The maximum net proceeds of the Offering available to the Corporation after the Offering are as follows:

		Assuming maximum offering of \$500,000,000 <sup>(1)</sup>
A	Amount to be raised by this Offering	\$500,000,000 <sup>(2)</sup>
B	Selling commissions and fees	\$nil <sup>(3)</sup>
C	Estimated Offering costs (e.g., legal, accounting, audit)	\$50,000 <sup>(4)</sup>
D	Net proceeds: $D = A - (B + C)$	\$499,950,000
E	Additional sources of financing required	\$nil
F	Working capital deficiency	\$nil
G	<b>Total: <math>G = (D + E) - F</math></b>	\$499,950,000

#### Notes:

1. There is no minimum or maximum offering. However, this table assumes a maximum offering of \$500,000,000 (50,000,000 First Preferred Shares) for illustrative purposes only. As at February 28, 2023, 23,331,221 First Preferred Shares are issued and outstanding. See Section 4.1, "Securities Except for Debt Securities" and Section 4.3, "Prior Sales".
2. After the first Closing, we will complete periodic Closings at our discretion until the Offering is completed or terminated.
3. This amount assumes that no selling commissions or fees will be payable by the Corporation to any registered agents, securities dealers or brokers or other persons eligible to sell First Preferred Shares. Selling commissions and fees are payable in certain circumstances. See Item 7, "Compensation Paid to Sellers and Finders".
4. Offering costs as shown are estimated expenses (currently estimated to be \$50,000) relating to or incidental to the issue, sale and delivery of First Preferred Shares and will be paid by the Corporation out of general corporate funds.

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

### 1.2 Use of Available Funds

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

Description of intended use of net proceeds listed in order of priority	Assuming maximum offering of \$500,000,000
Investment in class A limited partnership units of the Magenta Mortgage Investment Limited Partnership as described under Item 2, "Business of the Issuer and Other Information and Transactions".	\$499,950,000

### 1.3 Proceeds Transferred to Other Issuers

We intend to invest the available funds as stated in Section 1.2, "Use of Available Funds". See also Section 2.2, "The Business - General".

## ITEM 2: BUSINESS OF THE ISSUER AND OTHER INFORMATION AND TRANSACTIONS

### 2.1 Structure

The Corporation was formed under the *Business Corporations Act* (Ontario) (the "**OBCA**") on November 1, 2021 as a result of the amalgamation (the "**Amalgamation**") of Magenta Mortgage Investment Corporation ("**MMIC 1**"), Magenta II Mortgage Investment Corporation ("**MMIC 2**") and Magenta III Mortgage Investment Corporation ("**MMIC 3**") and commenced operations on the same date. Each of MMIC 1, MMIC 2 and MMIC 3 had been carrying on the business and

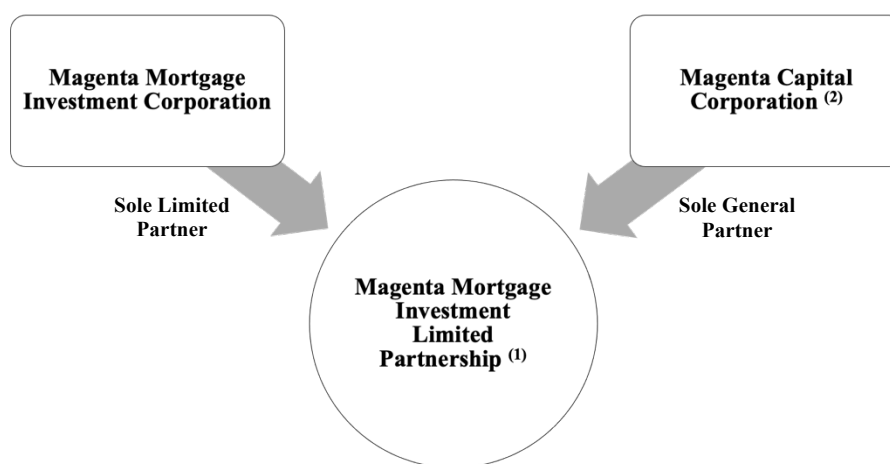
activities of a ‘mortgage investment corporation’ prior to the Amalgamation, and the Corporation will continue to carry on such business and activities in a substantially similar manner to its predecessor companies, except as otherwise may be described herein. See Section 2.3, “Development of Business - Amalgamation”. As at February 28, 2023, 821 individual mortgages are indirectly held by the Corporation and the total assets under administration is \$428,190,615. See Section 2.3, “Development of Business - Mortgage Portfolio”.

The Corporation’s fiscal year end is October 31<sup>st</sup>.

The registered office of the Corporation is located at 580 Terry Fox Drive, Suite 401, Ottawa, Ontario K2L 4B9. On August 2, 2022, the Corporation moved its head office to First Canadian Place, 30<sup>th</sup> Floor, 100 King Street West, Toronto, ON M5X 1C9.

The Corporation is not a reporting issuer or equivalent in any jurisdiction and its securities are not listed or posted for trading on any stock exchange or market.

### **Corporate Structure**



### **Notes:**

1. The Corporation is also the sole limited partner and Magenta Capital Corporation (“**Magenta Capital**” or the “**General Partner**”) is also the sole general partner of each of Magenta II Mortgage Investment Limited Partnership and Magenta III Mortgage Investment Limited Partnership. Magenta Mortgage Investment Limited Partnership, Magenta II Mortgage Investment Limited Partnership and Magenta III Mortgage Investment Limited Partnership (each a “**Limited Partnership**” and collectively the “**Limited Partnerships**”) are each governed by a second amended and restated limited partnership agreement effective September 2, 2022, as amended by an amending agreement effective January 31, 2023 (each a “**Limited Partnership Agreement**” and collectively the “**Limited Partnership Agreements**”) between Magenta Capital as the sole general partner and the Corporation as the sole limited partner. All available cash of the Limited Partnerships including available cash generated from revenues earned on their respective mortgage portfolios (after setting aside appropriate amounts for reserves and other expenditures of the Limited Partnerships) is distributed monthly to the Corporation subject to certain priority distributions made to Magenta Capital in accordance with the terms of the Limited Partnership Agreements. See Section 2.7, “Material Contracts - Limited Partnership Agreements”.

All net proceeds of the Offering are to be used by the Corporation to acquire additional class A limited partnership units of Magenta Mortgage Investment Limited Partnership (“**MMILP**”) in order to fund MMILP’s lending business. See Section 2.2, “The Business”.

None of the proceeds of the Offering will be used to acquire limited partnership units of either Magenta II Mortgage Investment Limited Partnership or Magenta III Mortgage Investment Limited Partnership. The limited partnership units held by the Corporation in each of these two Limited Partnerships will be redeemed over time as the mortgages held by each of them are repaid and discharged until these two Limited Partnerships are fully liquidated.

2. The W.G. Marshall Family Trust is the sole holder of Class A voting common shares in the capital of Magenta Capital. On November 29, 2021, articles of amendment for Magenta Capital were filed which among other things authorized the creation of new classes of employee share purchase plan (ESPP) non-voting common shares. Through his holding of multiple voting shares, Mr. Marshall holds a 66.9% voting interest in Magenta Capital. Mr. Marshall is the sole director of Magenta Capital. The executive officers of Magenta Capital are Mr. Marshall as President and Secretary, Gregory J.C. Sinclair as Chief Operating Officer and Timothy Upson as interim Treasurer. See Section 2.2, “The Business - Magenta Capital Corporation” and Section 2.3, “Development of Business - Recent Material Developments - Senior Management Changes”.



## 2.2 The Business

### *General*

The Corporation was formed to carry on the business of a ‘mortgage investment corporation’ (a “**MIC**”) as defined under the *Income Tax Act* (Canada) (“**Tax Act**”). See Item 7, “Income Tax Consequences and DIP Eligibility” for the requirements of a MIC under the Tax Act.

The Corporation is the sole limited partner of each of Magenta Mortgage Investment Limited Partnership (“**MMILP**”), Magenta II Mortgage Investment Limited Partnership and Magenta III Mortgage Investment Limited Partnership (each a “**Limited Partnership**” and collectively the “**Limited Partnerships**”). The Corporation’s objective is to provide holders of First Preferred Shares with stable and secure dividends from its indirect investment by way of the Limited Partnerships in mortgage loans. The Corporation intends to distribute as dividends substantially all of its net income systematically to holders of First Preferred Shares. See Section 5.1, “Terms of Securities - Dividend Entitlement” and “Terms of Securities - Dividend Policy”.

The Corporation derives its income from its investment as the sole limited partner of each of the Limited Partnerships. See Section 2.7, “Material Contracts - Limited Partnership Agreements - Partnership Distributions to the Corporation as Sole Limited Partner”. Each of the Limited Partnerships’ objective is to generate income by investing primarily in residential mortgages which do not generally meet the underwriting criteria of major institutional lenders. As a result, the mortgages held by each of the Limited Partnerships are expected to earn a higher rate of interest than what is generally obtainable through institutional mortgage lending activities. Unlike mortgage mutual funds, each of the Limited Partnerships primarily engages in direct mortgage lending activities instead of acquiring mortgages, or fractional interests in mortgages, in the secondary market. Also, unlike many mortgage mutual funds, each of the Limited Partnerships does not use derivatives and to date has not participated in mortgage syndications or has any plans to do so.

Each of the Limited Partnerships’ mortgage portfolios are administered by Magenta Capital Corporation (“**Magenta Capital**” or the “**General Partner**”) in its capacity as sole general partner of each of the Limited Partnerships. See Section 2.1, “Structure” and Section 2.7, “Material Contracts - Limited Partnership Agreements” for further details. Each of the Limited Partnerships conducts its mortgage lending activities on properties located primarily within the city limits of select major urban centres in Ontario, including Ottawa, Kingston, Guelph, Cambridge, Kitchener-Waterloo and London.

The Corporation does not actively employ resources to seek or originate mortgages for investment, but instead relies on expertise of the General Partner and its affiliates for a regular flow of investment opportunities.

The General Partner and its right, power and authority to enter into agreements on behalf of each of the Limited Partnerships for the underwriting, pricing, negotiation, acquisition, administration, enforcement, collection, financial reporting and general administration relating to the mortgage portfolio held by each of the Limited Partnerships is subject to the express provisions of the Limited Partnership Agreements. Among other things, each Limited Partnership Agreement requires the General Partner to comply with and observe all laws that apply to the Corporation, its investments and its securities. The General Partner obtains opinions from such counsel as it deems necessary in connection with such compliance. The General Partner also serves the role of transfer agent and registrar of the First Preferred Shares of the Corporation. See Section 2.7, “Material Contracts - Limited Partnership Agreements - Magenta Capital - The General Partner”.

All net proceeds of the Offering are to be used by the Corporation to acquire additional class A limited partnership units of MMILP in order to allow it to conduct its business of lending money, principally to individuals, and primarily for the purpose of acquiring residential real estate including multiple unit residential properties and residential building lots, against the security of a mortgage granted on such property. See “MMILP Investment Strategies” below.

None of the proceeds of the Offering will be used to acquire limited partnership units in either Magenta II Mortgage Investment Limited Partnership or Magenta III Mortgage Investment Limited Partnership. The limited partnership units held by the Corporation in each of these two Limited Partnerships will be redeemed over time as the mortgages held by each of them are repaid and discharged until these two Limited Partnerships are fully liquidated.

As a MIC, the Corporation will be allowed to deduct from its taxable income the dividends that are paid to its shareholders. The Corporation 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 and, as a result, the Corporation does not anticipate paying any income tax. See Section 5.1, “Terms of Securities - Dividend Entitlement” and “Terms of Securities - Dividend Policy” and Item 7, “Income Tax Consequences and DIP Eligibility”.

### ***MMILP Investment Strategies***

The business of MMILP consists primarily of lending money, principally to individuals, against the security of a mortgage granted on residential property in Ontario.

MMILP works closely with retail mortgage brokers in Ontario in order to market itself as a lender of choice in the alternative mortgage market. In furtherance of its strategy, MMILP will invest primarily in first and second mortgages as follows:

- (i) MMILP will make loans as first or second mortgagee on single family residential properties (“**SFRs**”) primarily within 10 kilometers of the city limits of select major urban centres in Ontario, including Ottawa, Kingston, Guelph, Cambridge, Kitchener-Waterloo and London;
- (ii) MMILP will make loans as first or second mortgagee on multi-unit residential properties (“**MURs**”) primarily within the city limits of select major urban centres in Ontario, including Ottawa, Kingston, Guelph, Cambridge, Kitchener-Waterloo and London;
- (iii) MMILP will target that at least 70% of the mortgages held will be as first mortgagee; and
- (iv) MMILP will target that the composite weighted average portfolio loan to value ratio, net of any capitalized application fees, will not exceed 80%.

Mortgage loans will generally be for terms of twelve months or less. Interest is often set at a fixed rate or a floating rate based on a margin over the prime lending rate of MMILP’s bank, sometimes with a minimum specified rate. Mortgage loans will not be advanced unless the underlying real estate securing the mortgage loan is sufficient to effect full repayment of principal in the event of default. A borrower’s ability and predisposition to fund periodic mortgage payments are a function of financial capacity and credit profile. The General Partner employs a proprietary underwriting and pricing matrix to supplement a thoroughgoing review of credit reports furnished by credit reporting agencies such as Equifax Canada. In some instances, publicly available execution searches are obtained to ensure credit report accuracy and completeness.

The vast majority of mortgage loans are repaid and discharged at the conclusion of the initial one-year term. Nonetheless, the General Partner will contact each borrower in advance of the maturity date of a mortgage loan to determine whether such borrower wishes to extend or renew the loan term. Prior to issuing a formal offer to extend or renew the loan term, each mortgage loan is subject to a thoroughgoing assessment, including review of the borrower’s payment history since inception of the loan, current loan to value ratios and the borrower’s income and financial servicing capacity. Maturing mortgages characterized as ‘higher risk’ based on this initial review may be subject to additional review by the General Partner, including current income confirmation, current credit report, updated real estate security coverage valuation, etc. Further, in the case of a second mortgage, a current first mortgage statement confirming that the first mortgage has been paid as prescribed and realty tax statements verifying no tax arrears may be required.

In addition to conducting subsequent valuations of a mortgage property upon extension or renewal of a loan term as described above, the General Partner may perform subsequent valuations of the mortgaged property on a case-by-case basis using various methodologies to identify whether that mortgage loan is vulnerable to a loss of principal in the event of default. In such cases, the General Partner will work with the borrower to mitigate or eliminate any potential loss of principal through different approaches, including engaging Rover Financial, a mortgage broker affiliated with Magenta Capital, or an arm’s length mortgage broker to secure take-out financing or secondary financing to fund partial repayment of the loan principal.

As of the date of this Offering Memorandum, MMILP maintains a revolving secured facility with certain Canadian financial institutions with a maturity date of November 1, 2023. The total amount available to be drawn under the facility equals

\$300,000,000, plus a \$50,000,000 accordion option. MMILP may draw against the facility at its option by way of an operating loan or short-term loans. The facility is secured, among other things, by a general security agreement over the MMILP's mortgage and other assets, and unlimited guarantees from Magenta Capital and the Corporation, secured by a general security agreement. See Section 4.2, "Long-Term Debt".

MMILP will continue to employ financial leverage in order to continue to achieve investment returns with the lowest risk mortgage portfolio possible by virtue of the positive spread between the interest and fee yield generated by the mortgages advanced by MMILP and its cost of borrowing.

### ***Operating Restrictions***

MMILP's investment practices are subject to certain operating, lending and other restrictions which have been adopted by the Board of Directors. According to these restrictions, MMILP may not:

- (i) loan, net of any capitalized application fees, by way of a mortgage secured by any real property owned by a single person and/or a related party, an amount exceeding 10.00% of the book value of the consolidated assets of the Corporation and MMILP;
- (ii) loan greater than \$2,500,000, net of any capitalized application fees, by way of a mortgage secured by any individual SFR, with the further proviso that the total amount of SFR mortgage loans wherein the individual loan amount exceeds \$2,500,000, net of any capitalized application fees, cannot exceed 10.00% of the book value of the consolidated assets of the Corporation and MMILP;
- (iii) loan greater than an amount equivalent to 2.50% of the book value of the consolidated assets of the Corporation and MMILP, net of any capitalized application fees, by way of a first mortgage secured by any individual MUR, except in certain exceptional circumstances subject to compliance with the other operating restrictions set forth herein;
- (iv) loan greater than \$2,500,000, net of any capitalized application fees, on any individual commercial property, with commercial properties restricted to properties subject to zoning restricting use to office, retail and residential;
- (v) make loans exceeding 75% of the appraised value of the underlying commercial property, securing the mortgage, as determined by a qualified appraiser and calculated at the time of the commitment, net of any capitalized application fees;
- (vi) make a mortgage loan secured by hotels/motels, industrial property or any property not zoned for office, retail and/or residential use;
- (vii) guarantee securities or obligations of any person or company;
- (viii) engage in securities lending;
- (ix) engage in derivative transactions for any purpose;
- (x) lend money on the security of a mortgage unless an independent evaluation of the real estate which is the primary collateral for the loan has been obtained or the mortgage is being advanced to fund a purchase of the real estate collateral and the purchase is being completed under the auspice of the Multiple Listing Service (MLS) system;
- (xi) develop, manage or acquire (except by foreclosure or other enforcement of its rights as mortgagee) any real property;

- (xii) enter into a forward commitment binding on the Corporation or MMILP unless the Corporation or MMILP has, at the time such commitment is made, sufficient cash or “near cash” securities to fund the loan to which the commitment relates; or
- (xiii) otherwise conduct its business in a manner that would cause the Corporation not to qualify as a MIC under the Tax Act or that would result in the First Preferred Shares not being a “qualified investment” for RRSPs, RRIFs, RESPs, RDSPs, TFSAs and DPSPs under the Tax Act (see Item 7, “Income Tax Consequences and DIP Eligibility”).

### ***Operating Policies***

In addition to the foregoing operating restrictions, MMILP adheres to the following operating policies:

- (i) MMILP will obtain a Phase I environmental audit where there is a reasonable possibility of environmental contamination that might impact the value and marketability of the property;
- (ii) MMILP will obtain title insurance in respect of real property provided as security for a mortgage loan in such amounts and on such terms as it considers appropriate or, in the alternative, will obtain a favourable title opinion from a solicitor;
- (iii) MMILP has policies and procedures in place to verify the identity of prospective borrowers in order to reduce the Corporation’s and its exposure to the risks of mortgage fraud and money laundering activities;
- (iv) MMILP must establish and maintain property tax escrow accounts in respect of real estate property provided as security for a mortgage loan unless it has determined, under limited and exceptional circumstances, that the establishment of such an account is not necessary; and
- (v) the legal title to each mortgage and other investments of MMILP must be held by and registered in the name of the Corporation or Magenta Capital in its capacity as general partner of MMILP.

### ***Investment Policies***

MMILP has adopted certain policies which establish the investment criteria for its mortgage investments. By entering into the Limited Partnership Agreement concerning MMILP (the “**MMILP Limited Partnership Agreement**”) (see Section 2.7, “Material Contracts - Limited Partnership Agreements”), the Corporation and the General Partner have agreed to abide by and apply these policies, which are as follows:

- (i) the only undertaking of each of the Corporation and MMILP will be to invest their respective funds in accordance with the investment objectives, strategies and restrictions contained herein and in the MMILP Limited Partnership Agreement;
- (ii) neither the Corporation nor MMILP may hold any indebtedness, whether by way of mortgage or otherwise, of a person who is:
  - a. a shareholder of the Corporation other than an employee of Magenta Capital or an affiliated company and the employee is not the annuitant, beneficiary, subscriber or holder of an RRSP, RRIF, TFSA or RDSP that holds shares in the Corporation;
  - b. an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, a RRSP, RRIF, RESP, TFSA, RDSP or DPSP that holds shares in the Corporation; or
  - c. any other person who does not deal at arm’s length with the persons described in subparagraphs a. and b. above;

- (iii) neither the Corporation nor MMILP may make any loan or investment which does not meet the “Canadian content” requirements of paragraph 130.1(6)(c) of the Tax Act;
- (iv) neither the Corporation nor MMILP may make a loan secured by a mortgage on a property in which: (a) any senior officer or director of the Corporation or the General Partner, or (b) any associate or affiliate of a person referred to in (a) has an interest as mortgagor; on an exceptional basis, MMILP may make a loan secured by a mortgage on residential property owned by an employee of Magenta Capital or an affiliated company, or a person related to said employee, subject to strict and full satisfaction of MMILP’s mortgage underwriting policies and procedures and the approval of the Corporation’s Executive Committee (as defined below);
- (v) MMILP will consider holding a fractional interest in a mortgage or participate in a mortgage syndication only on an exceptional basis; and
- (vi) MMILP will only trade in mortgages in the secondary market on an exceptional basis.

### ***Changes to Strategies, Policies and Restrictions***

If, due to a change in the provisions of the Tax Act or other legislation applicable to the Corporation, any of the foregoing strategies, policies or restrictions require amendment in order to comply with such change in legislation, the Corporation’s directors may, subject to the articles of the Corporation, make such change and such change will be binding on the Corporation. It is anticipated that the MMILP will provide the Corporation with assistance from time to time on revising the foregoing strategies, policies or restrictions in order to comply with applicable legislation. In the event of any amendment to the foregoing strategies, policies or restrictions, subject to the articles of the Corporation, MMILP will be required to comply with and observe such change immediately upon such change becoming effective.

The MMILP Limited Partnership Agreement provides that MMILP shall not, and the General Partner shall not permit the MMILP to, conduct its business in a manner that would cause the Corporation not to qualify as a ‘mortgage investment corporation’ under the Tax Act or that would result in the First Preferred Shares not being a “qualified investment” for RRSPs, RRIFs RESPs, TFSAs and DPSPs under the Tax Act. In addition, the MMILP Limited Partnership Agreement provides that if, due to a change in the provisions of the Tax Act or other legislation applicable to the Corporation or MMILP, any of the strategies, policies or restrictions applicable to MMILP or its investments require amendment in order to comply with such change in legislation, the MMILP Limited Partnership Agreement may be amended by the General Partner without notice to or consent of the Corporation in order to comply with applicable legislation.

### ***Magenta Capital Corporation (“Magenta Capital” or the “General Partner”)***

W.G. Marshall Management Corporation was incorporated pursuant to the *Business Corporations Act* (Ontario) on April 8, 2004. Articles of amendment were filed on June 24, 2004 to amend the rights, privileges, restrictions and conditions attaching to its Class A preference shares and subsequently on June 16, 2010 to change its name to Magenta Capital Corporation. Articles of amendment were also filed on November 29, 2021 to authorize among other things the creation of new classes of employee share purchase plan (ESPP) non-voting common shares and provide for certain stock splits.

The registered office of Magenta Capital is located at 580 Terry Fox Drive, Suite 401, Ottawa, Ontario K2L 4B9. On August 2, 2022, Magenta Capital moved its head office to First Canadian Place, 30<sup>th</sup> Floor, 100 King Street West, Toronto, ON M5X 1C9.

The W.G. Marshall Family Trust is the sole holder of Class A voting common shares in the capital of Magenta Capital. On November 29, 2021, articles of amendment for Magenta Capital were filed which among other things authorized the creation of new classes of employee share purchase plan (ESPP) non-voting common shares. Through his holding of multiple voting shares, Mr. Marshall holds a 66.9% voting interest in Magenta Capital. Mr. Marshall is the sole director of Magenta Capital. The executive officers of Magenta Capital are Mr. Marshall as President and Secretary, Gregory J.C. Sinclair as Chief Operating Officer and Timothy Upson as interim Treasurer. See Section 2.3, “Development of Business - Recent Material Developments - Senior Management Changes”. As at the date of this Offering Memorandum, Magenta Capital has 49 employees.

Magenta Capital is not a reporting issuer in any jurisdiction and none of its securities are listed for trading on any stock exchange or trading system. Magenta Capital is registered as an exempt market dealer in the Provinces of Ontario, British Columbia, New Brunswick and Alberta.

### ***Responsibilities of the General Partner***

The General Partner and its right, power and authority to enter into agreements on behalf of each of the Limited Partnerships for the underwriting, pricing, negotiation, acquisition, administration, enforcement, collection, financial reporting and general administration relating to the mortgage portfolio held by each of the Limited Partnerships is subject to the express provisions of the Limited Partnership Agreements. Among other things, each Limited Partnership Agreement requires the General Partner to comply with and observe all laws that apply to the Corporation, its investments and its securities. The General Partner obtains opinions from such counsel as it deems necessary in connection with such compliance. The General Partner also serves the role of transfer agent and registrar of the First Preferred Shares of the Corporation. See Section 2.7, “Material Contracts - Limited Partnership Agreements - Magenta Capital - The General Partner”.

The General Partner’s role is also to underwrite mortgage applications and recommend mortgage approvals, ensure the proper registration of mortgage documents to support approved mortgages, administer the collection of regular mortgage repayments, ensuring realty taxes are paid and property insurance is maintained on properties that secure each of the Limited Partnerships’ mortgages, administration of any defaulted mortgages, and such other accounting and administrative functions that are required related to each of the Limited Partnerships’ mortgage portfolio.

The decision to underwrite a particular loan involves an analysis of both the prospective borrower and the proposed real estate collateral. The General Partner employs policies and procedures and an underwriting and pricing matrix based upon the Canadian Institute of Mortgage Brokers and Lenders’ Consolidated Mortgage Best Practices. These procedures and policies allow the General Partner to consider mortgage lending opportunities with more flexibility than traditional lenders while still observing the “Four C’s” of lending (collateral, cash flow, character and credit) which are adhered to by prudent and diligent lenders while still guarding against mortgage fraud.

In Ontario, mortgage brokers are regulated by the *Mortgage Brokerages, Lenders and Administrators Act, 2006* (the “**MBLAA**”). The MBLAA not only regulates those who arrange, negotiate or trade in mortgages but also those who administer them. For instance, persons who take steps, on behalf of another person or entity, to enforce payment by a borrower under a mortgage are required to be licensed. Since neither the Corporation nor any of the Limited Partnerships is licensed as a mortgage broker or administrator, any mortgage investment activities must be conducted through licensed mortgage brokers. The Corporation and each of the Limited Partnerships rely on the General Partner to service the Corporation’s mortgage portfolio, including the sourcing and administration of mortgages.

Mortgage transactions for each of the Limited Partnerships are sourced by the General Partner from mortgage brokers. The General Partner has no exclusive arrangement with any particular mortgage broker for the origination of mortgages. However, from time to time, 2770550 Ontario Inc. o/a Rover Financial (“**Rover Financial**”), an affiliate of Magenta Capital, a licensed mortgage brokerage in good standing under the *Mortgage Brokerages, Lenders and Administrators Act, 2006* (“**MBLAA**”) operating under the MBLAA License No. 13314 and in which W. Gavin Marshall directly holds a 95.83% voting interest and is the sole director, originates some of the mortgages funded by MMILP.

Consistent with industry norms, the Corporation or a Limited Partnership pays a commission to the mortgage broker who originated the loan, typically prescribed within a commission schedule prescribed in the Corporation’s underwriting and pricing matrix, and the Corporation or a Limited Partnership charges an application fee payable by the borrower. In a minority of cases, the mortgage broker may also levy a fee paid directly by the borrower. The underwriting and pricing matrix prescribes which mortgage loans will be considered for approval, incorporating all of the salient elements impacting risk, including rank, location, loan to value ratio, owner versus tenant occupancy, property type, credit score, debt service ratio and borrower income and employment profile and the applicable interest rates by term.

The General Partner will review mortgage loan applications to ensure that they meet a Limited Partnership’s lending criteria and that adequate supporting documentation has been provided by a prospective borrower. The General Partner will normally secure, at the client’s cost, an appraisal from a qualified third-party appraiser vetted and pre-approved by a Limited

Partnership. In some instances, the General Partner may obtain a letter of opinion from a designated local realtor and employ supplementary valuation methodologies and resources. In addition, the General Partner may conduct or cause an inspection to be conducted of select properties to be granted as collateral. The General Partner will coordinate with legal counsel the registration of mortgages and, upon the payout thereof, their discharge.

In the event of a mortgagor's default, the General Partner is responsible for all facets of default management, including interfacing with the borrower so as to ideally remedy the default without recourse to legal action. In some instances, the General Partner will be required to instruct legal counsel to take legal action against the mortgagor and, where such action includes enforcing against the mortgaged property, to retain an independent appraiser to obtain a more recent valuation of the mortgaged property. In such instances, the General Partner manages the sale process so as to minimize the probability of a Limited Partnership incurring a loan loss.

### ***The Board of Directors***

The board of directors of the Corporation (the "**Board of Directors**") currently consists of five (5) directors, three of which are independent from the General Partner.

The Board of Directors approves all policies of the Corporation. In addition to the professional qualifications and experience they have individually, the Board of Directors receives on-going education on corporate governance.

The Board of Directors meets as a whole at least quarterly although the chair of the Board of Directors is in regular communication with the General Partner. The Board of Directors receives regular reports from the General Partner on each of the Limited Partnerships' operations and portfolio.

The Board of Directors has appointed W. Gavin Marshall as member of a committee of the Board of Directors known as the 'Executive Committee'. The Executive Committee may exercise any of the powers or authorities of the full Board of Directors except where prohibited by law including pursuant to sub-section 127(3) of the *Business Corporation Act* (Ontario).

## **2.3 Development of Business**

As at the date of this Offering Memorandum, the Corporation's mortgage portfolio is held by the three Limited Partnerships, of which the Corporation is the sole limited partner, and such portfolio is administered by Magenta Capital in its capacity as sole general partner of the Limited Partnerships. The Corporation's activities are limited to investing the net proceeds of this Offering in MMILP's mortgage investments in accordance with the policies and guidelines set out above under Section 2.2, "The Business". None of the proceeds of the Offering will be used to indirectly fund either Magenta II Mortgage Investment Limited Partnership's or Magenta III Mortgage Investment Limited Partnership's respective lending businesses. The limited partnership units held by the Corporation in each of these two Limited Partnerships will be redeemed over time as the mortgages held by each of them are repaid and discharged or assigned and assumed by MMILP until these two Limited Partnerships are fully liquidated. See Section 2.1, "Structure" and Section 2.7 "Material Contracts - Limited Partnership Agreements" for further details. The success of the Corporation is dependent, to a large part, on the experience and business acumen of Magenta Capital.

### ***Recent Material Developments***

#### **Amalgamation**

The Corporation was formed under the OBCA on November 1, 2021 as a result of the amalgamation of MMIC 1, MMIC 2 and MMIC 3 (the "**Amalgamation**") pursuant to an amalgamation agreement (the "**Amalgamation Agreement**") effective November 1, 2021. The Corporation commenced operations on the date of its formation. Each of MMIC 1, MMIC 2 and MMIC 3 had been carrying on the business and activities of a MIC prior to the Amalgamation, and the Corporation will continue to carry on such business and activities in a substantially similar manner to its predecessor companies, except as otherwise may be described herein.

Prior to the Amalgamation, each of MMIC 1, MMIC 2 and MMIC 3 operated as MICs separately but shared common directors and senior officers and certain shareholders. The directors of each of the predecessor MICs determined that simplifying the corporate structure by amalgamating the three entities would enhance scale and liquidity, increase portfolio

diversification, create administrative cost savings and enhance financial flexibility to support improved portfolio characteristics and drive growth in cash flow and dividends. Prior to the Amalgamation taking effect, the shareholders of each of MMIC 1, MMIC 2, MMIC 3 by special resolution authorized and approved the Amalgamation and the entering into the Amalgamation Agreement. Shares in the capital of each of MMIC 1, MMIC 2 and MMIC 3 were exchanged for shares in the capital of the Corporation in accordance with the Amalgamation Agreement. See Section 4.1, “Securities Except for Debt Securities”.

Immediately prior to the Amalgamation, each of MMIC 1, MMIC 2 and MMIC 3 was a ‘mortgage investment corporation’ as defined under the Tax Act, and the Corporation is a ‘mortgage investment corporation’ as defined in the Tax Act.

#### Predecessor Companies – Selected Historical Information

Prior to the Amalgamation, Magenta Capital had been acting as investment advisor and loan administrator to MMIC 1, MMIC 2 and MMIC 3 since 1994, 2003 and 2011 respectively. Magenta Capital became the general partner of the three Limited Partnerships effective June 1, 2014, by way of corporate reorganizations effected in relation to MMIC 1, MMIC 2 and MMIC 3.

From its inception in 1994 to immediately prior to the Amalgamation, MMIC 1 raised net proceeds of \$86,935,120. From the date of its inception in 2003 to immediately prior to the Amalgamation, MMIC 2 raised net proceeds of \$67,711,210. From the date of its inception in 2011 to immediately prior to the Amalgamation, MMIC 3 raised net proceeds of \$92,718,138.

Prior to the Amalgamation, each of MMIC 1, MMIC 2 and MMIC 3 honoured all retraction requests in full at a price equal to the subscription price therefor. None of MMIC 1, MMIC 2 or MMIC 3 has suspended, deferred or rejected any retraction requests since their respective inception dates. All retraction requests have been paid using cash on hand. The Corporation expects retractions to continue approximately as they have prior to the Amalgamation and does not expect that such retractions will cause any material adverse effect on its operations or the payment of dividends.

For the fiscal year ended May 31, 2021, MMIC 1 delivered an average annualized dividend yield (net of all fees and expenses of MMIC 1) to holders of class A participating shares in the capital of MMIC 1 of 6.43%, as compared with a target yield of 4.79%. During the 27 years since its inception, class A participating shares of MMIC 1 achieved an average annual compounded return of 10.17%, as compared with an average target yield of 9.20% over the same period.

For the fiscal year ended May 31, 2021, MMIC 2 delivered an average annualized dividend yield (net of all fees and expenses of MMIC 2) to holders of class A participating shares in the capital of MMIC 2 of 4.98%, as compared with a target yield of 4.79%, class B participating shares in the capital of MMIC 2 of 5.45%, as compared with a target yield of 4.79% and class C participating shares in the capital of MMIC 2 of 5.22%, as compared with a target yield of 4.79%. During the 18 years since its inception, each of the class A participating shares, class B participating shares and class C participating shares of MMIC 2 achieved an average annual compounded return of 8.11%, 8.29% and 8.70%, respectively, as compared with an average target yield of 7.30%, 6.09% and 7.30%, respectively, over the same period.

For the fiscal year ended May 31, 2021, MMIC 3 delivered an average annualized dividend yield (net of all fees and expenses of MMIC 3) to holders of class A participating shares, series 1 in the capital of MMIC 3 of 5.79%, meeting its target yield and class A participating shares, series 2 in the capital of MMIC 3 of 6.25%, meeting its target yield. During the 10 years since its inception, each of the class A participating shares, series 1 and class A participating shares, series 2 achieved an average annual compounded return of 6.72% and 7.12%, respectively, as compared with an average target yield of 6.49% and 6.49%, respectively, over the same period.

For every year since inception of MMIC 1, MMIC 2 and MMIC 3, all classes and series of participating shares of the respective MICs achieved annual dividend yields equal to or greater than the target yields established for such shares at the commencement of each fiscal year of the respective MICs.

Since inception of each of MMIC 1, MMIC 2 and MMIC 3, all dividends have been made out of the net income and capital gains received in each financial year, and none of such distributions have been funded by sources such as loans, share issuances or any credit facilities. None of MMIC 1, MMIC 2 or MMIC 3 has suspended dividends since their respective inception.



*Performance and other information relating to Magenta Capital, MMIC 1, MMIC 2 and MMIC 3 set forth above and elsewhere in this Offering Memorandum is provided solely to illustrate the historical performance of Magenta Capital, MMIC 1, MMIC 2 and MMIC 3. Past performance is not a guarantee of future results and readers should not assume that the future performance of the Corporation will equal or better the prior performance of Magenta Capital, MMIC 1, MMIC 2 or MMIC 3 generally or that the investment objectives of the Corporation will be achieved.*

#### Amendments to Terms of Revolving Credit Facility

Effective May 30, 2022, the terms of a certain credit agreement respecting a revolving secured facility was amended to increase the total amount available to be drawn under the facility from \$250,000,000 to \$300,000,000. See Section 4.2, “Long-Term Debt - Revolving Credit Facility”.

Under the terms of the abovementioned credit agreement, the Corporation is required to maintain an interest coverage ratio (“**ICR**”), which is calculated by dividing the sum of the Corporation’s net income and interest expense for the preceding 12-month period by the total interest expense for the same period, of at least 3.00 to 1.00. Due to the sharp rise in prime rates offered by Canadian banks in response to the increase in the policy interest rate by the Bank of Canada between March 2022 and January 2023, the Corporation’s ICR decreased below the 3.00 threshold for the first time in the Corporation’s history and the history of its predecessor companies prior to the Amalgamation, resulting in a breach of the credit agreement. As a result, by way of a waiver and second amendment to the credit agreement dated March 15, 2023, the lenders provided for a waiver of the breach and a temporary reduction of the ICR threshold until November 1, 2023 subject to a 25 bps increase in the Corporation’s cost of borrowing, quarterly and yearly retraction ceilings on the First Preferred Shares (see “Changes to Terms of First Preferred Shares - Amendments to Retraction Ceilings” below) and the payment of a \$150,000 waiver and credit agreement amendment fee. The interest rate increase will be reversed once the ICR is equal to or above the 3.00 threshold.

#### Recent Abatement of Month End GP Priority Distributions

Subsequent to the fiscal year ended October 31, 2022, the General Partner agreed to abate a portion of the Month End GP Priority Distributions (as defined below) received from the Limited Partnerships throughout that fiscal year in the amount of \$5,234,222, resulting in that amount being an account receivable by the Corporation from the General Partner. This account receivable was paid in full by the General Partner on December 23, 2022 using funds the General Partner received from Heliotrope Investment Corporation, a corporation in which W. Gavin Marshall holds a 95.8% voting interest and is the sole director and officer, which in turn received approximately \$6.87 million of cash from the Corporation following the retraction of Series F Shares held by Heliotrope Investment Corporation. See Section 2.8, “Related Party Transactions”. The aforementioned abatement was triggered by management’s decision to provide competitive risk-adjusted returns to holders of First Preferred Shares, resulting in the General Partner receiving only 1.32% of the total consolidated assets of the First Preferred Shares for the year ended October 31, 2022 (which is less than the General Partner’s minimum entitlement of 1.485% of the total consolidated assets respecting the First Preferred Shares previously provided under the Limited Partnership Agreements). To ensure that holders of First Preferred Shares may continue to receive competitive risk-adjusted returns, the Limited Partnership Agreements were amended to remove the General Partner’s minimum monthly entitlement of not less than 1/12<sup>th</sup> of 1.485% of the total consolidated assets respecting the First Preferred Shares, such that the General Partner would be entitled to a month end distribution out of the available cash of a Limited Partnership equal to not more than 1/12<sup>th</sup> of 2.975% of the total consolidated assets respecting the relevant series of First Preferred Shares. The Limited Partnership Agreements were further amended to provide that the General Partner’s entitlement to month end distributions shall be subject to there being available cash after payment of such entitlements sufficient to fund dividends declared and payable to holders of the First Preferred Shares for that month, provided that the rate of such dividends must be greater than or equal to the interest rate in effect on the first day of the relevant fiscal year of the Corporation for a Royal Bank of Canada One-Year Cashable GIC with monthly interest payments. See “Amendments to Limited Partnership Agreements” below.

#### Temporary Restrictions on New Mortgage Applications

The combined lending capacity of the Limited Partnerships is approximately equal to the sum of the Corporation’s share capital and a certain \$300,000,000 revolving secured facility maintained by MMILP (see “Amendment to Terms of Revolving Credit Facility” above). As noted in Section 2.2, “The Business - MMILP Investment Strategies”, the

Corporation's ability to achieve investment returns with the lowest risk mortgage portfolio possible by virtue of the positive spread between the interest and fee yield generated by the mortgages advanced by MMILP and MMILP's cost of borrowing under the aforementioned revolving credit facility is optimized when the combined lending of the Limited Partnerships is fully utilized. Having achieved this optimal state, the General Partner notified its network of mortgage brokers on June 7, 2022 that MMILP would not be accepting any new loan applications that require funding on or after June 7, 2022 and before September 1, 2022. Effective September 1, 2022, this restriction was removed and normal lending activities were resumed. As of the date of this Offering Memorandum, MMILP remains fully invested in mortgage loans and will continue to be so as any increases in MMILP's lending capacity funded by share issuance of the Corporation and increased bank borrowings by MMILP will be utilized to fund new mortgage advances in accordance with MMILP's investment and operating strategies, policies and restrictions.

#### Creation of New Series B First Preferred Shares

On September 2, 2022, the Board of Director authorized the filing of articles of amendment creating and designating an unlimited number of a new series of First Preferred Shares called the First Preferred Shares, Series B (the "**Series B Shares**"). The rights, privileges, restrictions and conditions attached to the Series B Shares are identical to the Series A Shares and Series F Shares, except that: (i) no trailing fee or other compensation shall be payable to securities dealers or brokers in respect of the Series F Shares (see Item 8, "Compensation Paid to Sellers and Finders"); (ii) the annual return on investment ("**ROI**") generated by the Series F Shares will be at a minimum 0.50% higher, compounded annually, than the ROI generated by each of the Series A Shares and Series B Shares (see Section 5.1, "Terms of Securities - Dividend Entitlement" and "Terms of Securities - Dividend Policy"); (iii) retraction payment reduction amounts may differ based on whether holders of First Preferred Shares acquired their shares in connection with the Amalgamation or if they subscribed for their shares after the Amalgamation (see Section 5.1, "Terms of Securities - Retraction Rights - First Preferred Shares - Retraction Payment Reductions"); and (iv) only holders of Series A Shares and new Subscribers purchasing Series A Shares will be eligible to participate in the amended and restated share purchase plan of the Corporation (see Section 5.1, "Terms of Securities - Amended and Restated Share Purchase Plan").

#### Changes to Terms of First Preferred Shares

##### Amendments to Retraction Ceilings

Effective September 2, 2022, the retraction rights of the Series A Shares and the Series F Shares were amended such that the Corporation shall not retract First Preferred Shares if (i) the First Preferred Shares to be retracted together with the total number of First Preferred Shares retracted in the relevant fiscal year to date is greater than 35.00% of the First Preferred Shares issued and outstanding on the first day of that fiscal year, or (ii) the First Preferred Shares to be retracted together with the total number of other First Preferred Shares to be retracted in a given calendar month is greater than 5.00% of the First Preferred Shares issued and outstanding on the first day of the relevant fiscal year. Such ceilings also applied to the Series B Shares.

Effective March 15, 2023, in connection with a certain waiver and second amendment to a certain credit agreement respecting a \$300,000,000 revolving secured facility (see "Amendments to Terms of Revolving Credit Facility" above and Section 4.2, "Long-Term Debt - Revolving Credit Facility") dated March 15, 2023, the retraction rights of the First Preferred Shares have been amended to delete the foregoing retraction ceilings in their entirety and to replace them with new retraction ceilings that align with those expected to be imposed by the lenders pursuant to said waiver and second amendment. Specifically, the Corporation shall not retract First Preferred Shares if (i) the First Preferred Shares to be retracted together with the total number of First Preferred Shares retracted in the relevant fiscal year to date minus the total number of First Preferred Shares issued in the relevant fiscal year to date is greater than 15.00% of the First Preferred Shares issued and outstanding on the first day of that fiscal year, or (ii) the First Preferred Shares to be retracted together with the total number of First Preferred Shares retracted in the relevant fiscal quarter to date minus the total number First Preferred Shares issued in the relevant fiscal quarter to date is greater than 10.00% of the First Preferred Shares issued and outstanding on the first day of that fiscal quarter. See Section 5.1, "Terms of Securities - Retraction Rights - First Preferred Shares - Yearly and Quarterly Retraction Ceilings".

### Amendments to Certain Retraction Payment Reductions

Effective January 31, 2023, the retraction rights of the First Preferred Shares issued after Amalgamation were amended such that if less than six (6) months have elapsed between the issue date and the retraction date for such First Preferred Shares, the retraction payment for such First Preferred Shares will be reduced such that the First Preferred Shares will have generated an annual yield equivalent to the greater of the Royal Bank of Canada Prime Rate, less two and a half percent (2.5%) and 0.25%, compounded annually. Previously, the retraction payment for such First Preferred Shares was reduced such that the First Preferred Shares will have generated an annual yield equivalent to the Royal Bank of Canada Prime Rate, less one percent (1%), compounded annually. See Section 5.1, “Terms of Securities - Retraction Rights - First Preferred Shares - Retraction Payment Reductions - First Preferred Shares Subscribed for after Amalgamation”.

### Amendments to Limited Partnership Agreements

Each of the Limited Partnership Agreements were amended pursuant to a second amended and restated limited partnership agreement effective September 2, 2022 to amend the entitlements of the General Partner to certain month end distributions to the General Partner. In this connection, with respect to each series of First Preferred Shares, the General Partner would be entitled to a month end distribution out of the available cash of a Limited Partnership equal to not more than 1/12<sup>th</sup> of 2.975%, and not less than 1/12<sup>th</sup> of 1.485%, of the total consolidated assets respecting such series of First Preferred Shares, as recorded in the unaudited, internally prepared management consolidated financial statements of the Corporation. Such month end distributions would be paid on the last business day of the month rather than the first business day of the subsequent month.

In addition, the MMILP Limited Partnership Agreement was amended in order to: (i) provide that in certain circumstances reasonable expenses incurred by the General Partner in connection with promoting and marketing MMILP as a lender of choice to licensed mortgage brokers shall be incurred on behalf of, and be paid by, MMLIP; and (ii) authorize the General Partner on behalf of MMILP to engage Rover Financial, an affiliate of Magenta Capital, to provide mortgage brokerage and origination services to MMILP from time to time.

Subsequently, each of the Limited Partnership Agreements were amended pursuant an amending agreement effective January 31, 2023 to remove the General Partner’s minimum monthly entitlement of not less than 1/12<sup>th</sup> of 1.485% of the total consolidated assets respecting the First Preferred Shares, such that the General Partner would be entitled to a month end distribution out of the available cash of a Limited Partnership equal to not more than 1/12<sup>th</sup> of 2.975% of the total consolidated assets respecting the relevant series of First Preferred Shares. The Limited Partnership Agreements were further amended to provide that the General Partner’s entitlement to month end distributions shall be subject to there being available cash after payment of such entitlements sufficient to fund dividends declared and payable to holders of the First Preferred Shares for that month, provided that the rate of such dividends must be greater than or equal to the interest rate in effect on the first day of the relevant fiscal year of the Corporation for a Royal Bank of Canada One-Year Cashable GIC with monthly interest payments. For the fiscal year commencing on November 1, 2022, the interest rate for a Royal Bank of Canada One-Year Cashable GIC with monthly interest payments is 0.625%.

See Section 2.7, “Material Contracts - Limited Partnership Agreements”.

### Amendments to Share Purchase Plan of the Corporation

The share purchase plan of the Corporation was amended and restated effective January 31, 2023 (the “SPP”) to expand eligible participants thereunder from holders of Series A Shares only to holders of Series A Shares and new Subscribers purchasing Series A Shares. Further, the discounted portion of the subscription price paid for on behalf of such eligible participants by Magenta Capital was amended from a discount based on the subscription date and subscription amount fully paid by eligible participants to a fixed three percent (3%) discount. Accordingly, by way of example, if an eligible participant purchases 10,000 Series A Shares and remits \$100,000 to the Corporation representing the full subscription price, an additional 300 Series A Shares, valued at \$3,000, are issued to the eligible participant, with the subscription price of \$3,000 fully funded by Magenta Capital.

Additionally, the additional retraction payment reductions pursuant to the SPP was also amended from reductions based on discount received under the SPP and the number of months the Series A Shares acquired under the SPP are held to reductions based only on the number of months the Series A Shares acquired under the SPP are held as set forth below.

<b>Number of Months Series A Shares are Held</b>	<b>Share Purchase Plan Retraction Payment Reduction</b>
Shares Held < 12 months	3.00%
Shares Held $\geq$ 12 but < 24 months	1.50%
Shares Held $\geq$ 24 but < 36 months	0.50%
Shares Held $\geq$ 36 but < 48 months	0.00%

The complete text of the SPP is set forth in Exhibit “I” to Schedule “B” of the accompanying Subscription Agreement. See also Section 5.1, “Terms of Securities - Amended and Restated Share Purchase Plan”.

### Senior Management Changes

Effective November 17, 2022, Kelly Evans ceased to serve as the Secretary of each of the Corporation and Rover Financial and as Chief Financial Officer, Chief Compliance Officer and Designated Representative of Magenta Capital. Effective the same date, Samantha Cole was appointed as Treasurer of each of the Corporation and Magenta Capital. Additionally, effective January 17, 2023, Gregory J.C. Sinclair replaced Albert Oppenheimer as Chief Operating Officer of Magenta Capital. Further, effective January 17, 2023, Mr. Timothy W. Kingston resigned from his position as director of the Corporation and in order to fill the vacancy left on the Board of Directors by Mr. Kingston’s departure, Gregory J.C. Sinclair was appointed director of the Corporation effective the same date.

On February 24, 2023, Samantha Cole tendered a notice of resignation and resigned as Treasurer of each of the Corporation and Magenta Capital effective March 24, 2023. Samantha Cole indicated to management of the Corporation that the reason for her resignation was to pursue other business opportunities. At the request of each of the Corporation and Magenta Capital, Timothy Upson, the current Director of Analytics at Magenta Capital, has agreed to assume the role of interim Treasurer of each of the Corporation and Magenta Capital effective March 24, 2023.

### Mortgage Portfolio

As at February 28, 2023, 821 individual mortgages are indirectly held by the Corporation (through the three Limited Partnerships) and the total assets under administration is \$428,190,615. Further, as at February 28, 2023, with respect to the mortgages on a consolidated basis:

- (a) the average of the interest rates payable under the mortgages, weighted by the principal amount of the mortgages, is 6.71%;
- (b) the average of the terms to maturity of the mortgages, weighted by the principal amount of the mortgages, is 129 days;
- (c) the average loan-to-value ratio of the mortgages, calculated for each mortgage by dividing the total principal amount of the mortgages and all other loans ranking in equal or greater priority to the mortgage by the fair market value of the property, weighted by the principal amount of each mortgage, is 69.30%;
- (d) the principal amount and the percentage of the total principal amount of the mortgages that rank in first priority is \$420,926,161 and 98.40% respectively; and the principal amount and the percentage of the total principal amount of the mortgages that rank in second priority is \$7,264,454 and 1.60% respectively;
- (e) all of the mortgages that are attributable to properties in Ontario;
- (f) the principal amount and the percentage of the total principal amount of the mortgages that are attributable to: (i) residential mortgages is \$422,130,625 and 98.59%, respectively; (ii) residential construction mortgages is

\$5,063,096 and 1.20%, respectively; (iii) vacant lot/raw land mortgages is \$704,180 and 0.20%, respectively; and (iv) commercial mortgages is \$294,905 and 0.01%, respectively;

- (g) all of the mortgages will mature in less than one (1) year; and
- (h) there are nine (9) mortgages with payments that have an impaired value:

Property Location	Property Type	Mortgage Principal	Interest Rate	Loan-to-Value	Priority
Ottawa <sup>(1)</sup>	Residential	\$574,548	10.50%	118.90%	1 <sup>st</sup>
Ottawa <sup>(2)</sup>	Residential	\$1,897,379	10.00%	451.30%	1 <sup>st</sup>
Seeley's Bay <sup>(3)</sup>	Lot/Land	\$436,957	7.99%	34.80%	1 <sup>st</sup>
Ottawa <sup>(4)</sup>	Residential	\$263,260	5.24%	78.18%	1 <sup>st</sup>
Brantford <sup>(5)</sup>	Residential	\$1,167,530	4.14%	78.40%	1 <sup>st</sup>
London <sup>(6)</sup>	Residential	\$553,424	5.24%	82.48%	1 <sup>st</sup>
Kitchener <sup>(7)</sup>	Residential	\$304,312	5.74%	74.20%	1 <sup>st</sup>
Hamilton <sup>(8)</sup>	Residential	\$1,117,103	4.14%	82.63%	1 <sup>st</sup>
London <sup>(9)</sup>	Residential	\$330,328	4.49%	73.86%	1 <sup>st</sup>

**Notes:**

1. The General Partner foreclosed on the properties underlying the mortgage in 2016. The mortgaged properties comprised of three units in a building of which two units have been sold by the General Partner. The General Partner is completing construction on the remaining unit, which is a commercial space. Once an occupancy permit is obtained from the City of Ottawa for the remaining unit, the property will be listed for sale by the General Partner.
2. The General Partner foreclosed on the properties underlying the mortgage in 2016. The mortgaged properties comprised of three townhomes and two construction lots. The three townhomes have been sold by the General Partner. The General Partner is awaiting permits from the City of Ottawa prior to listing the remaining properties for sale.
3. The General Partner foreclosed on the six (6) properties securing the mortgage in March 2019. Only one of the mortgaged properties remains unsold. An allowance for loss of \$165,000 has been established based on a conservative estimate of net realizable value upon sale.
4. The General Partner foreclosed on the property underlying the mortgage in September 2022. The mortgaged property was listed for sale and is currently sold with a closing date of March 8, 2023. The General Partner expects to recover all of the outstanding principal and interest owing under the mortgage loan as a result of the sale. In the interim, the General Partner is incurring costs and capitalizing these costs to the mortgage to maintain the property.
5. The General Partner foreclosed on the property underlying the mortgage in September 2022. An order of possession has been received and counsel to the General Partner is in the process of obtaining a writ of possession and eviction date.
6. The mortgage was in arrears as of January 31, 2023; however, the General Partner only foreclosed on the property underlying the mortgage in February 2023. A notice of attornment of rents has been served to the tenants and a notice of sale has been issued.
7. The General Partner foreclosed on the property underlying the mortgage in December 2022. During the foreclosure process, the borrower listed the property for sale, and it has been sold with a closing date of March 2, 2023. The General Partner expects to recover all of the outstanding principal and interest owing under the mortgage loan as a result of the sale.
8. The General Partner foreclosed on the property underlying the mortgage in December 2022. During the foreclosure process, the borrower listed the property for sale, and it has been sold with a closing date of May 1, 2023. The General Partner does not expect to recover all of the outstanding principal and interest owing under the mortgage loan as a result of the sale and estimates a total loss of \$101,000. Further, there is some uncertainty as to how the legal actions taken by the General Partner will continue to proceed in light of the sale of the underlying property. In the interim, the General Partner is incurring costs and capitalizing these costs to the mortgage to maintain the property.
9. The mortgage was in arrears as of January 31, 2023; however, the General Partner only foreclosed on the property underlying the mortgage in February 2023. During the foreclosure process, the borrower listed the property for sale, and it has been sold with a closing date of March 2, 2023. The General Partner expects to recover all of the outstanding principal and interest owing under the mortgage loan as a result of the sale.

***Portfolio Performance***

For the 10 most recently completed financial years of the Corporation and the predecessor companies prior to the Amalgamation combined, average annualized dividend yields (net of all fees and expenses) were delivered to shareholders as follows.

The Corporation

Class of Shares	Financial Year Ended	Average Annualized Yield (Net of All Fees and Expenses) <sup>(1)</sup>
Series A Shares	October 31, 2022	6.25%
Series B Shares	October 31, 2022	5.75%
Series F Shares	October 31, 2022	7.22%

- Note:**
- In respect of a given financial year, the average annualized yield (net of all fees and expenses) for each series of First Preferred Shares is calculated by dividing the total distributions to holders of such series during the relevant financial year by the weighted average net assets outstanding of such series for that financial year.

MMIC 1 (a predecessor company)

Class of Shares	Financial Year Ended	Average Annualized Yield (Net of All Fees and Expenses) <sup>(2)</sup>
Class A Participating Shares	May 31, 2013	7.02%
	May 31, 2014	6.57%
	May 31, 2015	6.56%
	May 31, 2016	6.06%
	May 31, 2017	6.09%
	May 31, 2018	6.20%
	May 31, 2019	6.50%
	May 31, 2020	5.87%
	May 31, 2021	6.43%
	October 31, 2021 <sup>(1)</sup>	4.96%

- Notes:**
- MMIC 1 amalgamated with MMIC 2 and MMIC 3 to form the Corporation under the *Business Corporations Act* (Ontario) on November 1, 2021. The Corporation commenced operations on the date of its formation. As a result, there is a stub period between MMIC 1's financial year ended May 31, 2021 and the date of the amalgamation.
  - In respect of a given financial year or stub period, the average annualized yield (net of all fees and expenses) for the class A participating shares of MMIC 1 was calculated by dividing the total distributions to holders of such shares during the relevant financial year or stub period by the weighted average net assets outstanding of such shares for that financial year or stub period.

MMIC 2 (a predecessor company)

Class of Shares	Financial Year Ended	Average Annualized Yield (Net of All Fees and Expenses) <sup>(2)</sup>
Class A Participating Shares	May 31, 2013	6.84%
	May 31, 2014	6.57%
	May 31, 2015	6.56%
	May 31, 2016	6.06%
	May 31, 2017	6.09%
	May 31, 2018	6.34%
	May 31, 2019	7.42%
	May 31, 2020	6.87%
	May 31, 2021	4.98%
	October 31, 2021 <sup>(1)</sup>	5.11%
Class B Participating Shares	May 31, 2013	7.36%
	May 31, 2014	6.57%
	May 31, 2015	6.56%
	May 31, 2016	6.06%
	May 31, 2017	6.09%

Class of Shares	Financial Year Ended	Average Annualized Yield (Net of All Fees and Expenses) <sup>(2)</sup>
	May 31, 2018	6.82%
	May 31, 2019	6.50%
	May 31, 2020	5.87%
	May 31, 2021	5.45%
	October 31, 2021 <sup>(1)</sup>	5.62%
Class C Participating Shares	May 31, 2018	6.70%
	May 31, 2019	7.42%
	May 31, 2020	6.87%
	May 31, 2021	5.22%
	October 31, 2021 <sup>(1)</sup>	5.59%

**Notes:**

1. MMIC 2 amalgamated with MMIC 1 and MMIC 3 to form the Corporation under the *Business Corporations Act* (Ontario) on November 1, 2021. The Corporation commenced operations on the date of its formation. As a result, there is a stub period between MMIC 2's financial year ended May 31, 2021 and the date of the amalgamation.
2. In respect of a given financial year or stub period, the average annualized yield (net of all fees and expenses) for each series of class of participating shares of MMIC 2 was calculated by dividing the total distributions to holders of such class during the relevant financial year or stub period by the weighted average net assets outstanding of such class for that financial year or stub period.

MMIC 3 (a predecessor company)

Class of Shares	Financial Year Ended	Average Annualized Yield (Net of All Fees and Expenses) <sup>(2)</sup>
Class A Participating Shares, Series 1	May 31, 2013	7.22%
	May 31, 2014	6.57%
	May 31, 2015	6.94%
	May 31, 2016	6.53%
	May 31, 2017	6.15%
	May 31, 2018	6.20%
	May 31, 2019	7.42%
	May 31, 2020	6.87%
	May 31, 2021	5.79%
	October 31, 2021 <sup>(1)</sup>	4.60%
Class A Participating Shares, Series 2	May 31, 2013	7.22%
	May 31, 2014	6.57%
	May 31, 2015	6.94%
	May 31, 2016	6.53%
	May 31, 2017	6.77%
	May 31, 2018	6.20%
	May 31, 2019	7.42%
	May 31, 2020	6.87%
	May 31, 2021	6.10%
	October 31, 2021 <sup>(1)</sup>	5.55%

**Notes:**

1. MMIC 3 amalgamated with MMIC 1 and MMIC 2 to form the Corporation under the *Business Corporations Act* (Ontario) on November 1, 2021. The Corporation commenced operations on the date of its formation. As a result, there is a stub period between MMIC 3's financial year ended May 31, 2021 and the date of the amalgamation.
2. In respect of a given financial year or stub period, the average annualized yield (net of all fees and expenses) for each series of class A participating shares of MMIC 3 was calculated by dividing the total distributions to holders of such series during the relevant financial year or stub period by the weighted average net assets outstanding of such series for that financial year or stub period.

*Performance and other information relating to the Corporation, Magenta Capital, MMIC 1, MMIC 2 and MMIC 3 set forth above and elsewhere in this Offering Memorandum is provided solely to illustrate the historical performance of the*

*Corporation, Magenta Capital, MMIC 1, MMIC 2 and MMIC 3. Past performance is not a guarantee of future results and readers should not assume that the future performance of the Corporation will equal or better the prior performance of the Corporation, Magenta Capital, MMIC 1, MMIC 2 or MMIC 3 generally or that the investment objectives of the Corporation will be achieved.*

## 2.4 Long-Term Objectives

The Corporation intends to use all of the net proceeds of the Offering to acquire class A limited partnership units of MMILP in order to allow MMILP to conduct its mortgage business as described herein. The Corporation anticipates continuing to raise funds under this Offering for the foreseeable future and investing all available net proceeds raised in class A limited partnership units of MMILP. The Corporation’s long-term objective is to provide shareholders with stable and secure dividends from its indirect investment by way of MMILP in mortgage loans. In this connection, the Corporation intends to distribute as dividends substantially all of its net income systematically to holders of First Preferred Shares. See Section 5.1, “Terms of Securities - Dividend Entitlement” and “Terms of Securities - Dividend Policy”.

Using the proceeds from subscriptions for class A limited partnership units, MMILP shall invest in both first mortgages and second mortgages which shall be secured by the respective mortgagor’s equity in real property. MMILP will reinvest in mortgages with the income received upon the mortgages becoming due. The costs related to the investment and reinvestment in mortgages is nominal and is not considered to be material.

The income of the Limited Partnerships will primarily consist of interest and fees received with respect to the mortgage loans currently held and in the case of MMILP, mortgage loans acquired moving forward, less interest and fees payable with respect to the debt facilities employed to fund a portion of the Limited Partnerships’ mortgage assets. All available cash of the Limited Partnerships (after setting aside appropriate amounts for reserves and other expenditures of the relevant Limited Partnership in accordance with the terms of the relevant Limited Partnership Agreement) shall be distributed monthly to the Corporation subject however to Magenta Capital’s right to general partner distributions. See “Partnership Distributions to the Corporation as Sole Limited Partner” and “Partnership Distributions to Magenta Capital as Sole General Partner” in Section 2.7, “Material Contracts - Limited Partnership Agreements”.

## 2.5 Short-Term Objectives

The Offering Memorandum form requires the following table to be completed with respect to the Corporation’s objectives over the next twelve (12) months.

Actions to be taken	Target completion date or, if not known, number of months to complete	Cost to complete
Raising of funds under the Offering and investing net proceeds in Class A limited partnership units of MMILP	Ongoing throughout the next 12 months	The costs of this Offering which are estimated to be \$50,000

## 2.6 Insufficient Proceeds

The proceeds of the Offering may not be sufficient to accomplish all of the Corporation’s proposed objectives and there is no assurance that alternative financing will be available.

## 2.7 Material Contracts

### Limited Partnership Agreements

Magenta Mortgage Investment Limited Partnership, Magenta II Mortgage Investment Limited Partnership and Magenta III Mortgage Investment Limited Partnership (each a “**Limited Partnership**” and collectively the “**Limited Partnerships**”) are each governed by a second amended and restated limited partnership agreement effective September 2, 2022, as amended by an amending agreement effective January 31, 2023 (each a “**Limited Partnership Agreement**” and collectively the



“**Limited Partnership Agreements**”) between Magenta Capital Corporation (“**Magenta Capital**” or “**General Partner**”) as the sole general partner and the Corporation as the sole limited partner. See Section 2.1, “Structure”. The terms of each of the Limited Partnership Agreements are substantially similar and are described below.

### ***Magenta Capital – The General Partner***

Magenta Capital acts as general partner of each of the Limited Partnerships and its right, power and authority to enter into agreements on behalf of each of the Limited Partnerships for the underwriting, pricing, negotiation, acquisition, administration, enforcement, collection, financial reporting and general administration relating to the portfolio of mortgages held by each of the Limited Partnerships is subject to the express provisions of the Limited Partnership Agreements.

Subject to the express provisions of each of the Limited Partnership Agreements, the General Partner is granted the right, power and authority to do on behalf of each of the Limited Partnerships all things which, in its sole judgment, are necessary, proper or desirable in connection with the carrying on of the business of the Limited Partnerships and to hold each of the Limited Partnerships’ mortgages and related rights including, without limiting the generality of the foregoing, the right, power and authority:

- (a) to enter into agreements for the underwriting, pricing, negotiation, acquisition, administration, enforcement, collection, financial reporting and general administration relating to the Limited Partnership’s mortgages and related rights and all ancillary agreements in connection therewith, and, further subject to the express provisions of the Limited Partnership Agreement, to sell, transfer, exchange, convey, or otherwise deal with or dispose of all or any part of the Limited Partnership’s mortgages and related rights at such times, in such manner and on such terms as the General Partner deems appropriate subject to adhering to the Limited Partnership’s investment strategies, operating restrictions, operating policies and investment policies contained in this Offering Memorandum. Specifically, the General Partner is required, among other things, to:
  1. use its reasonable commercial efforts to acquire investment opportunities consistent with the Limited Partnership’s investment policies and objectives;
  2. underwrite mortgage applications and retain sufficient relevant information, including the terms and conditions of the acquired mortgage investments;
  3. service and administer those investments acquired by the Limited Partnership, including monitoring the status and progress of such investments, maintaining records and accounts in respect of each investment, accounting for all amounts received on account of the Limited Partnership’s interest in an investment, and on a monthly basis preparing a monthly statement of account in respect of all investments in which the Limited Partnership has an interest;
  4. investigate, select and conduct relations with consultants, borrowers, lenders, mortgagors and other mortgage and investment participants, accountants, originators or brokers, correspondents and mortgage managers, technical advisers, lawyers, underwriters, brokers and dealers, corporate fiduciaries, escrow agents, depositories, custodians, agents for collection, insurers, insurance agents, banks, investors, builders and developers;
  5. to employ, retain and supervise such persons and the services performed or to be performed by such persons in connection with the Limited Partnership’s investments and to substitute any such party or itself for any other such party or for itself;
  6. manage the collection, handling, prosecuting and settling of any claims the Limited Partnership may have with respect to its investments, including foreclosing and otherwise enforcing mortgages and other liens and security interests securing the Limited Partnership’s investments;
  7. act on the Limited Partnership’s behalf in connection with acquisitions or dispositions of investments, the execution of deeds, mortgages or other instruments in writing for or on the Limited Partnership’s behalf and the handling, prosecuting and settling of any claims relating to the Limited Partnership’s investments

including the foreclosure or other enforcement of any mortgage, lien or other security interest securing the Limited Partnership's investments;

8. deliver portfolio reports not less frequently than quarterly with respect to the Limited Partnership's investments and provide any other information or documentation relating to such investments as may be reasonably requested; and
  9. generally perform such other acts as are required for purposes of the administration of the Limited Partnership's investments;
- (b) to enter into agreements for the management and administration of the Limited Partnership's mortgages and related rights and to otherwise oversee the day-to-day mortgage investment and the mortgage administrative activities of the Limited Partnership's business;
  - (c) to incur all reasonable expenditures;
  - (d) to employ and dismiss from employment any and all agents, independent contractors, managers, brokers, solicitors and accountants;
  - (e) to open bank accounts for the Limited Partnership, to designate and from time to time change the signatories to such accounts;
  - (f) to attend to all matters relating to the sale of First Preferred Shares in accordance with the *Securities Act* (Ontario) and any other applicable securities legislation, law or policy including without limitation: (A) arranging, and facilitating the completion of, the sale of First Preferred Shares to investor clients in its capacity as 'exempt market dealer' or otherwise; (B) overseeing investor relation and liaising with and instructing the sales force engaged to sell First Preferred Shares; (C) acting as transfer agent and registrar for the First Preferred Shares; (D) reviewing and reporting to the holders of First Preferred Shares with respect to the financial statements of the Corporation and the Limited Partnership in accordance with the reporting obligations imposed upon the Corporation pursuant to this Offering Memorandum or otherwise under applicable legislation, law or policy; and (E) paying any fees or commissions (including referral fees and trailer fees) in connection with sales of First Preferred Shares;
  - (g) to invest funds not immediately required for the operations of the Limited Partnership in securities of and only in securities of or guaranteed by the Government of Canada, the Government of any Province of Canada or a Canadian chartered bank, provided that such securities mature not more than one year from the date of such investments;
  - (h) to submit the Limited Partnership to binding arbitration with respect to any matters pertaining to the assets and undertakings of the Limited Partnership;
  - (i) to defend on behalf of the Limited Partnership any and all actions and other proceedings brought against the Limited Partnership or its mortgages and related rights and to, in its sole discretion, settle on such terms as it deems advisable all such actions, and to consent to a judgment against the Limited Partnership, provided that the effect of the consent would not be to materially or financially affect the business, assets or operations of the Limited Partnership; and
  - (j) to execute, acknowledge and deliver any and all instruments to effectuate any and all of the foregoing.

Notwithstanding the foregoing and any other provision of each of the Limited Partnership Agreements, the General Partner shall have no right, power or authority to effect the following matters on behalf of the Limited Partnership, which matters shall only be exercisable by unanimous consent of the partners including the Corporation: (i) altering the nature of the business of the Limited Partnership or otherwise engaging the Limited Partnership in other business or activities that are not incidental to the business of the Limited Partnership or otherwise engaging in any activity that would cause the Corporation not to qualify as a 'mortgage investment corporation' under the Tax Act or that would result in the First Preferred Shares not being a "qualified investment" for RRSPs, RRIFs, RESPs, RDSPs, TFSAs and DPSPs under the Tax Act; or (ii) paying or authorizing the payment of any fees, charges or other compensation to the General Partner (including

by way of a direct or indirect increase of the Month End GP Priority Distributions (as defined below)). For greater certainty, the General Partner shall only fulfill the responsibilities required of it under the terms of each of the Limited Partnership Agreements and shall provide no additional services to the Limited Partnerships.

The General Partner shall exercise its powers and discharge its duties under each of the Limited Partnership Agreements honestly, in good faith, and in the best interests of the Limited Partnership, and of the partners of the Limited Partnership as a group and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent person providing services of a similar nature would exercise in comparable circumstances. The General Partner, in acting as general partner under the Limited Partnership, shall be required to devote its efforts exclusively to or for the benefit of the Limited Partnership and shall not be entitled to carry on or participate in any business, ventures, investments, or activity other than as contemplated in each of the Limited Partnership Agreements.

Pursuant to the terms of each of the Limited Partnership Agreements, the General Partner is restricted from causing the Limited Partnerships to guarantee the obligations or liabilities of or make any loans to Magenta Capital or any of its affiliates, and, in addition, the General Partner agrees that the funds of the Limited Partnership shall not be commingled with any funds of Magenta Capital or any of its affiliates. Notwithstanding the foregoing, General Partner on behalf of the MMILP, may engage Rover Financial, an affiliate of Magenta Capital, to provide mortgage brokerage and origination services to MMILP from time to time.

All reasonable expenses incurred by the General Partner in managing, administering and conducting each of the Limited Partnerships' business, including the cost of such professional, technical, administrative and other services and advice as it shall deem necessary shall be incurred on behalf of, and be paid by, the relevant Limited Partnership. The Limited Partnerships shall not be responsible to pay or reimburse the General Partner for the salaries of any of the General Partner's employees used in the performance of the General Partner's duties and obligations as set out in the Limited Partnership Agreements. It is acknowledged and agreed by the General Partner that the Limited Partnerships shall not incur expenses, other than third party expenses payable to parties who deal at arm's length with the General Partner; provided however that MMILP shall be required to reimburse: (i) 2770550 Ontario Inc. operating as Rover Financial, an affiliate of the General Partner, for all reasonable expenses incurred by 2770550 Ontario Inc. in connection with providing mortgage brokerage and origination services to MMILP from time to time; and (ii) the General Partner, for all reasonable expenses incurred by the General Partner in connection with promoting and marketing MMILP as lender of choice to licensed mortgage brokers; further provided that to the extent it is determined for any particular fiscal year that the net income of the Corporation available for distribution (subject to working capital or reserve requirements) was not sufficient to fund dividends to holders of First Preferred Shares and an annual GP Priority Distribution to the General Partner equal to 2.975% of the total consolidated assets of the Limited Partner and the Partnership, then the General Partner shall not be entitled to reimbursement for promoting and marketing MMILP for that particular fiscal year.

#### ***Partnership Distributions to the Corporation as Sole Limited Partner***

All available cash of the Limited Partnerships (after setting aside appropriate amounts for reserves and other expenditures of the Limited Partnerships in accordance with the terms of the Limited Partnership Agreements) shall be distributed monthly to the Corporation subject to the Month End GP Priority Distribution and any additional distributions to the General Partner as further described below under "Partnership Distributions to Magenta Capital as Sole General Partner".

#### ***Partnership Distributions to Magenta Capital as Sole General Partner***

For acting as general partner, Magenta Capital is entitled, in respect of each series of First Preferred Shares, to: (i) Month End GP Priority Distributions and (ii) GP Priority Retraction Discount Distributions, as calculated in accordance with the Limited Partnership Agreements and as summarized below:

#### **Month End GP Priority Distribution**

In respect of each series of First Preferred Shares, the General Partner shall be entitled in respect of each month, pursuant to each Limited Partnership Agreement, to a month end distribution out of available cash of the Limited Partnership ("Month End GP Priority Distribution") equal to not more than 1/12<sup>th</sup> of 2.975% of the Total Consolidated Assets of

such series of First Preferred Shares, as recorded in the unaudited, internally prepared management consolidated financial statements of the Corporation, plus applicable taxes. The actual Month End GP Priority Distribution, subject to the maximum amount stated above, shall be determined such that the available cash of the Limited Partnership after payment of such Month End GP Priority Distribution shall be sufficient to fund the Corporation's dividends respecting such series of First Preferred Shares for that month, provided that the rate of such dividends must be greater than or equal to the interest rate in effect on the first day of the relevant fiscal year of the Corporation for a Royal Bank of Canada One-Year Cashable GIC with monthly interest payments. For the fiscal year commencing on November 1, 2022, the interest rate for a Royal Bank of Canada One-Year Cashable GIC with monthly interest payments is 0.625%. The Month End GP Priority Distribution shall be paid on the last business day of the month, provided that the General Partner shall have the right, in its sole discretion, to defer (until the release of the Year End Audited Statements or for such earlier period as the General Partner deems appropriate) and/or waive or abate a Month End GP Priority Distribution, in whole or in part.

In respect of each series of First Preferred Shares, on the release of the Year End Audited Statements, the Month End GP Priority Distributions shall be adjusted as follows:

1. If the Year End Audited Statements indicate that the aggregate Month End GP Priority Distributions for the fiscal year were either underpaid or overpaid, then the General Partner shall either be: (i) entitled to claim an additional 'top up' distribution to the extent there was an underpayment; or (ii) required to reimburse the Limited Partnership to extent there was an overpayment; provided however that in the case of any overstatement, the General Partner shall be entitled to reimburse such amounts by way of a proportional clawback of subsequent Month End GP Priority Distribution(s).
2. In respect of each month, to the extent the General Partner is required in accordance with the provisions of the Limited Partnership Agreement to make distributions to the Corporation as a return of designated capital to fund retractions of the relevant series of First Preferred Shares, and pursuant to the terms of either the articles of the Corporation or the terms of subscription agreements with individual holders of such series of First Preferred Shares, the retraction price for some or all of such series of First Preferred Shares to be retracted are subject to reduction resulting from the funding of sales commissions, discounts and/or referral fees by the General Partner (the aggregate amount of such discounts referred to herein as the "**Retraction Discounts**"), then the General Partner shall be entitled to claim an additional 'top up' distribution equal to the Retraction Discounts (the "**GP Priority Retraction Discount Distribution**").

For purposes of the foregoing:

"**Total Consolidated Assets**" means, in respect of all series of First Preferred Shares, and in respect of a particular reporting period, the *pro rata* portion of the total consolidated assets of the Corporation and the Limited Partnership equivalent to the weighted average total number of all such series of First Preferred Shares issued and outstanding for the applicable reporting period divided by the weighted average total number of First Preferred Shares of the Corporation issued and outstanding for the applicable reporting period; and

"**Year End Audited Statements**" means the consolidated annual audited statements of the Corporation and the Limited Partnership to be completed within 90 days following the end of a fiscal year.

#### ***General Partner Indemnification***

Pursuant to the terms of each of the Limited Partnership Agreements, each of the Limited Partnerships has agreed that it shall indemnify and reimburse the General Partner, as well as its directors, officers, shareholders, employees or agents, from and against any losses, costs, expenses, damages or liabilities suffered or sustained by it by reason of any acts, omissions or alleged acts or omissions arising out of its activities on behalf of the Limited Partnership or in furtherance of the interest of the Limited Partnership, provided that the acts, omissions or alleged acts or omissions upon which such actual or threatened actions, proceedings or claims are based on were done or were omitted to be done in good faith and were not performed or omitted fraudulently or in bad faith or as a result of wanton and willful misconduct or negligence.

## Shareholders Agreement

The Corporation entered into a unanimous shareholders agreement (the “**Shareholders Agreement**”) on November 1, 2021 with the holders (collectively referred to as the “**Common Shareholders**”) of all of the common shares of the Corporation (the “**Common Shares**”), setting forth the manner in which certain of the affairs of the Corporation shall be conducted and governing certain matters related to Common Shares of the Corporation.

## Conflicts of Interest

The directors and officers of the Corporation, Magenta Capital and Rover Financial may be, and are permitted to be, engaged in and continue in other businesses in which the Corporation will not have an interest. Magenta Capital, in acting as general partner under the Limited Partnerships, shall be required to devote its efforts exclusively to or for the benefit of the Limited Partnerships and shall not be entitled to carry on or participate in any business, ventures, investments, or activity other than as contemplated in the Limited Partnership Agreements.

Some or all of the directors and/or officers of the Corporation and the holders of Common Shares of the Corporation may also be (i) directors and/or officers of other affiliates of the Corporation; and (ii) directors, officers and/or trustees of other entities that may acquire First Preferred Shares under the Offering, which number of First Preferred Shares so acquired may be significant. As at February 28, 2023, the controlling shareholder, sole director and President and Secretary of Magenta Capital, W. Gavin Marshall, holds, either directly or indirectly, 165,588 First Preferred Shares, Series A, and 1,081,549 First Preferred Shares, Series F.

## Fund Support Services Agreement

The Corporation has entered into an agreement with Prometa Fund Support Services Inc. (“**Prometa**”) pursuant to which Prometa has agreed to provide the Corporation with registry and transfer agency services and other shareholder recordkeeping and administration services.

## 2.8 Related Party Transactions

Description of Business or Asset	Date of Transfer	Legal Name of Seller	Legal Name of Buyer	Amount and form of consideration exchanged in connection with transfer
Retraction of Series F Shares	February 8, 2023	Thomas Alexander Marshall <sup>(1)</sup>	Magenta Mortgage Investment Corporation	\$15,000
Retraction of Series F Shares	December 19, 2022	Heliotrope Investment Corporation <sup>(1)(2)</sup>	Magenta Mortgage Investment Corporation	\$2,355,867
Retraction of Series F Shares	December 6, 2022	Heliotrope Investment Corporation <sup>(1)(2)</sup>	Magenta Mortgage Investment Corporation	\$658,000
Retraction of Series F Shares	December 1, 2022	Heliotrope Investment Corporation <sup>(1)(2)</sup>	Magenta Mortgage Investment Corporation	\$3,857,064
Retraction of Series F Shares	November 30, 2022	Heather Marshall <sup>(1)(3)</sup>	Magenta Mortgage Investment Corporation	\$311,030
Retraction of Series F Shares	November 8, 2022	Thomas Alexander Marshall <sup>(1)</sup>	Magenta Mortgage Investment Corporation	\$25,000
Retraction of Series F Shares	July 6, 2022	John Marshall <sup>(1)</sup>	Magenta Mortgage Investment Corporation	\$555,890

### Notes:

1. These shareholders are related to W. Gavin Marshall and retracted Series F Shares for personal use. The retractions were honoured in full using cash on hand and in accordance with the terms attaching to the Series F Shares. None of these retracting shareholders were paid more than a third-party retracting shareholder would have been paid for the same amount of retracted shares.
2. Subsequent to the fiscal year ended October 31, 2022, the General Partner agreed to abate a portion of the Month End GP Priority Distributions received from the Limited Partnerships throughout that fiscal year in the amount of \$5,234,222, resulting in that amount being an account receivable by the Corporation from the General Partner. This account receivable was paid in full by the General Partner on December 23,

2022 using funds the General Partner received from Heliotrope Investment Corporation, a corporation in which W. Gavin Marshall holds a 95.8% voting interest and is the sole director and officer, which in turn received approximately \$6.87 million of cash from the Corporation following the retraction of Series F Shares held by Heliotrope Investment Corporation. The retraction requests were honoured in full using cash on hand. See Section 2.3, “Development of Business - Recent Material Developments - Recent Abatement of Month End GP Priority Distributions”.

3. Heather Marshall subsequently purchased \$544,000 worth of Series F Shares in December 2022.

In addition to the foregoing, all net proceeds of the Offering are to be used by the Corporation to acquire additional class A limited partnership units of MMILP, a related party of the Corporation, in order to fund MMILP’s lending business. See Section 1.2, “Use of Available Funds” and Section 2.2, “The Business”. Further, Magenta Capital, another related party of the Corporation, is the sole general partner of each of the Limited Partnerships and in its capacity as general partner of the Limited Partnerships has agreed to arrange, and facilitate the completion of, the sale of the First Preferred Shares to investor clients in its capacity as ‘exempt market dealer’. See Section 2.7, “Material Contracts - Conflicts of Interest” and Item 8, “Compensation Paid to Sellers and Finders - Conflicts of Interest with Connected Issuers”.

### ITEM 3: COMPENSATION AND SECURITY HOLDINGS OF CERTAIN PARTIES

#### 3.1 Compensation and Securities Held

The following table sets out information as at February 28, 2023 about (i) each director, officer and promoter of the Corporation, (ii) each person who directly or indirectly beneficially owns or controls 10% or more of any class of voting securities of the Corporation (a “Principal Holder”) and (iii) any related party not specified in clauses (i) or (ii) that received compensation in the most recently completed financial year or is expected by the Corporation to receive compensation in the current financial year.

Full legal name and place of residence or, if not an individual, jurisdiction of organization	Positions held and the date of obtaining that position or relationship to the Corporation	Compensation paid by the Corporation in the most recently completed financial year and the compensation expected to be paid in the current financial year <sup>(3)</sup>	Number, type and percentage of securities of the Corporation held as at February 28, 2023 <sup>(1)(2)</sup>	Number, type and percentage of securities of the Corporation held after completion of maximum offering <sup>(1)(2)</sup>
W. Gavin Marshall Perth, Ontario	Director and President since November 1, 2021  Director, President and Secretary of Magenta Capital since April 8, 2004	FY ‘22 - Est. \$nil FY ‘23 - Est. \$nil	1 Common Share (9.09%)  165,588 First Preferred Shares, Series A (1.02%) 1,081,549 First Preferred Shares, Series F (15.35%)	1 Common Share (9.09%)  1,247,137 First Preferred Shares (1.70%)
Erin M. Brady Toronto, Ontario	Director since November 1, 2021	FY ‘22 - Est. \$4,800 FY ‘23 - Est. \$nil	4,527 First Preferred Shares, Series F (0.06%)	4,527 First Preferred Shares (0.01%)
Gregory J.C. Sinclair Peterborough, Ontario	Director since January 17, 2023  Chief Operating Officer of Magenta Capital since January 17, 2023	FY ‘23 - Est. \$nil	Nil	Nil
Christopher Froggatt Perth, Ontario	Director since November 1, 2021	FY ‘22 - Est. \$4,800 FY ‘23 - Est. \$nil	31,492 First Preferred Shares, Series F (0.45%)	31,492 First Preferred Shares (0.04%)
Dr. Elspeth Murray Kingston, Ontario	Director since November 1, 2021	FY ‘22 - Est. \$4,800 FY ‘23 - Est. \$nil	Nil	Nil

Full legal name and place of residence or, if not an individual, jurisdiction of organization	Positions held and the date of obtaining that position or relationship to the Corporation	Compensation paid by the Corporation in the most recently completed financial year and the compensation expected to be paid in the current financial year <sup>(3)</sup>	Number, type and percentage of securities of the Corporation held as at February 28, 2023 <sup>(1)(2)</sup>	Number, type and percentage of securities of the Corporation held after completion of maximum offering <sup>(1)(2)</sup>
Timothy Upson	Interim Treasurer since March 24, 2023  Interim Treasurer of Magenta Capital since March 24, 2023	FY '23 - Est. \$nil	1,151 First Preferred Shares, Series F (0.002%)	1,151 First Preferred Shares, Series F (0.002%)
Magenta Capital Corporation <sup>(4)</sup>	Promoter	FY '22 - Est. \$nil FY '23 - Est. \$nil	Nil	Nil

**Notes:**

1. There is no minimum or maximum offering. However, this table assumes a maximum offering of \$500,000,000 (50,000,000 First Preferred Shares) for illustrative purposes only.
2. The information as to securities beneficially owned as at February 28, 2023 has been furnished by the respective directors and officers. Directors and/or officers of the Corporation may acquire First Preferred Shares pursuant to the Offering.
3. The directors and officers of the Corporation who are also directors or officers of Magenta Capital do not receive compensation from the Corporation in their capacity as directors and officers of the Corporation, although they may be compensated by Magenta Capital for acting as directors or officers of Magenta Capital. The Corporation pays independent non-executive directors fees determined by the executive director(s) from time to time. As of the date of this Offering Memorandum, independent non-executive directors are entitled to a fee of \$1,200 for each board meeting attended.
4. The W.G. Marshall Family Trust is the sole holder of Class A voting common shares in the capital of Magenta Capital. On November 29, 2021, articles of amendment for Magenta Capital were filed which among other things authorized the creation of new classes of employee share purchase plan (ESPP) non-voting common shares. Through his holding of multiple voting shares, Mr. Marshall holds a 66.9% voting interest in Magenta Capital. Mr. Marshall is the sole director of Magenta Capital. The executive officers of Magenta Capital are Mr. Marshall as President and Secretary, Gregory J.C. Sinclair as Chief Operating Officer and Timothy Upson as interim Treasurer. See Section 2.2, "The Business - Magenta Capital Corporation" and Section 2.3, "Development of Business - Recent Material Developments - Senior Management Changes".

### 3.2 Management Experience

Name	Principal Occupation and Related Experience
W. Gavin Marshall	<p><b>President and Director of the Corporation. President, Secretary and Director of Magenta Capital.</b></p> <p>Mr. Marshall is founder and a director of Magenta Mortgage Investment Corporation (1994) and Magenta Capital Corporation (2004). Under Mr. Marshall's leadership, the Corporation (including its predecessors) has achieved an unbroken record of elevated shareholder returns and assets under management have grown to almost \$500 million. Mr. Marshall obtained his B.Sc. (Economics) from Trent University and his MBA from Queen's University. After graduation, Mr. Marshall held progressively more senior positions with a number of Canadian financial institutions, primarily in the areas of credit and mortgage underwriting. Mr. Marshall had successfully invested in mortgages for his own account for many years prior to establishment of Magenta. Mr. Marshall's consolidated investment (direct and indirect) in the Corporation exceeds \$18.5 million.</p>

Name	Principal Occupation and Related Experience
Erin M. Brady	<p><b>Director of the Corporation.</b></p> <p>Ms. Brady is a corporate lawyer with substantial experience in corporate and commercial law involving mergers and acquisitions, corporate reorganizations, corporate governance, regulatory compliance working with both federal and provincial regulators, share and asset sales, shareholder matters, corporate reorganizations and commercial contract negotiations. Ms. Brady was an associate at Cassels Brock &amp; Blackwell LLP. Ms. Brady obtained her B.A./B.Sc. from Saint Mary's University and her LL.B. from Queen's University. During law school, Ms. Brady was an Associate Editor of the Queen's Law Journal and a member of the National Association of Women and the Law.</p>
Gregory J.C. Sinclair	<p><b>Director of the Corporation. Chief Operating Officer of Magenta Capital.</b></p> <p>Mr. Sinclair (MBA) is currently the Chief Operating Officer of Magenta Capital. His most recent accomplishments include leading Magenta's mortgage origination and renewals teams as well as restructuring Magenta's mortgage origination function, creating its first Revenue Operations Model. The new model is currently in effect for Magenta's day-to-day operations. Prior to joining Magenta, Mr. Sinclair was the Senior Manager, Analytics &amp; Business Intelligence for the Peterborough Petes, a junior ice hockey team in the Ontario Hockey League, where he led the Salesforce CRM (Customer Relation Management) integration allowing for significant increases in sales and more effective strategy building. He also created and implemented marketing strategies to drive fan engagement and increase sales. Mr. Sinclair was responsible for analytically assessing all properties and partnership revenues, while maintaining stakeholder relationships and managing its impacts on the business. Mr. Sinclair completed his bachelor's degree at Nipissing University and holds a master's in business administration with a specialization in marketing and analytics at the Smith School of Business at Queen's University.</p>
Christopher Froggatt	<p><b>Director of the Corporation.</b></p> <p>Mr. Froggatt is a founding partner of Loyalist Public Affairs, a boutique government relations and strategic communications firm based in Ottawa and Toronto. Prior to founding Loyalist, Chris served as the Managing Partner for the Ottawa office of NATIONAL Public Relations for eight years. His talents include providing strategic counsel on a variety of complex public policy issues, developing practical and thoughtful communication strategies, and building and managing teams of professionals. Mr. Froggatt is a graduate of Trent University, where he received a degree of Political Science and History. As well, Mr. Froggatt is a member of the board of directors of the Canadian Public Relations Society (CPRS), a member of the Government Relations Institute of Canada (GRIC), a member of the Advisory Committee for the Salvation Army of the National Capital Region, and a past member of the board of directors of the Children's Hospital of Eastern Ontario (CHEO). Chris is also the recipient of the Queen's Diamond Jubilee Medal for his commitment to his community and to Canada.</p>
Dr. Elspeth Murray	<p><b>Director of the Corporation.</b></p> <p>Dr. Murray has served as the Queen's University, Smith School of Business Associate Dean - MBA and Master's Programs since 2012 and has been a professor of Strategy and Entrepreneurship at Smith School of Business since 1996. She also holds the CIBC Fellowship in Entrepreneurship and founded Smith's Centre for Business Venturing. Prior to joining Smith, she worked in the industry for seven years for several firms including IBM, and Canadian Tire. As an integral part of her work in the strategy and new venture fields, Dr. Murray specializes in the management of change. Dr. Murray teaches on many MBA and Executive Education programs and consults widely with a diversity of firms including BMW, Detour Gold, Wawanesa Insurance, Versacold Logistics and the Auditor General for Canada. She serves as a director for several firms and is an advisor to several start-ups and CEOs. Dr. Murray received an undergraduate degree in computer science and mathematics, and an MBA, both from Queen's University. Her doctorate in Strategy and Management Information Systems was completed at the Richard Ivey School of Business.</p>



Name	Principal Occupation and Related Experience
Timothy Upson	<p><b>Interim Treasurer of the Corporation. Interim Treasurer of Magenta Capital.</b></p> <p>Management appointed Mr. Upson as interim Treasurer of each of the Corporation and Magenta Capital on March 24, 2023. Previously, Mr. Upson oversaw the creation and development Magenta’s data analytics department as Director of Analytics since January 2021. His previous experience includes hedge fund administration and operational risk management roles based out of Halifax. Mr. Upson holds a Bachelor of Commerce and a Master of Business Administration from the Smith School of Business at Queen’s University with specializations in finance and analytics, respectively. He also completed a Master of Science in management analytics from the same institution in 2021, where his research focused on machine learning, text analytics and behavioural analytics. Mr. Upson has been a CFA charter holder since 2018.</p>

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

As at the date of this Offering Memorandum, there are (a) no penalties or other sanctions that have been imposed by a court or a regulatory body relating to a contravention of securities legislation during the past ten (10) years against and (b) no order restricting trading in securities that have been in effect for a period of more than 30 consecutive days during the past ten (10) years against: (i) a director, executive officer or control person of the Corporation or (ii) an issuer of which a person referred to in (i) was a director, executive officer or control person at the time.

As at the date of this Offering Memorandum, there are (a) no declarations of or voluntary assignments in bankruptcy, (b) proposals under any bankruptcy or insolvency legislation or (c) proceedings, arrangements or compromises with creditors or appointments of a receiver, receiver manager or trustee to hold assets that have been in effect during the past ten (10) years with regard to: (i) any director, executive officer or control person of the Corporation; or (ii) an issuer of which a person referred in (i) above was a director, executive officer or control person at the time.

As at the date of this Offering Memorandum, no director, executive officer or control person of the Corporation has ever pled guilty to or been found guilty of (a) a summary conviction or indictable offence under the *Criminal Code* (Canada), (b) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction, (c) a misdemeanour or felony under the criminal legislation of the United States of America or any state or territory of the United States of America or (d) an offence under the criminal legislation of any other foreign jurisdiction.

### 3.4 Certain Loans

As at the date of this Offering Memorandum, there are no outstanding debenture, bond or loan agreements between Corporation and any related parties.

## ITEM 4: CAPITAL STRUCTURE

### 4.1 Securities Except for Debt Securities

The following table sets out information about the Corporation’s outstanding securities, including options, warrants and other securities convertible into shares.

Description of Security	Number Authorized to be Issued	Number Outstanding as at February 28, 2023	Number outstanding after maximum offering <sup>(1)</sup>
Common Shares <sup>(2)</sup>	Unlimited	11 <sup>(3)</sup>	11
First Preferred Shares	Unlimited	16,218,915 (Series A) 66,940 (Series B) 7,045,366 (Series F)	73,331,221 First Preferred Shares
'Blank Cheque' Preferred Shares <sup>(4)</sup>	Unlimited	nil	nil

## Notes:

1. There is no minimum or maximum offering. However, this table assumes a maximum offering of \$500,000,000 (50,000,000 First Preferred Shares) for illustrative purposes only.
2. The holders of common shares in the capital of the Corporation (“**Common Shares**”) are entitled to one (1) vote for each Common Share held at all meetings of shareholders of the Corporation, other than meetings at which only the holders of another class or series of shares are entitled to vote separately as a class or series. The holders of Common Shares shall not be entitled to any dividends. The holders of Common Shares shall be entitled, subject to the prior rights of the holders of First Preferred Shares, to receive the remaining property of the Corporation in the event of any distribution of assets of the Corporation among its shareholders arising on the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, or any other distribution of its assets among its shareholders for the purpose of winding up its affairs.
3. Immediately prior to the Amalgamation, each of MMIC 1 and MMIC 2 held one (1) common share in the capital of MMIC 3. An individual purchased from MMIC 1 and another individual purchased from MMIC 2 one (1) common share in the capital of MMIC 3 for nominal consideration pursuant to a share purchase agreement dated October 31, 2021. Immediately following the Amalgamation, an individual holder of Common Shares surrendered one of his two (2) Common Shares to the Corporation for nominal consideration. Accordingly, as at the date of this Offering Memorandum, there are 11 Common Shareholders, each holding one (1) Common Share. The Corporation and each of the holders of Common Shares are party to a shareholders agreement dated November 1, 2021 setting forth the manner in which certain affairs of the Corporation shall be conducted and governing certain matters related to the Corporation.
4. The Corporation is authorized to issue an unlimited number of ‘blank cheque’ preferred shares, issuable in series. As at the date of this Offering Memorandum, the Corporation has not issued any ‘blank cheque’ preferred shares.

## 4.2 Long-Term Debt

### *Revolving Credit Facility*

As of the date of this Offering Memorandum, MMILP maintains a revolving secured facility with certain Canadian financial institutions with a maturity date of November 1, 2023. The total amount available to be drawn under the facility equals \$300,000,000, plus a \$50,000,000 accordion option. MMILP may draw against the facility at its option by way of an operating loan or short-term loans. Generally, amounts drawn against the facility bear interest of the Royal Bank of Canada prime rate plus 0.35% per annum for prime loans and Royal Bank of Canada prime rate plus 1.85% per annum for CDOR loans. The facility is secured, among other things, by a general security agreement over the MMILP’s mortgage and other assets, and unlimited guarantees from Magenta Capital and the Corporation, secured by, among other things, a general security agreement. The facility is repayable on demand upon the occurrence of an event of default to the extent that it has not been waived by the lenders. As at the date of this Offering Memorandum, the total outstanding balance under the facility (including accrued interest) is \$170,212,000. See also Section 2.3, “Development of Business - Recent Material Developments - Amendments to Terms of Revolving Credit Facility”.

## 4.3 Prior Sales

Pursuant to the terms of the Amalgamation Agreement, as at November 1, 2021:

- (a) each of the eight (8) outstanding common shares in the capital of MMIC 1 were exchanged for 0.50 common shares in the capital of the Corporation;
- (b) each of the four (4) outstanding common shares in the capital of MMIC 2 were exchanged for one (1) common share in the capital of the Corporation;
- (c) each of the four (4) outstanding common shares in the capital of MMIC 3 were exchanged for one (1) common share in the capital of the Corporation;
- (d) each of the 8,693,512 outstanding class A participating shares in the capital of MMIC 1 were exchanged for one (1) First Preferred Share, Series A in the capital of the Corporation;
- (e) each of the 11,312,145 outstanding class A participating shares, 55,558,566 outstanding class B participating shares and 840,497 outstanding class C participating shares in the capital of MMIC 2 were exchanged for 0.10 First Preferred Shares, Series A in the capital of the Corporation;

- (f) each of the 3,290,836 outstanding class A participating shares, series 1 in the capital of MMIC 3 were exchanged for one (1) First Preferred Share, Series A in the capital of the Corporation; and
- (g) each of the 5,980,977 outstanding class A participating shares, series 2 in the capital of MMIC 3 were exchanged for one (1) First Preferred Share, Series F in the capital of the Corporation

As at November 1, 2021, the effective date of the Amalgamation, there was issued and outstanding an aggregate of 11 common shares, 17,105,500 Series A Shares and 5,980,977 Series F Shares in the capital of the Corporation.<sup>1</sup> As at February 28, 2023, there was issued and outstanding an aggregate of 11 common shares, 16,218,915 Series A Shares, 66,940 Series B Shares and 7,045,366 Series F Shares in the capital of the Corporation.

## Preferred Shares

### *Series A Shares*

Within the last 12-month period, Series A Shares have been issued as described in the table below.

Month of Transaction	Subscriptions			Dividend Reinvestment		
	Series A Shares	Price Per Security	Total Funds Received	Series A Shares	Price Per Security	Total Funds Received
March 2022	44,568	\$10.00	\$455,680	48,724	\$10.00	\$487,237
April 2022	251,062	\$10.00	\$2,510,616	54,265	\$10.00	\$542,652
May 2022	166,089	\$10.00	\$1,660,892	52,306	\$10.00	\$523,063
June 2022	35,176	\$10.00	\$351,763	51,162	\$10.00	\$551,619
July 2022	130,045	\$10.00	\$1,300,453	52,456	\$10.00	\$524,559
August 2022	55,562	\$10.00	\$555,617	56,728	\$10.00	\$567,283
September 2022	176,448	\$10.00	\$1,764,484	54,354	\$10.00	\$543,540
October 2022	205,997	\$10.00	\$2,059,969	51,414	\$10.00	\$514,138
November 2022	14,980	\$10.00	\$149,795	51,414	\$10.00	\$514,138
December 2022	91,539	\$10.00	\$915,392	216,485	\$10.00	\$2,164,847
January 2023	11,792	\$10.00	\$117,924	52,626	\$10.00	\$526,259
February 2023	102,417	\$10.00	\$1,024,165	55,569	\$10.00	\$555,694
March 1, 2023 to March 28, 2023	91,780	\$10.00	\$917,800	62,433	\$10.00	\$624,330

### *Series B Shares*

On September 2, 2022, the Board of Director authorized the filing of articles of amendment creating and designating an unlimited number of a new series of First Preferred Shares called the First Preferred Shares, Series B (the “**Series B Shares**”). Since September 2, 2022 to the date of this Offering Memorandum, Series B Shares have been issued as described in the table below.

Month of Transaction	Subscriptions			Dividend Reinvestment		
	Series B Shares	Price Per Security	Total Funds Received	Series B Shares	Price Per Security	Total Funds Received
September 2022	nil	\$10.00	\$nil	nil	\$10.00	\$nil
October 2022	36,948	\$10.00	\$369,478	nil	\$10.00	\$nil
November 2022	6,000	\$10.00	\$60,000	10	\$10.00	\$99
December 2022	nil	\$10.00	\$nil	9	\$10.00	\$90

<sup>1</sup> Prior to the Amalgamation, MMIC 1 held 20,523 class C participating shares in the capital of MMIC 2 and MMIC 2 held 1,629,447 class A participating shares in the capital of MMIC 1. Upon effectiveness of the Amalgamation, these shares were cancelled without repayment of capital in respect thereof.

Month of Transaction	Subscriptions			Dividend Reinvestment		
	Series B Shares	Price Per Security	Total Funds Received	Series B Shares	Price Per Security	Total Funds Received
January 2023	9,993	\$10.00	\$99,927	20	\$10.00	\$195
February 2023	5,750	\$10.00	\$57,500	200	\$10.00	\$2,001
March 1, 2023 to March 28, 2023	3,000	\$10.00	\$30,000	263	N/A	\$2,630

### *Series F Shares*

Within the last 12-month period, Series F Shares have been issued as described in the table below.

Month of Transaction	Subscriptions			Dividend Reinvestment		
	Series F Shares	Price Per Security	Total Funds Received	Series F Shares	Price Per Security	Total Funds Received
March 2022	44,660	\$10.00	\$446,600	16,391	\$10.00	\$163,913
April 2022	102,327	\$10.00	\$1,023,270	18,334	\$10.00	\$183,338
May 2022	321,454	\$10.00	\$3,214,540	17,883	\$10.00	\$178,832
June 2022	91,600	\$10.00	\$916,000	19,496	\$10.00	\$194,960
July 2022	707,875	\$10.00	\$7,078,750	19,079	\$10.00	\$190,789
August 2022	76,910	\$10.00	\$769,100	29,115	\$10.00	\$291,153
September 2022	34,992	\$10.00	\$349,992	28,923	\$10.00	\$289,225
October 2022	2,000	\$10.00	\$20,000	28,047	\$10.00	\$280,473
November 2022	6,674	\$10.00	\$66,740	36,192	\$10.00	\$361,922
December 2022	105,343	\$10.00	\$1,053,432	72,851	\$10.00	\$728,513
January 2023	29,300	\$10.00	\$293,000	26,630	\$10.00	\$266,302
February 2023	100,600	\$10.00	\$1,006,000	26,630	\$10.00	\$266,302
March 1, 2023 to March 28, 2023	6,700	\$10.00	\$67,000	27,799	\$10.00	\$277,990

## **ITEM 5: SECURITIES OFFERED**

### **5.1 Terms of Securities**

The Corporation is offering an unlimited number of First Preferred Shares for sale at a price of \$10.00 per share.

#### *Issuable in Series*

Subject to the Business Corporations Act (Ontario) (the “**OBCA**”), the First Preferred Shares may at any time or from time to time be issued in one or more series, each series to consist of such number of shares as may before the issue thereof be determined by the directors and subject to requirements of applicable law, the Board of Directors may (subject as hereinafter provided) by resolution fix from time to time before the issue thereof the designation, preferences, rights, conditions, restrictions, limitations or prohibitions attaching to the said First Preferred Shares of each series including without limiting the generality of the foregoing, the rate of preferential dividends, the dates of payment thereof, the redemption price and terms and conditions of redemption, conversion rights (if any) and any sinking fund or other provisions.

The said First Preferred Shares of each series shall rank on a parity with the said First Preferred Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation whether voluntary or involuntary or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up affairs.

#### *First Preferred Shares: Series A, Series B and Series F*

The initial three series of First Preferred Shares consist of an unlimited number of shares designated as First Preferred Shares, Series A (“**Series A Shares**”), First Preferred Shares, Series B (“**Series B Shares**”) and First Preferred Shares,

Series F (“**Series F Shares**”), all of which are being offered pursuant to this Offering Memorandum. The terms of each of the foregoing series of shares are equal in all respects, except that: (i) no trailing fee or other compensation shall be payable to securities dealers or brokers in respect of the Series F Shares (see Item 8, “Compensation Paid to Sellers and Finders”); (ii) the annual return on investment (“**ROI**”) generated by the Series F Shares will be at a minimum 0.50% higher, compounded annually, than the ROI generated by the Series A Shares and Series B Shares (see “Dividend Entitlement” and “Dividend Policy” below); (iii) retraction payment reduction amounts may differ based on whether holders of First Preferred Shares acquired their shares in connection with the Amalgamation or if they subscribed for their shares after the Amalgamation (see “Retraction Rights - First Preferred Shares - Retraction Payment Reductions” below); and (iv) only holders of Series A Shares and new Subscribers purchasing Series A Shares will be eligible to participate in the amended and restated share purchase plan of the Corporation (see “Amended and Restated Share Purchase Plan” below).

### ***Dividend Entitlement***

The holders of the First Preferred Shares shall be entitled to receive, and the Corporation shall pay thereon, dividends as and when declared by the directors out of the monies of the Corporation properly applicable to the payment of dividends. The directors may, in their discretion, declare dividends on the First Preferred Shares without at the same time declaring dividends on any other class of shares of the Corporation. No dividends on any other class of share shall be declared or paid at any time when there are outstanding declared but unpaid dividends on the First Preferred Shares.

### ***Dividend Policy***

As a MIC, the Corporation is permitted to deduct dividends that it pays from net income. As a result, the Corporation intends to pay out as dividends substantially all of its net income and net realized capital gains every year. Amounts for dividend distributions will not be paid from the proceeds of the Offering. The Corporation intends to declare monthly dividends to holders of First Preferred Shares of record on the first calendar day of each month and to pay such dividends as soon as possible thereafter and in any event within 10 days. Notwithstanding the foregoing, the Corporation has the right to determine a record date that is other than the first calendar day of each month.

Since the Amalgamation to the date of this Offering Memorandum, all dividends have been made out of the net income and capital gains received in the financial year, and none of such distributions have been funded by sources such as loans, share issuances or any credit facilities. Further, the Corporation has not suspended dividends since the Amalgamation to the date of this Offering Memorandum.

### ***Dividend Reinvestment Plan***

The Corporation, subject to maintaining the status of the Corporation as a “mortgage investment corporation” under the Tax Act, maintains a dividend reinvestment plan (the “**DRIP**”), the complete text of which is set forth in Exhibit “I” to Schedule “A” of the accompanying Subscription Agreement. Under the DRIP, holders of First Preferred Shares can reinvest proceeds of cash dividends in additional First Preferred Shares of the Corporation. Magenta Capital administers all aspects of the DRIP.

### ***Non-Voting***

Except as provided by applicable law, the holders of First Preferred Shares shall not be entitled as such to receive notice of or to attend any meeting of the shareholders of the Corporation and shall not be entitled to vote at any such meeting.

### ***No Conversion or Pre-Emptive Rights***

The First Preferred Shares have no pre-emptive or conversion privileges.

### ***Uncertificated Securities***

Subject to the provisions of the OBCA, the First Preferred Shares shall be uncertificated securities. Accordingly, the Corporation shall not issue physical certificates representing the First Preferred Shares. Rather, holders of First Preferred

Shares shall receive from the Corporation confirmation slip(s) evidencing ownership of their respective interests in the First Preferred Shares. Further, registered ownership of all uncertificated First Preferred Shares will be set forth in the shareholder register maintained in the minute book(s) of the Corporation.

### ***Retraction Rights - First Preferred Shares***

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

Subject however to the provisions of the OBCA and applicable securities laws, any holder of First Preferred Shares shall be entitled to request that the Corporation retract the whole or any part of the First Preferred Shares registered in the name of such holder on the books of the Corporation (the "**Retractable Shares**") by tendering to the Corporation at its registered office a notice in writing ("**Retraction Notice**") specifying:

- (i) that the registered holder desires to have all, or if not all, a specified number of, the First Preferred Shares registered in the name of such holder retracted by the Corporation; and
- (ii) the Retraction Date (as defined below), which day must be a business day, on which such First Preferred Shares are to be retracted.

Retractable Shares shall be considered to be tendered for retraction on the date that the Corporation has, to the satisfaction of the Board of Directors, received the Retraction Notice (the "**Notice Date**").

In accordance with the historical practices of the Corporation, the Retraction Notice shall specify a date (the "**Retraction Date**") no earlier than five (5) business days after the Notice Date (or such earlier date as agreed by the Corporation in its sole discretion), and no later than sixty (60) days after the Notice Date (or such later date as agreed by the Corporation in its sole discretion). The Corporation will retract the Retractable Shares specified in the Retraction Notice, on the Retraction Date; provided that the Board of Directors may, in accordance with the articles of the Corporation, at any time and in its sole discretion, including after the Corporation has received a Retraction Notice by a holder of First Preferred Shares, suspend the foregoing right of retraction if, in its reasonable opinion, the payments to be made by the Corporation on the exercise by the holders of First Preferred Shares of their retraction rights would be materially prejudicial to the interests of the Corporation as a whole; and further provided that the Board of Directors may in its sole discretion retract the Retractable Shares on a date prior to the Retraction Date specified in the Retraction Notice.

Subject to the Retraction Payment reduction provisions set out below, the retraction payment for each Retractable Share to be retracted will be the lesser of (i) \$10.00; and (ii) the Net Asset Value of the Retractable Share calculated as at the end of business on the business day immediately preceding the Retraction Date using the unaudited monthly balance sheet of the Corporation, plus the *pro rata* share of any dividend distributions declared on such Retractable Share which have accrued up to and including the Retraction Date, to the extent same are not otherwise included in the calculation of the Net Asset Value of such Retractable Share and remain unpaid (the "**Retraction Payment**").

Upon receipt by the Corporation of the Retraction Notice, the holder of the First Preferred Shares shall thereafter cease to have any rights with respect to the First Preferred Shares tendered for retraction (other than to receive the retraction payment and the right to receive the *pro rata* share of any distributions thereon which have accrued up to and including the Retraction Date).

Upon receipt of the Retraction Notice, the Corporation shall, subject to applicable law and to the rights, privileges, restrictions and conditions attaching to the shares of any class of the Corporation ranking prior to the First Preferred Shares, on the Retraction Date, retract such First Preferred Shares by paying to such registered holder an amount equal to the Retraction Payment less the applicable Retraction Payment reduction amounts set out below (the "**Retraction Price**"); provided however that the Board of Directors may, at any time and in their sole discretion, including after the Corporation

has received a Retraction Notice from a holder of First Preferred Shares, suspend in whole or in part the foregoing right of holders to obligate the Corporation to retract their First Preferred Shares if in their reasonable opinion, the payments to be made by the Corporation on the exercise by the holders of such rights would be materially prejudicial to the interests of the Corporation as a whole.

The Corporation shall pay the Retraction Price of the First Preferred Shares being retracted by cheque payable at par at any branch of the Corporation's bankers for the time being in Canada. Payment may also be made in such other manner as may be agreed upon in writing by the Corporation and the holder. Once payment of the Retraction Price is made as set forth above, such First Preferred Shares shall be retracted as at the Retraction Date and from and after the Retraction Date such shares shall cease to be entitled to dividends and the holder thereof shall not be entitled to exercise any of the rights of a holder of First Preferred Shares in respect thereof. If payment of the Retraction Price is not so made, the rights of a holder of such First Preferred Shares shall remain unaffected and such shares shall not be retracted. If only part of the First Preferred Shares are retracted, the balance of such shares shall be noted in the securities register of the Corporation.

If the Corporation is prohibited by applicable law including the provisions of the OBCA or by the rights, privileges, restrictions and conditions attaching to any class of shares of the Corporation ranking prior to the First Preferred Shares, from retracting on the Retraction Date all First Preferred Shares which the holder thereof desires to have retracted on the Retraction Date, it will retract such number thereof as the Corporation is then permitted to retract. The First Preferred Shares to be retracted shall be selected as nearly as may be *pro rata* from among the holders of First Preferred Shares who have tendered First Preferred Shares for retraction, according to the number of First Preferred Shares tendered by each such holder (disregarding fractions). Such holders shall continue to hold and be entitled to exercise all of the rights of a shareholder in respect of, the First Preferred Shares not so retracted.

A holder of a First Preferred Share duly presented and surrendered to the Corporation for retraction pursuant to a Retraction Notice may, at any time before such share is retracted, by written notice, advise the Corporation that the holder no longer desires such share to be retracted and upon receipt of such written notice, the Corporation shall cease to have any obligation to retract such share hereunder unless such share is again tendered for retraction by the holder in accordance with the terms applicable to the First Preferred Shares.

#### Yearly and Quarterly Retraction Ceilings

The Corporation shall not retract the First Preferred Shares for which a Retraction Notice is received if: (i) retraction of First Preferred Shares subject to the Retraction Notice together with the total number of First Preferred Shares retracted in the relevant fiscal year to date minus the total number of First Preferred Shares issued in the relevant fiscal year to date is greater than 15.00% of the First Preferred Shares issued and outstanding on the first day of that fiscal year in which the date of the Retraction Notice falls (the "**Yearly Ceiling**"); or (ii) retraction of the First Preferred Shares subject to the Retraction Notice together with the total number of First Preferred Shares retracted in the relevant fiscal quarter to date minus the total number of First Preferred Share issued in the relevant fiscal quarter to date is greater than 10.00% of the First Preferred Shares issued and outstanding on the first day of the fiscal quarter in which the date of the Retraction Notice falls (the "**Quarterly Ceiling**"). Notwithstanding the foregoing, in such circumstances where a Yearly Ceiling or Quarterly Ceiling on retractions applies, the Corporation intends, subject to applicable law, to permit retraction of First Preferred Shares not exceeding the applicable Yearly Ceiling or Quarterly Ceiling, as the case may be, on a *pro rata* basis. The Corporation shall provide written notice to all holders of First Preferred Shares and/or their dealer representatives forthwith once the Yearly Ceiling or Quarterly Ceiling applies to suspend retraction of First Preferred Shares.

#### Retraction Payment Reductions

##### Retraction Payment Reductions – First Preferred Shares Subscribed for after Amalgamation

If less than six (6) months have elapsed between the issue date of the Retractable Shares and the Retraction Date, the Retraction Payment for Retractable Shares tendered for retraction will be reduced such that the Retractable Shares will have generated an annual yield equivalent to the greater of the Royal Bank of Canada ("**RBC**") Prime Rate, less two and a half per cent (2.5%) and 0.25%, compounded annually ("**Retraction Yield**"); provided however that if the series of First Preferred Shares comprising the Retractable Shares has not generated an annual yield equal or greater than the Retraction

Yield during the period of time between the issue date of the Retractable Shares and the Retraction Date, the Retraction Payment will be further reduced such that the Retractable Shares will have generated such lower yield, if any.

The following examples is included for illustrative purposes:

First Preferred Shares in the amount of \$100,000.00 are issued on April 1<sup>st</sup>. Dividends in the amount of \$600.00 are paid on the first day of each successive month, commencing May 1<sup>st</sup> and ending September 1<sup>st</sup>, resulting in a total of \$3,000.00 in dividends being paid. Such First Preferred Shares are retracted on September 15<sup>th</sup>, one hundred and sixty-seven (167) days subsequent to their issue date. The RBC Prime Rate during the 167-day period during which the Retractable Shares were outstanding is 6.70%. Accordingly, the Retractable Shares would earn a return equivalent to 4.20%, compounded annually, equating to \$1,940.11. Since \$3,000.00 in dividends have already been paid on the Retractable Shares, the Retraction Payment would be \$98,940.11, resulting in a total payment to the retracting shareholder of \$101,940.11, equating to a return of 4.20%, compounded annually (excluding whatever returns may have been earned on the \$3,000 in dividends paid over the course of March 1<sup>st</sup> to July 1<sup>st</sup>).

#### Retraction Payment Reductions – Series A Shares and Series F Shares acquired in connection with the Amalgamation

The Retraction Payment for Retractable Shares acquired in connection with the Amalgamation shall be subject to applicable reductions based on the retraction payment reduction amounts applicable immediately prior to the Amalgamation to the class or series of shares in the Corporation's relevant predecessor companies (i.e., MMIC 1, MMIC 2 and MMIC 3) which were exchanged for the Retractable Shares. For greater certainty, the issue date for holders of the Retractable Shares who acquired same in connection with the Amalgamation shall be deemed to be the date such holders of First Preferred Shares were first issued the shares in the Corporation's relevant predecessor companies (i.e., MMIC 1, MMIC 2 and MMIC 3) that were ultimately exchanged in connection with the Amalgamation, and not the date of Amalgamation.

Notwithstanding the foregoing, the Board of Directors may, in its sole discretion: (i) apply the Retraction Payment reduction amounts applicable to the First Preferred Shares subscribed for after the Amalgamation (as described above) so long as such Retraction Payment reduction amounts are not greater than the retraction payment reduction amounts applicable immediately prior to the Amalgamation to the class or series of shares in the Corporation's relevant predecessor company exchanged for the Retractable Shares; and/or (ii) waive, in whole or in part, based on personal hardship or otherwise, applicable retraction payment reduction amounts.

#### Additional Retraction Payment Reductions

The Retraction Payment for Retractable Shares tendered for retraction may also be reduced if a selling commission, discount or referral fee was paid by Magenta Capital or an entity affiliated with Magenta Capital in connection with the sale or issuance of any of the Retractable Shares. Any applicable additional Retraction Payment reductions will be disclosed in writing prior to the sale or issuance of the First Preferred Shares. Any reduction in the Retraction Payment resulting solely from the payment of a selling commission, discount or referral fee by Magenta Capital or an entity affiliated with Magenta Capital in this manner, shall be payable to Magenta Capital or the entity affiliated with Magenta Capital that originally funded the selling commission, discount or referral fee.

The Retraction Payment for Retractable Shares tendered for retraction by eligible participants under the Corporation's amended and restated share purchase plan (the "SPP") may also be subject to further reduction in accordance with the terms of the SPP. See "Amended and Restated Share Purchase Plan" below. Further, the Retraction Payment for Retractable Shares tendered for retraction may also be subject to further reduction in accordance with the terms of any referral arrangements entered into from time to time. See Item 8, "Compensation Paid to Sellers and Finders - Referral Arrangements".

#### ***Redemption Rights***

Subject to the provisions of the OBCA, the Corporation may, at its option, redeem all or, from time to time, any part of the outstanding First Preferred Shares on payment to the holders thereof for each First Preferred Share to be redeemed the lesser



of (i) \$10.00; and (ii) the Net Asset Value (as defined below) of First Preferred Shares per First Preferred Share (the “**Redemption Price**”). Before redeeming any First Preferred Shares, the Corporation shall provide to each person who is a registered holder of the First Preferred Shares to be redeemed, notice of the intention of the Corporation to redeem such shares at least 10 days prior to the intended date of redemption. On or after the date so specified for redemption, the Corporation shall pay the Redemption Price to the registered holders of the First Preferred Shares to be redeemed in such manner as may be determined by the Corporation. In case the outstanding First Preferred Shares are to be redeemed only in part at any time, the First Preferred Shares to be redeemed shall be selected by the Board of Directors in their sole discretion. From and after the date specified for redemption in such notice, the applicable First Preferred Shares shall be redeemed and cancelled and the holders of the First Preferred Shares called for redemption shall not be entitled to any rights in respect thereof, except to receive the Redemption Price, subject to any applicable restrictions in the OBCA and the prior rights of the holders of any other shares of the Corporation that at that time rank prior to the First Preferred Shares.

If the redemption of any of the First Preferred Shares to be redeemed would be contrary to any provisions of the OBCA or any other applicable law or would be contrary to the rights of the holders of any other shares of the Corporation that at that time rank prior to the First Preferred Shares, the Corporation shall be obligated to redeem only the maximum number of First Preferred Shares that the Corporation determines it is then permitted to redeem, such redemptions to be made from the holders of the First Preferred Shares and at the time determined by the Corporation in its sole discretion.

#### ***Priority on a Liquidation Distribution***

In the event of a distribution of assets of the Corporation among its shareholders arising on the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, the holders of First Preferred Shares shall be entitled to receive, before any distribution of any part of the assets of the Corporation to the holders of common shares, all dividends declared and unpaid on such shares to the effective date of the liquidation distribution, as well as the lesser of (i) \$10.00 and (ii) the Net Asset Value (as defined below) of the First Preferred Shares per share and after payment of such amounts so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Corporation.

#### ***Net Asset Value***

“**Net Asset Value**” of a share of any class or series of shares of the Corporation at any particular time is calculated as each classes’ or series’ proportionate share of all investments and other assets of the Corporation less its proportionate share of all common corporate liabilities and the liabilities attributable to each class or series divided by the total number of shares of the class or series outstanding at that time.

#### ***Amended and Restated Share Purchase Plan***

The Corporation maintains an amended and restated share purchase plan (the “**SPP**”), the complete text of which is set forth in Exhibit “I” to Schedule “B” of the accompanying Subscription Agreement. Under the SPP, Eligible Participants (as defined in the SPP) may purchase additional Series A Shares at a discount to the subscription price therefor, subject to the terms and conditions set out therein. The discounted portion of the subscription price will be paid for on behalf of such Eligible Participants by Magenta Capital. Magenta Capital administers all aspects of the SPP and may amend, suspend or terminate the SPP at any time without prior notice to Eligible Participants.

#### ***Restrictions on Ownership and Transfer***

The Corporation qualifies as a “mortgage investment corporation” (“**MIC**”). One of the requirements for continued qualification as a MIC under the Tax Act is that no shareholder of the Corporation is permitted, together with Related Persons (as defined below), at any time to hold more than 25% of any class of the issued shares of the Corporation.

In order for the Corporation to stay within this 25% limit, the Corporation has been provided with a repurchase right in favour of the Corporation so that in the event that: (i) the exercise by any shareholder of any retraction rights associated with the First Preferred Shares or any other class of retractable shares issued and outstanding; or (ii) as determined by the Board of Directors in its sole discretion, any other transaction affecting any class of shares in the capital of the Corporation

(each a “**Triggering Transaction**”), if completed, would cause any shareholder(s) of the Corporation (each an “**Automatic Repurchase Shareholder**”), together with Related Persons, to hold more than 25% of any class of the issued shares in the capital of the Corporation, that portion of the shares held by each Automatic Repurchase Shareholder which constitutes in excess of 24.99% of the issued shares of any class of shares (the “**Repurchased Shares**”) will, simultaneously with the completion of a Triggering Transaction, automatically be repurchased and cancelled by the Corporation (an “**Automatic Repurchase**”) without any further action by the Corporation or the Automatic Repurchase Shareholder. The purchase price for any Repurchased Shares will be equal to the lesser of the original subscription price therefor per share and the Net Asset Value of the shares per share. The proceeds of any Automatic Repurchase will be remitted to each applicable Automatic Repurchase Shareholder in accordance with the customary practice of the Corporation in connection with retractions, mutatis mutandis.

For purposes of the foregoing repurchase right, “**Related Persons**” means a related person as defined in the Tax Act, and for the purposes of the requirement that no shareholder, together with Related Persons, holds more than 25% of any class of issued shares of the Corporation, includes a corporation and the person or persons that control the corporation, a parent corporation and its subsidiary corporation(s) and corporations that are part of the same corporate group, and an individual and that individual’s spouse, common-law partner or child under 18 years of age.

As the Corporation is not currently a reporting issuer in the selling jurisdictions or in any other jurisdiction, the First Preferred Shares are subject to resale restrictions pursuant to applicable securities laws. In addition, the right to transfer shares of the Corporation is restricted and no shares shall be transferred without the consent of the majority of the Board of Directors expressed by a resolution passed by the Board of Directors. Requests to transfer shares of the Corporation will be acceded to by the Board of Directors provided that the requested transfer of shares does not impair or endanger the Corporation’s status as a MIC or contravene any law, rule, policy or regulation prescribed by any applicable securities commission or the provisions of the *Business Corporations Act* (Ontario) or any other applicable laws. For greater certainty, the terms “transfer” and “transferred” shall not be construed so as to include a tender of shares by a shareholder for the purpose of their retraction by the Corporation. See Item 11, “Resale Restrictions”.

## **5.2 Subscription Qualification**

The First Preferred Shares are offered pursuant to any one of the exemptions under NI 45-106 from the prospectus requirements of applicable securities laws and the exemptions under National Instrument 31-103 from the registration requirements of applicable securities laws. Such exemptions relieve the Corporation from provisions under applicable securities laws requiring the Corporation to file a prospectus and therefore Subscribers do not receive the benefits associated with a subscription for securities issued pursuant to a filed prospectus, including the review of material by a securities commission or similar authority.

While NI 45-106 provides for several different possible prospectus exemptions, the most commonly used exemptions utilized for an investment in the First Preferred Shares are the “accredited investor” and “offering memorandum” exemptions, the terms and conditions of which are summarized below. The First Preferred Shares are being offered through registered dealers.

### ***Accredited Investor Exemption and Self-Certified Investor Exemption***

In all jurisdictions an investor may purchase First Preferred Shares if the investor is an “accredited investor” and purchases the First Preferred Shares as principal. An “accredited investor” is defined in NI 45-106 and is essentially an investor that meets certain minimum income or wealth criteria and can include individuals, corporations, trusts, investment funds and other types of legal entities. For example, for an individual person to qualify as an “accredited investor” they must generally meet one of the following criteria: (i) annual net income of at least \$200,000 for the last two years (or \$300,000 if combined with their spouse); (ii) net assets of at least \$5,000,000, either alone or combined with their spouse; or (iii) net financial assets (i.e. cash, securities, insurance, deposits) of more than \$1,000,000, either alone or combined with their spouse. A registered advisor acting on behalf of a fully managed account maintained at an investment dealer would also be considered an “accredited investor”. Further, in Ontario, the definition of “accredited investor” is expanded pursuant to Ontario Instrument 45-507 – *Self Certified Prospectus Exemption* to include certain individuals who have completed and passed relevant proficiency requirements indicating a high degree of understanding of investments and markets (“**self-certified**”).

investors”). The Subscription Agreement includes a more detailed description of “accredited investor” and “self-certified investor” and requires investors relying on these exemptions to certify that they meet at least one of the “accredited investor” or “self-certified investor” criteria, as applicable. Certain individuals who are relying on the accredited investor exemption or self-certified investor exemption will also be required to complete and sign a risk acknowledgement form.

### ***Offering Memorandum Exemption***

In British Columbia and Newfoundland and Labrador, an investor may purchase First Preferred Shares if, before or at the time the investor completes and signs the Subscription Agreement, the investor purchases as principal, the investor receives this Offering Memorandum and completes and signs the Risk Acknowledgment Form 45-106F4 which accompanies the Subscription Agreement and delivers it to the Corporation.

In Manitoba, Northwest Territories, Nunavut, Prince Edward Island and Yukon, an investor, provided he, she or it is either an “eligible investor” (see below) or the cash acquisition cost to that investor does not exceed \$10,000, may purchase First Preferred Shares if, before or at the time the investor completes and signs the Subscription Agreement, the investor purchases as principal, the investor receives this Offering Memorandum and completes and signs the Risk Acknowledgment Form 45-106F4 which accompanies the Subscription Agreement, and delivers it to the Corporation.

In Alberta, New Brunswick, Nova Scotia, Ontario and Saskatchewan, an investor may purchase First Preferred Shares if, before or at the time the investor signs the Subscription Agreement, the investor purchases as principal, the investor receives this Offering Memorandum, the investor completes and signs the Risk Acknowledgment Form 45-106F4 which accompanies the Subscription Agreement and delivers it to the Corporation and: (i) in the case of an investor that is an individual but is not an “eligible investor”, he or she has not exceeded the investment limit of \$10,000 in all offering memorandum exemption investments made in the previous 12 months after taking into account his or her investment in First Preferred Shares pursuant to the Subscription Agreement; or (ii) in the case of an investor that is an individual and fits within one of the categories of “eligible investor” (see paragraph below), he or she has not exceeded the investment limit of \$30,000 in all offering memorandum exemption investments made in the previous 12 months after taking into account his or her investment in First Preferred Shares pursuant to the Subscription Agreement; or (iii) in the case of an investor that is an individual and fits within one of the categories of “eligible investor” and that received advice from a portfolio manager, investment dealer or exempt market dealer that his or her investment in First Preferred Shares pursuant to the Subscription Agreement is suitable, he or she has not exceeded the investment limit of \$100,000 in all offering memorandum exemption investments in First Preferred Shares pursuant to the Subscription Agreement. The investment limits above do not apply to investors that are not individuals, whether eligible or non-eligible, accredited investors or a person described in subsection 2.5(1) of NI 45-106.

An “eligible investor” is defined in NI 45-106 and is essentially an investor that meets certain minimum income or wealth criteria and can include individuals, corporations, trusts, investment funds and other types of legal entities. For example, for an individual person to qualify as an “eligible investor” they must generally meet one of the following criteria (i) annual net income of at least \$75,000 for the last two years (or \$125,000 if combined with their spouse); or (ii) net assets of at least \$400,000, either alone or combined with their spouse. The Subscription Agreement includes a more detailed description of “eligible investor” and requires the investor relying on this categorization to certify that they meet at least one of the “eligible investor” criteria.

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

### **5.3 Subscription Procedure**

Subscribers who wish to purchase First Preferred Shares will be required to enter into a Subscription Agreement with the Corporation by completing and delivering the Subscription Agreement and related documentation to the Corporation. The Subscription Agreement contains, among other things, representations and warranties required to be made by the Subscriber that it is duly authorized to purchase the First Preferred Shares, that it is purchasing First Preferred Shares for investment and not with a view for resale, and as to its corporate status or other qualifications to purchase First Preferred Shares on a

“private placement” basis. Reference is made to the Subscription Agreement and related documentation, copies of which are attached hereto as Schedule “A”, for the specific terms of these representations, warranties and conditions.

You may subscribe for First Preferred Shares by delivering the following documents to us at the address shown in the Subscription Agreement:

- (i) a completed and executed Subscription Agreement in the form provided with this Offering Memorandum;
- (ii) a cheque, bank draft or wire transfer payable to the Corporation (or any other manner of payment acceptable to the Corporation) in the amount of the subscription price for the First Preferred Shares. Alternatively, payment may be made by electronic settlement via the Fundserv network through a Fundserv registered investment dealer under its Fundserv manufacturer’s code MMI401 for Series A First Preferred Shares, MMI403 for Series B First Preferred Shares and MMI402 for Series F First Preferred Shares; and
- (iii) in the case of an investor that is relying on the offering memorandum exemption to purchase First Preferred Shares:
  - a. a completed and executed Form 45-106F4 – Risk Acknowledgement;
  - b. if required, a completed and executed Schedule “A” to Form 45-106F4;
  - c. if required, a completed and executed Schedule “B” to Form 45-106F4; and
  - d. if required, a completed and executed Certificate of Eligible Investor; or
- (iv) in the case of an investor that is relying on the accredited investor exemption to purchase First Preferred Shares, a completed and executed Certificate of Accredited Investor and, if required, a completed and executed Form 45-106F9 – Risk Acknowledgement for Individual Accredited Investors appended to the Certificate of Accredited Investor;
- (v) in the case of an investor that is relying on the self-certified investor exemption to purchase First Preferred Shares, a completed and executed Certificate of Self-Certified Investor and Acknowledgement of Risks appended to the Certificate of Self-Certified Investor; or
- (vi) in the case of an investor that is relying on the employee, executive officer, director and consultant exemption, a completed and executed Certificate of Employee, Executive Officer, Director and Consultant.

First Preferred Shares are being offered on a continuous basis. The first Closing under this Offering Memorandum is expected to occur on or about March 31, 2023. Thereafter, the Corporation completes Closings from time to time as subscriptions are received.

**All subscription proceeds will be held in trust until midnight on the second (2<sup>nd</sup>) business day after the day the Subscriber signs the applicable Subscription Agreement. If a Subscriber provides the Corporation with a cancellation notice prior to midnight of the second (2<sup>nd</sup>) business day after the signing date, or the Corporation does not accept a Subscriber’s subscription, all subscription proceeds will be promptly returned to the Subscriber without interest or deduction.**

Proceeds received from Subscribers who purchase First Preferred Shares under this Offering will be held in trust and only released against delivery of the certificates representing, or other confirmation slips evidencing ownership of, the First Preferred Shares subscribed therefor. If this Offering is terminated prior to Closing, the proceeds under the Offering received from each Subscriber shall be returned to such Subscriber without interest or deduction.

Subscriptions for First Preferred Shares will be received subject to rejection or allotment in whole or in part by the Corporation, and the Corporation reserves the right to close the subscription books at any time without notice. A subscription for First Preferred Shares hereunder is subject to acceptance of a Subscription Agreement by the Corporation and compliance with applicable securities laws. The Subscription Agreement referred to herein contains representations and warranties of the Subscriber, which the Corporation will be relying upon in order to determine the eligibility of the Subscriber.

#### ***Additional Investments***

The minimum subsequent investment amount is \$5,000 (500 First Preferred Shares). Magenta Capital will determine, and from time to time, may change the minimum subscription amounts for subsequent investments in any series of First Preferred Shares, for all or any investments, at any time, without notice to investors. At the time of making each additional investment in the Corporation, each Subscriber will be required to execute a new Subscription Agreement.

We will collect, use and disclose your individual personal information in accordance with the Corporation’s privacy policy and will obtain your consent to such collection, use and disclosure from time to time as required by our policy and the law. A copy of our current privacy policy will be provided to you with your subscription agreement and your consent will be sought at that time.

**You should carefully review the terms of the Subscription Agreement provided herewith for more detailed information concerning the rights and obligations of you and the Corporation. Execution and delivery of the subscription agreement will bind you to the terms thereof, whether executed by you or by an agent on your behalf. You should consult with your own professional advisors respecting this investment. See Item 9, “Risk Factors”.**

#### **5.4 Proceeds of Crime (Money Laundering) Legislation**

In order to comply with Canadian legislation aimed at the prevention of money laundering, the Corporation or Magenta Capital may require additional information concerning investors. If, as a result of any information or other matter which comes to Corporation’s or Magenta Capital’s attention, any director, officer or employee of the Corporation or Magenta Capital knows or suspects that an investor is engaged in money laundering, such person is required to report such information or other matter to the Financial Transactions and Reports Analysis Centre of Canada and such report shall not be treated as a breach of any restrictions upon the disclosure of information imposed by law or otherwise.

#### **ITEM 6: RETRACTION REQUESTS**

For the most recently completed financial year of the Corporation, First Preferred Shares have been retracted as described in the table below.

Description of security	Date of end of financial year	Number of securities with outstanding retraction requests on the first day of the year	Number of securities for which investors made retraction requests during the year	Number of securities retracted during the year	Average price paid for each retracted security	Source of funds used to complete the retractions	Number of securities with outstanding retraction requests on the last day of the year
Series A Shares <sup>(1)</sup>	October 31, 2022	28,711	1,121,368	1,121,368	\$10.00	cash on hand	320,549 <sup>(3)</sup>
Series B Shares <sup>(2)</sup>	October 31, 2022	nil	nil	nil	nil	nil	nil
Series F Shares	October 31, 2022	10,000	1,367,476	1,367,476	\$10.00	cash on hand	69,454 <sup>(3)</sup>

#### **Notes:**

1. One investor retracted \$6.9 million worth of Series A Shares in July 2022 to fund subscription of Series F Shares in the same amount. The retraction request was honoured in full using cash on hand.
2. One investor retracted \$2.3 million worth of Series F Shares in August 2022 for personal use. The retraction request was honoured in full using cash on hand.

- Outstanding retraction requests had retraction dates following the financial year ended October 31, 2022 but were ultimately honoured in full using cash on hand.

For the period commencing November 1, 2022 and ending February 28, 2023, First Preferred Shares have been retracted as described in the table below.

Description of security	Beginning and end dates of the period	Number of securities with outstanding retraction requests on the first day of the period	Number of securities for which investors made retraction requests during the period	Number of securities retracted during the period	Average price paid for each retracted security	Source of funds used to complete the retractions	Number of securities with outstanding retraction requests on the last day of the period
Series A Shares <sup>(1)</sup>	November 1, 2022 to February 28, 2023	320,549	616,254	616,254	\$10.00	cash on hand	70,085 <sup>(2)</sup>
Series B Shares	November 1, 2022 to February 28, 2023	nil	nil	nil	nil	nil	nil
Series F Shares	November 1, 2022 to February 28, 2023	69,454	1,051,606	1,051,606	\$10.00	cash on hand	3,127 <sup>(2)</sup>

**Notes:**

- Two (2) investors retracted an aggregate of \$2.0 million worth of Series A Shares in November 2022 for personal use. The retraction requests were honoured in full using cash on hand.
- Outstanding retraction requests had retraction dates following the period ended February 28, 2023 but were ultimately honoured in full using cash on hand.

As at the date of this Offering Memorandum, the Corporation has honoured all retraction requests respecting the Series A Shares, Series B Shares and Series F Shares in full. The Corporation has not suspended, deferred or rejected any retraction requests respecting the Series A or Series F Shares since the Amalgamation and the Series B Shares since they were created on September 2, 2022. All retraction requests respecting the Series A Shares, Series B Shares and Series F Shares have been paid, and will be paid, using cash on hand. The Corporation expects retractions of Series A Shares and Series B Shares to continue approximately as they have historically but anticipates a sharp decrease in the number of retractions of Series F Shares owing to the anomalous retraction of Series F Shares effected by Heliotrope Investment Corporation in December 2022 (see Section 2.3, “Development of Business - Recent Material Developments - Recent Abatement of Month End GP Priority Distribution”). The Corporation does not expect that such retractions will cause any adverse effect on its operations or the payment of dividends.

See also Section 2.8, “Related Party Transactions”.

**ITEM 7: INCOME TAX CONSEQUENCES and DIP ELIGIBILITY**

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

The following is a summary, reviewed by Ernst & Young LLP, of the principal Canadian federal income tax consequences of acquiring, holding and disposing of the First Preferred Shares by a Subscriber who, at all relevant times, is a resident of Canada, deals at arm’s length, and is not affiliated, with the Corporation, and who acquires and holds the First Preferred Shares as capital property, all within the meaning of the Tax Act (a “holder”). Generally, the First Preferred Shares will be considered capital property to a holder provided such holder does not hold the First Preferred Shares in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Holders who may not hold the First Preferred Shares as capital property can elect, in certain circumstances, to have such property treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This election is not available to: (i) any holder of First Preferred Shares which is a “financial institution”, as defined in

section 142.2 of the Tax Act; (ii) a trader or dealer in securities; (iii) a corporation, the principal business of which is the lending of money or the purchasing of debt obligations; (iv) a non-resident of Canada; or (v) to any holder of First Preferred Shares an interest in which is a “tax shelter investment” for the purposes of the Tax Act.

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

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

This summary is based on the assumption that the Corporation meets certain conditions which are imposed by the Tax Act to qualify as a “mortgage investment corporation” (“**MIC**”). The positive conditions must be applicable throughout the year, and the negative conditions cannot be applicable at any time in the year:

- (a) the Corporation is a Canadian corporation as defined in the Tax Act;
- (b) the Corporation’s only undertaking was the investing of funds, and it did not manage or develop any real property;
- (c) no debts were owing to the Corporation by non-residents of Canada, except any such debts that were secured on real property situated in Canada;
- (d) the Corporation did not own shares of corporations not resident in Canada;
- (e) the Corporation did not hold real property situated outside of Canada;
- (f) no debts were owing to the Corporation that were secured on real property situated outside of Canada;
- (g) the cost amount of the Corporation's property consisting of mortgages on “houses” or on property included within a “housing project” (as those terms are defined in section 2 of the *National Housing Act* (Canada)), deposits with a bank or other corporations whose deposits are insured by the Canada Deposit Insurance Corporation or a credit union, together with cash on hand (collectively, the “**Qualifying Property**”), was at least 50% of the cost amount to it of all of its property;
- (h) the cost amount of real property (including leasehold interests therein but excluding real property acquired by the Corporation by foreclosure or otherwise after default made on a mortgage or agreement of sale of real property) owned by the Corporation did not exceed 25% of the cost amount to it of all of its property;
- (i) the Corporation had 20 or more shareholders and no person would have been a specified shareholder (as such term is defined in subsection 130.1(6)(d) of the Tax Act) of the Corporation (including, e.g., by virtue of owning, directly or indirectly at that time, more than 25% of the issued shares of a class of the capital stock of the Corporation, including shares owned by an individual shareholder’s spouse, common law partner, or child under the age of 18 years). In the Corporation’s first year of existence, however, these conditions need only be satisfied on the last day of the Corporation’s taxation year;

- (j) holders of any preferred shares had a right, after payment of their dividends, and payment of dividends in a like amount per share to the holders of common shares, to participate *pari passu* with the holders of common shares in any further payment of dividends; and
- (k) where at any time in the year (or at the end of the year, as the case may be) the cost amount to it of its Qualifying Property was less than  $\frac{2}{3}$  of the cost amount to it of all of its property, the Corporation's liabilities did not exceed three times the amount by which the cost amount to it of all of its property exceeded its liabilities, or, where throughout the taxation year (or at the end of the year, as the case may be) the cost amount to it of its Qualifying Property equaled or exceeded  $\frac{2}{3}$  of the cost amount of all of its property, the Corporation's liabilities did not exceed five times the amount by which the cost amount to it of all of its property exceeded its liabilities.

It has been assumed for the purpose of this summary that the Corporation will qualify as a MIC in accordance with conditions prescribed in the Tax Act at all times that are relevant to the opinions expressed herein. Based upon certain representations by management of the Corporation as to the nature, location and cost amounts of the Corporation's assets and liabilities, including the composition and cost of the Limited Partnership's mortgage portfolio, as to the shareholders of the Corporation and as to the range of activities which the Corporation will undertake in the course of carrying on its activities (the "**Representations**"), it is anticipated that the Corporation will meet the requirements for qualification as a MIC under the Tax Act at the closing of this Offering and will continue to so qualify thereafter provided the Representations continue to be true throughout each of the Corporation's subsequent taxation years. Purchasers are cautioned that the Corporation must meet the requirements under the Tax Act to be a MIC on a continuous basis throughout each taxation year in order to avail itself of the provisions of the Tax Act as to the taxation of dividends outlined herein. Management of the Corporation expects that the Representations will continue to be true throughout each of the Corporation's subsequent taxation years such that the Corporation will continue to so qualify.

It is intended, and this summary assumes, that these requirements will be satisfied so that the Corporation will qualify as a MIC at all relevant times. **If the Corporation were not to qualify as a MIC, the income tax consequences would be materially different from those described below.**

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

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

### ***Taxation of holders***

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

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



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

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

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

A holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 10 2/3 % on certain investment income, including amounts in respect of interest and taxable capital gains. The 10 2/3% tax is to be added to such corporation's non-eligible refundable dividend tax on hand account and will be eligible for refund at a rate of \$38.33 for every \$100.00 of non-eligible taxable dividends paid by the corporation.

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

The Corporation confirms, with the concurrence of Ernst & Young LLP, that the First Preferred Shares will be qualified investments for trusts governed by registered retirement savings plans ("RRSPs"), registered education savings plans ("RESPs"), deferred profit sharing plans ("DPSPs"), registered retirement income funds ("RRIFs") or tax-free savings accounts ("TFSAAs") (collectively, "Deferred Income Plans" or "DIPs") at a particular time if the Corporation qualifies as a MIC under the Tax Act and if throughout the calendar year in which the particular time occurs, the Corporation does not hold as part of its property any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer or a subscriber, under the relevant DIP or any other person who does not deal at arm's length with that person. DIPs will generally not be liable for tax in respect of any dividends received from the Corporation or on any capital gain realized on the disposition of the First Preferred Shares or with respect to capital gains dividends.

If the Corporation fails to qualify as a MIC at any time in a taxation year, the First Preferred Shares may cease to be a qualified investment for a DIP. When a DIP holds a non-qualified investment, the controlling individual of a DIP will be subject to a tax of 50% of the fair market value of the investment at the time it was acquired or becomes non-qualified. The 50% tax on non-qualified investments is refundable in certain circumstances. To qualify for the refund, the investment must be disposed of before the end of the calendar year after the year in which the tax arose (or such later time as is permitted by the Minister of National Revenue). However, no refund is available if it is reasonable to consider that the controlling individual of the DIP knew or ought to have known that the investment was or would become non-qualified. Additionally, while a DIP holds a non-qualified investment, the controlling individual of the DIP will also be subject to an additional tax that is based on income earned from the non-qualified investment.

#### ***Prohibited Investment for Deferred Income Plans***

While an investment in First Preferred Shares may be a qualified investment for DIPs purposes, it is possible that such investment may be a prohibited investment thus subjecting the holder to punitive tax applied at a rate of 50% of the fair market value of the investment pursuant to subsection 207.04(1) of the Tax Act. A prohibited investment includes a share of the capital stock of a corporation of which the DIP's controlling individual (including the annuitant of an RRSP) is a specified shareholder or with which he or she does not deal at arm's length. A share of the capital stock of a corporation that does not deal at arm's length with a corporation in which an RRSP, RRIF, RESP and TFSA annuitant is a specified

shareholder is also a prohibited investment. A specified shareholder is defined in subsection 248(1) of the Tax Act to include a taxpayer who owns, directly or indirectly, at any time in the year, not less than 10% of the issued shares of any class of the capital stock of the corporation or any other corporation that is related to it; and, a shareholder shall be deemed to own each share of the capital stock of a corporation owned at that time by the shareholder's spouse, common law partner, or child under the age of 18 years.

The application of the prohibited investment rules is complex and requires individual analysis. If there is any possibility that the controlling individual of a DIP is closely connected to the Corporation, any shares of which are held by the DIP, the DIP holder should seek individual advice specific to their circumstances.

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

Pursuant to the terms of each of the Limited Partnership Agreements, Magenta Capital in its capacity as general partner of the Limited Partnerships has agreed to arrange, and facilitate the completion of, the sale of the First Preferred Shares to investor clients in its capacity as 'exempt market dealer' or otherwise and to pay any fees or commissions (including referral fees and trailer fees) in connection with the sales of the First Preferred Shares.

Magenta Capital in its capacity as general partner of each of the Limited Partnerships may retain or engage sub-agents, securities dealers, brokers and other eligible persons in the performance of its obligations and all such engagements and retainers will be entered into by Magenta Capital on behalf of each of the Limited Partnerships. No fees, commissions or other compensation shall be payable by either the Corporation or Magenta Capital (in its capacity as general partner of the Limited Partnerships or otherwise) to such sub-agents, securities dealers, brokers or other eligible persons other than as disclosed in this Offering Memorandum (or any amendment thereto) or otherwise disclosed to prospective investors prior to closing in the prospective investor's subscription agreement. In addition, sub-agents, securities dealers, brokers and other eligible persons may charge their clients additional fees and commissions to purchase or sell First Preferred Shares.

Magenta Capital in its capacity as general partner of each of the Limited Partnerships may from time to time pay an ongoing service fee known as 'trailing commissions' to sub-agents, securities dealers, brokers and other eligible persons whose clients purchase First Preferred Shares and these fees may differ for each series of First Preferred Shares.

As at the date of this Offering Memorandum, no fees or commissions are payable to eligible persons seeking Subscribers for First Preferred Shares offered under this Offering Memorandum except that eligible persons seeking Subscribers for Series B Shares would be entitled to an annual trailing fee of \$0.10 for every Series B Share that continues to be held by Subscribers. As at the date of this Offering Memorandum, no trailing fee or other compensation is currently payable to eligible persons seeking Subscribers for the Series A Shares or the Series F Shares offered under this Offering Memorandum. Nevertheless, sub-agents, securities dealers, brokers and other eligible persons may charge their clients additional fees and commissions to purchase or sell First Preferred Shares. Under no circumstances will a fee or commission be paid where prohibited by securities or other laws.

All fees payable by Magenta Capital to sub-agents, securities dealers, brokers and other eligible persons will be paid in its capacity as general partner of the Limited Partnership and, except as set out in Section 2.7, "Material Contracts - Limited Partnership Agreements - Partnership Distributions to Magenta Capital as Sole General Partner" or as reimbursement for amounts expended in its capacity as general partner of the Limited Partnerships, no amounts will be paid by the Corporation or the Limited Partnerships to Magenta Capital itself.

#### ***Referral Arrangements***

Magenta Capital in its capacity as general partner of each of the Limited Partnerships may enter into referral arrangements from time to time whereby it pays or provides a fee or other benefit for the referral of a client to Magenta Capital who ultimately subscribes for First Preferred Shares, or whereby it receives a fee or other benefit for the referral of a client to another entity. Referral arrangements may be entered into with other registrants and with non-registrants.

In all cases, the referral arrangement will be set out in a written agreement which will be entered into in advance of any referrals being made. Details of how the referral fee is calculated and paid and to whom it is paid and other required information regarding each referral arrangement will be provided to affected clients as required.

Magenta Capital has policies and procedures that are designed to ensure that fees and other benefits received or paid or provided, as applicable, in connection with referral arrangements are appropriate and do not provide inappropriate incentives, and that any referral by Magenta Capital is in the client's best interest. Magenta Capital undertakes periodic reviews of referral arrangements, including to ensure continued compliance with applicable laws. Clients do not pay any additional charges and fees in connection with referrals and are not obligated to purchase any product or service in connection with a referral.

Subject to compliance with applicable laws, Magenta Capital in its capacity as general partner of each of the Limited Partnerships may pay referral fees to any of Magenta Capital's employees or other persons who make introductions to investors who ultimately subscribe for First Preferred Shares.

### ***Conflicts of Interest with Connected Issuers***

The Corporation is a connected issuer of Magenta Capital by virtue of Magenta Capital's role in acting as general partner of each of the Limited Partnerships and its receipt of general partnership distributions as a result thereof (see Section 2.7, "Material Contracts - Limited Partnership Agreements - Partnership Distributions to Magenta Capital as Sole General Partner"). The Corporation is also a connected issuer of Magenta Capital by virtue of common directors and officers. W. Gavin Marshall is the President and a director of the Corporation as well as the President, Secretary and sole director of Magenta Capital. Additionally, Gregory J.C. Sinclair is a director of the Corporation as well as Chief Operating Officer of Magenta Capital, and Timothy Upson is the interim Treasurer of the Corporation and Magenta Capital.

In addition, Magenta Capital is registered as an exempt market dealer in the Provinces of Ontario, British Columbia, New Brunswick and Alberta. The decision to distribute the First Preferred Shares being offered hereunder was made upon the recommendation of Magenta Capital in its capacity as general partner of each of the Limited Partnership. None of the proceeds of the issuance of the First Preferred Shares will be applied for the benefit of Magenta Capital or any of its related or connected issuers (other than the Limited Partnerships and the Corporation). However, as disclosed above and at Section 2.7, "Material Contracts - Limited Partnership Agreements - Partnership Distributions to Magenta Capital as Sole General Partner", Magenta Capital shall be entitled to receive distributions from each of the Limited Partnerships in its general partner capacity. In addition, pursuant to the terms of each of the Limited Partnership Agreements, each of the Limited Partnerships has agreed that it shall indemnify and reimburse Magenta Capital, as well as its directors, officers, shareholders, employees or agents, from and against any losses, costs, expenses, damages or liabilities suffered or sustained by it by reason of any acts, omissions or alleged acts or omissions arising out of its activities on behalf of each of the Limited Partnership or in furtherance of the interest of each of the Limited Partnerships, provided that the acts, omissions or alleged acts or omissions upon which such actual or threatened actions, proceedings or claims are based were done or were omitted to be done in good faith and were not performed or omitted fraudulently or in bad faith or as a result of wanton and willful misconduct or negligence. See Section 2.7, "Material Contracts - Limited Partnership Agreements - General Partner Indemnification".

### **ITEM 9: RISK FACTORS**

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

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

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

## 9.1 Investment Risk

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

- (a) **Absence of Market for First Preferred Shares** – There is no public market for the First Preferred Shares. The First Preferred Shares are not listed on a stock market or quoted on any public market in Canada or elsewhere. See Item 11, “Resale Restrictions”.
- (b) **Retraction Liquidity** – Shareholders have the right to require the Corporation to purchase the First Preferred Shares upon appropriate notice from the shareholder to the Corporation with the guidelines set forth in Section 5.1, “Terms of Securities - Retraction Rights - First Preferred Shares”. The Corporation provides no assurance that any shareholder will be able to effect the retraction of any or all of their First Preferred Shares at any time. Retraction of the First Preferred Shares is subject to the Corporation having access to sufficient excess cash, or other liquid assets, and being in compliance with the applicable corporate, securities and tax legislation.
- (c) **No guarantees** – There is no assurance that the Corporation will be able to pay dividends at the level targeted by the Corporation. The funds available for distribution to shareholders will vary according to many factors, notably the interest and principal payments received in respect of mortgage loans held by each of the Limited Partnerships. Although mortgage loans made by the Limited Partnerships are carefully selected, there can be no assurance that such loans will have a guaranteed rate of return to the Corporation or that losses will not be suffered on one or more loans. Moreover, at any point in time, the interest rates being charged for mortgages are reflective of the general level of interest rates and, as interest rates fluctuate, it is expected that the aggregate yield on mortgage investments will also change. In the event that additional security is given by the borrower or that a third party guarantees the mortgagor's obligations, there is no assurance that such additional security or guarantee will be sufficient to make a Limited Partnership whole if and when resort is to be had thereto.
- (d) **Lack of Separate Legal Counsel** – The investors, as a group, have not been represented by separate counsel. Neither counsel for the Corporation nor counsel for Magenta Capital or each of the Limited Partnerships purport to have acted for the investors nor to have conducted any investigation or review on their behalf.
- (e) **Leverage** – MMILP may from time to time borrow under loans with Canadian chartered banks and others. See Section 2.2, “The Business - MMILP Investment Strategies”. As of the date of this Offering Memorandum, MMLIP maintains a \$300,000,000 revolving secured facility (plus a \$50,000,000 accordion option) with certain Canadian financial institutions. See Section 4.2, “Long-Term Debt”. All such borrowings add leverage to the investments made by MMILP. The obligations under such loans may be secured, and while the addition of leverage has the potential to enhance returns, it also involves additional risks. There can be no assurance that the leveraging employed by MMILP will enhance returns, and to the extent that secured lenders realize on their respective collateral, they will have right to receive distributions in priority to the Corporation in addition to the right to seize mortgage assets pursuant to security agreements with a MMILP.

## 9.2 Corporation and Limited Partnership Risk

Risks that are specific to the Corporation and each of the Limited Partnership include the following:

- (a) **MIC Tax Designation** – The Corporation shall use its commercially reasonable efforts to ensure that the Corporation qualifies as a MIC pursuant to the Tax Act. As well, the Board of Directors has the discretion to reject any applications for stock dividends or share subscriptions, transfers, redemptions or retractions. **There can be no assurance, however, that the Corporation will be able to meet the Tax Act's MIC qualifications at all material times.** As a company qualified as a MIC, the Corporation may deduct taxable dividends it pays from its income, and the normal gross-up and dividend tax credit rules will not apply to dividends paid by the Corporation on the

First Preferred Shares. Rather, the dividends will be taxable in the hands of shareholders as if they had received an interest payment. If for any reason the Corporation fails to maintain its MIC qualification in a particular year, the dividends paid by the Corporation on the First Preferred Shares would cease to be deductible from the income of the Corporation for that year and the dividends it pays on the First Preferred Shares would be subject to the normal gross-up and dividend tax credit rules. In addition, the First Preferred Shares might cease to be qualified investments for trusts governed by Deferred Income Plans with the effect that a penalty tax would be payable by the Subscriber.

- (b) **Reliance on third parties** – In assessing the risk of an investment in the Corporation, potential investors should be aware that they will be relying on the good faith, experience and judgement of certain staff of the General Partner. Should these staff be unable or unwilling to continue their employment with the General Partner, this could have an adverse effect on each of the Limited Partnership’s business, financial condition and results of its operations which in turn would result in an adverse effect on the dividends targeted, payable and/or paid on the First Preferred Shares, pending the addition of qualified replacement staff. The competition for such key qualified personnel is intense and there can be no assurance of success in attracting, retaining, or motivating such individuals. Failure in this regard would likely have a material adverse effect on each of the Limited Partnership’s business, financial condition and results of its operations which in turn would result in a material adverse effect on the dividends targeted, payable and/or paid on the First Preferred Shares.
- (c) **History of the Corporation; Amalgamation** – The Corporation was formed on November 1, 2021 pursuant to the Amalgamation. While the Corporation’s predecessor companies have several years of operating history (see Section 2.3, “The Business - Predecessor Companies - Selected Historical Information”), the Corporation itself commenced operations on November 1, 2021 and accordingly has limited operating history. Investors must rely solely on his, her or its good faith in the Corporation and the General Partner. The Corporation has not made any warranties or guarantees to the investor.

One of the principal reasons for the Amalgamation is to enhance scale and maximize the growth potential of the Corporation beyond the level that any of the Corporation’s predecessor companies could have achieved on their own. Achieving this growth potential is dependent on a number of factors, some of which will be beyond the control of the Corporation. In growing its mortgage portfolio, the Corporation may need to retain additional personnel and may be required to augment, improve or replace existing systems and controls, each of which could divert the attention of the directors and officers of the Corporation and the General Partner from their other responsibilities and present numerous challenges. The inability to realize the full extent of the anticipated growth opportunities from the Amalgamation, any delays encountered in the integration process, and the inability of the directors and officers of the Corporation and the General Partner to effectively manage the Corporation’s growth could have a material adverse effect on each of the Limited Partnership’s business, financial condition and results of its operations which in turn would result in a material adverse effect on the dividends targeted, payable and/or paid on the First Preferred Shares.

- (d) **Credit and Concentration Risk** – Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Corporation, resulting in a financial loss to the Corporation. This risk arises principally from mortgages held, and also from other receivables. Credit risk is monitored on an ongoing basis by the General Partner in accordance with policies and procedures in place. The Corporation’s credit risk exposure is represented by the balance of its accounts receivable, which as at February 28, 2023 is \$428,190,615.

Concentration risk is the risk that one borrower (or a group of related borrowers) has more than 10% of the balance of the accounts receivable of the Corporation or that more than 10% of the Corporation’s capital is invested in any one mortgage. As at February 28, 2023, no borrower (or group of borrowers) has more than 10% of the balance of the accounts receivable of the Corporation and no more than 10% of the Corporation’s capital is invested in any one mortgage.

### 9.3 Industry Risk

There are also risks faced by each of the Limited Partnerships related to the industry in which it operates. Real estate values are subject to fluctuation owing to a variety of supply and demand factors impacting real estate markets. These risks could result in a material adverse effect on the Limited Partnership's business, financial condition and results of its operations which in turn would result in a material adverse effect on the dividends targeted, payable and/or paid on the First Preferred Shares. In addition, prospective Investors should take note of the following:

- (a) **Competition** – Each of the Limited Partnerships is competing with many third parties, including other lenders and financial institutions, seeking investment opportunities similar to those sought by each of the Limited Partnerships. There is no assurance that the number of mortgages required to maintain an optimal level of investment will be funded, and this could have an adverse effect on the ultimate return to Subscribers.

Such third parties may have greater name recognition and greater financial, managerial and technical resources than the Limited Partnerships. Competitors may reduce the interest rates that they charge, resulting in a reduction in a Limited Partnership's share of the market, reduced interest rates on loans and reduced profit margins. This in turn would result in an adverse effect on the returns to Subscribers.

- (b) **Sensitivity to interest rates** – It is anticipated that the value of each of the Limited Partnerships' investment portfolio at any given time may be affected by the level of interest rates prevailing at such time. Each of the Limited Partnerships' income will consist primarily of interest payments on the mortgages comprising the Limited Partnership's investment portfolio. If there is a decline in interest rates (as measured by the indices upon which the interest rates of a Limited Partnership's mortgage assets are based), each of the Limited Partnerships may find it difficult to make a mortgage loan bearing rates sufficient to ultimately achieve the targeted payment of dividends on the First Preferred Shares. There can be no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect a Limited Partnership's business, financial condition and results of its operations which in turn would result in an adverse effect on the dividends targeted, payable and/or paid on the First Preferred Shares. Due to the term of the mortgages made by each of the Limited Partnerships and the inability to accurately predict the extent to which a Limited Partnership's mortgages may be prepaid, it is possible that a Limited Partnership may not be able to sufficiently reduce interest rate risk associated with the replacement of such mortgages through new investments in mortgages, thereby potentially affecting adversely the ultimate return to holders of First Preferred Shares.

- (c) **Changes in property values** – Each of the Limited Partnership's mortgage loans will be secured by real estate, the value of which can fluctuate. The value of real estate is affected by general economic conditions, local real estate markets, the attractiveness of the property to tenants where applicable, competition from other available properties, fluctuations in occupancy rates, operating expenses and other factors. Recent disruptions to the credit and financial markets in North America and worldwide and local economic disruptions in areas where the borrowers of mortgage loans are located may adversely affect the value of real estate on which the mortgage loans are secured and the ability of such borrowers to repay such mortgages and thereby affecting adversely the business of the Limited Partnership and the return to holders of First Preferred Shares. Further, the value of income-producing real property may also depend on the credit worthiness and financial stability of the borrowers and/or the tenants. While independent appraisals are required before the Limited Partnerships may make any mortgage investment, the appraised values, even where reported on an "as is" basis, are not necessarily reflective of the market value of the underlying real property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain conditions, including the completion, rehabilitation or making of leasehold improvements on the real property providing security for the loan. There can be no assurance that these conditions will be satisfied and, if and to the extent they are not satisfied, the loan amount may prove to exceed the value of the underlying real property thus resulting in a loan loss if the property must be sold to remedy a mortgage default and thereby affecting adversely the return to holders of First Preferred Shares. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.

- (d) **Environmental liability of a mortgage** – Under various laws, each of the Limited Partnerships could become liable for the costs of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and wastes, where a Limited Partnership has exercised its right of re-entry

or foreclosure or has otherwise assumed the control, occupation or management of the property. While each of the Limited Partnerships will obtain a Phase I environmental audit where there is a reasonable possibility of environmental contamination that might impact the value and marketability of a property, the Limited Partnerships do not systematically obtain environmental audits of all properties subject to mortgages.

- (e) ***Investment not insured*** – Neither the Corporation, the General Partner nor each of the Limited Partnerships is a member of the Canada Deposit Insurance Corporation and the First Preferred Shares offered hereunder are therefore not insured against loss through the Canada Deposit Insurance Corporation. Moreover, mortgages held by each of the Limited Partnership or Magenta Capital in its capacity as general partner of each of the Limited Partnerships are not insured through the Canada Mortgage and Housing Corporation or otherwise.
- (f) ***Renewal of Mortgages*** – There can be no assurances that any of the mortgages held by each of the Limited Partnerships can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to each mortgage held by a Limited Partnership, it is possible that either the mortgagor, the mortgagee (i.e., a Limited Partnership) or both will elect not to renew such mortgage. In addition, if the mortgages in a Limited Partnership’s portfolio of mortgages 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 and the terms of a refinancing may therefore not be as favourable as the terms of existing indebtedness which could result in an adverse effect on the expected returns to holders of First Preferred Shares.
- (g) ***Nature of the investments*** – Investments in mortgages are relatively illiquid. Such illiquidity will tend to limit each of the Limited Partnerships’ ability to vary the mortgage portfolio promptly in response to changing economic or investment conditions. Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing income or whether mortgage payments are being made. A Limited Partnership may be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.
- (h) ***Specific investment risk for non-institutional mortgage investments*** – Non-institutional mortgage investments attract higher loan loss risk. This higher risk is compensated for by a higher rate of return. The failure of one or more borrowers to make payments according to the terms of their loan could result in a Limited Partnership exercising its rights as mortgagee and may adversely affect the Limited Partnership’s rate of return, which is directly correlated to the receipt of mortgage payments. Also, the recovery of a portion of a Limited Partnership’s assets (i.e., the property put up as collateral by the defaulting mortgagor) would be tied up for a period of time, diverting resources away from the funding of new investments. Legal fees and other costs incurred by a Limited Partnership in enforcing its rights as mortgagee against a defaulting borrower are borne by the Limited Partnership. Although these fees and costs are often recoverable from the borrower directly or through the sale of the mortgaged property by power of sale or otherwise, there is no assurance that they will actually be recovered and therefore will result in lower distributions payable to the Corporation as sole limited partner of such Limited Partnerships and in turn reduced returns to holders of First Preferred Shares. Due to fluctuations in the housing market and the economy generally, there is a possibility that historical loan default rates may increase and that in any power of sale, a Limited Partnership could lose a substantial portion of the principal amount loaned to the borrower. Loan loss reduces a Limited Partnership’s available cash that is distributed to the Corporation as sole limited partner of such Limited Partnership and in turn results in reduced returns to holders of First Preferred Shares. Excessive loan loss could ultimately result in the Corporation being unable to pay dividends corresponding to targeted yields. Excessive loan loss could also ultimately result in the Corporation sustaining an annual net loss, with the result being that the Net Asset Value of the First Preferred Shares would be less than the \$10.00 subscription price. In such circumstances, the Retraction Payment, net of any accrued dividend distributions, would be less than \$10.00. Such an eventuality could also impact the Corporation’s ability to honour retraction requests, depending upon the timing of such requests.

- (i) **Priority over security** – A Limited Partnership will from time to time make a loan in return for a second charge on the property. Second mortgage investments typically attract higher loan loss risk due to their subordinate ranking to other mortgage charges and typically higher aggregate loan-to-value ratio. This higher risk is compensated for by a higher rate of return. Also, any real property may be subject to one or more liens which will take priority over a mortgage, even a first-ranking one. Such liens may arise, for example, as a result of unpaid municipal taxes or utility bills. When a charge on real property is in a position other than the first rank, it is possible for the holder of a prior charge, if the borrower is in default under the terms of its obligations to such holder, to take a number of actions against the borrower and ultimately against the underlying real property. Such actions may include foreclosure, the exercising of a giving-in-payment clause or an action forcing the underlying real property to be sold (known as a “power of sale”). Foreclosure or the exercise of a giving-in-payment clause may have the ultimate effect of depriving any person, other than the holder of a first-ranking charge on the underlying real property, of the security of such real property. If an action is taken to sell the underlying real property and sufficient proceeds are not realized from such sale to pay off all creditors who have charges on the property (including a lien holder) ranking prior to a Limited Partnership, the Limited Partnership may lose all or part of its investment to the extent of such deficiency, unless it can otherwise recover such deficiency from other property owned by the borrower. If a Limited Partnership loses all or part of its investment, this would adversely affect returns to holders of the First Preferred Shares. In order to mitigate this risk, a Limited Partnership’s investment strategy limits the amount of non-first mortgage investments to 30% of the mortgages held by the Limited Partnership, provided that this weighting will be decreased to 20% should the Limited Partnership’s debt-to-equity ratio ever be greater than or equal to 1.0.

#### **9.4 Risks Relating to Outbreaks of Contagious Diseases**

A local, regional, national or international outbreak of a contagious disease could negatively impact local, national and global economies. For example, global markets may experience increased volatility and diminished expectations from, among other things, declining business activities and consumer confidence, increases in unemployment and volatile commodity prices. If a global market and economic crisis intensifies or continues, real estate markets in Canada may be adversely impacted resulting in decreased property values, reduced interest rates, increases in the number of impaired loans and foreclosures and a general reduction in market activity. Overall, this would jeopardize the security in the real property underlying the Corporation’s mortgages and result in decreased revenues and increased costs to the Corporation which would have a material adverse impact on its business, operating results and financial condition, including but not limited to the Corporation’s ability to make a profit, lend funds to borrowers, declare and distribute dividends at historical or desirable levels, honour retraction requests and operate as a going concern. This would also cause the Corporation to hold foreclosed property for an increased length of time, resulting in increased ongoing expenses or forcing the Corporation to sell such foreclosed properties at significant losses to avoid such ongoing expenses.

#### **ITEM 10: REPORTING OBLIGATIONS**

The Corporation is not subject to continuous reporting and disclosure obligations which the securities legislation in any province would require of a “reporting issuer” as defined in such legislation and there is therefore no requirement that the Corporation make disclosure of its affairs, including, without limitation, the prompt notification of material changes by way of press releases and formal filings or the preparation of quarterly unaudited financial statements and annual audited financial statements in accordance with generally accepted accounting principles. The Corporation is required under the *Business Corporations Act* (Ontario) to send a copy of its annual financial statements to its shareholders.

Notwithstanding the above, the Corporation will forward to the holders of First Preferred Shares (a) within 90 days following the end of each fiscal year of the Corporation, annual audited financial statements, (b) within 60 days following the end of each of the first three fiscal quarters, unaudited, management prepared financial statements of the Corporation, (c) within nine months following the end of each fiscal year, all income tax reporting information necessary to enable each holder of First Preferred Shares to file a Canadian federal income tax return with respect to its participation in the Corporation in such fiscal year, including T5’s for investment, as applicable, and (d) within the time periods prescribed, any other information or documents required to be provided to the holder of Preferred Shares under applicable securities or other legislation.

The Corporation will maintain complete and adequate books and records of the investment activities of the Corporation. Subject to applicable laws, such books and records will (until the expiry of one year following the termination of the



Corporation) be kept available for inspection and audit by any holder of Preferred Shares or his duly authorized representatives (at the expense of such holder of Preferred Shares) on not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) notice to the Corporation, during normal business hours at the principal office of the Corporation. Notwithstanding the foregoing, but subject to applicable law, holder of Preferred Shares will not have access to or be provided with information with respect to the investment activities of the Corporation if such disclosure is prohibited by law or agreement or if, in the reasonable opinion of Magenta Capital, it is in the interests of the Corporation that such information be kept confidential.

Under the terms of each of the Limited Partnership Agreements, Magenta Capital will provide for the preparation of accounting, management and other financial reports as well as the keeping and maintaining of the books and records of the Corporation. The Board of Directors and the holders of Common Shares have appointed Ernst & Young LLP to act as the auditors of the Corporation and to report to shareholders with respect to the financial statements of the Corporation as at the end of, and for, each fiscal year.

#### **ITEM 11: RESALE RESTRICTIONS**

The First Preferred Shares will be subject to a number of resale restrictions, including restrictions on trading. Until the restriction on trading expires, you will not be able to trade the First Preferred Shares unless you comply with an exemption from the prospectus and registration requirements under securities legislation. Unless permitted under securities legislation, in all jurisdictions in Canada other than Manitoba, you cannot trade the First Preferred Shares before the date that is four months and a day after the date the Corporation becomes a reporting issuer in any province or territory of Canada.

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

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

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

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

The right to transfer shares of the Corporation is restricted and no shares shall be transferred without the consent of the majority of the Board of Directors expressed by a resolution passed by the Board of Directors. Requests to transfer shares of the Corporation will be acceded to by the Board of Directors provided that the requested transfer of shares does not impair or endanger the Corporation's status as a MIC or contravene any law, rule, policy or regulation prescribed by any applicable securities commission or the provisions of the *Business Corporations Act* (Ontario) or any other applicable laws. For greater certainty, the terms "transfer" and "transferred" shall not be construed so as to include a tender of shares by a shareholder for the purpose of their retraction by the Corporation.

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

#### **ITEM 12: PURCHASERS' RIGHTS**

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

The securities laws in your jurisdiction may provide you with the right, in certain circumstances, to seek damages or to cancel your agreement to buy First Preferred Shares. These rights, or notice with respect to these rights, must be exercised or delivered, as the case may be, by the investor within the time limits prescribed by applicable securities legislations. While

most of these rights are available if we make a misrepresentation in the Offering Memorandum or any amendment hereto, in some jurisdictions, you may have these rights in other circumstances including if the Corporation fails to deliver the Offering Memorandum to you within the required time or if we make a misrepresentation in any advertisements or literature regarding First Preferred Shares. Generally, a “misrepresentation” is defined in the applicable securities legislation to mean an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. The meaning of misrepresentation may differ slightly depending on the law in your jurisdiction. In most jurisdictions, there are defenses available to the persons or companies that you may have a right to sue. In particular, in many jurisdictions, the person or company that you sue will not be liable if you knew of the misrepresentation when you purchased the First Preferred Shares.

### **Two-Day Cancellation Right**

You can cancel your agreement to purchase First Preferred Shares. To do so, you must send a written notice to the Corporation by midnight on the second (2<sup>nd</sup>) business day after you sign the agreement to buy the First Preferred Shares.

### **Statutory Rights of Action**

#### ***Investors Resident in Alberta, British Columbia, Newfoundland and Labrador and Nova Scotia***

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

- (a) the Corporation to cancel your agreement to buy the First Preferred Shares; or
- (b) for damages against the Corporation, every director of the Corporation at the date of this Offering Memorandum, and every person or company who signed this Offering Memorandum.

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

If you intend to rely on the rights described in (a) and (b) above, you must do so within strict time limitations. You must commence the action to cancel the agreement within 180 days after you signed the agreement to buy the First Preferred Shares. You must commence the action for damages within the earlier of 180 days after learning of the misrepresentation and three (3) years from the date of the Corporation having accepted your subscription to purchase the First Preferred Shares.

#### ***Investors Resident in Manitoba***

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

- (a) the Corporation to cancel your agreement to buy the First Preferred Shares; or
- (b) for damages against the Corporation, every director of the Corporation at the date of this Offering Memorandum, and every person or company who signed this Offering Memorandum.

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

If you intend to rely on the rights described in (a) and (b) above, you must do so within strict time limitations. You must commence the action to cancel the agreement within 180 days after you signed the agreement to buy the First Preferred Shares. You must commence the action for damages within the earlier of 180 days after learning of the misrepresentation and two (2) years from the date of the Corporation having accepted your subscription to purchase the First Preferred Shares.

### ***Investors Resident in New Brunswick***

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

- (a) the Corporation to cancel your agreement to buy the First Preferred Shares; or
- (b) for damages against the Corporation and a selling securityholder on whose behalf the distribution was made.

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

If you intend to rely on the rights described in (a) and (b) above, you must do so within strict time limitations. You must commence the action to cancel the agreement within 180 days after you signed the agreement to buy the First Preferred Shares. You must commence the action for damages within the earlier of one (1) year after learning of the misrepresentation and six (6) years from the date of the Corporation having accepted your subscription to purchase the First Preferred Shares.

### ***Investors Resident in Northwest Territories, Nunavut, Prince Edward Island and Yukon***

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

- (a) the Corporation to cancel your agreement to buy the First Preferred Shares; or
- (b) for damages against the Corporation and a selling securityholder on whose behalf the distribution was made, every director of the Corporation at the date of this Offering Memorandum, and every person or company who signed this Offering Memorandum.

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

If you intend to rely on the rights described in (a) and (b) above, you must do so within strict time limitations. You must commence the action to cancel the agreement within three (3) years after you signed the agreement to buy the First Preferred Shares. You must commence the action for damages within three (3) years after learning of the misrepresentation.

### ***Investors Resident in Ontario***

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

- (a) the Corporation to cancel your agreement to buy the First Preferred Shares; or
- (b) for damages against the Corporation and a selling securityholder on whose behalf the distribution was made.

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

If you intend to rely on the rights described in (a) and (b) above, you must do so within strict time limitations. You must commence the action to cancel the agreement within 180 days after you signed the agreement to buy the First Preferred Shares. You must commence the action for damages within the earlier of 180 days after learning of the misrepresentation and three (3) years from the date of the Corporation having accepted your subscription to purchase the First Preferred Shares.

### ***Investors Resident in Quebec***

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

- (a) the Corporation to cancel your agreement to buy the First Preferred Shares or have the purchase price for the First Preferred Shares revised; or
- (b) for damages against the Corporation and a selling securityholder on whose behalf the distribution was made, every officer and director of the Corporation, every person or company who signed this Offering Memorandum, every expert whose opinion containing a misrepresentation was filed respecting this Offering Memorandum and every person or company that sold securities on behalf of the Corporation or selling securityholder under this Offering Memorandum.

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

If you intend to rely on the rights described in (a) and (b) above, you must do so within strict time limitations. You must commence the action to cancel the agreement within three (3) years after you signed the agreement to buy the First Preferred Shares. You must commence the action for damages within three (3) years after learning of the misrepresentation.

### ***Investors Resident in Saskatchewan***

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

- (a) the Corporation to cancel your agreement to buy the First Preferred Shares; or
- (b) for damages against the Corporation and a selling securityholder on whose behalf the distribution was made, every promoter and director of the Corporation or the selling securityholder at the time this Offering Memorandum was sent or delivered, every person or company whose consent was filed respecting this Offering Memorandum (but only with respect to reports, opinions or statements that have been made by them), every person or company who signed this Offering Memorandum, and every person or company that sold securities on behalf of the Corporation or a selling securityholder under this Offering Memorandum.

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

If you intend to rely on the rights described in (a) and (b) above, you must do so within strict time limitations. You must commence the action to cancel the agreement within 180 days after you signed the agreement to buy the First Preferred Shares. You must commence the action for damages within the earlier of one (1) year after learning of the misrepresentation and six (6) years from the date of the Corporation having accepted your subscription to purchase the First Preferred Shares.

### ***General***

The securities laws of the Provinces and Territories of Canada are complex. References should be made to the full text of the provisions summarized above relating to statutory rights of action. **Investors should consult their own legal advisors with respect to their rights and the remedies available to them. The rights discussed above are in addition to and without derogation from any other rights or remedies which investors may have at law.**

**ANY PERSON CONSIDERING AN INVESTMENT IN THE ISSUER SHOULD CONSULT ITS OWN ADVISORS IN ORDER TO FULLY UNDERSTAND THE CONSEQUENCES OF AN INVESTMENT IN THE ISSUER WITH RESPECT TO SUCH PERSON'S PARTICULAR SITUATION.**

### **ITEM 13: FINANCIAL STATEMENTS**

The audited financial statements of the Corporation accompanied by the Form 45-106F16 Notice of Use of Proceeds for the fiscal year ended October 31, 2022 are set forth below.

# Magenta Mortgage Investment Corporation

Consolidated financial statements  
October 31, 2022



## Independent auditor's report

To the Shareholders of  
**Magenta Mortgage Investment Corporation**

### Opinion

We have audited the consolidated financial statements of **Magenta Mortgage Investment Corporation** [the "Corporation"], which comprise the consolidated statement of financial position as at October 31, 2022, the consolidated statement of income and comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at October 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ["IFRSs"].

### Basis for opinion

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

### Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

### Auditor's responsibilities for the audit of the consolidated financial statements

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



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

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

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

Ottawa, Canada  
January 27, 2023

*Ernst + Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants



**Magenta Mortgage Investment Corporation**

Incorporated under the laws of Ontario

**Consolidated statement of financial position**

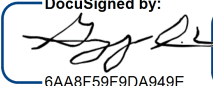
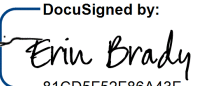
As at October 31

	2022
	\$
<b>Assets</b>	
Cash and cash equivalents	2,101,678
Accounts receivable <i>[note 8]</i>	5,289,907
Prepaid expenses	10,575
Mortgage loans <i>[note 5]</i>	437,035,204
	<u>444,437,364</u>
<b>Liabilities and shareholders' equity</b>	
<b>Liabilities</b>	
Accounts payable and accrued liabilities <i>[note 8]</i>	6,910,966
Dividend payable	4,287,568
Credit facilities <i>[note 7]</i>	193,248,105
<b>Total liabilities</b>	<u>204,446,639</u>
Commitments <i>[note 9]</i>	
<b>Shareholders' equity</b>	
Share capital <i>[note 6]</i>	
Issued	
Common shares, unlimited authorized	11
First Preferred, Series A shares, unlimited authorized	162,805,299
First Preferred, Series B shares, unlimited authorized	369,478
First Preferred, Series F shares, unlimited authorized	76,815,937
<b>Total shareholders' equity</b>	<u>239,990,725</u>
	<u>444,437,364</u>

*See accompanying notes*

On behalf of the Board:

Director

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**Magenta Mortgage Investment Corporation**

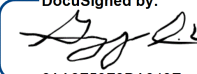
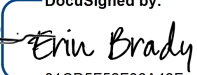
Incorporated under the laws of Ontario

**Consolidated statement of income and comprehensive income**

Year ended October 31

	2022
	\$
<b>Revenue</b>	
Mortgage interest	21,850,450
Fees earned	<u>7,221,077</u>
	<u>29,071,527</u>
<b>Expenses</b>	
Loan interest	7,257,495
Bank charges and fees	373,283
Office and general	278,072
Professional fees	242,364
Provision for loan losses	<u>86,571</u>
	<u>8,237,785</u>
Income before income distribution to MCC	20,833,742
Limited partnership income distribution to MCC <i>[note 8]</i>	<u>(5,682,583)</u>
<b>Net income and comprehensive income for the year</b>	<u><b>15,151,159</b></u>

See accompanying notes

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**Magenta Mortgage Investment Corporation**

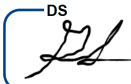
Incorporated under the laws of Ontario

**Consolidated statement of changes in shareholders' equity**

As at October 31

	2022
	\$
<b>Common shares</b>	<b>11</b>
<b>First Preferred, Series A shares</b>	
Series A shares issued as part of amalgamation	171,054,999
Stock dividends	6,504,546
Series A shares issued	19,663,086
Series A shares redeemed	(34,417,332)
<b>Balance, end of year</b>	<b>162,805,299</b>
<b>First Preferred, Series B shares</b>	
Series B shares issued	369,478
<b>Balance, end of year</b>	<b>369,478</b>
<b>First Preferred, Series F shares</b>	
Series F shares issued as part of amalgamation	59,809,772
Stock dividends	2,474,004
Series F shares issued	28,424,285
Series F shares redeemed	(13,892,124)
<b>Balance, end of year</b>	<b>76,815,937</b>
<b>Total shares</b>	<b>239,990,725</b>
<b>Retained earnings</b>	
Balance, beginning of year	—
Net income and comprehensive income for the year	15,151,159
Dividends declared	(15,151,159)
<b>Balance, end of year</b>	<b>—</b>
<b>Dividends per share</b>	
Dividends declared per weighted average shares outstanding	0.651

See accompanying notes




**Magenta Mortgage Investment Corporation**

Incorporated under the laws of Ontario

**Consolidated statement of cash flows**

Year ended October 31

	2022
	\$
<b>Operating activities</b>	
Net income for the year	15,151,159
Add items not involving cash	
Additional allowance for impaired loans	332,524
Amortization of deferred financing fees	395,851
Changes in non-cash working capital balances related to operations	
Accrued interest	(773,174)
Accounts receivable	(5,285,877)
Prepaid expenses	343,356
Accounts payable and accrued liabilities	1,288,436
<b>Cash provided by operating activities</b>	<b>11,452,275</b>
<b>Investing activities</b>	
Cash acquired in asset acquisition <i>[note 4]</i>	11,717,101
Mortgage loans issued	(333,678,840)
Mortgage payments received	271,787,710
<b>Cash used in investing activities</b>	<b>(50,174,029)</b>
<b>Financing activities</b>	
Credit facility advances	2,747,513,498
Credit facility repayments	(2,703,121,352)
Deferred financing fees paid	(799,747)
Dividends paid	(2,916,343)
Issuance of shares	28,001,488
Redemption of shares	(27,854,112)
<b>Cash provided by financing activities</b>	<b>40,823,432</b>
<b>Increase in cash during the year</b>	<b>2,101,678</b>
Cash and cash equivalents, beginning of year	—
<b>Cash and cash equivalents, end of year</b>	<b>2,101,678</b>
<b>Supplemental cash flow information</b>	
Interest paid	(7,181,193)
Interest received	21,116,331
<b>Non-cash financing activities</b>	
Stock dividends	8,978,550
Issuance of shares	(8,978,550)

## Magenta Mortgage Investment Corporation

### Notes to consolidated financial statements

October 31, 2022

#### 1. Corporate information

Magenta Mortgage Investment Corporation ["MMIC"] is a qualified mortgage investment corporation ["MIC"] pursuant to Section 130.1(6) of the *Income Tax Act* (Canada) ["ITA"]. Section 130.1 prescribes the tax treatment of a MIC by allowing the interest income earned on mortgages to be passed on to shareholders in a flow-through manner. The conduit for passing on the interest is a dividend that is deducted from annual income for tax purposes but taxed as bond interest in the hands of the recipient. MMIC was formed on November 1, 2021 following the amalgamation of MMIC [predecessor MMIC], Magenta II Mortgage Investment Corporation ["MMIC II"], and Magenta III Mortgage Investment Corporation ["MMIC III"] [note 4]. The head office for MMIC and its subsidiaries [collectively, the "Corporation"] is located at 580 Terry Fox Drive, Suite 401, Ottawa, Ontario, Canada, K2L 4B9.

The Corporation's consolidated financial statements were authorized for issue by the Board of Directors on January 26, 2023.

#### 2. Significant accounting policies

##### Basis of preparation

The consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board and adopted by the Accounting Standards Board of Canada.

The Corporation presents its consolidated statement of financial position in order of liquidity and has been prepared on a historical cost basis in Canadian dollars.

##### Principles of consolidation

The Corporation consolidates entities over which it has control. The Corporation has control over another entity when it has: [i] power to direct relevant activities of the entity; [ii] exposure, or rights, to variable returns from its involvement with the entity; and [iii] the ability to affect those returns through power over the entity. The Corporation consolidated its interest in Magenta Mortgage Investment Limited Partnership ["LP"], Magenta II Mortgage Investment Limited Partnership ["LP II"] and Magenta III Mortgage Investment Limited Partnership ["LP III"], structured entities, since it is deemed to control the limited partnerships based on certain factors [see the *Structured entities* section below].

##### Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when rights relate to administrative tasks only and the significant relevant activities are directed by contractual arrangements.

Structured entities often have some or all of the following features or attributes: [i] restricted activities; [ii] a narrow, well-defined objective such as to provide investment opportunities for investors; [iii] insufficient equity to permit the structured entity to finance its activities without subordinated financial support; or [iv] financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

## **Magenta Mortgage Investment Corporation**

### **Notes to consolidated financial statements**

October 31, 2022

When voting rights are not relevant in deciding whether the Corporation has power over an entity, the assessment of control considers all facts and circumstances, including the purpose and design of the investee, its relationship with other parties and each party's ability to make decisions on significant activities, and whether the Corporation is acting as a principal or as an agent.

#### **Cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less from the date of acquisition.

#### **Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### **[i] Financial assets**

###### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income ["FVOCI"] and fair value through profit or loss ["FVTPL"].

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Corporation's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Corporation has applied the practical expedient, the Corporation initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Corporation has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortized cost, it needs to give rise to cash flows that are solely payments of principal and interest ["SPPI"] on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Corporation's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income ["OCI"] are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place [regular way trades] are recognized on the trade date [i.e., the date that the Corporation commits to purchase or sell the asset].

## Magenta Mortgage Investment Corporation

### Notes to consolidated financial statements

October 31, 2022

#### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost [debt instruments];
- Financial assets at fair value through OCI with recycling of cumulative gains and losses [debt instruments];
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition [equity instruments]; and
- Financial assets at FVTPL.

#### *Financial assets at amortized cost [debt instruments]*

The Corporation measures financial assets at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

As at October 31, 2022, the Corporation only held financial assets classified at amortized cost. The Corporation's financial assets at amortized cost include cash and cash equivalents, accounts receivable and mortgage loans.

#### *Impairment of financial assets*

The Corporation recognizes an allowance for expected credit losses ["ECLs"] for all debt instruments not held at FVTPL. ECLs are defined as the difference between all contractual cash flows due to the Corporation over the maximum contractual period, including extension options, and the cash flows that the Corporation expects to receive [cash shortfalls], discounted at the original effective interest rate [or credit-adjusted effective interest rate for purchased or originated credit-impaired assets]. ECLs are the weighted average of credit losses determined by evaluating a range of possible outcomes using reasonable, supportable information about past events and current and forecasted future economic conditions.

The Corporation has developed an impairment model to determine the allowance for ECL on loans classified at amortized cost. The Corporation determines an allowance for ECL at initial recognition of the financial instrument that is updated at each reporting period throughout the life of the instrument.

## Magenta Mortgage Investment Corporation

### Notes to consolidated financial statements

October 31, 2022

The ECL allowance is based on the ECL over the life of the financial instrument ["lifetime ECL"], unless there has been no significant increase in credit risk ["SICR"] since initial recognition, in which case the ECL allowance is measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months ["12-month ECL"]. ECL are determined based on three main drivers: probability of default, loss given default and exposure at default:

- Probability of default ["PD"]: a point-in-time-estimate of the likelihood of default either over the next 12-month ECL or over the remaining lifetime ECL;
- Loss given default ["LGD"]: is the percentage of the gross carrying amount of the instrument that will be lost on default at a given point in time. It is based on the difference between contractual cash flows due and those expected to be received, including the realization of collateral;
- Exposure at default ["EAD"]: the gross carrying amount of the instrument at a given point in time and is calculated as the present value of the outstanding contractual cash flows using the effective interest rate Model; and
- The ECL is calculated using a scenario-based approach where, for each scenario, the PD, LGD and EAD are projected for each individual exposure at each cash flow date over the next 12-month ECL or remaining lifetime ECLs. The components are multiplied together at each future date and discounted back using the original effective interest rate to the reporting date and summed. A probability-weighted average ECL is then determined across the multiple scenarios. The Corporation has modelled all ECLs at the individual instrument level.

#### *Significant increase in credit risk*

The Corporation has established a policy to perform an assessment at the end of each reporting period of whether the instrument's credit risk has increased significantly since initial recognition [or the date the Corporation becomes party to a financial guarantee]. Based on this assessment, the Corporation groups the instruments into the following categories:

- Stage 1: instruments that have not experienced a SICR since initial recognition. ECLs are recognized based on 12-month ECL;
- Stage 2: instruments that have experienced a SICR since initial recognition. In subsequent periods, if the credit risk of an instrument has improved such that there is no longer a SICR since initial recognition, the ECL allowance will revert to stage 1. ECLs are recognized based on lifetime ECLs;
- Stage 3: instruments are considered credit-impaired as one or more events that have a detrimental impact on estimated future cash flows have occurred. ECLs are recognized based on lifetime ECL; and
- Purchased or originated credit-impaired ["POCI"]: instruments that are credit-impaired on initial recognition. ECLs are recognized based on a lifetime ECL.

Interest revenue on Stage 3 or POCI financial instruments is calculated based on the carrying amount of the asset, net of the loss allowance, rather than the gross carrying amount.

For instruments that the Corporation assesses as having low credit risk at the reporting date, the Corporation applied the low credit risk exemption [Stage 1] and has presumed that credit risk has not increased significantly since initial recognition.

## **Magenta Mortgage Investment Corporation**

### **Notes to consolidated financial statements**

October 31, 2022

An instrument is no longer considered impaired when all past due amounts, including interest, have been recovered and it is determined that the principal and interest are fully collectible in accordance with the original contractual terms of the instrument. The Corporation writes off instruments, either partially or in full, against the related ECL allowance when the Corporation judges that there is no realistic prospect of future recovery.

The Corporation assesses on a forward-looking basis the ECL associated with its financial instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Corporation uses judgment in making these assumptions and selecting the inputs to the impairment calculation based on the Corporation's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. The Corporation has incorporated forward-looking economic information into its ECL by performing the calculation under multiple scenarios resulting in a probability weighted average ECL based on the weightings of each scenario. The Corporation performed an economic variable selection process to identify the sets of macroeconomic variables that had the highest correlation with loan portfolios, such as unemployment rate, real GDP growth and average residential five-year mortgage lending rate. All macroeconomic variables are projected over a five-year period, subsequently reverting to long-run averages.

The Corporation establishes an ECL that involves a management review of individual mortgage loan balances based on individual customer creditworthiness, current economic trends and the condition of the industry as a whole, and analysis of historical bad debts. The Corporation is not able to predict changes in the financial condition of its customers, and if circumstances related to its customers' financial condition deteriorate, the estimates of the recoverability of balances could be materially affected and the Corporation may be required to record additional allowances.

The ECL calculation will adjust the historical credit loss experience by also considering forward-looking information. Accordingly, at every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates and their impact are analyzed.

The assessment of the correlation between historical observed default rates and forecast economic conditions will impact the ECL calculation. The Corporation's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Corporation has adopted the simplified approach for trade receivable and, as such, the Corporation does not track changes in its customers' credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Corporation has established a provision that is based on its historical credit loss experience adjusted for forward-looking factors specific to the debtors and the economic environment. Historical credit loss experience aforementioned is based on data from LP, LP II and LP III, which have been in operation for several years. Therefore, the Corporation recognizes impairment and measures ECL as lifetime ECL. The carrying amount of these assets in the consolidated statement of financial position is stated net of any loss allowance.



## **Magenta Mortgage Investment Corporation**

### **Notes to consolidated financial statements**

October 31, 2022

#### **[ii] Financial liabilities**

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Corporation's financial liabilities include accounts payable and accrued liabilities, dividend payable and credit facility. The Corporation does not have any financial liabilities classified as FVTPL. All financial liabilities are subsequently measured at amortized cost.

#### **[iii] Fair value of financial instruments**

The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. The Corporation uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Financial assets or liabilities are measured based on quoted prices in active markets for identical assets or liabilities;

Level 2: Financial assets or liabilities not quoted in active markets are measured based on discounted cash flow or other valuation methodologies making maximum use of directly or indirectly observable market data; and

Level 3: Financial assets or liabilities not quoted in active markets are measured based on discounted cash flow or other valuation methodologies where significant inputs are not based on observable market data.

Mortgage loans' fair value is established by Level 2 inputs and approximate their carrying amount due to their relatively short-term maturities. The fair value of the credit facility approximates book value since it bears interest at floating rates. The fair value of accounts payable and accrued liabilities approximates book value due to their short-term nature.

#### **Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes. The Corporation assesses its revenue arrangements against specific criteria in order

## **Magenta Mortgage Investment Corporation**

### **Notes to consolidated financial statements**

October 31, 2022

to determine if it is acting as principal or agent. The Corporation has concluded that it is acting as a principal in all of its revenue arrangements.

Interest is recorded on the accrual basis for all mortgage loans, unless management determines the amount is uncollectible. Interest on non-performing mortgages continues to be accrued. Consequently, the Corporation set up individual allowances against the accrued interest receivable on these non-performing mortgages where the Corporation does not expect to recover all of the accrued interest.

Fees earned by the Corporation in connection with its role as principal, including originating fees and commitment fees, are recognized in earnings on an accrual basis. The Corporation recognizes fees as revenue when persuasive evidence of an arrangement exists, the service has been performed and collection is reasonably assured.

#### **Income taxes**

The Corporation qualifies as a MIC under subsection 130.1(6) of the ITA where:

- [a] 50% of the cost of the Corporation's assets must be invested in:
  - Specific residential mortgages;
  - Deposits in specified financial institutions; or
  - Held in cash.
- [b] The cost of real property held must not exceed 25% of the cost of total assets.
- [c] The Corporation must not exceed a 3:1 debt equity ratio or, if more than 2/3 of the Corporation's property is invested in residential mortgages or deposits, a 5:1 ratio.

As such, the Corporation is entitled to deduct from its taxable income dividends paid to shareholders during the year or within 90 days of the end of the year to the extent the dividends were not deducted previously. The Corporation intends to maintain its status as a MIC and to distribute sufficient dividends during the year and in future years to ensure that the Corporation is not subject to income taxes.

Accordingly, for consolidated financial statement reporting purposes, the tax deductibility of the Corporation's dividends results in the Corporation being effectively exempt from taxation and no provision for current or future income taxes is required.

#### **Going concern**

The Corporation's management has made an assessment of the Corporation's ability to continue as a going concern and is satisfied that the Corporation has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Corporation's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

## Magenta Mortgage Investment Corporation

### Notes to consolidated financial statements

October 31, 2022

#### 3. Significant accounting estimates and assumptions

The preparation of the Corporation's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates. Significant estimates and assumptions that are made by management are used for, but not limited to, fair values used in accounting for the asset purchase [note 4] and ECL input factors.

#### 4. Asset purchase

On November 1, 2021, the predecessor MMIC, MMIC II, MMIC III [collectively "the MMICs"] amalgamated to form the Corporation. Amalgamations are treated as acquisitions under the guidance of IFRS 3, *Business Combinations*. The Corporation acquired the issued and outstanding shares of the MMICs in exchange for common, First Preferred, Series A and F shares of the Corporation. The previously issued and outstanding shares of the MMICs were subsequently cancelled.

The Corporation elected to apply the concentration test, as set out in IFRS 3, to determine if the acquisition of the MMICs' shares is a purchase of assets or a group of assets. The Corporation has concluded the concentration test was met as substantially all of the fair value [99.995%] of the gross assets acquired, excluding cash, is concentrated in a group of similar identifiable assets [mortgage loans]. Therefore, the set of activities and assets is determined not to be the acquisition of a business and was therefore accounted for as an asset purchase.

The fair value of the consideration given was allocated amongst the following assets and liabilities based on their relative standalone fair values.

	\$
Consideration	
Common shares	11
First Preferred, Series A shares	171,054,999
First Preferred, Series F shares	59,809,772
	<u>230,864,782</u>
Assets and liabilities purchased	
Cash	11,717,101
Accounts receivable	4,030
Prepaid expenses and other assets	353,931
Mortgage loans	374,703,423
Accounts payable and accrued liabilities	(6,653,849)
Credit facility	(149,259,854)
	<u>230,864,782</u>

## Magenta Mortgage Investment Corporation

### Notes to consolidated financial statements

October 31, 2022

#### 5. Mortgage loans

The following table provides an analysis of the Corporation's mortgage loans by the scheduled maturity dates and shows the weighted average effective interest yield:

	2022	Effective interest rate
	\$	%
Under 1 year	427,834,295	5.89
1 to 3 years	9,533,433	10.42
Less allowance for impaired loans	(332,524)	
	<u>437,035,204</u>	<u>5.99</u>

The Corporation has provided some borrowers the opportunity to defer their mortgage payment up to 90 days. This exception was granted on a case-by-case basis considering multiple factors [some examples of these factors were: current loan-to-value of the security, the borrower's payment history and their employment status].

The following table provides the gross carrying amounts of loans and credit risk exposures on loan commitments contracts by internal risk ratings presenting separately those that are subject to Stage 1, 2 and 3 allowances:

Residential mortgages	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
Low risk	434,433,619	—	2,934,109	437,367,728
Normal risk [default]	—	—	—	—
	<u>434,433,619</u>	<u>—</u>	<u>2,934,109</u>	<u>437,367,728</u>
Less allowance for loan losses	125,000	—	207,524	332,524
<b>Loans, net of allowance</b>	<u>434,308,619</u>	<u>—</u>	<u>2,726,585</u>	<u>437,035,204</u>

The changes to the allowance for loan losses as at October 31, 2022 are shown as follows:

Residential mortgages	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
ECL allowance – beginning of year	—	—	—	—
Increase (decrease) in ECL allowance	125,000	—	207,524	332,524
<b>ECL allowance – end of year</b>	<u>125,000</u>	<u>—</u>	<u>207,524</u>	<u>332,524</u>

As part of the amalgamation on November 1, 2021, the Corporation recorded mortgage receivable of \$374,703,423, representing the gross contractual amounts receivables for mortgage loans of the MMICs reduced by ECLs of \$3,654,328, which were permanently recognized upon acquisition. Therefore, at October 31, 2022 the gross contractual balance of the mortgage receivables is \$441,022,057.

## Magenta Mortgage Investment Corporation

### Notes to consolidated financial statements

October 31, 2022

#### 6. Share capital

Share capital consists of the following:

	Number of shares #	October 31, 2022 \$
<b>Common shares</b>	<b>11</b>	<b>11</b>
<b>First Preferred, Series A shares</b>		
Issuance of shares as part of amalgamation	17,105,500	171,054,999
Issuance of stock dividends	650,455	6,504,546
Issuance of shares	1,966,309	19,663,086
Redemption of shares	(3,441,733)	(34,417,332)
<b>Total First Preferred, Series A shares</b>	<b>16,280,531</b>	<b>162,805,299</b>
<b>First Preferred, Series B shares</b>		
Issuance of shares	36,948	369,478
<b>Total First Preferred, Series B shares</b>	<b>36,948</b>	<b>369,478</b>
<b>First Preferred, Series F shares</b>		
Issuance of shares as part of amalgamation	5,980,977	59,809,772
Issuance of stock dividends	247,400	2,474,004
Issuance of shares	2,842,429	28,424,285
Redemption of shares	(1,389,212)	(13,892,124)
<b>Total First Preferred, Series F shares</b>	<b>7,681,594</b>	<b>76,815,937</b>
<b>Balance, end of year</b>	<b>23,999,084</b>	<b>239,990,725</b>

The holders of the common shares shall not be entitled to any dividends. The holders of the common shares shall be entitled to one vote for each common share held by them at all shareholders' meetings. The holders of Common Shares shall be entitled, subject to the prior rights of the holders of First Preferred, Series A and F shares ["First Preferred shares"], to receive the remaining property of the Corporation in the event of any distribution of assets of the Corporation among its shareholders arising on the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, or any other distribution of its assets among its shareholders for the purpose of winding up its affairs.

First Preferred shares are participating, non-voting shares. The First Preferred Shares have no pre-emptive or conversion privileges. The holders of the First Preferred Shares shall be entitled to receive, and the Corporation shall pay thereon, dividends as and when declared by the directors out of the monies of the Corporation properly applicable to the payment of dividends. The directors may, in their discretion, declare dividends on the First Preferred Shares without at the same time declaring dividends on any other class of shares of the Corporation. No dividends on any other class of share shall be declared or paid at any time when there are outstanding declared

## Magenta Mortgage Investment Corporation

### Notes to consolidated financial statements

October 31, 2022

but unpaid dividends on the First Preferred Shares. First Preferred shares are redeemable at the option of the Corporation at any time, at the lesser of \$10 and the net asset value ["NAV"] calculated as each classes' or series' proportionate share of all investments and other assets of the Corporation less its proportionate share of all common corporate liabilities and the liabilities attributable to each class or series divided by the total number of shares of the class or series outstanding at that time.

First Preferred shares are retractable by the shareholder, subject to approval of the Corporation, at the lesser of \$10 and the NAV of the shares as calculated at the end of business on the business day immediately preceding the retraction date using the unaudited monthly balance sheet of the Corporation, plus the pro rata share of any dividend distributions declared on such retractable share which have accrued up to and including the retraction date, to the extent same are not otherwise included in the calculation of the NAV of such retractable share and remain unpaid.

#### 7. Credit facilities

The Corporation has revolving demand credit facilities with Canadian chartered banks totaling \$250,000,000 bearing interest at the prime rate plus a fixed percentage per annum on the date of each advance, secured against first ranking security interests in the Corporation's mortgage assets and have maturity dates of November 1, 2023. The Corporation has drawn \$193,652,000 against the revolving credit facilities as at October 31, 2022.

The credit facility agreements require the Corporation to meet a number of covenants including financial ratios and conditions. The financial covenants include: a minimum interest coverage ratio of 3.00x at all times; a maximum total debt to tangible net worth of 1.00x at all times; and a minimum tangible net worth in an amount no less than the sum of (a) \$175,000,000 plus (b) for each completed fiscal quarter of the Corporation commencing with the first full fiscal quarter ending after closing, 80% of the remainder of the net proceeds of the Corporation's issuance of preferred shares during such fiscal quarter less redemptions during such fiscal quarter, or if such remainder is a negative number, then zero. During the year, the Corporation and the chartered banks holding the credit facility came to an agreement to temporarily amend the total debt to tangible net worth covenant. The original requirement of a 1.00x maximum total debt to tangible net worth was temporarily amended to 1.10x for the period of May 27, 2022 to October 31, 2022. The Corporation resumed a total debt to tangible net worth ratio of 1.00x by September 30, 2022.

As of October 31, 2022, the Corporation was in compliance with all of its bank covenants.

#### 8. Related party transactions

Upon the asset purchase in note 4, the Corporation became the sole Limited Partner of LP, LP II, LP III which are subsidiaries of the Corporation. The general partner of LP, LP II and LP III is Magenta Capital Corporation ["MCC"], which is a related party of the Corporation since a common shareholder to the Corporation and MCC exerts significant influence on both entities.

Included in accounts receivable is as an amount owing from MCC of \$5,234,222. Total general partnership distributions were made to MCC in cash throughout the year. Subsequent to year-end, the decision was made to abate general partnership distributions for the period, resulting in the amount receivable and a distribution to shareholders by way of dividend.

## **Magenta Mortgage Investment Corporation**

### **Notes to consolidated financial statements**

October 31, 2022

#### **9. Commitments**

The Corporation had approved mortgages of \$16,863,724 that were issued subsequent to October 31, 2022.

#### **10. Capital management**

The Corporation's primary capital management objectives are to maintain sufficient capital, which the Corporation considers to be its shareholders' equity, to earn acceptable and sustainable risk weighted-returns for shareholders. Through its risk management and corporate governance framework, the Corporation assesses current and projected economic, housing market, interest rate and credit conditions to determine appropriate levels of capital. The Corporation pays out all of its taxable income by way of dividends. Capital growth is achieved through rights offerings and the dividend reinvestment plan. The Corporation's capital management is driven by the guidelines set out by the ITA. As a MIC under the ITA, the Corporation is limited to a liabilities-to-capital ratio of 5:1 [or an assets to capital ratio of 6:1], based on the balances measured at their tax values. The Corporation manages its capital to comply with the requirements of the MIC test at all times.

#### **11. Risk management**

The Corporation is exposed to interest rate risk, credit risk, liquidity risk, market risk and foreign currency risk. The Corporation's senior management oversees the management of these risks. The Corporation's senior management is supported by a financial risk committee that advises on financial risks and an appropriate financial risk governance framework for the Corporation. The financial risk committee provides assurance to the Corporation's senior management that the Corporation's financial risk-taking activities are governed by appropriate policies and procedures, and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

##### **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Corporation is exposed to interest rate price risk on the interest rate spread between its credit facility and mortgage loans portfolio. The credit facility is issued at variable rates and exposes the Corporation to interest rate cash flow risk.

This risk is mitigated by the short-term maturities of the mortgage and loan portfolio, which allows the Corporation to manage the interest rate price risk on the spread. Mortgages and loans are generally initially issued at no longer than 12 to 24 months, have a fixed interest rate and are held to maturity.

##### **Credit risk**

Credit risk is the risk of loss due to borrowers under the Corporation's mortgages failing to discharge their obligations. The Corporation's sole activity is investing in mortgages and, therefore, generally all of its assets are exposed to credit risk. The Corporation mitigates this risk by having well-established lending policies in place that ensure mortgages or loans are well secured and by limiting its exposure to any one borrower.

## Magenta Mortgage Investment Corporation

### Notes to consolidated financial statements

October 31, 2022

The maximum exposure to credit risk as at October 31, 2022 is the fair value of its accrued interest and mortgage loans, which totalled \$437,035,204. The Corporation has recourse under these mortgages in the event of default by the borrower, in which case the Corporation would have a claim against the underlying property.

The following table presents the concentration of credit risk by region:

	\$	%
Region		
Urban	428,409,701	98
Small centre	3,510,419	1
Rural	5,115,084	1
	<u>437,035,204</u>	<u>100</u>

#### Liquidity risk

Liquidity risk arises from the Corporation's management of working capital and the finance charges and principal repayments on its debt instruments. It is more specifically defined as the risk that the Corporation will encounter difficulty in meeting its financial obligations as they fall due.

The Corporation's policy is to ensure it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stress circumstances. This policy is met by ensuring all mortgages and loans have a short-term maturity.

#### Market risk

Market risk is the risk that the fair value of the collateral securing any of the Corporation's loan and mortgage investments falls to a level approaching the loan amount. The Board of Directors ensures it is aware of real estate market conditions in the regions in which it operates. Real estate market trends are monitored on an ongoing basis, and the Corporation's management adjusts its lending practices and policies as necessary.

#### Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of the Corporation's mortgages will fluctuate based on changes in foreign currency exchange rates. All of the Corporation's mortgages are denominated in Canadian dollars and secured by charges on real estate located in Canada. Consequently, the Corporation is not subject to currency risk.

#### 12. Subsequent event

By December 23, 2022, the Corporation received from MCC \$5,234,222 as collection of the related party receivable stated at note 8.



**Form 45-106F16**  
**Notice of Use of Proceeds**

Magenta Mortgage Investment Corporation

For the financial year ended *October 31, 2022*

**Date:** *February 27, 2022*

*[Provide the information specified in the following table.]*

<b>1 Opening Proceeds</b>			
	<b>(A)</b>	<b>Closing unused proceeds balance from the last Notice in Form 45-106F16 filed, if any</b>	\$nil
	<b>(B)</b>	<b>Proceeds raised in the most recently completed financial year</b>	\$48,456,849
	<b>(C)</b>	<b>Total opening proceeds [Line (C) = Line (A) + Line (B)]</b>	\$48,456,849
<b>2 Proceeds Used During the Most Recently Completed Financial Year</b>			
		<i>[Provide in reasonable detail a breakdown of all proceeds used in the most recently completed financial year, including proceeds used to pay the following, as applicable:</i> <ul style="list-style-type: none"> <li><i>i. selling commissions and fees</i></li> <li><i>ii. other offering costs</i></li> <li><i>iii. amounts paid in respect of each use of available funds identified in the offering memorandum</i></li> <li><i>iv. each other principal use of proceeds, identified separately]</i></li> </ul>	<ul style="list-style-type: none"> <li><i>i. \$nil</i></li> <li><i>ii. \$nil</i></li> <li><i>iii. \$48,456,849</i></li> <li><i>iv. \$nil</i></li> </ul>
	<b>(D)</b>	<b>Total used proceeds [Line (D) is the sum of the uses of proceeds itemized in this section 2 of the table, and must equal the aggregate gross proceeds used during the most recently completed financial year.]</b>	\$48,456,849
<b>3 Closing Unused Proceeds</b>			
	<b>(E)</b>	<b>Closing unused proceeds [Line (E) = Line (C) – Line (D)]</b>	\$nil

*[If any of the proceeds required to be disclosed in this table were paid directly or indirectly to a related party (as defined in Instruction A.6 of Form 45-106F2 Offering Memorandum Form for Non-Qualifying Issuers) of the issuer, state in each case the name of the related party to whom the payment was made, their relationship to the issuer and the amount paid to the related party.]*

**ITEM 14: DATE AND CERTIFICATE OF THE ISSUER AND PROMOTER**

Dated the 28<sup>th</sup> day of March, 2023.

This Offering Memorandum does not contain a misrepresentation.

**MAGENTA MORTGAGE INVESTMENT CORPORATION**

*“William Gavin Marshall”*  
Director and President

(Acting in capacity of Chief Executive Officer)

*“Timothy Upson”*  
Interim Treasurer

(Acting in capacity of Chief Financial Officer)

**On behalf of the Board of Directors of  
Magenta Mortgage Investment Corporation**

*“Erin M. Brady”*  
Director

*“Christopher Froggatt”*  
Director

**PROMOTER  
MAGENTA CAPITAL CORPORATION**

*“William Gavin Marshall”*  
Director, President and Secretary

*“Timothy Upson”*  
Interim Treasurer

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

**SCHEDULE “A” – SUBSCRIPTION AGREEMENT**