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CONTINUOUS MONTHLY OFFERING

September 23, 2016

**PROSPECTUS
OF
FRONTENAC MORTGAGE INVESTMENT CORPORATION**

Qualifying for Distribution
an Unlimited Number of Common Shares

Price: Net Asset Value per Share

The Canadian Securities Administrators (CSA) amended the legislation governing non-redeemable investment funds, including the Fund. The amendments impose specific restrictions on investments in non-guaranteed mortgages. Consequently, the Fund is taking steps to cease being regulated as an investment fund and instead be regulated as a corporate issuer. The Manager has committed to the Ontario Securities Commission that the transition from an investment fund issuer to a corporate issuer will be completed upon the earlier of (i) the Net Asset Value of the Fund exceeding \$250 million; and (ii) five (5) years from September 26, 2014. See “*Risk Factors – Changes In Legislation*”.

Frontenac Mortgage Investment Corporation (the “**Fund**”) is a non-redeemable investment fund. The Common Shares are redeemable only once per year, on November 30th, or otherwise under certain limited circumstances (see “Redemption of Securities”).

The Fund operates as a mortgage investment corporation and its objective is to generate income while preserving capital for re-investment. The Fund expects to derive its earnings principally from the receipt of interest payments on mortgages and subsidiarily from interest distributions on the cash reserves of the Fund. The Fund will achieve its investment objective by lending on the security of mortgages on real property located in Canada but primarily in the province of Ontario. The mortgage loans transacted by the Fund will generally not meet the underwriting criteria of conventional lenders and/or will involve borrowers in rural areas generally not well serviced by major lenders. As a result of the Fund’s investment in loans secured by non-prime mortgages, the Fund expects to earn a higher rate of interest than what can generally be obtained through more conventional mortgage lending activities. The Fund does not use leverage in the execution of its strategy. The Fund targets that its loans will be secured by first mortgages and that second mortgages will be done on an exceptional basis only. As at June 30, 2016, 99% of the dollar value of the Fund’s mortgage loans were secured

by first mortgages. The Fund targets to hold a widely diversified portfolio of mortgage loans. As at June 30, 2016, the Fund held 576 mortgage loans with an average balance outstanding of \$313,000 and the largest mortgage loan represented 7.64% of the Fund's total net assets (see "Investment Objective" and "Investment Strategy").

The Fund's manager and portfolio advisor is W.A. Robinson Asset Management Ltd. W.A. Robinson Asset Management Ltd. will manage the overall business and operations of the Fund and provide investment advice and portfolio management services in respect of the Fund's investment portfolio (see "Organization and Management Details of the Investment Fund – Manager of the Fund" and "Organization and Management Details of the Investment Fund - Portfolio Advisor").

The Fund has an exclusive agreement with Pillar Financial Services Inc. for the sourcing and administration of mortgages. Pillar Financial Services Inc. is also responsible for the underwriting and approval of prospective mortgage applications, collection of payments and, where necessary, commencing enforcement proceedings against delinquent mortgagors (see "Organization and Management Details of the Investment Fund – Administration of Mortgages" and "Material Contracts").

An investment in Common Shares will be subject to certain risks that should be carefully considered by a prospective purchaser. These risks include the higher risk associated with the Fund's non-conventional rather than conventional mortgage lending activities, the inability of the Manager to find mortgage investments, changes in the value of the mortgaged property, the Fund's reliance on third parties, the fact that the targeted dividend payments are not guaranteed, the absence of governmental and other guarantees, potential environmental liabilities, the fact that an investment in the Common Shares is not insured, the fact that the shareholders' ability to redeem Common Shares at their option is limited, the illiquid nature of mortgages, the relative ranking of mortgages other than first mortgages held by the Fund, unexpected changes in legislation, the inability of borrowers to make mortgage payments, potential conflicts of interest and income tax liabilities. For further information, see "Risk Factors."

No underwriter has been involved in the preparation of this prospectus or performed any review or independent due diligence of the contents of the prospectus. There is no market through which the Common Shares may be sold and purchasers of Common Shares may not be able to resell the Common Shares purchased under this prospectus. Purchasers of Common Shares may only be able to liquidate their investment once per year pursuant to the redemption rights (see "Redemption of Securities" below).

Additional information about the Fund is available in the following documents:

- the most recently filed annual audited financial statements;
- any interim unaudited financial statements filed after those annual audited financial statements;
- the most recently filed annual management report of fund performance;
- any interim management report of fund performance filed after that annual management report of fund performance; and
- the Fund's quarterly portfolio disclosure filings.

These documents are incorporated by reference into this prospectus which means that they legally form part of this prospectus. Please see the “Documents Incorporated by Reference” section for further details.

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PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus or incorporated by reference in this prospectus.

General

The Fund was formed by the amalgamation of Frontenac Mortgage Investment Corporation and the Mortgage Investment Corporation of Eastern Ontario pursuant to articles of amalgamation filed on July 1st, 2012 under the *Canada Business Corporations Act*. The Fund's head and registered office is located at The Simonett Building, 14216 Road 38, Sharbot Lake, Ontario, K0H 2P0. The Fund is a "mortgage investment corporation" as defined under the *Income Tax Act* (Canada). As such, its business consists of the lending of money, principally to individuals, for the purposes of acquiring, developing, maintaining or upgrading residential real estate and other real property, against the security of a mortgage granted on such property. For further information, see "Overview of the Legal Structure of the Fund" and "Investment Strategy – Overview of the Investment Structure".

This prospectus qualifies for distribution common shares of the Fund ("**Common Shares**") including those which are issued pursuant to the Fund's dividend reinvestment plan. For further information, see "Attributes of the Common Shares - Description of the Securities Distributed" and "Plan of Distribution".

The Fund's objective is to generate income while preserving for its shareholders capital for re-investment. The Fund makes loans which do not generally meet the underwriting criteria of conventional lenders and/or involve borrowers in rural areas typically not well serviced by major lenders. As a result, the non-prime mortgages held by the Fund are expected to earn a higher rate of interest than what is generally obtainable through conventional mortgage lending activities. Generally unlike mortgage mutual funds, the Fund 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, the Fund does not use derivatives and does not participate in mortgage syndications. For further information, see "Investment Objectives" and "Investment Strategies".

The Fund intends to continue to manage its affairs in such a way as to eliminate or minimize fluctuations in Net Asset Value per Share. This is achieved by crediting each beneficial shareholder's account with the net income and net realized capital gains, if any, of the Fund (less applicable losses and administration and management fee distributions) each month so that the total number of Common Shares outstanding varies in proportion with the Fund's liabilities and assets. There is however no guarantee that the Net Asset Value per Share will not fluctuate. The price at which the Common Shares is issued is the Net Asset Value per Share next determined after the receipt of a purchase order by the Manager.

Although the Fund has established a line of credit it does not intend to use leverage to fund mortgage loans. The purpose of the credit facility is to smooth out cash flows rather than to extend the Fund's investment capacity beyond its available equity. The Fund's current line of credit allows for the

Fund to borrow up to 15% of the Fund's Net Asset Value at the time of borrowing subject to a maximum borrowing of \$29 million. As such, the aggregate amount of borrowing by the Fund will not exceed 15% of the Fund's Net Asset Value at the time of borrowing. For further information, see "Investment Strategies".

An investment in Common Shares will be subject to certain risks that should be carefully considered by a prospective purchaser. These risks include the higher risk associated with the Fund's non-conventional rather than conventional mortgage lending activities, the inability of the Manager to find mortgage investments, changes in the value of the mortgaged property, the Fund's reliance on third parties, the fact that the targeted dividend payments are not guaranteed, the absence of governmental and other guarantees, potential environmental liabilities, the fact that an investment in the Common Shares is not insured, the fact that the shareholders' ability to redeem Common Shares at their option is limited, the illiquid nature of mortgages, the relative ranking of mortgages other than first mortgages held by the Fund, unexpected changes in legislation, the inability of borrowers to make mortgage payments, potential conflicts of interest and income tax liabilities. For further information, see "Risk Factors."

The Fund intends to declare and pay monthly dividends in an amount sufficient to reduce its taxable income each year to nil. For investors holding Common Shares outside a registered tax plan, any dividends received, other than capital gains dividends, will be treated as interest income for income tax purposes. Under the Fund's dividend policy, monthly dividends are automatically re-invested into additional shares of the Fund at the then prevailing Net Asset Value per Share unless the investor elects to receive a cash payment. Dividends are paid no later than the thirtieth day of the month following the month in which they are declared. The amount of monthly dividends declared is not guaranteed and will fluctuate with the operating results of the Fund. Common Shares are qualified investments for Registered Retirement Savings Plans, Registered Retirement Income Funds, Registered Education Savings Plans and Tax-Free Savings Accounts. For further information, see "Distribution Policy" and "Income Tax Considerations".

Common Shares may be purchased by clients of the Manager without incurring a sales fee or other form of commission. Investors may also purchase Common Shares through the registered adviser or investment dealer of their choice. Such investors may be required to remunerate their adviser or investment dealer in relation to their subscription for Common Shares.

The Common Shares are redeemable only once per year, on November 30 (the "**Redemption Date**"). The Fund may, at its sole discretion, accept instructions for the redemption of Common Shares on a day other than the Redemption Date: (i) in the event of the death of the holder of Common Shares; (ii) in situations of marital breakdown in order to facilitate compliance by the shareholder with the terms of a separation agreement or court order; or (iii) in situations of personal hardship where, in the opinion of the Board of Directors, early redemption is warranted. For further information, see "Redemption of Securities".

The Fund has historically complied with securities law requirements relating to non-redeemable investment funds, including using the form of prospectus required for investment funds. Pursuant to the Canadian Securities Administrators' ("CSA") implementation of the 'Modernization of Investment Fund Product Regulation Project' certain changes to the legislation governing non-

redeemable investment funds, including the Fund, took effect in September, 2014. Such changes include the imposition of new fundamental investment restrictions and operating requirements including specific restrictions on the investment in non-guaranteed mortgages. The amended legislation also includes provisions which would effectively ‘grandfather’ the Fund from the specific restrictions on the investment in non-guaranteed mortgages. Notwithstanding the grandfathering provisions in the legislation the CSA have indicated that they will continue to focus on investments in non-guaranteed mortgages in the prospectus reviews of any subsequent issuances of securities by non-redeemable investment funds relying on the grandfathering provided.

Consequently the OSC indicated to the Fund that it will require the Fund to begin to comply with the securities law requirements which relate to corporate reporting issuers generally and to refrain from complying with securities law requirements relating specifically to non-redeemable investment funds. In this regard the Fund agreed to transition out of the regulatory framework governing investment funds and into the regulatory framework governing corporate reporting issuers generally on the earlier of the Fund exceeding \$250 million in Net Asset Value and five (5) years from the date of the 2014 prospectus (i.e. by September 26, 2019). In connection with the aforementioned terms of transition the Fund also agreed that prior to the completion of such transition and during such transition period it would:

1. Use of Leverage: Continue the Funds’ practice of restricting the use of credit facilities to a maximum of not more than 15% of the Fund’s Net Asset Value at the time of borrowing, continue to refrain from using such credit facilities to increase the size of the Fund’s mortgage loan portfolio beyond that which is funded by the sale of the Fund’s common shares and continue to use such credit facilities only as short-term bridge financing to fund mortgage loan requirements pending the receipt by the Fund of proceeds from the sale of its common shares;
2. Limit on Second Mortgages: Amend its investment strategy to reduce the maximum value of loans secured by second mortgages from 30% to 10% of the total value of the Fund’s loan portfolio;
3. Limit on Mortgages on Commercial Property: Amend its investment strategy to reduce the maximum value of loans secured by mortgages on commercial and mixed-use properties from 49% to 25% of the total value of the Fund’s loan portfolio;
4. Independent Verification of Net Asset Value: Instruct its auditor to prepare a separate audit report, prepared as at each financial year-end of the Fund, in respect of the calculation of the Net Asset Value of the Fund’s assets, which will take the form of an Investment Entity Review Report as per Canadian Institute of Chartered Business Valuators Standards. Furthermore the Fund will file such report on SEDAR at the same time as the Fund files its annual audited financial statements on SEDAR, commencing with the fiscal year ended December 31, 2015.

Upon completion of the Fund’s transition into the regulatory framework governing corporate reporting issuers there will be changes to the continuous disclosure obligations of the Fund and there could be other changes, possibly including changes in the way that the Fund distributes Common

Shares. Although the Fund has had ongoing discussions with OSC staff in the corporate finance branch it is unknown at this time what, if any, changes to the operations of the Fund may be required by the OSC in connection with the completion of the transition into securities law requirements which relate to corporate reporting issuers. Based on the rate of growth of the Fund the Manager does not anticipate that the Fund will reach the aforementioned \$250 million Net Asset Value transition threshold before the Fund is required to renew its prospectus in 2018. In the meantime the Manager, on behalf of the Fund, will continue to communicate with OSC staff in order to determine what, if any, changes to the operations of the Fund may be required by the OSC in connection with the completion of the transition.

The CSA have also deferred the finalization and implementation of new legislation to create a new alternative funds framework. It is possible that the Fund could be affected by any such new alternative funds framework or other legislative changes affecting mortgage investment entities including the Fund. The Manager will continue to monitor the status of the development and implementation of a new alternative funds framework and other relevant legislative changes and their potential effect upon the Fund.

Organization and Management of Frontenac Mortgage Investment Corporation

Manager	W.A. Robinson Asset Management Ltd. Sharbot Lake, Ontario
Portfolio Advisor	W.A. Robinson Asset Management Ltd. Sharbot Lake, Ontario
Mortgage Broker and Administrator	Pillar Financial Services Inc. Sharbot Lake, Ontario
Custodian	Computershare Trust Company of Canada Toronto, Ontario
Registrar and Transfer Agent	SGGG Fund Services Inc. Toronto, Ontario
Auditor	MNP LLP Ottawa, Ontario

W.A. Robinson Asset Management Ltd. (the “**Manager**”), of 14216 Road 38, Sharbot Lake, Ontario, K0H 2P0, is a registered portfolio manager and investment fund manager retained by the Fund to manage the overall business and operations of the Fund and to provide it with investment advice and portfolio management services in respect of its investment portfolio. The Manager is also responsible for acting as transfer agent and registrar of the Common Shares of the Fund or to ensure these services are provided. In March 2012, the transfer agent and registrar functions were subcontracted to SGGG Fund Services Inc. under contract with the Manager. All of the outstanding voting shares of the Manager are owned indirectly by Matthew Robinson. For more information on the

organization and management of the Fund, see “Organization and Management Details of the Investment Fund”.

Pillar Financial Services Inc. (the “**Administrator**”) is a licensed mortgage broker and mortgage administrator retained by the Fund to service the Fund’s mortgage portfolio, including the sourcing and administration of mortgages. The Administrator is also responsible for the underwriting and approval of prospective mortgage applications, collection of payments and, where necessary, commencing enforcement proceedings against delinquent mortgagors. All of the outstanding voting shares of the Administrator are owned indirectly by Matthew Robinson, and as such the Administrator is an affiliate of the Manager.

Computershare Trust Company of Canada (the “**Custodian**”) is a federally regulated trust company retained to provide safekeeping services for the assets of the Fund.

MNP LLP is the auditor of the Fund.

Summary of Fees and Expenses

The following table lists the fees and expenses that an investor will incur by investing in the Common Shares. Some of these fees and expenses will be paid by investors directly while others will be paid by the Fund and therefore reduce the value of an investment in the Fund.

Fees and expenses payable by the Fund	
Expenses of the issue	All expenses related to the Offering (including this prospectus) are paid by the Fund.
Management and portfolio advisory fee	The Fund will pay to the Manager an annual fee of 1% of the value of the Fund’s gross assets, calculated and payable monthly, for the provision of investment advice and portfolio management services relating to investment policies and strategies of the Fund and administration of the Fund and as well as general management services including, without limitation, calculating the Net Asset Value of the Fund and the Common Shares, keeping the accounts and financial records, preparing the annual audit file and liaising with the auditor, preparing reports on Fund performance, preparing the prospectus of the Fund and arranging for the annual refiling thereof, liaising with portfolio managers in relation to their purchase of Common Shares on behalf of their clients, arranging the Fund’s annual and general meeting of shareholders and preparing the Fund’s shareholder meeting materials, calculating, confirming and arranging payment of all subscriptions, redemptions, fees and expenses, and arranging for the payment of all dividends, liaising with the Fund’s Administrator, Custodian, Transfer Agent and Registrar and legal

Fees and expenses payable by the Fund	
	counsel, arranging for the enforcement of mortgage security where required, liaising with investors, ensuring compliance with legislative requirements including SEDAR filings, liaising with securities regulators on matters relating to the Fund and providing office amenities required for the operation of the Fund. Assuming constant maximum use throughout the year of the Fund's credit line of 15% of the Net Asset Value of the Fund, the total fees paid by the Fund to the Manager would represent approximately 1.15% of the Fund's Net Asset Value.
Mortgage brokerage and administration fee	The Fund pays to the Administrator an annual fee of 1% of the value of the Fund's gross assets in consideration of the mortgage brokering and administration services it provides. Assuming constant maximum use throughout the year the Fund's credit line of 15% of the Net Asset Value of the Fund, the total fees paid by the Fund to the Administrator would represent approximately 1.15% of the Fund's Net Asset Value.
Operating expenses	The Fund pays for all of its operating expenses (except advertising, marketing and promotional costs and expenses, which are shared with the Manager or Administrator, as applicable) which include audit and legal fees, fees and expenses of the Custodian, expenses related to shareholder meetings, directors' fees, fees paid to and incurred by the IRC (which were nil in the Fund's past year of operations), costs associated with financial reports and other continuous disclosure obligations, shareholder servicing costs including reporting and record-keeping costs, and directors' and officers' liability insurance premiums.

Fees and expenses directly payable by the investor	
Client advisory fee	The Manager charges its clients, including those who participate in the Offering, an investment counselling or portfolio management fee. Typically, this fee is set at 1.5% of the value of the client's assets under administration, excluding the portion thereof which is invested in the Common Shares. This exclusion ensures that clients of the Manager will effectively not bear the burden of two management fees (one on their overall portfolio and one on the Common Shares held within their portfolio). Investors in the Fund who are not clients of the Manager may be subject to fees charged by their adviser or securities dealer.
Registered tax plan fees	Qualified Investors do not pay an annual administration fee.

Sales charges, service fees and redemption fees	Nil for Qualified Investors. Investors purchasing or selling Common Shares through their own adviser or securities dealer may be charged a fee by the adviser or dealer. NBCN may charge fees to investors in connection with cash withdrawals, account transfers and other actions involving Common Shares.
Account Maintenance Fee	NBCN charges Qualified Investors an annual fee of \$75 per account. This fee is paid for by the Manager who may, in its sole discretion, pass some or all of such fee along to the account holder. Other trustees for investors in common shares who are not clients of the Manager may charge their own account maintenance fees.

Annual Returns and Management Expense Ratio

The following table sets out the results of operations of the Fund for 2015, 2014, 2013 and 2012 (following the Amalgamation) and the Pre-Amalgamation Fund in respect to 2011, for years ended December 31⁽¹⁾:

	2015	2014	2013	2012	2011
Annual returns ⁽²⁾	5.60%	6.27%	6.02%	5.64%	6.67%
MER ⁽³⁾	2.93%	3.02%	2.89%	2.94%	3.42%

Notes:

- (1) The information presented for the year 2011 relates only to the Pre-Amalgamation Fund. The information presented in this table does not include any results relating to MICEO. The information presented for 2012 reflects the Fund following Amalgamation.
- (2) The Fund's annual returns are net of the MER.
- (3) "MER" means management expense ratio. The management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. The management expense ratio is calculated by dividing the total expenses for the stated period by the Fund's daily average net assets during such period.

GLOSSARY

“**Administrator**” means Pillar Financial Services Inc.

“**Amalgamation**” means the amalgamation of the Pre-Amalgamation Fund and MICEO under the CBCA, effective July 1, 2012, to form the Fund;

“**Amalgamation Agreement**” means the amalgamation agreement made between the Pre-Amalgamation Fund and MICEO pursuant to which the Pre-Amalgamation Fund and MICEO amalgamated under the CBCA, effective July 1, 2012, to form the Fund;

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

“**Business Day**” means any day, other than a Saturday, Sunday or statutory holiday in the Province of Ontario, on which banks are generally open for business in Ottawa, Ontario.

“**CBCA**” means the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended.

“**Common Shares**” means the common shares of the Fund.

“**CSA**” means Canadian Securities Administrators;

“**Custodian**” means Computershare Trust Company of Canada.

“**DPSP**” means a deferred profit sharing plan, as defined in section 146.4(1) of the Tax Act.

“**Fund**” means Frontenac Mortgage Investment Corporation.

“**IRC**” means the Independent Review Committee appointed for the Fund pursuant to National Instrument 81-107 – *Independent Review Committee for Investment Funds*.

“**Manager**” means W.A. Robinson Asset Management Ltd.

“**MICEO**” means Mortgage Investment Corporation of Eastern Ontario.

“**NBCN**” means National Bank Correspondent Network which in 2014 acquired TD Waterhouse Institutional Services, the trustee of the Fund’s RESP, RRSP, RRIF and TFSA accounts established for Qualified Investors.

“**Net Asset Value**” means, in relation to the Fund, the total value of its assets less the total value of its liabilities, as at a specific date, determined in accordance with National Instrument 81-106 – *Investment Fund Continuous Disclosure*.

“**Net Asset Value per Share**” means the Net Asset Value of the Fund computed on a Valuation Date, divided by the number of issued and outstanding Common Shares on such Valuation Date.

“**Offering**” means the offering of Common Shares by the Fund pursuant to this prospectus.

“**OSC**” means Ontario Securities Commission;

“**Pre-Amalgamation Fund**” means the corporation, Frontenac Mortgage Investment Corporation, prior to its amalgamation with MICEO on July 1, 2012 to form the amalgamated corporation, also named Frontenac Mortgage Investment Corporation.

“**Qualified Investors**” means those individuals who have entered into a portfolio management or investment counselling agreement with the Manager, as further described in the section of this prospectus entitled “Plan of Distribution”.

“**RDSP**” means a registered disability savings plan, as defined in section 147(1) of the Tax Act.

“**Redemption Cut-off Date**” means, in each calendar year, the date that is twenty (20) Business Days prior to the Redemption Date.

“**Redemption Date**” means November 30th or, if November 30th is not a Business Day, the first Business Day immediately preceding November 30th.

“**RESP**” means a registered education savings plan, as defined in section 146.1(1) of the Tax Act.

“**Responsible Person**” means, for a registered adviser, (a) the adviser, (b) a partner, officer or director of the adviser, and (c) each of the following who has access to, or participates in formulating, an investment decision made on behalf of a client of the adviser or advice to be given to the client of the adviser: (i) an employee or agent of the adviser; (ii) an affiliate of the adviser; (iii) a partner, director, officer, employee or agent of an affiliate of the adviser.

“**RRIF**” means a registered retirement income fund, as defined in section 146.3(1) of the Tax Act.

“**RRSP**” means a registered retirement saving plan, as defined in section 146(1) of the Tax Act.

“**Tax Act**” means the *Income Tax Act* (Canada), R.S.C. 1985, c. 1 (5th Supp.) and the regulations promulgated thereunder, as amended.

“**TFSA**” means a tax-free savings account, as defined in section 146.2(1) of the Tax Act.

“**Valuation Date**” means the last Business Day of each calendar month on which the Net Asset Value per Share is computed.

OVERVIEW OF THE LEGAL STRUCTURE OF THE FUND

The Fund's head and registered office is located at The Simonett Building, 14216 Road 38, Sharbot Lake, Ontario, K0H 2P0. The Fund has no subsidiaries. The Fund's authorized capital consists of a single class of shares without par value denominated as common shares (the “**Common Shares**”).

The Fund was formed by the amalgamation of the Pre-Amalgamation Fund and MICEO pursuant to articles of amalgamation filed on July 1st, 2012 under the CBCA. The Pre-Amalgamation Fund was formed by articles of incorporation filed under the CBCA on October 26, 2004.

Pursuant to the Amalgamation Agreement the general by-law of the Pre-Amalgamation Fund was adopted as the general by-law of the Fund. The Fund also adopted, and continues to operate under, the principal agreements of the Pre-Amalgamation Fund, being the Investment Advisory and Fund Management Agreement, Amended and Restated Administration Agreement, the Services and Brokerage Agreement and the Custodian Agreement.

Each of the Pre-Amalgamation Fund and MICEO was a “mortgage investment corporation” as defined in the Tax Act and the Fund is a “mortgage investment corporation” as defined in the Tax Act. The Fund is not considered to be a mutual fund under applicable securities legislation.

INVESTMENT OBJECTIVES

The fundamental investment objective of the Fund is to generate as much income as possible while preserving capital for re-investment through the making of commercial and residential mortgage loans secured against real property located in Canada and principally in Ontario. As a mortgage investment corporation, the Fund expects to derive its earnings principally from the receipt of mortgage interest payments and, subsidiarily, from interest or interest-like distributions on the cash reserves of the Fund.

INVESTMENT STRATEGIES

The Fund's business consists in lending money, principally to individuals, for the purposes of acquiring, developing, maintaining or upgrading residential and other real property, against the security of a mortgage granted on such property. The purchase of a single security, namely, the Common Shares, allows an investor to participate with other investors in a common fund holding a variety of loans secured by mortgages.

The Fund works closely with retail mortgage brokers throughout Ontario in order to market itself as a lender of choice in the non-prime mortgage market segment. In this manner, it expects to be well positioned to receive referrals on mortgage lending opportunities that do not meet the criteria of the major lending institutions or that involve borrowers in rural areas typically not well serviced by major lenders. As a result, the Fund's loans secured by non-prime mortgages are expected to earn a higher rate of interest than what is generally obtainable through traditional mortgage lending activities. In furtherance of its strategy, the Fund:

- (i) will make loans in amounts up to 80% of the fair market value of the mortgaged property, subject to certain restrictions, as more fully set out under “Investment Restrictions”, for initial terms of up to five years;
- (ii) may engage in bridge financing activities including the financing of new home construction;
- (iii) targets that at least 90% of the value of mortgages held will be first mortgages and no more than 10% of the value of mortgages held will be second mortgages;
- (iv) allows for up to 25% of the value of mortgages held to be on commercial or mixed-use properties;
- (v) intends to generally invest in open mortgages carrying a fixed rate of interest;
- (vi) targets holding a cash position equal to approximately 5% of its total assets; and
- (vii) will not buy or sell mortgages in the secondary market, hold a fractional interest in a mortgage or participate in mortgage syndications.

The Fund maintains a line of credit with the Royal Bank of Canada which currently allows for the Fund to borrow up to 15% of the Fund’s Net Asset Value at the time of borrowing, subject to a maximum borrowing of \$29 million. The Fund’s line of credit is secured by an assignment of the Fund’s receivables, a general security agreement and a hypothec over the Fund’s moveable property. The Fund does not pursue a leveraged investment strategy, that is, it does not systematically borrow money (including drawing on its line of credit) in an attempt to increase the Fund’s returns by taking advantage of the difference between the interest earned on the loans made by the Fund and the cost of borrowing the money to make such loans. The line of credit is only used to smooth out the Fund’s cash flow. In effect, the timing of large cash inflows is unpredictable as mortgage terms permit mortgagors to repay their mortgages at any time while the timing of new equity from investors is generally uncertain. In this regard the line of credit may be used as short-term bridge financing to fund mortgage loans pending the receipt by the Fund of proceeds from the sale of Common Shares. The line of credit allows the Fund to maintain its liquidity requirements within the limits of its investment policies while placing a higher continuous percentage of its assets in its mortgage portfolio. This ultimately enhances the overall return of the Fund. Consistent with the foregoing approach, based on the current approved credit levels, the aggregate amount of borrowing by the Fund will not exceed 15% of the Fund’s Net Asset Value at the time of borrowing.

In order to increase the investment return on the cash held by the Fund, the Fund intends to invest a substantial portion of its cash in term deposits, guaranteed investment certificates, money market mutual funds or in other money market securities. From time to time and on a limited basis, the Fund may invest in other securities provided that such investments comply with the restrictions for mortgage investment corporations under the Income Tax Act.

In pursuing its investment strategies, the Fund will be subject to certain limitations (see “Investment Restrictions”).

Mortgage Origination and Approval Process

The Fund, through the Administrator, sources its mortgage loans primarily through an established network of retail mortgage brokers. Mortgage loan applications are accepted from these mortgage brokers through Filogix, which is the industry-standard secure electronic portal for communication and transaction processing between mortgage brokers and lenders. Mortgage applications are evaluated by the Administrator's underwriters, taking into consideration the quality of the credit rating and history, capital, collateral, character, and cash flow of the borrower (the 'five Cs' of lending'). In evaluating the collateral of the borrower, the underwriter considers the location and marketability, use, and condition of the property to be mortgaged supported by an appraisal of the property by a qualified third-party appraiser. Each of the 'five Cs' of lending criteria has an 'accept' or 'decline' option and an application can be declined at any stage of the process. Mortgage applications are scored based on the evaluation of each of these five criteria and the overall score dictates whether the application can be approved, and the interest rate to be offered.

Once a mortgage application has been recommended by the underwriter for approval executive management of the Administrator is permitted to approve individual loans of up to 0.5% of the net assets of the Fund, one independent director of the Fund is required to approve individual loans of amounts between 0.5% to 2.0% of the net assets of the Fund and the full board of the Fund, by ordinary resolution, is required to approve individual loans of amounts in excess of 2.0% of the net assets of the Fund. Once a mortgage loan is approved, a letter of commitment is issued to the borrower through the mortgage broker and the borrower's lawyer who completes the necessary mortgage loan documentation. This completed documentation is reviewed by the Administrator's lawyer and then the mortgage loans are registered and funds advanced on closing.

Overview of the Investment Structure

The Fund qualifies as a "mortgage investment corporation" under the Tax Act (see "Income Tax Considerations"). Mortgage investment corporations were introduced in Canada in 1973 by the enacting of the *Residential Mortgage Financing Act* (Canada). One of the stated objectives of this statute was the improvement of the flow of mortgage funds for middle and moderate income home buyers, a necessary step in order to reach national housing targets. Mortgage investment corporations were intended to encourage and facilitate the investment of private capital into residential mortgages by providing a vehicle through which smaller, non-institutional, investors could place investment funds into mortgages. Recognizing that mortgages are not as liquid as other securities such as stocks and bonds and not as easy to buy and sell or divide into fractional interests so as to facilitate portfolio diversification, the government of the day elected to allow for the creation of corporate entities permitting the pooling of mortgages. The shareholder of these entities would, similarly to mutual fund investors, own a part of the corporation's total portfolio corresponding to his or her own investment and enjoy the benefits of expert advice. The tax treatment of mortgage investment corporations would be comparable to that of direct investments in mortgages. (*Source: Notes on a Bill introduced in the House of Commons by the Honourable Ron Besford, Minister of State for Urban Affairs, February 1, 1973*).

The Fund is one of the few mortgage investment corporations which has filed a prospectus in Canada and is therefore a “reporting issuer” under securities legislation. The Fund’s structure is unique and therefore unlike other mortgage investment corporations which are generally structured as non-redeemable funds (not in continuous distribution) and whose securities are generally listed on a stock exchange or are sold in Canada by private placement in reliance on exemptions from the prospectus requirements imposed by securities legislation. As a reporting issuer, the Fund has some characteristics that differentiate it from private equity funds. Firstly, as an investment qualified by prospectus, the Fund is available to the general investing public. In contrast, an investment in a private placement is made under securities law exemptions, which typically means that an investor must meet minimum annual income tests or net worth requirements to invest. Secondly, as a reporting issuer, the Fund is subject to certain investor protections afforded by securities legislation, such as the extensive initial disclosure provided by a prospectus and the continuous disclosure resulting from, for example, the regular provision of financial information and access to material contracts, none of which is required of private placement investments.

The Fund, through the Custodian, is the mortgagee of record for each of the Fund’s mortgages and is thus registered on title to each of the properties which are charged by such mortgages. The right of a mortgagee to make a claim and institute proceedings against a defaulting borrower belongs to the Fund and shareholders may therefore not institute individual legal actions against a borrower. However, shareholders are entitled to share proportionately in the proceeds of any recovery from a borrower. Likewise, any loss on a mortgage investment or other security held by the Fund is borne by all investors in proportion to their shareholdings.

OVERVIEW OF THE SECTOR THAT THE FUND INVESTS IN

Traditionally, mortgage financing of single dwelling residential real estate has been dominated by Canadian chartered banks, trust companies and loan companies which source mortgages largely through their own branch networks. However, such traditional mortgage lenders are restricted by their rigid lending criteria in their ability to provide certain types of mortgages. For example, traditional lenders do not cater well to those seeking a mortgage loan for a rural property (often having a septic system and a well), real estate situated in smaller agglomerations, properties with large acreages, residential developments, or bridge financing for new home construction. Additionally, traditional lending institutions are generally less willing to offer financing to borrowers who do not fit conventional underwriting standards, such as self-employed individuals, individuals compensated by commission income rather than salary, persons lacking long-term employment history, single parents, small business operators and farmers. It is therefore often difficult for such persons to obtain financing from major lenders, regardless of the loan-to-value ratio (i.e. the value of the loan expressed as a percentage of the value of the property being mortgaged) or additional security offered.

Credit-challenged borrowers and those seeking a mortgage loan for a non-prime property often turn to alternative lenders such as the Fund for mortgage financing. In exchange for assuming additional risk, alternative lenders charge rates of interest which are higher than the going rate charged by traditional lenders on prime mortgage loans.

Alternative lenders, including the Fund, source mortgages primarily through their contacts with mortgage brokers. Good relationships with mortgage brokers help ensure a steady supply of mortgage lending opportunities for the Fund.

Since neither the Fund nor the Manager is licensed to trade or administer mortgages, they cannot engage directly in the business of lending money on the security of real estate and must therefore conduct their mortgage investment activities through a licensed mortgage broker such as the Administrator. The Fund has therefore entered into an administration agreement with the Administrator pursuant to which the Administrator has agreed to service the Fund's mortgage portfolio, including the sourcing and administration of mortgages. (see "Material Contracts - Administration Agreement").

Competitive Conditions and Trends

Mortgage brokers serve as the principal source of referrals of mortgage opportunities for the Fund. In the last five years, the mortgage brokering business has remained strong and stable. Over the past couple of years, some major banks have withdrawn from the mortgage broker channel in favour of their own internal lending teams and this withdrawal may result in some future rationalization in the mortgage broker industry in Ontario for those mortgage brokers that depend on the prime lending business. According to CAAMP's (Canadian Association of Accredited Mortgage Professionals) 'Annual State of the Mortgage Market in Canada, 2015 Fall Research Report', mortgage brokers have originated 30% of all outstanding mortgage loans in Canada. The Fund continues to focus on maintaining and fostering new relationships with those mortgage brokers that generate lending opportunities in the alternative mortgage market.

Historically, the Fund faces competition from lenders of all sizes, from the major banks to private individuals and other mortgage investment corporations. The Fund has not historically competed directly with the major banks, but has rather competed with private individuals and other mortgage investment corporations in the alternative (or non-prime) mortgage market that consists of borrowers that fall outside of the major banks' lending criteria. Over the past couple of years, opportunities in the alternative mortgage market have been increasing as banks have tightened their lending criteria due to the continuing slow economy combined with changes imposed by Federal regulators that tightened the criteria for obtaining insurance on mortgages. The rural market in which the Fund operates continues to be underserved by the major banks and, due to the changing criteria of major banks, the market has expanded to include more self-employed individuals and borrowers looking to finance second properties such as a cottage. The slow economy has also presented the Fund with more opportunities for those borrowers looking for refinancing and debt consolidation.

The low interest rate environment that has existed in the overall economy for the past few years has increased the amount of competition from smaller private lenders as new participants enter the alternative lending market in search of higher yields on their capital. The growth in the net assets of the Fund, which totals approximately \$186 million at June 30, 2016, provides the Fund with a competitive advantage in the mortgage brokers' network over these private lenders. The size of the Fund provides its mortgage broker partners with a more stable, reliable, and steady source of capital for lending versus smaller lenders.

The low interest rate lending environment that has prevailed for the past few years continues to put pressure on the Fund's ability to re-invest its cash from the pay-out of existing mortgages into new mortgages of similar gross yields within its traditional Eastern Ontario lending area.

Throughout the economic downturn and continuing low-interest rate environment, the Fund continued to adjust to changing times as part of the active management of its mortgage portfolio and the Fund has been able to meet its capital preservation objectives while providing positive returns for its investors. The Fund continues to be open to new geographic areas and researches the potential of individual markets on a regular basis to determine the long-term potential of lending in targeted CMA's (Census Metropolitan Areas) and their surrounding rural areas. The Fund and the Administrator are registered to lend in the Province of Nova Scotia; however, the Fund's focus remains on expanding the geographic scope of its lending operations within the Province of Ontario.

Changes in housing prices affect the underlying security of the Fund's mortgage loans. The national media continues to report concerns of a house price "bubble" in Canada. However, these concerns arise from the rapidly increasing home prices in a select few major markets, especially the Vancouver and Toronto markets. The vast majority of the Fund's mortgage loans are supported by properties located in the more stable Eastern Ontario market and that market has fared much better with home prices remaining steady. In its Third Quarter 2016 Housing Market Assessment, CMHC did not express concern about the Ottawa housing market as "... moderating prices and continued population growth resulted in weak evidence of overvaluation [of home prices]". These level home prices combined with the Fund's first security position and conservative loan-to-value ratio lending criteria maintain the strength of the Fund's mortgage security. As at June 30, 2016, 99% of the Fund's mortgage portfolio consisted of first mortgages.

Even as larger alternative lenders come and go, the Manager believes that there remains a strong and lucrative market niche consisting in servicing smaller towns, villages and rural areas which lenders generally find economically questionable to service. Potential borrowers in this market niche relate well to experienced smaller-scale lenders such as the Fund with an understanding of their collateral and personal situation.

INVESTMENT RESTRICTIONS

This section outlines the operating restrictions and the operating and investment policies of the Fund.

Operating restrictions

The Fund'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, the Fund may not:

- (i) make a mortgage loan if, immediately after the closing of the loan transaction, the amount so lent would be greater than 10% of the book value of the Fund's net assets;
- (ii) guarantee securities or obligations of any person or company;
- (iii) engage in securities lending;

- (iv) engage in derivative transactions for any purpose;
- (v) lend money on the security of a mortgage unless an independent appraisal by a qualified appraiser of the real estate which is the primary collateral for the loan has been obtained;
- (vi) develop, manage or acquire (except by foreclosure or other enforcement of its rights as mortgagee) any real property;
- (vii) enter into a forward commitment binding on the Fund unless the Fund has, at the time such commitment is made, sufficient cash or “near cash” securities to fund the loan to which the commitment relates; or
- (viii) otherwise conduct its business in a manner that would cause the Fund not to qualify as a “mortgage investment corporation” under the Tax Act or that would result in the Common Shares not being a “qualified investment” for RRSPs and RRIFs under the Tax Act.

Operating policies

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

- (i) the Fund must obtain a Phase I environmental audit where the real estate to be provided as security for a mortgage loan is commercial property. Where the real estate is not commercial property, a Phase I environmental study will not be commissioned unless the Administrator deems such an audit to be necessary;
- (ii) the Fund will obtain title insurance in respect of real property provided as security for a mortgage loan in such amounts and on such terms as the Administrator considers appropriate or, in the alternative, will obtain a favourable title opinion from a solicitor;
- (iii) the Fund must establish and maintain property tax escrow accounts in respect of real estate property provided as security for a mortgage loan unless the Administrator has determined that the establishment of such an account is not necessary; and
- (iv) the legal title to each mortgage and other investments of the Fund must be held by and registered in the name of the Fund or of the Custodian.

Investment policies

The Fund has adopted certain policies which establish the investment criteria for the Fund's investments. By entering into the Management Agreement (see "Material Contracts – Management Agreement"), the Manager has agreed to abide by and apply these policies, which are as follows:

- (i) the Fund is required to have at all times approximately 5% of its total assets in cash, "near-cash" securities (such as term deposits, guaranteed investment certificates or money market securities) or have cash readily accessible (for example, through a line of credit) in order to meet redemption requests (see "Redemption of Securities") and also to be in a position to redeem a prior mortgagee's interest in a given property if the Manager considers that it would be advantageous for the Fund to do so having regard to the market value of the property and the amount of mortgage debt due to the Fund;
- (ii) the Fund may not hold any indebtedness, whether by way of mortgage or otherwise, of a person who is a shareholder of the Fund or of any other person who does not deal at arm's length with the annuitant of an RRSP or RRIF which holds Common Shares;
- (iii) the Fund may not make any loan or investment which does not meet the "Canadian content" requirements of paragraph 130.1(6)(c) of the Tax Act;
- (iv) the Fund may not make a loan which, together with all other mortgage loans that have priority over or rank *pari passu* with such loan, exceeds 80% of the fair market value of the mortgaged property, except when:
 - (a) such mortgage is insured under the *National Housing Act* (Canada) or any similar legislation of a province, or
 - (b) the excess over 80% is insured by an insurance company registered or licensed under the *Insurance Companies Act* (Canada) or similar legislation of a Canadian province or territory;
- (v) the Fund may not make a loan secured by a mortgage on a property in which:
 - (a) any senior officer or director of the Fund, the Administrator or the Manager, or
 - (b) any associate or affiliate of a person referred to in (a)has an interest as mortgagor;
- (vi) the Fund will not hold a fractional interest in a mortgage nor participate in mortgage syndications unless reviewed and approved by the Board of Directors from time to time;

- (vii) the Fund will not trade in mortgages in the secondary market although the Fund retains the ability, in exceptional circumstances, to assign a mortgage to a third party;
- (viii) the Fund may not hold a mortgage the term of which exceeds five years unless reviewed and approved by the Board of Directors from time to time, but mortgages held by the Fund may contain provisions permitting the mortgagor, when not in default, to renew the mortgage for one or more additional terms.

FEES AND EXPENSES

Fees and Expenses Payable by the Fund

Issue Expenses

The Fund pays all fees incurred in connection with the Offering including the cost of preparing, printing, filing and distributing the prospectus.

Management Fee

The Manager manages the affairs of the Fund and is also responsible for providing the Fund with investment advisory services. In consideration for these services, the Fund pays the Manager a monthly management fee equal to one-twelfth of 1% of the value of the Fund's gross assets, calculated on a monthly basis. Assuming constant maximum use throughout the year of the Fund's credit line of 15% of the Net Asset Value of the Fund, the total fees paid by the Fund to the Manager would represent approximately 1.15% of the Fund's Net Asset Value. The Fund also pays non-recoverable HST on the management fee.

Portfolio Adviser Fee

The fee paid by the Fund for portfolio advice and management forms part of the general management fee (see above under "Management Fee").

Mortgage Brokerage and Administration Fee

The Administrator is responsible for servicing the Fund's mortgage portfolio, including the sourcing and administration of mortgages. In consideration for these services, the Fund pays a monthly fee equal to one-twelfth of 1% of the value of the Fund's gross assets, calculated on a monthly basis. Assuming constant maximum use throughout the year of the Fund's credit line of 15% of the Net Asset Value of the Fund, the total fees paid by the Fund to the Administrator would represent approximately 1.15% of the Fund's Net Asset Value.

Operating Expenses

The Fund pays for all of its operating expenses (except advertising, marketing and promotional costs and expenses, which are shared with the Manager or Administrator, as applicable). These operating expenses include mailing and printing expenses for periodic reports to shareholders; expenses related to shareholder meetings; fees and expenses payable to the custodian of the Fund's assets; fees

payable to the auditor and legal advisors of the Fund; fees payable to, and expenses of, the members of the Board of Directors including the costs associated with the IRC (which were nil in the Fund's past year of operations) (see "Organization and Management of the Investment Fund - Directors and Executive Officers of the Fund"); ongoing regulatory filing fees and other fees payable to Canadian securities regulatory authorities; and directors' and officers' liability insurance premiums.

The operating expenses of the Fund include compensation paid to one executive officer of the Fund and to the directors of the Fund. Kevin Cruickshank, the CFO of the Fund was under contract to the Fund to May 31, 2012 and charged the Fund \$100 per hour for his services. Kevin Cruickshank received salary of \$26,139 and \$20,311 for the fiscal years ended December 31, 2012 and 2011, respectively, and received no other compensation during those fiscal years. Effective June 1, 2013 the CFO of the Fund is now paid through the Manager and the fund is billed \$3,000 per month in respect of his services.

During the fiscal year ended December 31, 2015 the directors of the Fund were paid the fees as described below and received no other compensation.

Name	Fees Earned (\$)
Robert Barnes (Chair) (1)	\$17,500
William Calvert (1)	\$15,000
Eric Dinelle	\$10,000
Margaret Kelk	\$10,000
Sheldon Jacobs	\$10,000
Andrew Blanchard (2)	\$5,000
Brad Ross (3)	\$5,000
Steve Tarasick (3)	\$5,000

- (1) William Calvert served as Chair of the Board of Directors until June 29, 2015, at which time Robert Barnes was elected as new Chair.
- (2) Andrew Blanchard was appointed a director on August 25, 2015.
- (3) Brad Ross and Steve Tarasick retired from the Board of Directors when their existing terms expired on June 27, 2015.

The directors' fees described above relate to the work that the directors are asked to perform on the Board of Directors and on committees, which includes overseeing the activities of the Manager and the Administrator, reviewing and approving mortgages, financial oversight (review of financial

statements), reviewing materials for the Fund at the various Board of Directors' meetings and providing advice and approval of the CEO's strategic direction for the Fund. The Chair of the Board of Directors assumes a greater workload as he meets with the CEO of the Fund on a regular basis to discuss the Fund's business.

Account Maintenance Fees

NBCN charges Qualified Investors an annual account maintenance fee of \$75 per account. This fee is paid for by the Manager who may, in its sole discretion, pass some or all of such fee along to the account holder. Other trustees for investors in common shares who are not clients of the Manager may charge their own account maintenance fees.

Fees and Expenses Payable by Investors

Client Advisory Fee

The Manager charges its clients, including those who subscribe for Common Shares pursuant to this Offering (referred to as "**Qualified Investors**" in this prospectus), an investment counselling or portfolio management fee. Typically, this fee is set at 1.5% of the value of the client's assets under administration, excluding the portion thereof which is invested in Common Shares. This exclusion ensures that clients of the Manager will effectively not bear the burden of two management fees (one on their overall portfolio and one on the Common Shares held within their portfolio). Investors in the Fund who are not clients of the Manager may be subject to fees charged by their adviser or securities dealer.

Account Fees

NBCN or other trustees, as applicable, may charge fees to investors in connection with cash withdrawals, account transfers and other actions involving Common Shares.

Redemption Fees

The Manager does not charge a fee to redeem Common Shares held by a shareholder.

Dealer Compensation

Qualified Investors are not charged a sales commission, a trailing commission or other compensation in connection with the distribution and sale of the Common Shares. Investors purchasing or redeeming Common Shares through their own investment adviser or securities dealer may be charged a fee or commission by their adviser or dealer.

ANNUAL RETURNS AND MANAGEMENT EXPENSE RATIO

The following table sets out the results of operations of the Fund for 2015, 2014, 2013 and 2012 (following the Amalgamation) and the Pre-Amalgamation Fund in respect to 2011, for years ended December 31⁽¹⁾:

	2015	2014	2013	2012	2011
Annual returns ⁽²⁾	5.60%	6.27%	6.02%	5.64%	6.67%
MER ⁽³⁾	2.93%	3.02%	2.89%	2.94%	3.42%

Notes:

- (1) The information presented for the year 2011 relates only to the Pre-Amalgamation Fund. The information presented in this table does not include any results relating to MICEO. The information presented for 2012 reflects the Fund following Amalgamation.
- (2) The Fund's annual returns are net of the MER.
- (3) "MER" means management expense ratio. The management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. The management expense ratio is calculated by dividing the total expenses for the stated period by the Fund's daily average net assets during such period.

RISK FACTORS

There are certain risks inherent in an investment in the Common Shares, including the following factors, which investors should carefully consider before investing. Some of the following factors are interrelated and, consequently, investors should treat such risk factors as a whole. The risk factors have been listed from the highest risk to the lowest risk.

Specific investment risk for non-conventional mortgage investments

Non-conventional mortgage investments attract higher loan loss risk due to the borrower's credit situation and sometimes high loan-to-value ratio. This higher risk is compensated for by a higher rate of return. The failure of one or more borrowers to make payments according to the terms of their loan could result in the Fund exercising its rights as mortgagee and may affect the Fund's rate of return, which is directly correlated to the receipt of mortgage payments. Also, the recovery of a portion of the Fund's assets, i.e. the property put up as collateral by the defaulting mortgagor, would be tied up for a period of time, diverting resources away from the funding of new investments. Legal fees and other costs incurred by the Fund in enforcing its rights as mortgagee against a defaulting borrower are borne by the shareholders collectively. 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. As the number of mortgages held by the Fund increases, the potential impact of one or more mortgage loans going into default will diminish.

Inability to find mortgage investments

The Fund is competing with many third parties, including other mortgage brokers and financial institutions, seeking investment opportunities similar to those sought by the Fund. 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 the investor.

Renewal of Mortgages

There can be no assurances that any of the mortgages held by the Fund can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to each mortgage held by the Fund, it is possible that either the mortgagor, the mortgagee, i.e. the Fund, or both, will elect not to renew such mortgage. In addition, if the mortgages in the Fund's mortgage portfolio are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such mortgages will be subject to negotiations between the 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.

Changes in property values

The Fund'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. 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 Fund 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 appraised value may not be achieved. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.

Concentration of the Fund's portfolio

The Fund's portfolio is invested almost exclusively in mortgage loans and the investment objectives and investment strategies of the Fund do not permit the composition of the Fund's portfolio to vary widely. Given the concentration of the Fund's exposure to the mortgage lending sector, the Fund will be more susceptible to adverse economic or regulatory occurrences affecting that sector than an investment fund that is not concentrated in a single sector. Due to the relative illiquidity of investments in mortgages, the Fund's ability to vary its investment portfolio promptly in response to changing economic or investment conditions is limited.

Reliance on third parties

In assessing the risk of an investment in the Fund, potential investors should be aware that they will be relying on the good faith, experience and judgement of certain key staff of the Manager and Administrator, particularly Matthew Robinson and also Wayne Robinson who continues to work with the Manager in a consultative role. Should Matthew Robinson or other key staff be unable or

unwilling to continue their employment with the Manager or Administrator, this could have a material adverse effect on the Fund's business, financial condition and results of its operations.

Sensitivity to interest rates

It is anticipated that the value of the Fund's investment portfolio at any given time may be affected by the level of interest rates prevailing at such time. The Fund's income will consist primarily of interest payments on the mortgages comprising the Fund's investment portfolio. If there is a decline in interest rates (as measured by the indices upon which the interest rates of the Fund's mortgage assets are based), the Fund may find it difficult to make a mortgage loan bearing rates sufficient to achieve the targeted payment of dividends on the Shares. There can be no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect the Fund's ability to maintain dividends on the Shares at a consistent level.

Due to the relatively short term of the mortgage loans made by the Fund and the inability to accurately predict the extent to which the Fund's mortgages may be prepaid, it is possible that the Fund may not be able to sufficiently reduce interest rate risk associated with the replacement of such mortgages through new investments in mortgages.

No guarantees

There is no assurance that the Fund will be able to pay dividends at the level targeted by the Fund. 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 the Fund and the rate of return on the Fund's cash balances.

Although mortgage loans made by the Fund are carefully selected by the Manager, there can be no assurance that such loans will have a guaranteed rate of return to investors 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 the Fund whole if and when resort is to be had to the security or guarantee.

Notwithstanding the past track record of the Fund, there can be no assurances that the Fund will be able to eliminate or minimize fluctuations in its Net Asset Value per Share.

Environmental liability of a mortgagee

Under various laws, the Fund 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 the Fund has exercised its right of re-entry or foreclosure or has otherwise assumed the control, occupation or management of the property. The Fund does not systematically obtain environmental audits of all properties subject to mortgages. The Administrator

only requires an environmental audit on commercial properties or any property which, in its opinion, has the potential of carrying environmental liability.

Investment not insured

Neither the Manager nor the Fund is a member of the Canada Deposit Insurance Corporation and the Common Shares offered hereunder are therefore not insured against loss through the Canada Deposit Insurance Corporation. Moreover, mortgages held by the Fund are not insured through the Canada Mortgage and Housing Corporation or otherwise.

Nature of the investments

Investments in mortgages are relatively illiquid. Such illiquidity will tend to limit the Manager's 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. The Fund may be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.

Absence of market and limited redemption rights

There is no public market for the Common Shares. The Common Shares are not listed on a stock market or quoted on any public market in Canada or elsewhere.

The ability of shareholders to redeem Common Shares is limited. Moreover, in any given year, the Fund may partially or completely suspend shareholders' right of redemption if the monetary amount of requests for redemption exceeds a certain threshold (see "Redemption of Securities").

Specific investment risk for second and third mortgage investments

The Fund will from time to time make a loan in return for a second or third charge on the property. Second or third mortgage investments attract higher loan loss risk due to their subordinate ranking to other mortgage charges and typically higher aggregate loan-to-value ratio. 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 the Fund, the Fund 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.

In order to mitigate this risk, the Fund's investment strategy limits the amount of non-first mortgage investments to 10% of the mortgages held by the Fund. In practice, the Fund does not generally invest in mortgages other than first mortgages. As at June 30, 2016, 99% of the dollar value of the Fund's mortgage loans were secured by first mortgages.

Changes in legislation

There can be no assurance that income tax or securities legislation or other laws will not be changed in a manner which, ultimately, adversely affects the holders of Common Shares.

The Fund has historically complied with securities law requirements relating to non-redeemable investment funds, including using the form of prospectus required for investment funds. Pursuant to the CSA implementation of the 'Modernization of Investment Fund Product Regulation Project' certain changes to the legislation governing non-redeemable investment funds, including the Fund, took effect in September, 2014. Such changes include the imposition of new fundamental investment restrictions and operating requirements including specific restrictions on the investment in non-guaranteed mortgages. The amended legislation also includes provisions which would effectively 'grandfather' the Fund from the specific restrictions on the investment in non-guaranteed mortgages. Notwithstanding the grandfathering provisions in the legislation the CSA have indicated that they will continue to focus on investments in non-guaranteed mortgages in the prospectus reviews of any subsequent issuances of securities by non-redeemable investment funds relying on the grandfathering provided.

Consequently the OSC indicated to the Fund that it will require the Fund to begin to comply with the securities law requirements which relate to corporate reporting issuers generally and to refrain from complying with securities law requirements relating specifically to non-redeemable investment funds. In this regard the Fund agreed to transition out of the regulatory framework governing investment funds and into the regulatory framework governing corporate reporting issuers generally on the earlier of the Fund exceeding \$250 million in Net Asset Value and five (5) years from the date of the 2014 prospectus (i.e. September 26, 2014). In connection with the aforementioned terms of transition the Fund also agreed that prior to the completion of such transition and during such transition period it would:

1. Use of Leverage: Continue the Funds' practice of restricting the use of credit facilities to a maximum of not more than 15% of the Fund's Net Asset Value at the time of borrowing, continue to refrain from using such credit facilities to increase the size of the Fund's mortgage loan portfolio beyond that which is funded by the sale of the Fund's common shares and continue to use such credit facilities only as short-term bridge financing to fund mortgage loan requirements pending the receipt by the Fund of proceeds from the sale of its common shares;

2. Limit on Second Mortgages: Amend its investment strategy to reduce the maximum value of loans secured by second mortgages from 30% to 10% of the total value of the Fund's loan portfolio;
3. Limit on Mortgages on Commercial Property: Amend its investment strategy to reduce the maximum value of loans secured by mortgages on commercial and mixed-use properties from 49% to 25% of the total value of the Fund's loan portfolio;
4. Independent Verification of Net Asset Value: Instruct its auditor to prepare a separate audit report, prepared as at each financial year-end of the Fund, in respect of the calculation of the Net Asset Value of the Fund's assets, which will take the form of an Investment Entity Review Report as per Canadian Institute of Chartered Business Valuators Standards. Furthermore the Fund will file such report on SEDAR at the same time as the Fund files its annual audited financial statements on SEDAR.

Upon the Fund's transition into the regulatory framework governing corporate reporting issuers there will be changes to the continuous disclosure obligations of the Fund and there could be other changes, possibly including changes in the way that the Fund distributes Common Shares. Although the Fund has had ongoing discussions with OSC staff in the corporate finance branch it is unknown at this time what, if any, changes to the operations of the Fund may be required by the OSC in connection with the completion of the transition into securities law requirements which relate to corporate reporting issuers. It is possible that the OSC may require the Fund to implement changes upon completion of the transition which could have the effect of increasing the expenses of the Fund and thereby decreasing the Funds overall returns as compared to historical rates. Based on the rate of growth of the Fund the Manager does not anticipate that the Fund will reach the aforementioned \$250 million Net Asset Value transition threshold before the Fund is required to renew its prospectus in 2018. In the meantime the Manager, on behalf of the Fund, will continue to communicate with OSC staff in order to determine what, if any, changes to the operations of the Fund may be required by the OSC in connection with the completion of the transition.

The CSA have also deferred the finalization and implementation of new legislation to create a new alternative funds framework. It is possible that the Fund could be affected by any such new alternative funds framework or other legislative changes affecting mortgage investment entities including the Fund. The Manager will continue to monitor the status of the development and implementation of a new alternative funds framework and other relevant legislative changes and their potential effect upon the Fund.

Potential conflicts of interest

The Manager has sole discretion in determining which mortgages it will make available to the Fund for investment. Conflicts of interest may arise because of the fact that the Manager also advises and transacts in mortgages for private clients.

DISTRIBUTION POLICY

The Fund's by-laws provide that all of the investment income of the Fund, after payment of the Fund's expenses, including without limitation the fees under the material contracts described elsewhere in this prospectus (see "Material Contracts"), will be systematically paid to shareholders of record as at the last Business Day in each month (the "**Record Date**").

Shareholders may elect to have dividends paid to them in cash (the "**Cash Election**") at the time of their initial purchase of Common Shares or at the date which coincides with a Redemption Date. Once the Cash Election has been made, it may only be changed by written notice to the Manager; such change will only take effect as of the first Redemption Date following the receipt of such notice. Shareholders who have not made the Cash Election as at the Record Date will receive declared dividends in the form of additional Common Shares or fractions thereof (the "**Dividend Shares**"). Dividend Shares will be credited to the account of such shareholders in proportion to the shareholder's respective shareholdings as at the close of business on the Record Date.

Dividends will be paid (for those shareholders having made the Cash Election) or will be reinvested in additional Common Shares (for those shareholders who have not made the Cash Election) no later than the thirtieth day following the month during which the dividend is declared. Cash dividends will only be paid by direct deposit into a shareholder's account.

For each calendar year the Manager targets an annualized yield (net of all fees and expenses of the Fund) approximately equal to the yield on the five year guaranteed return non-redeemable guaranteed investment certificates offered by the Fund's banker, Royal Bank of Canada, on the last day of the prior calendar year plus 300 basis points (i.e. plus 3%). For calendar 2016 the target annualized yield of the Fund is 4.50%.

PURCHASES OF SECURITIES

The Fund has not retained an underwriter to act as principal distributor of the Common Shares. Common Shares are sold by the Fund on one day per month and may be purchased by Qualified Investors through the Manager, as described in this prospectus under the heading "Plan of Distribution", or they may be purchased by investors through a registered adviser or securities dealer of their choice.

Qualified Investors who purchase Common Shares through the Manager are not required to pay a brokerage fee or commission (see "Fees and Expenses"). Others who purchase Common Shares through a registered adviser or securities dealer of their choice may be charged a sales commission by their adviser or dealer.

The Fund values its Common Shares on a monthly basis. Common Shares will be issued at a purchase price equal to the Net Asset Value per Share established on the next Valuation Date immediately following the day on which a purchase order is received by the Manager. While the Fund intends to manage its business in such a way as to eliminate or minimize fluctuations in its Net Asset Value per Share, there is no guarantee that the Net Asset Value per Share will not fluctuate.

The Fund reserves the right to reject any purchase order for the purchase of Common Shares. Any such rejection will be made no later than two Business Days after receipt by the Fund of the purchaser's order. On rejection of the order, all cash received with the order will be refunded immediately.

REDEMPTION OF SECURITIES

The Fund will accept redemption orders for its Common Shares once a year on the Redemption Date. Shareholders may redeem Common Shares by providing a written request to the Manager no later than 4:00 p.m. on the Redemption Cut-off Date. Any redemption notice that the Manager determines to be incomplete, not in proper form or not duly executed shall, for all purposes, be void and of no effect and the redemption privilege to which the notice relates shall be considered, for all purposes, not to have been thereby exercised. If the registered owner of the Common Shares is a corporation, partnership, agent, fiduciary or surviving joint owner, the Fund may require additional information.

The Fund may also, at its sole discretion, purchase Common Shares for redemption on a day other than the Redemption Date: (i) in the event of the death of the holder of Common Shares; or (ii) in situations of marital breakdown in order to facilitate compliance by the shareholder with the terms of a separation agreement or court order; or (iii) in situations of personal hardship where, in the opinion of the Board of Directors, early redemption is warranted.

The price at which Common Shares will be redeemed will be the Net Asset Value per Share established for the month of November following the receipt of a redemption request, together with any required documentation. Redemption proceeds will be paid out within ten days of the Redemption Date.

Qualified Investors are not required to pay a brokerage fee or commission in connection with the redemption of Common Shares (see "Fees and Expenses"). Other persons redeeming Common Shares may be charged a fee by their dealer.

The Fund will not redeem Common Shares for which a notice of redemption is received if the redemption of the aggregate number of Common Shares scheduled to be redeemed in a year would result in the Fund redeeming a number of Common Shares which is greater than 25% of the Common Shares issued and outstanding as at the beginning of such year. The Board of Directors may, in its sole discretion, waive the aforementioned limitation in respect of any Redemption Date. Failing such waiver, Common Shares which are earmarked for redemption will be redeemed on a *pro rata* basis up to the maximum aggregate amount allowable in application of the above threshold.

INCOME TAX CONSIDERATIONS

In the opinion of Torkin Manes LLP, counsel to the Fund, the following constitutes a fair and adequate summary of the principal Canadian federal income tax considerations applicable to investors hereunder.

This summary only applies to an investor who, for the purposes of the Tax Act, is a resident of Canada, will hold the Common Shares as capital property and deals at arm's length and is not affiliated with the Fund. The Common Shares will generally be considered to constitute capital property to an investor unless the investor either holds such securities in the course of carrying on a business of trading or dealing in securities or has acquired such securities in a transaction or transactions considered to be an adventure or concern in the nature of trade, and this summary is based on the assumption that neither of these circumstances apply. Certain investors who are resident in Canada and whose Common Shares do not otherwise qualify as capital property may in certain circumstances make an irrevocable election to have their Common Shares and every other "Canadian security" (as defined in the Tax Act) owned by such investor deemed to be capital property.

This summary is based upon the further assumption that the Fund qualifies as a mortgage investment corporation (a "MIC") at all relevant times. The Fund has advised counsel that it intends to meet all of the requirements under the Tax Act to qualify as a MIC throughout its current taxation year and for all of its future taxation years. Counsel expresses no opinion as to the status of the Fund as a MIC. If the Fund were to cease to qualify as a MIC at any time, the income tax considerations would be materially different from those described below.

This summary does not apply to an investor (i) that is a "specified financial institution" or a "financial institution" both as defined in the Tax Act; (ii) an interest in which constitutes a "tax shelter investment" within the meaning of the Tax Act; (iii) that reports its Canadian tax results in a "functional currency" (which excludes Canadian dollars); or (iv) that has entered into a "derivative forward agreement" as defined in the Tax Act with respect to the Common Shares..

This summary is based upon the facts set out in this prospectus, the current provisions of the Tax Act, all specific proposals (the "**Tax Proposals**") to amend the Tax Act 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. This summary assumes that any 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 considerations. It is not intended to be and should not be interpreted as legal or tax advice to any particular individual. Individuals are urged to consult with their own tax adviser regarding the income tax considerations to them of acquiring, holding and disposing of the Common Shares, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.

Status of the Investment Fund

This summary is based on the assumption that the Fund is a MIC at all relevant times. A MIC is deemed to be a public corporation under the Tax Act, however, the Tax Act effectively treats a corporation that qualifies as a MIC as a flowthrough entity so that a shareholder of a MIC is put in a similar position from an income tax perspective as if the investments made by the MIC had been made directly by the shareholder.

A number of conditions imposed under the Tax Act must be met throughout a taxation year in order for the Fund to qualify as a MIC for that taxation year. These conditions will generally be satisfied if, throughout a taxation year of the Fund:

- (i) the Fund was a Canadian corporation as defined in the Tax Act;
- (ii) the Fund's only undertaking was the investing of its funds and it did not manage or develop any real or immovable property;
- (iii) no debts were owing to the Fund that were secured on real or immovable property situated outside Canada;
- (iv) no debts were owing to the Fund by non-resident persons unless such debts were secured on real or immovable property situated in Canada;
- (v) the Fund did not own shares of corporations not resident in Canada;
- (vi) the Fund did not hold real or immovable property situated outside of Canada, or any leasehold interest in such property;
- (vii) the cost amount of the Fund's property consisting of money, debts secured (whether by mortgages, hypothecs, or in any other manner) on houses or on property included within a housing project (as those terms are defined in the *National Housing Act* (Canada), and deposits with a bank or any other corporation whose deposits are insured by the Canada Deposit Insurance Corporation, the Régie de l'assurance-dépôts du Québec, or with a credit union (such debts and deposits referred to as the "**Qualifying Property**") was at least 50% of the cost amount to it of all of its property;
- (viii) the cost amount of real or immovable property (including leasehold interests therein but excluding real or immovable property acquired as a consequence of foreclosure or defaults on a mortgage, hypothec or agreement of sale of real property) owned by the Fund did not exceed 25% of the cost amount to it of all of its property;
- (ix) the Fund had at least 20 shareholders and no person was a "specified shareholder", meaning that no shareholder (or related person as such term is defined in the Tax Act) together held, directly or indirectly, more than 25% of the shares of any class of the Fund at any time in the taxation year. Special rules apply for the purposes of counting shareholders that are registered pension plans or DPSPs;
- (x) holders of preferred shares, if any, had a right, after payment to them of their preferred dividends, and payment of dividends in a like amount per share to the holders of the Common Shares, to participate *pari passu* with the holders of common shares in any further payment of dividends;
- (xi) where at any time in the year the cost amount to the Fund of its money and Qualifying Property was less than two-thirds of the cost amount to it of all of its

property, the Fund's liabilities did not exceed three times the amount by which the cost amount to it of all of its property exceeded its liabilities;

- (xii) where the requirement in (xi) is not met in that the cost amount of its money and Qualifying Property equalled or was greater than two-thirds of the cost amount of all its property, the Fund's liabilities did not exceed five times the amount by which the cost amount to it of all its property exceeded its liabilities.

With respect to the requirement noted above that no shareholder (or related person as such term is defined in the Tax Act) may together hold, directly or indirectly, more than 25% of the shares of any class of the Fund, for these purposes a "related person" 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. The rules in the Tax Act defining "related persons" are complex and holders should consult with their own tax advisors in this regard.

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

Taxation of the Investment Fund

The Fund is a "public corporation" for purposes of the Tax Act and is consequently subject to tax at the full general corporate tax rates on its taxable income. However, provided the Fund remains a MIC throughout the year, the Fund will be entitled to deduct from its taxable income 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 Fund in computing its income for the preceding year. A MIC may declare a capital gains dividend in an amount equal to the gross amount of its capital gains and is entitled to deduct one half of such capital gains dividends from its taxable income. The Fund must elect to have the full amount of a dividend qualify as a capital gains dividend.

The Fund has advised that it intends to declare dividends each year in sufficient amounts to reduce its taxable income to nil and to elect to have dividends be capital gains dividends to the maximum extent allowable. To the extent that it does not do so, the Fund will be taxed at the highest corporate rates.

Any dividends deemed to be paid by the Fund on the redemption of the Common Shares will be deductible to it and will qualify for treatment as capital gains dividends on the same basis as other dividends.

Taxation of Shareholders

Provided the Fund qualifies as a MIC under the Tax Act throughout the taxation year, any dividends, other than capital gains dividends, received from the Fund by a shareholder (whether paid in cash or reinvested in Common Shares) who is a resident of Canada will be deemed to be interest income for income tax purposes. Shareholders will therefore be required to include in their income as interest all amounts received as, or on account of, any ordinary dividends. The provisions of the Tax Act providing for interest accrual, the gross-up and dividend tax credit in respect of taxable dividends received by individuals from taxable Canadian corporations, and for the deduction generally available to corporations for inter-corporate dividends received, will not apply in respect of ordinary dividends. Similarly, the provisions of Part IV of the Tax Act will not be applicable to the receipt of ordinary dividends by a corporate shareholder.

Any capital gains dividends paid by the Fund to a shareholder (whether paid in cash or reinvested in Common Shares) will be treated as a capital gain of the shareholder from the disposition in the year of capital property for the year in which the dividend is received.

The reinvestment of an ordinary dividend or capital gains dividend in additional Common Shares will have the same consequence for determining the adjusted cost base of a shareholder's Common Shares as any other purchase of Common Shares. In particular, if a dividend is paid in Common Shares, or paid in cash and reinvested in Common Shares, the adjusted cost base of such Common Shares acquired by a shareholder will be equal to the amount of the dividend, or the amount of cash so reinvested, as the case may be.

Where a shareholder is a Canadian-controlled private corporation (as defined in the Tax Act), capital gains dividends and ordinary dividends received on the Common Shares will be subject to an additional tax of 6 $\frac{2}{3}$ %, which is refundable when the shareholder pays taxable dividends (at a rate of \$1.00 per every \$3.00 of taxable dividends paid).

A sale or other disposition of Common Shares by a shareholder (other than redemption by the Fund), including deemed dispositions, will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition of the Common Shares exceed (or are exceeded by) the shareholder's adjusted cost base of the Common Shares disposed of and any reasonable disposition costs.

Generally, one-half of a capital gain realized in the year by a shareholder on the disposition of Common Shares will be included in the shareholder's income for the year, and one-half of a capital loss realized in the year on such a disposition of common shares will be deducted from the shareholder's taxable capital gains, if any, realized in the same year. Allowable capital losses in excess of taxable capital gains in a particular year may, in general, be carried back three years or forward indefinitely and deducted against taxable capital gains, subject to the rules in the Tax Act.

On a redemption or acquisition of common Shares by the Fund, the shareholder will be deemed to have received, and the Fund will be deemed to have paid, a dividend in an amount equal to the amount by which the redemption price exceeds the paid-up capital of the Common Shares. This deemed dividend will be treated in the same manner as other dividends received by the shareholder from the Fund, and will depend on whether the Fund elects that the entire dividend be a capital gains

dividend. The balance of the redemption price will constitute the proceeds of disposition of the Common Shares for purposes of the capital gains rules.

Eligibility for Investment

The Common Shares will be qualified investments under the Tax Act for a trust governed by a RRSP, a RRIF, a DPSP, a RDSP, a TFSA and a RESP, provided that the Fund qualifies as a MIC throughout a taxation year and further provided that at any time in the relevant calendar year, the Fund does not hold any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer, or a subscriber under the particular registered plan, or of any other person who does not deal at arm's length with that person.

Notwithstanding that the Common Shares may be qualified investments for a trust governed by a TFSA, RRSP or RRIF, the holder of a TFSA or annuitant under the RRSP or RRIF will be subject to a penalty tax if such securities are a "prohibited investment" for the TFSA, RRSP or RRIF, as applicable. The Common Shares will generally be a "prohibited investment" if: (i) the holder of a TFSA or annuitant under the RRSP or RRIF does not deal at arm's length with the Fund for purposes of the Tax Act or; (ii) the holder of the TFSA or annuitant under the RRSP or RRIF has a "significant interest" (within the meaning of the Tax Act) in the Fund or a corporation, partnership or trust with which the Fund does not deal at arm's length for purposes of the Tax Act. A "significant interest" in a corporation generally means ownership of 10% or more of the issued shares of any class of the capital stock of the corporation (or of any related corporation), either alone or together with persons with which the shareholder does not deal at arm's length for purposes of the Tax Act. Holders of a TFSA, RRSP and RRIF should consult their own advisors in this regard.

Taxation of Registered Plans

Dividends received by an RESP, RRSP, TFSA, RRIF, DPSP or RDSP on Common Shares that are a qualified investment for such a registered plan will generally be exempt from income tax in the registered plan, as will capital gains realized by the registered plan on the disposition of such Common Shares. Withdrawals from an RRSP, RRIF, DPSP, RDSP, and in some cases, an RESP, are generally subject to tax under the Tax Act.

Tax Implications of the Investment Fund's Distribution Policy

The Net Asset Value of a Common Share may be attributable in part to income and capital gains that have been earned by the Fund, but which have not yet been realized and/or paid out as a dividend. If a shareholder invests in Common Shares before a dividend is declared, the shareholder will be taxed on the full amount of any such dividend that is received by the shareholder. If the Company adopts a distribution policy of paying equal monthly distributions to shareholders of record on the last business day of each month, an investor who acquires a share late in the month but prior to the dividend will pay tax on the entire dividend, which will generally reflect the income and/or capital gains earned by the Fund throughout the month up to the time of payment, though the shareholder will have only just acquired Common Shares.

ORGANIZATION AND MANAGEMENT DETAILS OF THE INVESTMENT FUND

Officers and Directors of the Investment Fund

The following table sets out information about each director and executive officer of the Fund.

Name and Municipality of Residence	Position and Term of Office	Principal Occupation(s)
BOARD OF DIRECTORS		
Robert Barnes ⁽¹⁾ Burlington, Ontario	Chair since June 2015 Director since July 1, 2012 Term expires June 2019	Director, Managed Services at EllisDon since 2011. Director of the Pre-Amalgamation Fund since 2005. General Manager, Robinson Solutions Inc. (buildings systems solution provider) 2008 to 2011; Managing Director, Axis Database Marketing Inc. and Compliance Marketing Services, Inc. (integrated marketing and technology services) from 1997 to 2008
William Calvert ⁽¹⁾ Huntsville, Ontario	Director since July 1, 2012 Term expires June 2019	Retired senior municipal and provincial civil servant; Director of the Pre-Amalgamation Fund since 2007; consultant to various municipalities and provincial ministries
Eric Dinelle ⁽¹⁾ Kingston, Ontario	Director since July 1, 2012 Term expires June 2017	Owner of Environmental Contracting Services since 2010; Director of the Pre-Amalgamation Fund since 2007; Senior Project Manager with City of Kingston 2009; Senior Project Manager – Planning, Kingston General Hospital 2003-2009
Margaret Kelk ⁽¹⁾ Portland, Ontario	Director since July 1, 2012 Term expires June 2017	Retired teacher, artist, owner and manager of farming and real property rental operations since the 1970s; Director of the Pre-Amalgamation Fund since 2005
Sheldon Jacobs ⁽¹⁾ Brownsburg-Chatham, Quebec	Director from July 1, 2012 Term expires June 2018	Retired teacher of business and economics. Director of MICEO from 2002 until Amalgamation.

Name and Municipality of Residence	Position and Term of Office	Principal Occupation(s)
Andrew Blanchard ⁽¹⁾ Belleville, Ontario	Director from August 25, 2015 Term expires June, 2018.	Operations Manager, Bayview Auto, from April 2015 to present; Management Consultant with McKinsey & Company from August, 2013 to April, 2015; Operations Manager, Procter & Gamble from June, 2006 to August, 2013.
EXECUTIVE OFFICERS		
Matthew Robinson, CIM Sharbot Lake, Ontario	Chief Executive Officer since July 1, 2014	Chief Executive Officer of the Fund since July 1, 2014; Director and President of the Administrator since July 1, 2014; Director & President of the Manager since July 1, 2014. Prior thereto principal and broker with Lake District Realty Corporation.
Kevin Cruickshank, CPA, CA Cloyne, Ontario	Chief Financial Officer since July 1, 2012	Chief Financial Officer of the Pre-Amalgamation Fund since 2005; Chief Financial Officer of MICEO from 2006 to Amalgamation; Chief Financial Officer of the Administrator and the Manager since 2006; Partner in Seeds & Company LLP Chartered Accountants (public accounting practice) from 2008 to 2012; Partner in The Loon's Call Campground & Cottage Resort from 2002 until present; Chief Financial Officer of the Hanley Group of Companies (quick food service operations, investment company) from 2000 to 2004

Note:

(1) Member of the audit committee.

The Board of Directors consists of individuals who are independent from the Manager. Pursuant to the Fund's by-laws, directors may neither be appointed for a term of office of less than two years nor for a term of office of more than five.

The Fund's by-laws provide that a director, in order to qualify as such, must either hold Common Shares, acquire Common Shares within 10 days of his or her nomination or have held Common

Shares in one of the two years preceding his or her nomination. The constating documents of the Fund provide for a minimum of three and a maximum of ten directors.

The Fund's directors other than the Chair have been entitled to receive a yearly honorarium not exceeding \$10,000. The Chair of the Fund has been entitled to a yearly honorarium of \$20,000. The Board of Directors has approved an increase in the yearly honoraria, effective July 1, 2016, to \$15,000 for directors and \$25,000 for the Chair. Directors are also entitled to reimbursement of their out-of-pocket expenses incurred in the course of their duties.

Role of the Board of Directors

The Board of Directors receives the Manager's investment recommendations in order to review and approve the making of mortgage loans by the Fund. Currently, executive management of the Administrator is permitted to approve individual loans of up to 0.5% of the net assets of the Fund, one independent director of the Fund is required to approve individual loans of amounts between 0.5% to 2.0% of the net assets of the Fund and the full board of the Fund, by ordinary resolution, is required to approve individual loans of amounts in excess of 2.0% of the net assets of the Fund. As part of such approval process, the directors are provided with a full underwriting report consisting of a thorough credit assessment of the prospective borrower and the proposed collateral, along with an appraisal prepared by a qualified independent appraiser and a Phase I environmental audit, where deemed necessary by the Administrator. The director or directors approving a mortgage transaction will review the Administrator's underwriting report in order to ensure that the transaction meets the Fund's investment objectives and complies with its policies.

The entire Board of Directors also serves as the Independent Review Committee for the Fund (see "Organization and Management Details of the Investment Fund - Independent Review Committee").

Audit committee

Pursuant to the CBCA, the Fund is required to have an audit committee comprised of at least three directors, a majority of whom are not officers or employees of the Fund or any affiliate thereof. The Fund's audit committee currently consists of the board as a whole. The Chair of the audit committee is Eric Dinelle. The committee is responsible for, amongst other things, reviewing the financial statements of the Fund, its management reports on fund performance and other continuous disclosure requirements, prior to their approval by the directors, where needed.

Ownership of Securities of the Investment Fund and of the Manager

Collectively, the directors and executive officers of the Fund own, as at August 31, 2016, 119,495 Common Shares or approximately 1.87% of all issued and outstanding Common Shares. All of the voting shares of the Manager are owned of record or beneficially by individuals who are either directors or executive officers of the Fund. All of the voting shares of the Administrator are owned of record or beneficially by an individual who is an executive officer of the Fund.

Each director and officer of the Manager owns Common Shares. Collectively, the directors and executive officers of the Manager own of record or beneficially, as at August 31, 2016, 25,172 Common Shares or approximately 0.39% of all issued and outstanding Common Shares. All of the

voting shares of the Manager are owned of record or beneficially by individuals who are either directors or executive officers of the Manager. All of the voting shares of the Administrator are owned of record or beneficially by an individual who is a director and executive officer of the Manager.

Collectively, the members of the IRC own, as at August 31, 2016, 100,936 Common Shares or approximately 1.58% of all issued and outstanding Common Shares. No voting shares of the Manager or the Administrator are owned of record or beneficially by any member of the IRC.

Administrator of the Investment Fund

Pillar Financial Services Inc. (the “**Administrator**”) was incorporated under the *Business Corporations Act* (Ontario) on September 17, 1986. The Administrator is a licensed mortgage broker and administrator. Its registered office is located at The Simonett Building, 14216 Road 38, Sharbot Lake, Ontario, K0H 2P0. Matthew J. Robinson is the President, a director and the sole voting shareholder of the Administrator, Kevin Cruickshank is CFO of the Administrator and Wayne Robinson is a director of the Administrator (for further details on these individuals, see “Organization and Management Details of the Investment Fund – Manager of the Fund – Officers and Directors of the Manager of the Fund”). The Administrator has for over twenty years been underwriting, brokering and administering mortgages on behalf of individual lenders or mortgage pools. It has, at the date hereof, fifteen employees, five of which are also employed by the Manager.

The decision to underwrite a particular loan involves an analysis of both the prospective borrower and the proposed real estate collateral. The Administrator has adopted policies and procedures based upon the Canadian Institute of Mortgage Brokers and Lenders’ Consolidated Mortgage Best Practices, which permit it 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 and also guarding against mortgage fraud.

The Administrator currently principally conducts business in the province of Ontario, but is also registered to conduct business in the province of Nova Scotia. Should the Fund require it, or should the Administrator otherwise wish to expand its business to other jurisdictions, it will apply, if necessary, to become registered under applicable legislation to carry on business as a mortgage broker or equivalent in such other jurisdictions.

Duties and Services to be provided by the Administrator

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 Fund nor the Manager is licensed as mortgage brokers or administrators, they must therefore conduct their mortgage investment activities through a licensed mortgage broker such as

the Administrator. The Corporation has therefore entered into an administration agreement with the Administrator, pursuant to which the Administrator has agreed to service the Fund's mortgage portfolio, including the sourcing and administration of mortgages.

Mortgage transactions for the Fund will generally be sourced by the Administrator from other mortgage brokers. The Administrator has no exclusive arrangement with any particular mortgage broker for the origination of mortgages. The Administrator does not remunerate the mortgage broker who originated the loan. Rather, mortgage brokers are paid a commission by the borrower at the time of closing of a loan transaction. The Administrator also charges a commission to the borrower (see “Interests of Management and Others in Material Transactions”).

In concert with the Manager, the Administrator will review mortgage loan applications to ensure that they meet the Fund's lending criteria and that adequate supporting documentation has been provided by a prospective borrower. Staff of the Administrator will conduct an inspection of the property to be granted as collateral and secure a third-party appraisal thereof. The Administrator 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 Administrator is responsible for instructing legal counsel to take legal action against the mortgagor and, where such action includes enforcing against the mortgaged property, for retaining an independent appraiser to obtain a more recent valuation of the mortgaged property if required.

Details of the Administration Agreement

The initial Administration Agreement between the Pre-Amalgamation Fund and the Administrator was signed on December 20, 2004 for a three-year term. The Administration Agreement was renewed for a further three-year term in December 2007. It was then amended and restated on June 21, 2008 in order to reflect the appointment of W.A. Robinson Asset Management Ltd. as the manager of the Fund and amend its renewal provisions. The Administration Agreement was adopted by the Fund following the Amalgamation and, in June 2013, this agreement was automatically renewed for an additional five year term. As compensation for the services provided by the Administrator to the Fund, the Administrator receives a monthly fee equal to $1/12^{\text{th}}$ of 1% of the value of the Fund. Following the Amalgamation the Fund adopted the Amended and Restated Administration Agreement. For further details, see “Material Contracts – Administration Agreement”.

Manager of the Investment Fund

W.A. Robinson Asset Management Ltd. was incorporated pursuant to the *Business Corporations Act* (Ontario) on September 29, 1980. The corporation changed its name to “W.A. Robinson Asset Management Ltd.” from “W.A. Robinson & Associates Ltd.” by articles of amendment dated June 11, 2012. The Manager is registered with the Ontario Securities Commission as an exempt market dealer, portfolio manager and investment fund manager, with the securities regulatory bodies for the Provinces British Columbia, Alberta, Saskatchewan and Manitoba as a portfolio manager and exempt market dealer, and with the securities regulator in Quebec as a portfolio manager. The head and registered office of the Manager is located at The Simonett Building, 14216 Road 38, Sharbot

Lake, Ontario, K0H 2P0. As at the date hereof the Manager has fifteen employees, five of which are also employed by the Administrator.

Duties and Services to be Provided by the Manager

The Manager is responsible for directing the affairs and managing the business of the Fund. The Manager also retains responsibility for the management of the Fund’s portfolio, providing investment analysis and recommendations in conformance with the Fund’s investment policies and restrictions and making investment decisions, and for making brokerage arrangements. The services provided by the Manager include, without limitation, calculating the Net Asset Value of the Fund and the Common Shares, keeping the accounts and financial records, preparing the annual audit file and liaising with the auditor, preparing reports on Fund performance, preparing the prospectus of the Fund and arranging for the annual refiling thereof, liaising with portfolio managers in relation to their purchase of Common Shares on behalf of their clients, arranging the Fund’s annual and general meeting of shareholders and preparing the Fund’s shareholder meeting materials, calculating, confirming and arranging payment of all subscriptions, redemptions, fees and expenses, and arranging for the payment of all dividends, liaising with the Fund’s Administrator, Custodian, Transfer Agent and Registrar and legal counsel, arranging for the enforcement of mortgage security where required, liaising with investors, ensuring compliance with legislative requirements including SEDAR filings, liaising with securities regulators on matters relating to the Fund and providing office amenities required for the operation of the Fund.

The Manager is also responsible for acting as transfer agent and registrar of the Common Shares of the Fund or to ensure these services are provided. In March 2012, the Manager subcontracted the transfer agent and registrar functions to SGGG Fund Services Inc.

Details of the Management Agreement

The Pre-Amalgamation Fund and W.A. Robinson Asset Management Ltd. entered into an Investment Advisory and Fund Management Agreement dated June 21, 2008 (the “**Management Agreement**”). The Management Agreement was adopted by the Fund following the Amalgamation and, in June 2013, this agreement was automatically renewed for an additional five year term. As compensation for the services provided by the Manager to the Fund, the Manager receives a monthly fee equal to 1/12th of 1% of the value of the Fund. For further details, see “Material Contracts – Investment Advisory and Fund Management Agreement”.

Officers and Directors of the Manager of the Investment Fund

EXECUTIVE OFFICERS AND DIRECTORS OF THE MANAGER		
Matthew Robinson, CIM Sharbot Lake, Ontario	President since July 1, 2014, Director	Matthew J. Robinson is the President, a director, and the controlling shareholder of the Manager. For the past three years, he has been actively involved in all aspects of the management and supervision of the business of the Fund including portfolio analysis and strategic asset allocation. Matthew J. Robinson is the eldest son of

		<p>the Manager's founder and former President, Wayne A. Robinson. Matthew J. Robinson succeeded Wayne Robinson as President of the Manager on July 1, 2014. Matthew holds a CIM (Certified Investment Manager) designation and is registered as an Advising Representative under the Manager's Portfolio Manager registration. Matthew received his Bachelor of Science degree from Queen's University on June 1, 2000 with the majority of his electives taken in Commerce. Prior to assuming full-time duties with the Manager, over the previous fifteen years, Matthew gained extensive experience and expertise in real estate analysis and finance as principal and broker of Lake District Realty Corporation, a real estate firm. Matthew Robinson is also a mortgage broker and director of the Administrator.</p>
<p>Kevin Cruickshank, CPA, CA Cloyne, Ontario</p>	<p>Vice-President since July 31, 2016, Chief Financial Officer since 2006</p>	<p>Mr. Cruickshank graduated from Sir Wilfrid Laurier University with a Bachelor of Business Administration (Honours) with Distinction in 1990 and was admitted to the membership of the Institute of Chartered Accountants of Ontario in 1993. After having worked for five years as a Chartered Accountant with the firm of Wilkinson & Company LLP in Belleville, Ontario, Mr. Cruickshank spent the next five years as the Vice-President of Finance for the Cooney Transport Group of Companies where he oversaw the financial affairs of a group of nineteen companies involved in international trucking operations with a real estate network of seven terminals located in Ontario and Quebec. In 2000, Mr. Cruickshank was appointed Chief Financial Officer of the Hanley Group of Companies, also in Belleville, Ontario, where he oversaw the financial affairs of several companies involved in quick food service operations and managed an investment company. Since 2002, he has been a partner in The Loon's Call Campground & Cottage Resort, a seasonal resort operation located in Cloyne, Ontario. After leaving the Hanley Group of Companies in 2004, Mr. Cruickshank continued his accounting practice assisting clients with business planning and financial matters in addition to providing traditional accounting and taxation services until June 2012 when he joined the Manager on a full-time basis. Mr. Cruickshank has served as the Chief Financial Officer for the Fund since June 22, 2005. Mr. Cruickshank also serves as Chief Financial Officer of the Administrator.</p>
<p>Wayne Robinson, CFA, CFP, RFP, CIM Sharbot Lake, Ontario</p>	<p>Director</p>	<p>Mr. Wayne A. Robinson is a director and the founder of the Manager and the Fund. Mr. Robinson graduated in 1972 from Queen's University with a bachelor's degree in Science. From 1972 to 1978, Mr. Robinson was Executive Director of the North Frontenac Community Services Corporation. He then was Chief Executive Officer of Oconto Propane & Service Ltd., a gas services and wholesale distributor of petroleum products for the next six</p>

		<p>years. He sat on the Board of Directors of the Ontario Development Corporation, a Crown lending agency, from 1985 to 1991. Mr. Robinson has been working in the financial services industry since 1985. Mr. Robinson holds the following designations: CFA (Chartered Financial Analyst), CFP (Chartered Financial Planner), RFP (Registered Financial Planner) and CIM (Certified Investment Manager). He has been certified in real estate finance by the Real Estate Institute of Canada and is a member of the Canadian Institute of Mortgage Brokers.</p>
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Portfolio Advisor

W.A. Robinson Asset Management Ltd. has retained the role of portfolio advisor of the Fund. For further information see “Manager of the Investment Fund”.

The Manager offers financial planning and counselling services to high net worth individuals and owners of privately-held corporations. The Manager also provides portfolio management services to private clients and the Fund (see “Risk Factors – Potential conflicts of interest”). The Manager has been retained by the Fund to provide investment advisory services in respect of the selection of investments for the Fund's portfolio.

Mr. Matthew J. Robinson is responsible for the portfolio advisory and management services provided by the Manager. He is the President, a director and controlling shareholder of the Manager. For details of his qualifications and experience, see “Organization and Management Details of the Investment Fund – Officers and Directors of the Manager of the Investment Fund”.

Details of the Portfolio Advisory Agreement

The Pre-Amalgamation Fund and the Manager entered into an agreement for the provision of portfolio management services (the “**Portfolio Advisory Agreement**”) on December 20, 2004 for a three-year term. The Portfolio Advisory Agreement was renewed in December 2007 for a further three years. The Portfolio Advisory Agreement was terminated on June 21, 2008. In order to reflect the appointment of W.A. Robinson Asset Management Ltd. as the manager of the Fund, a new agreement (the “**Management Agreement**”) was entered into on June 21, 2008 which encompasses both W.A. Robinson Asset Management Ltd.’s previous portfolio advisory role as well as its role as Fund manager. The Management Agreement was adopted by the Fund following the Amalgamation and, in June 2013, was automatically renewed for an additional five year term. Pursuant to the Management Agreement, the Manager is responsible for the following portfolio services: (i) identifying, with the assistance of the Manager, mortgage investment opportunities; (ii) providing the Fund's directors with information relating to proposed mortgage loans; and (iii) managing the Fund's cash reserves. The Corporation pays the Manager a single fee for both its portfolio advisory services and general administrative services. See “Material Contracts – Investment Advisory and Fund Management Agreement”.

Conflicts of Interest

Conflicts of Interest of the Directors and Executive Officers of the Fund

Each of the directors and officers of the Fund own Common Shares.

The potential for conflicts of interest between the Fund and its directors and executive officers is mitigated by tax rules and corporate law. In effect, in order to continue to qualify as a mortgage investment corporation under the Tax Act, the Fund is prohibited from making a loan secured by a mortgage on a property in which any senior officer or director of the Fund, the Administrator or the Manager, or any associate or affiliate of such individuals has an interest as mortgagor (see “Investment Restrictions”). For a further discussion of potential conflicts of interest of the Fund’s directors and officers, see “Interests of Management and Others in Material Transactions” and “Risk Factors – Potential conflicts of interest”.

The Chief Executive Officer of the Fund, Matthew J. Robinson, owns Common Shares and is also a shareholder, director and officer of the Manager and of the Administrator. Also, Kevin Cruickshank, in addition to being the Chief Financial Officer of the Fund, owns Common Shares and is also an officer of the Manager and of the Administrator. See “Interests of Management and Others in Material Transactions” and “Risk Factors – Potential conflicts of interest”.

Conflicts of Interest of the Manager

The potential for conflicts of interests of the Manager is mitigated by sections 13.5(2)(a), (b), and (c) of National Instrument 31-103, which contains restrictions on the ability of portfolio managers such as the Manager from engaging in certain activities that present an opportunity for conflicts of interest. Pursuant to such restrictions, the Manager may not knowingly cause any investment portfolio managed by it to:

- (i) purchase a security of an issuer in which a Responsible Person or an associate of a Responsible Person is a partner, officer or director unless
 - a. this fact is disclosed to the client, and
 - b. the written consent of the client to the purchase is obtained before the purchase;
- (ii) purchase or sell a security from or to the investment portfolio of any of the following:
 - a. a Responsible Person;
 - b. an associate of a Responsible Person;
 - c. an investment fund for which a Responsible Person acts as an adviser;
- (iii) provide a guarantee or loan to a Responsible Person or an associate of a Responsible Person.

The Manager will not recommend to the Fund mortgages from the Manager's own inventory or from the inventory of an affiliate or associate of the Manager (such inventories are not in fact maintained). Rather, the Manager will be recommending mortgages which the Administrator sources from borrowers or their agents (i.e. other mortgage brokers).

Independent Review Committee

National Instrument 81-107 *Independent Review Committee for Investment Funds* (the “**National Instrument**”) came into force on November 1, 2006. The National Instrument requires all investment funds which offer securities to the public such as the Fund to establish an independent review committee (the “**IRC**”) to which the Manager must refer all conflict of interest matters for review or approval. National Instrument 81-107 also requires the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintain records in respect of these matters and provide assistance to the IRC in carrying out its functions. According to the National Instrument, the IRC must be comprised of a minimum of three members who are independent of the Fund's manager. The IRC is composed of the entire Board of Directors of the Fund, each of whom is independent (see names and descriptions of directors at “Organization and Management details of the Investment Fund – Board of Directors” above).

The IRC:

- (i) reviews and provides input on the Manager's written policies and procedures that deal with conflict of interest matters;
- (ii) reviews conflict of interest matters referred to it by the Manager and makes recommendations to the Manager regarding whether the Manager's proposed actions in connection with the conflict of interest matter achieves a fair and reasonable result for the Fund;
- (iii) considers and, if deemed appropriate, approves the Manager's decision on a conflict of interest matter that the Manager refers to the IRC for approval; and
- (iv) performs such other duties as may be required of the IRC under applicable securities laws.

The IRC prepares a report of its activities no less frequently than once a year for the Fund's shareholders, which is available upon request at no cost by calling the Fund's Corporate Secretary toll-free at (877) 279-2116. The Fund does not pay a specific fee to the directors of the Fund for acting in their capacity as members of the IRC however the Fund has paid an annual honorarium to the directors of the Fund of not more than \$10,000, and \$20,000 for the Chair of the Board of Directors. Effective July 1, 2016 the Board of Directors has approved an increase in the yearly honoraria, to \$15,000 for directors and \$25,000 for the Chair. Directors of the Fund are also reimbursed for their out-of-pocket expenses incurred in the course of acting in their capacity as directors (see “Organization and Management Details of the Investment Fund - Directors and Executive Officers of the Fund” above).

Custodian

The custodian of the Fund is Computershare Trust Company of Canada at 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1.

Auditor

The auditor of the Fund is MNP LLP at 495 Richmond Road, Suite 110, Ottawa, Ontario, K2A 4B2. MNP LLP were first appointed as auditor for the Fund at the meeting of shareholders of the Fund held on June 18, 2016.

Transfer Agent and Registrar

The transfer agent and registrar for the Common Shares is SGGG Fund Services Inc. at 1200-60 Yonge Street, Toronto, Ontario, M5E 1H5.

CALCULATION OF NET ASSET VALUE

Throughout the Offering, which is expected to continue until this prospectus lapses, the Fund will be required to establish the value of the Common Shares in order to determine: a) the number of Common Shares to be issued to fulfill subscription requests by investors where a subscription is for a dollar amount rather than a set number of securities; b) the number of Common Shares to be issued to each investor pursuant to the Fund's dividend re-investment plan; and c) the number of Common Shares to be repurchased by the Fund to meet redemption requests.

The Net Asset Value per Share will be computed monthly at the close of business on the last Business Day of each calendar month (the "**Valuation Date**").

Valuation Policies and Procedures of the Fund

Given the nature of the investments made by the Fund, and its general objective of holding mortgages until the end of their term, the Fund's revenues are expected to consist solely of interest income. While historically the Fund has been able to consistently maintain a Net Asset Value per Share of \$30, there is no guarantee that it will be able to continue to do so in the future.

The Fund is required to calculate its Net Asset Value using the fair value of the Fund's assets and liabilities. The Fund determines the fair value of its assets in accordance with the following practices:

- Liquid assets, including cash on hand or on deposit, accrued interest and other receivables, and prepaid expenses, are valued at their full face value.
- Money market fund securities are valued at their net asset value on the Valuation Date as publicly reported, or if not publicly reported, as provided to the Manager by the manager of the money market fund. Should the Fund make a direct investment in money market

instruments, the purchase cost of the investment, together with amortized discounts and accrued interest receivable will be used.

- Mortgages are valued at their fair value by discounting future cash flow at the Fund's prevailing rate of return on new mortgages of similar type, term and credit risk. Where a mortgage loan is in default, the calculation of discounted future cash flow takes into account the realizable value of the mortgage collateral net of any disposition costs such as sales commissions, appraisal and legal fees. The realizable value of the mortgage collateral securing a defaulted loan is determined from an independent appraisal obtained at the time of default or thereafter. The Fund's mortgages are short term in nature with typical terms of one to two years, but rarely last even that long as borrowers may repay the mortgages in part or in full at any time without penalty or bonus. Due to the short-term nature of the mortgages in the Fund, the estimated fair values of the mortgages have been historically equal to their amortized cost values.

The liabilities of the Fund may include accounts payable, accrued expenses (including management fees), all contractual obligations for the payment of money and dividends declared payable but not yet paid.

Reporting of Net Asset Value

The Net Asset Value per Share is made available monthly and may be obtained by any investor free of charge by contacting the Fund's Corporate Secretary toll-free at (877) 279-2116. The Net Asset Value per Share is also disclosed in the financial statements of the Fund which may also be obtained free of charge by contacting the Corporate Secretary at the foregoing number or on the Internet at www.sedar.com. During the transition period of the Fund to the securities law requirements which relate to corporate reporting issuers and commencing in respect of the fiscal year ended December 31, 2015 the Fund will file on SEDAR at the same time as the Fund files its annual audited financial statements a separate audit report, prepared by the Fund's auditors as at each financial year-end of the Fund, in respect of the calculation of the Net Asset Value of the Fund's assets, which will take the form of an Investment Entity Review Report as per Canadian Institute of Chartered Business Valuators Standards.

ATTRIBUTES OF THE SECURITIES

Description of the Securities Distributed

Holders of Common Shares are entitled to one vote in respect of each whole share held on all matters to be voted upon at meetings of shareholders (see "Shareholder Matters"). Pursuant to applicable securities and corporate laws, neither NBCN nor the Manager will vote any Common Shares registered in the name of NBCN or its nominee. Rather, the Manager will seek voting instructions from beneficial shareholders or convene meetings of shareholders of Common Shares, as required.

Upon the liquidation, dissolution or winding-up of the Fund, the holders of Common Shares are entitled to share rateably in the assets of the Fund remaining available for distribution after payment of the Fund's creditors.

Holders of Common Shares will be entitled to receive dividends as and when declared by the Board of Directors. All such dividends will be automatically reinvested in Common Shares, which are also qualified by this prospectus, unless the shareholder has elected to receive a cash payment (see “Distribution Policy”).

Holders of Common Shares have the right to redeem their securities only once a year for proceeds equal to the Net Asset Value per Share determined for the month of November. The Corporation may, at its discretion, accept additional redemption requests in certain limited circumstances (see “Redemption of Securities”).

SHAREHOLDER MATTERS

Meetings of Shareholders

Annual meetings of the shareholders must be held within 15 months from the last annual meeting of the shareholders but no later than six months after the end of the Fund’s preceding financial year. The Board of Directors, the Fund’s chairman, chief executive officer or president may call a special meeting of the shareholders at any time by providing notice of the date, time and place of the meeting to each holder of Common Shares entitled to vote at the meeting, each director and the auditor as well as details on the business to be transacted at such meeting.

Quorum for a meeting of shareholders shall be the holders of at least 25% of the shares entitled to vote at a meeting of shareholders, whether present in person or represented by proxy. Unless a shareholder entitled to vote at a meeting of shareholders demands a vote to be taken by ballot, each question at a meeting of shareholders shall be decided by a show of hands. Upon a show of hands every voting person who is present shall have one vote. The only persons entitled to attend a meeting of shareholders shall be those entitled to vote at the meeting, the directors and auditor of the Fund as well as any other person who is invited by the Chair of the meeting or with the consent of the meeting.

Matters Requiring Shareholder Approval

The consent of the majority of the shareholders is required to elect the Board of Directors and appoint the auditor of the Fund for the upcoming financial year. Furthermore, the CBCA provides that the following changes to the Fund may only be made with the approval of a resolution passed by a majority of not less than two-thirds of the votes cast by holders of Common Shares at a meeting called to consider the matter:

- (i) change its name;
- (ii) change the province in which its registered office is situated;
- (iii) add, change or remove any restriction on the business or businesses that the Fund may carry on;
- (iv) change any maximum number of shares that the Fund is authorized to issue;
- (v) create new classes of shares;

- (vi) change the designation of all or any of its shares, and add, change or remove any rights, privileges, restrictions and conditions, including rights to accrued dividends, in respect of all or any of its shares, whether issued or unissued;
- (vii) change the shares of any class or series, whether issued or unissued, into a different number of shares of the same class or series or into the same or a different number of shares of other classes or series;
- (viii) divide a class of shares, whether issued or unissued, into series and fix the number of shares in each series and the rights, privileges, restrictions and conditions thereof;
- (ix) authorize the directors to divide any class of unissued shares into series and fix the number of shares in each series and the rights, privileges, restrictions and conditions thereof;
- (x) authorize the directors to change the rights, privileges, restrictions, and conditions attached to unissued shares of any series;
- (xi) revoke, diminish or enlarge any authority conferred under (ix) and (x) above;
- (xii) increase or decrease the number of directors or the minimum or maximum number of directors, subject to other CBCA sections relating to cumulative voting and the deemed amendment of articles as of the date of shareholder approval;
- (xiii) add, change or remove restrictions on the issue, transfer or ownership of shares;
- (xiv) add, change or remove any other provision that is permitted by the CBCA to be set out in the Fund's articles;
- (xv) an amalgamation of the Fund; or
- (xvi) the liquidation or dissolution of the Fund.

Reporting to Shareholders

The Fund's shareholders receive financial statements and Management's Report on Fund Performance on a semi-annual basis for the periods ended June 30 and December 31. The Corporation also delivers to shareholders of record, once determined, in connection with an upcoming annual meeting of the shareholders (i) a notice of meeting, (ii) a management information circular (including audited annual financial statements and the auditor's report thereon) and (iii) a form of proxy. Copies of these documents are also posted and available for review by shareholders on the Internet at www.sedar.com. In addition, for the periods ended March 31 and September 30, a Quarterly Portfolio Disclosure is available on the Fund's website at www.fmic.ca.

Qualified Investors who hold Common Shares through an NBCN account are sent quarterly statements by NBCN. Investors who hold Common Shares in accounts through a different adviser or dealer will receive quarterly statements from that adviser or dealer.

Each shareholder also receives a letter from the Manager indicating the performance of the Fund during the previously completed financial year. The financial year of the Fund ends on the 31st day of December of each year. This letter is delivered in January of each year. Finally, the Fund will deliver to shareholders any reports or documents to be delivered under applicable securities and corporate law, including those reports relating to the IRC required to be delivered pursuant to National Instrument 81-107.

PLAN OF DISTRIBUTION

Generalities

The Corporation primarily distributes the Common Shares directly to registered portfolio managers and investment dealers for their managed accounts. Neither the Fund nor the Manager expects to remunerate portfolio managers or investment dealers who purchase Common Shares for their clients' accounts however a portfolio manager or securities dealer may charge a fee to their clients in connection with the acquisition or disposition of Common Shares.

The Manager, which is a registered portfolio manager, also distributes Common Shares to its clients who are Qualified Investors and who meet the following conditions:

- (i) the subscriber has established a discretionary or non-discretionary portfolio management account with the Manager;
- (ii) the subscriber has an account (registered or non-registered) with NBCN; and
- (iii) the Manager has, in its capacity as the subscriber's portfolio manager, recommended to the subscriber that the Common Shares be purchased and the subscriber has accepted such recommendation and requested that the Manager implement it or, in the alternative, the Manager has exercised its discretion pursuant to the portfolio management mandate given to the Manager by the subscriber and determined that it is in the interest of the subscriber that the Common Shares be purchased.

Purchases of Common Shares for Qualified Investors will be made by the Manager who will transmit a purchase order to NBCN for execution in accordance with applicable securities legislation (see "Material Contracts – Services and Brokerage Agreement").

The Corporation does not retain an underwriter to assist in the distribution of the Common Shares.

Determination of price

Since the Fund's inception, the Fund has maintained a fixed Net Asset Value per Share of \$30.00. There is no guarantee however that this price will be maintained throughout the period of distribution or thereafter.

PRINCIPAL HOLDERS OF SECURITIES OF THE INVESTMENT FUND

To the best knowledge of the Manager, as of the date hereof no individual shareholder beneficially owns more than 10% of the outstanding shares of the Fund.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Matthew Robinson, the Fund's Chief Executive Officer, is also the controlling shareholder of the Manager and the controlling shareholder of the Administrator as well as an officer and director of both entities. The Administrator earns a fee of 1% per year based on the value of the Fund's gross assets determined each month. Also, the Administrator generally charges the mortgagors of the mortgages held by the Fund an underwriting fee of 1% of the amount of the loan on residential mortgage transactions and of 2% of the amount of the loan on commercial transactions. The Manager earns a management fee of 1% per year based on the value of the Fund's gross assets determined each month.

The Manager earns an investment advisory fee that is directly charged to Qualified Investors who subscribe for shares hereunder. This fee is calculated as a percentage of a subscriber's assets under administration with the Manager. In order to avoid duplicative fees, the Manager's investment advisory fee is not applied to the portion of the Qualified Investor's assets invested in Common Shares (see "Fees and Expenses").

Other than the fees described above, in which Matthew Robinson has an indirect interest as a shareholder of the Administrator and Manager, none of the directors or executive officers of the Fund, or any of their associates or affiliates, neither have had within a period of three years before the date of this prospectus or have at the date hereof any material interest, direct or indirect, in any transaction completed by the Fund.

MATERIAL CONTRACTS

The following document and agreements may be considered material to a purchaser of Common Shares:

- (i) Articles of amalgamation of the Fund;
- (ii) Amalgamation Agreement;
- (iii) Investment Advisory and Fund Management Agreement;
- (iv) Amended and Restated Administration Agreement;
- (v) Services and Brokerage Agreement; and
- (vi) Custodian Agreement.

Copies of the foregoing may be inspected during regular business hours at the offices of the Fund at The Simonett Building, 14216 Road 38, Sharbot Lake, Ontario.

Investment Advisory and Fund Management Agreement

The Pre-Amalgamation Fund and W.A. Robinson Asset Management Ltd. entered into an Investment Advisory and Fund Management Agreement dated June 21, 2008 (the "**Management Agreement**"), which replaced an investment advisory agreement dated December 20, 2004 (the "**Investment Advisory Agreement**"). The Management Agreement was adopted by the Fund

following the Amalgamation and, in June 2013, the agreement was automatically renewed for an additional five year term. Under the Investment Advisory Agreement, W.A. Robinson Asset Management Ltd. was responsible for the management of the Fund's portfolio, providing investment analysis and recommendations in conformance with the Fund's investment policies and restrictions and making investment decisions (subject to the ability of the Fund to veto any investment decision) and for making brokerage arrangements. The Investment Advisory Agreement was terminated at the time the Management Agreement was entered into. The portfolio advisory functions and responsibilities continue to be assumed by W.A. Robinson Asset Management Ltd. under the Management Agreement and, in addition, W.A. Robinson Asset Management Ltd. assumes certain responsibilities previously assumed by the Administrator. As such, the Manager is responsible for the overall management of the Fund's affairs including, without limitation, the following tasks and duties:

- (i) acting as the Fund's registrar and transfer agent or ensuring those services are provided;
- (ii) maintaining the books and records of the Fund and performing administrative functions in connection with the issuance, registration and redemption of Common Shares; and
- (iii) supplying clerical, accounting and administrative staff and services as required for the efficient day-to-day functioning of the Fund.

See "Duties and Services to be Provided by the Manager" above for further details of the management services provided by the Manager to the Fund.

The Management Agreement has an initial term of five years and may be renewed for further five-year terms. Either party has the option of not renewing the agreement by providing no less than six months' written notice to the other party. The Management Agreement terminates: (a) upon the Manager ceasing to carry on business, becoming bankrupt or insolvent, resolving to wind up or liquidate or if a receiver of any of its assets is appointed; (b) upon the Manager ceasing to hold the required registrations under applicable securities legislation, (c) if the Manager is found by a court of competent jurisdiction to have been guilty of bad faith, wilful misfeasance, gross negligence or reckless disregard of its obligations and duties; or (d) where the Manager is in material breach of the Management Agreement, unless the breach is remedied within 30 days after notice of the breach has been given. The Management Agreement may not be assigned except by consent of both parties.

As compensation for the services provided by the Manager to the Fund, the Manager will receive a monthly management fee equal to 1/12th of 1% of the value of the Fund's gross assets.

Amended and Restated Administration Agreement

Pursuant to an agreement (the "**Administration Agreement**") dated December 20, 2004, as amended and restated on June 21, 2008, between the Pre-Amalgamation Fund and Pillar Financial Services Inc. (the "**Administrator**"), the Administrator was appointed, on an exclusive basis, to source mortgages and administer the mortgage portfolio. The Administration Agreement was adopted by the Fund following the Amalgamation and, in June 2013, the agreement was

automatically renewed for an additional five year term. In the performance of its obligations under the Administration Agreement, the Administrator is required to:

- (i) underwrite the mortgages for the account of the Fund, including setting the interest rates thereof;
- (ii) collect payments from borrowers and discharges mortgages upon payout;
- (iii) ensure the safe custody of mortgage deeds; and
- (iv) monitor and, where appropriate, pursue arrears and institute and prosecute legal actions for the enforcement of the Fund's rights as a mortgagee.

The Administration Agreement has an initial term of five years and may be renewed for further five-year terms. Either party has the option of not renewing the agreement by providing no less than six months' written notice to the other party. The Administration Agreement terminates: (a) upon the Administrator ceasing to carry on business, becoming bankrupt or insolvent, resolving to wind up or liquidate or if a receiver of any of its assets is appointed; (b) upon the Administrator ceasing to be registered as a mortgage broker and/or administrator; (c) if the Administrator is found by a court of competent jurisdiction to have been guilty of bad faith, wilful misfeasance, gross negligence or reckless disregard of its obligations and duties thereunder; or (d) if the Administrator is in material breach of the Administration Agreement unless the breach is remedied within 30 days after notice of the breach has been given. The Administration Agreement may not be assigned except by consent of both parties.

As compensation for the services provided by the Administrator to the Fund, the Administrator will receive a monthly fee equal to $1/12^{\text{th}}$ of 1% of the gross assets of the Fund.

Services and Brokerage Agreement

The Manager and NBCN are parties to an agreement dated March 25, 2010 (the “**Services and Brokerage Agreement**”) pursuant to which NBCN has agreed to execute and settle securities transactions including the purchase and sale of Common Shares, provide TFSA accounts and arrange for the registration of retirement savings plans and retirement income funds in accordance with the provisions of the Tax Act and the terms of the applicable declarations of trust for such plans. NBCN is also responsible for making certain filings with the tax authorities in respect of the registered plans to which the Service Agreement relates and issuing tax slips and RRSP contribution receipts.

The Services and Brokerage Agreement is for an indefinite term but may be terminated by either party on reasonable notice in writing to the other.

The fees charged by NBCN for its services are partly borne by the Manager and partly by the shareholders (see “Fees and Expenses”).

Custodian Agreement

The Pre-Amalgamation Fund entered into a custodian agreement (the “**Custodian Agreement**”) with Computershare Trust Company of Canada and the Manager dated as of July 29, 2008 to obtain custodial services for the property of the Pre-Amalgamation Fund. The Custodian Agreement was adopted by the Fund following the Amalgamation. The Custodian Agreement requires the Custodian to hold the Fund’s property in safekeeping. The Custodian Agreement can be terminated by the Fund or the Custodian on 90 days’ prior written notice.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

None of the Fund, the Manager or the Administrator is involved in any litigation or judicial or quasi-judicial proceedings, nor are such proceedings known to any of them to be contemplated.

EXPERTS

Legal matters in connection with the Offering will be passed upon by Torkin Manes LLP, Toronto, Ontario. No partners or associate lawyers of Torkin Manes LLP own any Common Shares.

Raymond Chabot Grant Thornton LLP of Ottawa, Ontario audited the Financial Statements of the Fund for the financial years ended December 31, 2015 and 2014, all of which are incorporated by reference in this prospectus. No partners, associates or employees of Raymond Chabot Grant Thornton LLP own any Common Shares.

PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may only be exercised within two Business Days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or, in some jurisdictions, damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to the applicable provisions of the securities legislation of the province for the particulars of these rights or should consult with a legal adviser.

DOCUMENTS INCORPORATED BY REFERENCE

Additional information about the Fund is available in the following documents:

- (i) the most recently filed comparative annual financial statements of the Fund, together with the accompanying report of the auditor, whether filed before or after the date of this prospectus;
- (ii) any interim financial statements of the Fund, whether filed before or after the date of this prospectus;

- (iii) the most recently filed annual management report of fund performance of the Fund, whether filed before or after the date of this prospectus;
- (iv) any interim management report of fund performance of the Fund, whether filed before or after the date of this prospectus; and
- (v) the Fund's quarterly portfolio disclosure filings.

These documents are incorporated by reference into the prospectus, which means that they legally form part of this document just as if they were printed as part of this document. Investors may obtain a copy of the documents, upon request and at no cost, by calling the Fund's Corporate Secretary toll-free at (877) 279-2116.

These documents and other information about the Fund are available on the Internet at www.sedar.com.

CERTIFICATE OF THE CORPORATION

This prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of the Provinces of Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia and Newfoundland and Labrador.

September 23, 2016

(signed) "*Matthew Robinson*"
Chief Executive Officer

(signed) "*Kevin Cruickshank*"
Chief Financial Officer

On behalf of the Board of Directors

(signed) "*Margaret Kelk*"
Director

(signed) "*Eric Dinelle*"
Director

CERTIFICATE OF THE MANAGER AND PROMOTER

This prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of the Provinces of Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia and Newfoundland and Labrador.

September 23, 2016

W.A. ROBINSON ASSET MANAGEMENT LTD.
as Manager and Promoter of Frontenac Mortgage Investment Corporation

(signed) "*Matthew Robinson*"
President
(and signing as chief executive officer)

(signed) "*Kevin Cruickshank*"
Chief Financial Officer

On behalf of the Board of Directors

(signed) "*Matthew Robinson*"
Director

(signed) "*Wayne Robinson*"
Director