

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

REDBRICKS MORTGAGE INVESTMENT CORP.

OFFERING OF PREFERRED SHARES

Date: March 31, 2017

The Issuer
Name: Redbricks Mortgage Investment Corp. (the “Company”)
Head office: 500 – 2609 Granville Street
Vancouver, BC V6H 3H3
Phone #: 604.630.5967
E-mail address: info@gryphonhouse.ca
Fax #: 604.630.5968

Currently listed or quoted? No. **These securities do not trade on any exchange or market.**
Reporting issuer? No.
SEDAR filer? No.

The Offering
Securities offered: Non-Voting Redeemable Preferred Shares (each, a “Preferred Share”).
Price per security: \$1.00 per Preferred Share.
Minimum/Maximum offering: **There is no Minimum Offering. You may be the only purchaser.**
The Maximum Offering has been increased from 25,000,000 Preferred Shares to 50,000,000 Preferred Shares and adjusted to 24,059,903 Preferred Shares to account for the 25,940,097 Preferred Shares issued pursuant to this Offering Memorandum to date. **Funds available under the offering may not be sufficient to accomplish our proposed objectives.**

Minimum Subscription: Except in the case of investors using funds from a tax-free savings account (“TFSA”), investors must subscribe for a minimum of 10,000 Preferred Shares. Investors using funds from a TFSA may subscribe for a minimum of 5,000 Preferred Shares.

Payment terms: Bank draft or certified cheque on closing. See Item 5.2 “Subscription Procedure”.

Proposed closing date(s): Continuous offering. Closings may occur from time to time as subscriptions are received.

Income Tax consequences: There are important tax consequences to these securities. See Item 6 “Income Tax Consequences and RRSP / TFSA Eligibility”.

Selling agent? No. The Company may pay a sales fee to registered securities dealers, or where permitted, non-registrants, in an amount not to exceed 6% of the subscription monies obtained by such persons, payable at the time of the initial investment. See Item 7 “Compensation Paid to Sellers and Finders”.

Resale restrictions

You will be restricted from selling your securities for an indefinite period. See Item 10 “Resale Restrictions”. However, the Preferred Shares are redeemable in certain circumstances. See Item 5.1 “Terms of Preferred Shares – Redemption Rights”.

Purchaser’s rights

You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 11 “Purchasers’ Rights”.

No securities regulatory authority has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See item 8 “Risk Factors”.

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SUMMARY

The following is a summary of certain information contained in this Offering Memorandum, and reference should be made to the more detailed and additional information contained elsewhere in this Offering Memorandum.

Introduction:

This offering (the “Offering”) by the Company, Redbricks Mortgage Investment Corp., consists of 24,059,903 Preferred Shares of the Company. The maximum Offering has been increased from 25,000,000 Preferred Shares to 50,000,000 Preferred Shares and adjusted to 24,059,903 Preferred Shares to account for the 25,940,097 Preferred Shares issued to date. Proceeds from the issuance of the Preferred Shares will be invested primarily in a portfolio of short to medium-term loans (“Loans”) made in respect of residential development projects in British Columbia and Alberta and secured by mortgages (each, a “Mortgage”) of such projects. It is the intent of the Company to invest the proceeds from the issuance of the Preferred Shares primarily in Loans in respect of projects undertaken by the MOSAIC group of companies (“MOSAIC”) and/or its Affiliates.

The Company is a mortgage investment corporation incorporated on March 11, 2008 pursuant to the laws of the Province of British Columbia. This Offering is of Preferred Shares and not of real estate or interests in real estate.

Business and investment objectives of the Issuer:

The primary business objective of the Company is to originate and manage, for long term income generation, a portfolio of Mortgages or interests in Mortgages (the “Loan Portfolio”) underwritten on residential Real Property developments situated in British Columbia and Alberta.

The Company will mainly earn revenue through interest and fees earned on Loans made to MOSAIC or Affiliates thereof, primarily for the acquisition of residential land development and development of residential projects. Subject to any restrictions under the Tax Act that are applicable to mortgage investment corporations, the Company may make other permitted investments over time. See Item 2.2 “The Company’s Business – Investment Policies and Guidelines” and Item 8 “Risk Factors - Conflicts of Interest”.

Offering:

The continuous Offering by the Company of Preferred Shares. See Item 5.2 “Subscription Procedure”. A subscriber whose subscription is accepted will become a Preferred Shareholder of the Company.

Price:

The price payable per Preferred Share under this Offering is \$1.00 per Preferred Share.

Minimum Subscription:

Except in the case of investors using funds from a TFSA, investors must subscribe for a minimum of 10,000 Preferred Shares. Investors using funds from a TFSA may subscribe for a minimum of 5,000 Preferred Shares. See Item 5.2 “Subscription Procedure”.

Use of Proceeds:

The net proceeds of the Offering (also referred to herein as “Net Subscription Proceeds”) will be invested primarily in Loans secured by Mortgages of residential Real Property developments in British Columbia and Alberta. The Company will primarily make Loans secured by Mortgages in connection with residential Real Property developments undertaken by MOSAIC or its Affiliates.

Manager:

The Company does not have and does not expect to have any employees. In order to obtain ongoing administrative and management services, the Company has entered into a management agreement, as amended (as so amended, the "Management Agreement") with Gryphon Capital Management Ltd. (the "Manager"), an Affiliate of the Company, which will be responsible for managing and overseeing the Company's business and affairs, including day-to-day operations such as managing the Loan Portfolio. The Manager will also provide administrative services for the Company's operations.

As of March 1, 2017 the Manager will not be paid an annual management fee based on the aggregate total assets of the Company. The Manager will be paid an annual incentive fee (the "Incentive Fee") equal to 20% of the revenue of the Company determined in accordance with generally accepted accounting principles applicable to the Company. This is a risky investment and returns are not guaranteed. See Item 2.2 "The Company's Business – The Manager".

Dividends:

Pursuant to the Articles of the Company, dividends declared by the directors of the Company will be paid on an annual basis as follows to the Preferred Shareholders. All such dividends will be paid in arrears on the 90th day following the Fiscal Year End of the Company. Upon their initial subscription, Preferred Shareholders may elect:

- (a) to receive dividends on all Preferred Shares subscribed for by way of cash payment; or
- (b) to receive dividends on all Preferred Shares subscribed for by the issuance of additional Preferred Shares. The additional Preferred Shares arising from such dividends will be accumulated and issued to Preferred Shareholders as of March 1st in each year.

In each Fiscal Year, dividends will be proportionate to the number of days the Preferred Share has been issued and outstanding in the year to which the dividend relates.

Redemption:

Preferred Shares will be eligible for redemption at the request of the Preferred Shareholders or at the option of the Company, subject to applicable laws and certain other conditions. A maximum of 10% of the Preferred Shares then issued and outstanding will be redeemed in any year. Preferred Shares will be redeemed at a redemption price equal to the lesser of the Net Asset Value per Preferred Share* and the Subscription Price, multiplied by:

- (a) 95%, if notice to redeem is given by the Preferred Shareholder at any time up to the first anniversary of the Preferred Shareholder's original subscription date;
- (b) 96%, if notice to redeem is given by the Preferred Shareholder at any time after the first anniversary of the Preferred Shareholder's original subscription date and up to the second anniversary of the Preferred Shareholder's original subscription date;
- (c) 97%, if notice to redeem is given by the Preferred Shareholder at any time after the second anniversary of the Preferred Shareholder's original subscription date and up to the third anniversary of the Preferred Shareholder's original subscription date;

- (d) 98%, if notice to redeem is given by the Preferred Shareholder at any time after the third anniversary of the Preferred Shareholder's original subscription date and up to the fourth anniversary of the Preferred Shareholder's original subscription date;
- (e) 99%, if notice to redeem is given by the Preferred Shareholder at any time after the fourth anniversary of the Preferred Shareholder's original subscription date and up to the fifth anniversary of the Preferred Shareholder's original subscription date; and
- (f) 100%, if notice to redeem is given by the Preferred Shareholder at any time after the fifth anniversary of the Preferred Shareholder's original subscription date.

**Preferred Shares were offered at a price of \$0.95 per Preferred Share up to and including February 28, 2009. A total of 1,607,888 Preferred Shares were issued at \$0.95, which resulted in a total asset (cash) deficit of \$80,394.40 relative to a Net Asset Value per Preferred Share of \$1.00. The Company subsequently issued additional Common shares to generate sufficient additional assets (cash) to cure this deficit, thereby delivering a Net Asset Value per Preferred Share of \$1.00. To the extent Preferred Shares are redeemed at prices less than \$1.00 over time, the difference (up to a maximum of \$80,394.40) will be used to repurchase Common shares.*

See Item 5.1 "Terms of the Preferred Shares – Redemption Rights".

Closing:

Closings of subscriptions for Preferred Shares will take place on such dates as the Manager determines.

Use of Proceeds:

The Net Subscription Proceeds will be invested primarily in Mortgages. Subject to any restrictions under the Tax Act that are applicable to mortgage investment corporations, the Company may make other permitted investments over time. The Manager will use its best efforts to make suitable investments of the Net Subscription Proceeds as soon as possible following each Closing.

Investments in Mortgages will be made as set out in Item 2.2 "The Company's Business - Investment Policies and Guidelines".

Sales Fee:

The Company may pay a sales fee (the "Sales Fee") to registered securities dealers, or where permitted non-registrants, in an amount not to exceed 6% of the subscription monies obtained by such persons.

Taxation :

As a mortgage investment corporation, the Company is entitled to deduct dividends paid to holders of Preferred Shares from its income. The Company intends to pay out all of its net income and net realized capital gains as dividends within the time period specified in the Tax Act and, as a result, does not anticipate paying any income tax. Notwithstanding the foregoing, the Company may retain earnings as it may deem advisable, for example if required to bring the Net Asset Value per Preferred Share up to the Subscription Price. The Preferred Shares are qualified investments for RRSPs (defined herein), RRIFs (defined herein) and TFSAs (see Item 6 "Income Tax Consequences and RRSP / TFSA Eligibility").

Resale Restrictions:

Under applicable securities laws, the resale of the Preferred Shares is subject to restrictions. Since the Company is not a “reporting issuer” under applicable securities laws and it is not contemplated that it will become one, if no exemption is available under applicable securities laws and regulations or an appropriate discretionary order obtained pursuant to applicable securities laws, the Preferred Shares cannot be sold without a prospectus for an indefinite period of time. See Item 10 “Resale Restrictions”.

Risk Factors:

An investment in Preferred Shares is highly speculative due to the nature of the Company’s business and entails a number of risks. These risks include but are not limited to the following:

- (a) Although investments in Mortgages will be carefully chosen by the Company, there is no representation made that such investments will have a guaranteed return to Preferred Shareholders, nor that losses may not be incurred by the Company in respect of such investments. This Offering is not suitable for investors who cannot afford to assume any significant risks in connection with their investments.
- (b) All investments in Mortgages are subject to risks such as liquidity, fluctuations in Real Property values, occupancy rates, operating expenses, interest rates and other factors.
- (c) The Company will invest in Mortgages which will not necessarily be secured by a first charge on the underlying Real Property. Mortgages ranking subsequent to a first charge are generally considered a higher risk than first position mortgages since they are subject to the interests of prior charge holders. The Company intends to make investments in Mortgages where the Loan exceeds 75% of the value of the Real Property which is mortgaged, which exceeds the investment limit for conventional mortgage lending.
- (d) Investment in real estate is subject to numerous financial and operating risks.
- (e) Investors will be relying on the good faith and expertise of the principals of the Company and the Manager in identifying potential investment opportunities for the Company. Depending on the return on investment achieved on the Mortgages, the Preferred Shareholders’ return on their respective investments in the Preferred Shares will vary. Losses are possible and neither return on invested capital nor return of invested capital are guaranteed.
- (f) A Preferred Shareholder is relying on the good faith, skill, judgment and experience of the Manager as they relate to all aspects of the operation and management of the Company.
- (g) Changes in economic conditions and other factors may cause Preferred Shareholders to redeem their Preferred Shares and could cause a shortfall in funds available to meet redemptions or distributions to the Preferred Shareholders.
- (h) The directors of the Company may determine that funds are not currently available for the payment of the redemption price of any Preferred Shares in respect of which the Preferred Shareholder has

requested a Redemption, in which case the Company may elect to delay payment or pay the redemption price for such Preferred Shares.

- (i) As a result of the Company issuing Preferred Shares up to and including February 28, 2009 for a price of \$0.95 per Preferred Share, the average share capital per Preferred Share will be less than \$1.00. To the extent the average preferred share capital per Preferred Share is less than the redemption price, a portion of the redemption price paid will represent a capital dividend rather than repayment of capital.
- (j) Situations may arise where the interests of the officers/directors of the Manager and their associates and Affiliates will conflict with those of Preferred Shareholders. The risk exists that such conflicts will not be resolved in the best interests of the Company and its shareholders. Prospective investors should review the sub-heading "Conflicts of Interest" in Item 8 "Risk Factors" for a discussion concerning the factors which should be considered by prospective investors concerning these conflicts.
- (k) There is no market for the Preferred Shares and a market for the Preferred Shares is not expected to develop. The Preferred Shares are not transferable, except with the consent of the directors of the Company. As well, securities laws may prohibit or restrict transferability of the Preferred Shares. See Item 10 "Resale Restrictions".
- (l) The Company may be adversely affected by changes in income tax laws and other laws, governmental policies or regulations.
- (m) The Company may borrow funds on the security of the Mortgages and its other investments, which could increase the risk of the Company's insolvency.

The risks are more fully described in Item 8 "Risk Factors".

GLOSSARY

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

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

“**Agent**” means Computershare Trust Company of Canada;

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

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

“**Calculation Date**” means the last day of February in each year;

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

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

“**Distributable Income**” means the Company’s net income, determined in accordance with generally accepted accounting principles applicable to the Company;

“**Dividend Payment Date**” means that date which is 90 days following the end of the Company’s Fiscal Year;

“**Fiscal Year**” means each consecutive period of 12 months ending on the last day of February, provided that the first Fiscal Year of the Company commenced on March 11, 2008 and ended on February 28, 2009;

“**Incentive Fee**” means a fee payable to the Manager in an amount equal to 20% of the revenue of the Company determined in accordance with generally accepted accounting principles applicable to the Company. See Item 2.2 “The Company’s Business – Amended Management Agreement”;

“**Management Agreement**” means the management agreement dated January 9, 2009, as amended effective March 1, 2017, between the Company and the Manager, as may be amended, restated, modified or supplemented from time to time;

“**Manager**” means Gryphon Capital Management Ltd., a company validly existing under the laws of the Province of British Columbia;

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

“**Mortgage Broker**” means a party licensed under the Mortgage Brokers Act, and may include the Manager if and to the extent that the Manager becomes licensed under the Mortgage Brokers Act;

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

“**Net Asset Value of the Company**” means, on a Valuation Day, the aggregate fair market value of the assets of the Company on such Valuation Day less the amount of the liabilities of the Company at that time;

“**Net Asset Value per Preferred Share**” means, on a Valuation Day, the quotient obtained by dividing the amount equal to the Net Asset Value of the Company on such Valuation Day by the total number of Preferred Shares, including fractions of Preferred Shares, then outstanding;

“**Net Preferred Share Equity**” means at any time, the total of:

- (a) the total proceeds received by the Company from subscriptions for Preferred Shares; less
- (b) the aggregate of any amounts paid to Preferred Shareholders in repayment of Preferred Share capital,

provided that for the calculation of Net Preferred Share Equity all Preferred Shares will be deemed to have been issued for the price of \$1.00 per Preferred Share (i.e. notwithstanding the average preferred share capital per Preferred Share will be below \$1.00 due to the issuance of Preferred Shares up to and including February 28, 2009 at a price of \$0.95 per Preferred Share);

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

“**Offering**” means this Offering of Preferred Shares;

“**Plan**” means the dividend reinvestment plan or DRIP;

“**Preferred Share**” means a preferred share in the capital of the Company;

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

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

“**Redemption**” means a redemption of Preferred Shares by a Preferred Shareholder;

“**Securities Authority**” means the British Columbia Securities Commission;

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

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

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

“**Tax Act**” means the *Income Tax Act* (Canada), R.S.C. 1985 (5th Supp.) c.11; and

“**Valuation Day**” means the last day of each Fiscal Year.

CANADIAN CURRENCY

All dollar amounts stated herein, unless otherwise stated, are expressed in Canadian currency.

FORWARD LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “proposes”, “expects”, “estimates”, “intends”, “anticipates” or “believes”, or variations (including negative and grammatical variations) of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Actual results, performance and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Offering Memorandum. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect including, but not limited to: the continued ability to raise capital from the Offering, the ability of the Company to make Loans secured by Mortgages capable of generating the necessary income to enable the Company to achieve its investment objectives, the maintenance of prevailing interest rates at favourable levels, the ability of borrowers to service their obligations under the Loans, the ability of the Manager to effectively perform its obligations to the Company, anticipated costs and expenses, competition, changes in general economic conditions and changes in tax laws. While the Company anticipates that subsequent events and developments may cause its views to change, the Company specifically disclaims any obligation to update these forward-looking statements, except as required by applicable law. These forward-looking statements should not be relied upon as representing the Company’s views as of any date subsequent to the date of this Offering Memorandum. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results, performance and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Company. Additional factors are noted under Item 8 “Risk Factors”.

ITEM 1 USE OF AVAILABLE FUNDS

1.1 Funds

The net proceeds of the Offering and the funds available to the Company are as follows:

		Assuming Minimum Offering ⁽¹⁾	Assuming Maximum Offering
A.	Amount to be Raised by this Offering ⁽²⁾	\$ -	\$ 24,059,903
B.	Selling Commissions and Fees ⁽³⁾	\$ -	\$ 962,396
C.	Estimated Offering Costs ⁽⁴⁾	\$ -	\$25,000
D.	Available Funds D = A – (B + C)	\$ -	\$ 23,072,507
E.	Additional Sources of Funding Required	\$ -	\$0
F.	Working Capital Deficiency	\$ -	\$0
G.	Total: G = (D + E) – F	\$ -	\$ 23,072,507

⁽¹⁾ There is no minimum Offering. You may be the only purchaser of Preferred Shares.

- (2) The Company is Offering 24,059,903 Preferred Shares. The maximum Offering of 50,000,000 Preferred Shares has been adjusted to 24,059,903 Preferred Shares to account for the 25,940,097 Preferred Shares issued to date. The Company had previously increased the maximum Offering from 20,000,000 Preferred Shares to 25,000,000 Preferred Shares.
- (3) The Company may pay a sales fee to registered securities dealers and exempt market dealers, or where permitted, non-registrants, in an amount not to exceed 6% of the subscription monies. Accordingly, the Company could pay as much as \$1,443,594 in up front selling commissions and fees. The amount included in the table above is based on the Company's expectation that the average sales fee paid will be approximately 4% on the balance of Preferred Shares to be sold. The Company may also pay trailing commissions to securities dealers in respect of Preferred Shares sold by them or held in client accounts of such securities dealers. The Company expects the average trailer will be approximately 1% per annum on invested capital. To the extent that the Company is responsible for the payment of compensation to securities dealers, the funds available to the Company will be reduced.
- (4) Offering Costs as shown are estimated, and include legal and accounting costs, printing and other administrative costs associated with marketing the Preferred Shares pursuant to this Offering Memorandum.

1.2 Use of Available Funds

The Net Subscription Proceeds will be invested primarily in Loans secured by Mortgages. Investments in such Loans will be made as set out in Item 2.2 "The Company's Business - Investment Policies and Guidelines". The Manager will use its best efforts to make suitable investments of the Net Subscription Proceeds as soon as possible following each Closing.

Description of Intended Use of Available Funds Listed in Order of Priority	Assuming Minimum Offering	Assuming Maximum Offering
Loans Secured by Mortgages	\$ -	\$ 23,072,507
Total:	\$ -	\$ 23,072,507

* Pursuant to the Management Agreement, the Manager will be paid an Incentive Fee equal to 20% of the revenue of the Company determined in accordance with generally accepted accounting principles applicable to the Company. The current directors and officers of the Company are also directors and officers of the Manager. See Item 2.2 "The Company's Business – The Manager", Item 2.7 "Material Agreements" and Item 8 "Risk Factors – Conflicts of Interest". See Item 2.2 "The Company's Business – Amended Management Agreement".

1.3 Reallocation

The Company intends to utilize the net proceeds as stated. The Company will reallocate funds only for sound business reasons.

1.4 Working Capital Deficiency

The Company does not have a working capital deficiency.

ITEM 2 BUSINESS OF THE COMPANY

2.1 Structure

The Company is a mortgage investment corporation as defined in the Tax Act and intends to continue to qualify as such. It was incorporated under the *Business Corporations Act* (British Columbia) on March 11, 2008 under Incorporation No. BC0819045. The Company's registered and records office is located at 20th Floor, 250 Howe Street, Vancouver British Columbia V6C 3R8 and its head office is located at 500 – 2609 Granville Street, Vancouver, British Columbia, V6H 3H3.

Gryphon Capital Management Ltd. is the Manager of the Company pursuant to the terms of the Management Agreement. It is a corporation incorporated under the *Business Corporations Act* (British Columbia) on December 2, 2008 under Incorporation No. BC0840652. The Manager's registered and records office is located at 20th Floor, 250 Howe Street, Vancouver British Columbia V6C 3R8, and its head office is located at 500 – 2609 Granville Street, Vancouver, British Columbia, V6H 3H3.

2.2 The Company's Business

The Company

The Company is a mortgage investment corporation. It was incorporated for the purpose of generating a stable stream of income for investors, primarily by making Loans secured by Mortgages, thereby providing investors with an opportunity to participate indirectly in a portfolio of Mortgages. The Company will mainly earn revenue through interest and fees earned from Loans made to MOSAIC or to Affiliates thereof, primarily for the acquisition of residential land and development of residential projects. Subject to limitations and restrictions applicable to mortgage investment corporations that are contained in the Tax Act, the Company may make other permitted investments over time, including the direct ownership of Real Property (including Real Property acquired by way of foreclosure under Mortgages).

MOSAIC

MOSAIC is a prominent Vancouver-based real estate development group, which develops primarily residential properties in the greater Vancouver area. MOSAIC's approach to development is guided by its purpose of thoughtful urbane densification. MOSAIC is positioned as an industry leader in the development of thoughtfully designed well-built homes with a focus on ground-oriented row townhomes and woodframe apartments. Authentic architectural details are employed alongside innovative use of design to provide individuals and families with homes that allow them to live closer together in a neighbourly, civilized and respectful manner.

As an organization, MOSAIC's strategy is to operate at a scale that allows it to concentrate the resources required to achieve its goal of being the best in its business. MOSAIC retains in-house management for land acquisitions, municipal approvals, product design and development, construction, finance, sales and marketing, and customer care.

Mortgage Brokerage

The Company is registered as a Mortgage Broker with the British Columbia Financial Institutions Commission in accordance with the *Mortgage Brokers Act*. The Office of the Registrar of Mortgage Brokers at the Financial Institutions Commission regulates the mortgage brokering and lending activities of Mortgage Investment Corporations ("MICs") under the *Mortgage Brokers Act*. The Registrar and the *Mortgage Brokers Act* do not regulate the capital raising and investment marketing activities of MICs which are subject to securities legislation and regulation.

The Manager

The Company does not have and does not expect to have any employees and will be managed by the Manager, which will provide ongoing administrative and management services relating to the Company's business pursuant to the Management Agreement. The Manager is responsible for managing and overseeing the Company's business and affairs, including day-to-day operations and managing the Loan Portfolio, and providing administrative services for the Company's operations. The Manager is an Affiliate of the Company.

Pursuant to the Management Agreement as amended March 1, 2017, the Manager will not be paid an annual Management Fee based on the total assets of the Company. The Manager will be paid an Incentive Fee equal to 20% of the revenue of the Company determined in accordance with generally accepted accounting principles applicable to the Company. The Incentive Fee will be paid to the Manager monthly, on the last day of each month or as soon as practicable thereafter, and will be calculated based on the Company's revenue in such month, *pro rated* on a daily basis for partial months during the term of the Management Agreement.

The Manager will work to develop and implement all aspects of the Company's marketing and distribution strategies, will manage the ongoing business and administration of the Company and will monitor the investment portfolio of the Company. The Manager will be responsible for ensuring that the Net Subscription Proceeds are invested as described in Item 1 "Use of Available Funds" and in accordance with the investment objectives of the Company. Funds of the Company will not be commingled with the Manager's funds, nor with any other funds. The Manager will have the power to borrow money on behalf of the Company and to charge Company's property to secure borrowed money.

Pursuant to the Management Agreement, the Manager has exclusive authority to make decisions regarding the business of the Company, and has authority to bind the Company. The Manager's duties include, without limitation, managing or providing for the management of the investment portfolio of the Company in accordance with the investment objectives, restrictions and guidelines of the Company; providing or causing to be provided to the Company advice and assistance in connection with the determination of the investment guidelines of the Company; appointing the accountants of and registrar and transfer agent for the Company; appointing the bankers of the Company; asset valuation of the Company and calculation of the income and capital gains of the Company; authorizing all contractual arrangements relating to the Company; providing or causing to be provided services in respect of the Company's daily operations; distributing or causing to be distributed Preferred Shares; ensuring compliance with applicable securities legislation; preparing and filing or causing to be prepared and filed all requisite returns, reports and filings; providing all requisite office accommodation and associated facilities; providing or causing to be provided to the Company all other administrative and other services and facilities required by the Company; and maintaining or causing to be maintained complete records of all transactions in respect of the investment portfolio of the Company. The Manager may, pursuant to the terms of the Management Agreement, delegate its powers to third parties where it deems it advisable.

In exercising its powers and discharging its duties under the Management Agreement, the Manager shall exercise the degree of care, diligence and skill that a reasonably prudent adviser and professional manager would exercise in comparable circumstances and act honestly and in good faith with a view to the best interests of the Company.

The Company will reimburse the Manager for all of its expenses incurred in connection with the management of the Company, including the expenses of this Offering, legal, accounting and printing expenses and for the employment expenses of its personnel, rent and other office expenses properly allocable to the Company.

The appointment of the Manager shall be for a five year period and shall renew automatically for consecutive five year periods, unless, not less than 90 days prior to the end of each such five year period, the Company provides written notice to the Manager that the Company has determined to terminate the Manager's appointment. The Manager shall have the right to resign as Manager by giving notice in writing to the Company not less than 90 days prior to the date on which such resignation is to take effect. Such resignation will take effect on the date specified in such notice. The Company shall appoint a successor manager of the Company, and, unless the successor manager is an Affiliate of the Manager, such appointment must be approved by a majority of the voting shareholders of the Company. Preferred Shares are non-voting shares.

The appointment of the Manager will be terminated immediately following the occurrence of any of the following events:

- (a) a bankruptcy, receivership or liquidation order is issued against the Manager;
- (b) the Manager makes an assignment for the benefit of creditors or commits any act of bankruptcy within the meaning of the Bankruptcy and Insolvency Act (Canada);
- (c) the Manager assigns the Management Agreement or its rights or obligations thereunder to any person who is not an Affiliate of the Manager without the prior written consent of the Company;
- (d) the Manager commits a breach or default under the Management Agreement not related to the payment of any money to be paid by the Manager to the Company and the same is not cured within 90 days of the Manager receiving notice thereof; or
- (e) the Manager commits a breach or default under the Management Agreement related to the payment of any money to be paid by the Manager to the Company and the same is not cured within 15 days of the Manager receiving notice thereof.

Investment in Loans

The Company will seek out and originate Loans for investment which are consistent with the investment and operating policies and objectives of the Company. It is the intent of the Company to invest the proceeds from the issuance of the Preferred Shares primarily in Loans in respect of projects undertaken by the MOSAIC and Affiliates of MOSAIC.

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

The Mortgages will usually be held by and registered in the name of the Company. However, from time to time, the Manager may elect Mortgages to be held by and registered in the name of nominees of the Company on behalf of the Company. Mortgages may also be held by another entity or entities holding an interest in such Mortgages jointly with and/or in trust for the Company, with the Company holding beneficial title and ownership to its interest. Where legal title to a Mortgage is held by and registered in the name of an entity wholly-owned by the Company, such entity may also hold legal title to such Mortgage on behalf of the other beneficial owners of such Mortgage.

The Company may also acquire interests in Mortgages by entering into participation agreements. The participation agreements will provide a beneficial interest of the Company in the subject Mortgage, although not a directly registered interest.

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

The Company will invest in Mortgages secured by various types of Real Property, including single and multi-family construction projects, residential subdivisions and land servicing. Such Mortgages will comply with the investment policies of the Company. Such Mortgages will often be short term and may be first, second or subsequent ranking Mortgages. As well, the Company may invest, either alone or in participation with other lenders, in mezzanine and subordinated Mortgage debt for investment properties, which Mortgages may carry longer terms.

The Loans may include “acquisition” loans and “construction” loans. An “acquisition” loan is normally used to finance the acquisition of land and, possibly, the installation and construction thereon of roads, municipal fees, drainage and sewage systems, utilities, and similar improvements. When funding improvements to the land, subsequent loan advances are made pursuant to a stipulated schedule after an inspection and review of the project’s progress by the lender or its agent and the furnishing of reports by professional engineers, architects or quantity surveyors. In some instances, acquisition loans may be made to finance the acquisition of more land than will be improved immediately, or land, the development of which is contemplated at a later date. Take-out commitments are not normally a prerequisite to the granting of an acquisition loan.

A “construction” loan is normally used to finance the construction of buildings, recreational facilities and similar improvements. Construction loan advances are also made pursuant to a stipulated schedule after appropriate inspections and progress reports. The Company will only invest in a construction loan if the funds made available under the construction loan plus any additional financing arranged by the borrower or the borrower’s available capital is considered to be sufficient to complete the proposed construction. The Company may invest in subsequent ranking loans for any or all development and construction situations.

Because of their greater risk, acquisition loans and construction loans generally bear higher rates of interest than most other mortgage loans.

Investment Policies and Guidelines

The Company’s goal is to maximize shareholder returns by investing primarily in Loans to MOSAIC and its Affiliates. The Company will generally comply with the following policies and guidelines in order to accomplish this goal. These policies and guidelines are consistent with the provisions of the Tax Act and real estate legislation which apply

to mortgage investment corporations generally. The following are the investment criteria to be applied when selecting Mortgages in which the Company will invest:

- (a) all Loans will be made in respect of real estate located in British Columbia or Alberta;
- (b) all Loans will be secured by Mortgages;
- (c) sources of repayment and ability to repay will be fully assessed;
- (d) projects and properties will be in good locations with strong demand as borne out by appraisals and/or market feasibility studies;
- (e) interest rates will reflect the level of risk and market conditions;
- (f) commitment letters will be issued for every Loan approval;
- (g) the Company may co-invest with a third party or third parties in a Mortgage;
- (h) all properties will be personally inspected by a senior representative of the Company and a site inspection report prepared;
- (i) all Mortgage security documentation will be prepared by a reputable law firm on the Company's list of approved solicitors;
- (j) all Mortgage security will be in place and registered as appropriate prior to the disbursement of any Loan funds;
- (k) all funding conditions precedent set out in the commitment letter will be satisfied prior to any disbursement of Loan funds unless specifically waived in writing by the Manager;
- (l) except in limited cases, the Company will require an approved Phase I Environmental Audit of the property securing the Loans;
- (m) the Company may hold real property acquired as a result of foreclosure where such foreclosure was necessary to protect the interests of the Company as a result of a default by the mortgagor. The Company will use its reasonable best efforts to dispose of such real property acquired on foreclosure;
- (n) subject to any applicable restrictions imposed on a mortgage investment corporation pursuant to the Tax Act, the Company may make unsecured loans to or invest in securities issued by Affiliates of the Manager;
- (o) to the extent that, from time to time, the Company's funds are not invested in Loans, they will be held in cash deposited with a Canadian chartered bank or any other financial institution whose deposits are insured by the Canada Deposit Insurance Corporation or a credit union, or they will be invested by the Manager on the Company's behalf in investments permitted by the provisions of the Tax Act that are applicable to mortgage investment corporations; and
- (p) the Company intends to manage its affairs and select investments in a manner allowing ongoing qualification as a mortgage investment corporation pursuant to the Tax Act.

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

Source of Funding for Dividends

The Company is considered a mortgage investment corporation or MIC under the Tax Act. As such, the Company is entitled to deduct from its taxable income dividends paid to Preferred Shareholders during the year or within 90 days of the end of the year to the extent the dividends were not deducted previously. The Company intends to maintain its status as a MIC and intends to make sufficient dividend payments in the year and in future years to ensure that the Company is not subject to income taxes payable. Dividends paid to Preferred Shareholders are a return on capital, and at no point have they been a return of capital, nor does the Company anticipate that a future dividend will be a return of capital.

From time to time, operating cashflows may not be consistent with operating income due to the accrual of interest income on outstanding mortgage balances consistent with their terms and other amounts to be received or paid at a later date. When cashflows from operations are insufficient to meet the distribution of earnings, the Company will fund the dividend from cash reserves.

The Company maintains a certain amount of liquid cash available to invest in opportunities, as they arise, to pay the Company's operating costs, and to fund dividends paid to Preferred Shareholders in the event that cashflows from operations are not sufficient relative to earnings. Further, 65% of the Preferred Shareholders currently reinvest their dividends, which the Company considers in determining future cash reserves.

To date, dividends paid by the Company for the year indicated have been as follows:

Item 2.2

Fiscal Year End	Dividend Payment	Distributed Return*
February 29, 2016	\$ 2,067,239.96	9.58%
February 28, 2015	\$ 1,386,736.44	12.35%
February 28, 2014	\$ 613,847.63	10.01%
February 28, 2013	\$ 471,062.07	11.80%
February 29, 2012	\$ 353,356.22	12.36%
February 28, 2011	\$ 274,475.65	12.67%
February 28, 2010	\$ 168,222.26	10.00%
Total	\$ 5,334,940.23	

*Historic results may not be indicative of future performance. See Item 8 "Risk Factors".

2.3 Development of the Business

The Company was incorporated on March 11, 2008 and has issued Preferred Shares as more fully described in Section 4.3 "Prior Sales". Since its inception, the Company has grown its capital to \$28,939,699 in Preferred shareholder equity, inclusive of the Company's dividend reinvestment or DRIP.

To date, the Company has made 33 Mortgage loans, as follows:

Loan Purpose	Location	*Net Loan Amount	Interest Rate	LTV	Date Funded	Date Repaid
Multifamily Construction	Surrey, BC	\$ 1,697,000	15%	83%	Sep-09	Jul-10
Multifamily Construction	Port Coquitlam, BC	\$ 750,800	15%	83%	Jul-10	Mar-11
Multifamily Land Acquisition	Coquitlam, BC	\$ 2,490,000	14%	83%	Sep-10	Apr-11
Multifamily Construction	Coquitlam, BC	\$ 2,832,000	14%	83%	Apr-11	Oct-11
Multifamily Construction	Coquitlam BC	\$ 1,428,000	15%	85%	Sep-11	Apr-13
Multifamily Land Acquisition	Coquitlam, BC	\$ 805,000	15%	85%	Oct-11	May-12
Multifamily Bridge Loan	Vancouver, BC	\$ 1,213,000	15%	82%	Dec-11	Oct-12
Multifamily Land Acquisition	Vancouver, BC	\$ 890,000	15%	83%	May-12	Jan-13
Multifamily Construction	Burnaby, BC	\$ 1,500,000	9% + additional return(1)	85%	Oct-12	Jun-14
Multifamily Construction	Vancouver, BC	\$ 2,052,000	15%	85%	Jan-13	Oct-14
Multifamily Construction	Pitt Meadows, BC	\$ 769,000	15%	83%	Mar-13	Mar-14
Multifamily Construction	Port Coquitlam, BC	\$ 758,000	15%	83%	Aug-13	Apr-15
Multifamily Land Acquisition	Port Coquitlam, BC	\$ 482,000	15%	83%	Aug-13	Feb-15
Multifamily Land Acquisition	Langley, BC	\$ 1,634,250	15%	83%	Apr-14	Jan-15
Multifamily Construction	Port Coquitlam, BC	\$ 1,130,000	15%	83%	Jun-14	Mar-15
Multifamily Construction	Pitt Meadows, BC	\$ 1,022,000	15%	83%	Sep-14	Nov-14
Multifamily Land Acquisition	Vancouver, BC	\$ 2,436,500	15%	85%	Oct-14	Nov-15
Multifamily Construction	Port Coquitlam, BC	\$ 2,750,000	15%	83%	Nov-14	Apr-15
Multifamily Land Acquisition	Port Coquitlam, BC	\$ 2,131,500	15%	83%	Nov-14	Jun-16
Multifamily Land Acquisition	Surrey, BC	\$ 1,022,000	15%	83%	Jan-15	Nov-16
Multifamily Construction	Port Coquitlam, BC	\$ 2,281,662	15%	83%	Feb-15	Apr-15
Multifamily Construction	Port Coquitlam, BC	\$ 5,270,000	15%	83%	Apr-15	Dec-16
Multifamily Land Acquisition	Port Coquitlam, BC	\$ 2,641,000	15%	83%	Jul-15	Feb-17
Multifamily Land Acquisition	Port Coquitlam, BC	\$ 817,400	15%	83%	Jul-15	Feb-16
Multifamily Land Acquisition	Port Coquitlam, BC	\$ 3,329,950	15%	83%	Jul-15	Apr-16
Multifamily Land Acquisition	Coquitlam, BC	\$ 4,198,500	13.5%	83%	Nov-15	Deployed
Multifamily Land Acquisition (shared loan)	Surrey, BC	\$ 1,120,000	13.5%	83%	Nov-15	Dec-16
Inventory Loan	Port Coquitlam, BC	\$ 1,904,900	6.0%	83%	Dec-15	Nov-16
Multifamily Construction	Port Coquitlam, BC	\$ 1,111,000	10.0%	83%	Feb-16	Deployed
Multifamily Construction	Port Coquitlam, BC	\$ 2,178,600	13.5%	83%	Apr-16	Deployed
Multifamily Construction	Port Coquitlam, BC	\$ 1,880,000	13.5%	83%	Apr-16	Aug-16
Multifamily Land Acquisition	Coquitlam, BC	\$ 2,765,350	13.5%	83%	Sep-16	Deployed
Multifamily Land Acquisition	Vancouver, BC	\$ 8,000,000	4.15%	52%	Feb-17	Deployed

* Net of holdback for interest reserve and fee income.

(1) Additional return is subject to financial performance of the project.

To March 31, 2017, the trailing 12 month average fund deployment has been 67%.

2.4 Long Term Objectives

The Company's long term objectives are:

- (a) to provide Preferred Shareholders with sustainable income while preserving capital;
- (b) to establish a pool of high quality Loans through prudent investment in Mortgages of Real Property situated in British Columbia and Alberta;
- (c) to distribute income on an annual basis; and
- (d) to continue to qualify as a mortgage investment corporation pursuant to the Tax Act.

The Company will seek to achieve these investment objectives by investing primarily in Loans secured by Mortgages. The Company's income will primarily consist of interest received on the Mortgages, less fees paid to the Manager and other operating expenses. Subject to future events which may have an impact on the timing of such decisions, it is the current intention of the Manager to continue the Company for an indefinite period of time.

2.5 Short Term Objectives and How We Intend to Achieve Them

The Company's business objectives for the next 12 months are to complete the Offering of a sufficient number of Preferred Shares pursuant to this Offering Memorandum to continue the establishment of a high quality Loan Portfolio.

2.6 Insufficient Funds

Not applicable.

2.7 Material Agreements

The following is a list of agreements which are material to this Offering and to the Company, which are in effect:

- (a) the Management Agreement dated January 29, 2009, as amended effective March 1, 2017, between the Company and the Manager. See Item 2.2 "The Company's Business – The Manager".

Copies of all contracts referred to above may be inspected during normal business hours at the registered and records office of the Company, located at: 20th Floor, 250 Howe Street, Vancouver British Columbia V6C 3R8.

ITEM 3

INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

Gryphon Capital Management Ltd. is the Manager of the Company pursuant to the terms and conditions of the Management Agreement. The head office of the Manager is located at 500 – 2609 Granville Street, Vancouver, British Columbia, V6H 3H3 Canada. The Manager is a corporation incorporated under the laws of British Columbia.

The Manager is an affiliate of the Company. The current directors and officers of the Company are also directors and officers of the Manager.

3.1 Compensation and Securities Held

The Company

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

Item 3.1 Compensation and Securities Held

Full name, municipality and country of principal residence	All positions held (e.g., director, officer, promoter and/or holder of more than 10% of voting securities)	Compensation paid by the Company in the most recently completed financial year and the compensation anticipated to be paid in the current financial year*	Number and type of securities of the Company after completion of minimum offering	Number and type of securities of the Company after completion of maximum offering
Jason K. Daviss Delta BC, Canada	Director	N/A	10,526 Preferred shares	10,526 Preferred shares
Max J. Bruce North Vancouver BC, Canada	Director	N/A	127,631 Preferred shares 1,501 Common shares	127,631 Preferred shares 1,501 Common shares
Christopher R. White Vancouver BC, Canada	Director	N/A	127,631 Preferred shares 1,501 Common shares	127,631 Preferred shares 1,501 Common shares
Robert M. McCarthy Vancouver BC, Canada	Promoter	N/A	127,631 Preferred shares 1,501 Common shares	127,631 Preferred shares 1,501 Common shares
Chris F. Barbati West Vancouver, BC Canada	Promoter	N/A	127,631 Preferred shares 1,501 Common shares	127,631 Preferred shares 1,501 Common shares
Clint R. Murphy Vancouver, BC Canada	Chief Financial Officer	N/A	76,735 Preferred shares	76,735 Preferred shares

* Other than as is otherwise disclosed in this Offering Memorandum, the directors and officers of the Company do not receive compensation in their capacity as directors and officers. The current directors and officers of the Company are also directors and officers of the Manager. As of March 1, 2017, the Company has committed to paying the Manager, a company under common control, an Incentive Fee equal to 20% of the revenue of the Company determined in accordance with generally accepted accounting principles applicable to the Company. During the year ended February 28, 2017, the Company paid the Manager \$582,692 (2016 - \$496,732). Such amounts were calculated, and payable, based on the terms of the previous management agreement dated January 9, 2009 between the Company and the Manager, whereby the Company agreed to pay the Manager an annual management fee equal to 2% of the aggregate total assets of the Company, payable as to one-twelfth thereof on the last day of each month, and an annual incentive fee equal to 25% of the balance of Distributable Income after the payment to the Preferred Shareholders by way of dividends of a minimum return equal to 9%.

3.2 Management Experience

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

Name	Office Held With The Company	Office Held With The Manager	Principal Occupation Last 5 Years
Jason K. Daviss	Director	Director & President	Director and President of Gryphon Capital Management Ltd.; Executive Officer of MOSAIC;
Max J. Bruce	Director	Director	Executive Officer of MOSAIC
Christopher R. White	Director	Director	Executive Officer of MOSAIC
Robert M. McCarthy	Promoter	Director	Executive Officer of MOSAIC
Chris F. Barbati	Promoter	Director	Executive Officer of MOSAIC
Clint R. Murphy	Chief Financial Officer	Chief Financial Officer	Chief Financial Officer of MOSAIC

Jason K. Daviss

Jason Daviss has sourced, underwrote, negotiated, and closed over \$1,000,000,000 in all forms of residential development financing across North America. Mr. Daviss holds the Chartered Financial Analyst (CFA) designation and received a Bachelor of Commerce degree with Honours from the University of British Columbia after completing a double-major in Real Estate and Finance. Mr. Daviss lives in Delta with his wife and family.

Max J. Bruce

Max Bruce is a founding principal of MOSAIC. Mr. Bruce has been responsible for many aspects of MOSAIC's operations during its growth, including raising capital, sourcing construction financing, negotiating acquisitions, and, currently, directing MOSAIC's income property program. Mr. Bruce received a Bachelor of Commerce from the University of British Columbia and lives in North Vancouver with his wife and family.

Christopher R. White

Chris White is a founding principal of MOSAIC. Prior to joining MOSAIC to lead its acquisitions team, Mr. White was a Vice President of CB Richard Ellis. During his tenure at CB Richard Ellis, Mr. White arranged the sale of investment properties worth in excess of \$400 million, inclusive of development sites worth in excess of \$190 million (all values at time of sale). Mr. White received a Bachelor of Commerce degree from the University of British Columbia and lives with his wife and family in Vancouver.

Robert M. McCarthy

Robert McCarthy is a founding principal of MOSAIC and is currently the Chairman. Prior to starting MOSAIC in 2000, Mr. McCarthy spent 9 years with Polygon and 3 years with Adera, two prominent Vancouver development companies. Mr. McCarthy is an architect and lives in Vancouver with his wife and family.

Chris F. Barbati

Chris Barbati is a founding principal of MOSAIC and is currently the President of the development operations. Mr. Barbati joined MOSAIC to lead its development team following a series of tenures in senior management positions with Polygon. Educated at the University of British Columbia, Mr. Barbati holds a Bachelor of Arts Degree in Economics. Mr. Barbati lives in West Vancouver with his wife and family.

Clint R. Murphy

Clint Murphy holds the Chief Financial Officer position with MOSAIC. Mr. Murphy has worked in finance and accounting within Real Estate Development since 2010. Prior to starting with MOSAIC, he worked at KPMG for eight years in Vancouver and Bermuda in assurance services. Mr. Murphy was also previously on the Urban Development Institute U40 Committee for three years. Mr. Murphy holds the Chartered Professional Accountant (CPA) designation and received a Master in Professional Accounting (MPAcc) from the Edwards School of Business at the University of Saskatchewan. Mr. Murphy lives in Vancouver with his wife and two boys.

3.3 Penalties, Sanctions and Bankruptcy

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

- (a) director, senior officer or control person of the Company or Manager, or
- (b) any issuer that a person or company referred to in (1) above was a director, senior officer, or control person of at that time.

3.4 Loans

There are no debentures or loans due to or from the directors, management, promoters or principal holders of the Company as at the date of this Offering Memorandum.

ITEM 4 CAPITAL STRUCTURE

4.1 Share Capital

The following are the details of the outstanding securities of the Company at March 31, 2017:

Description of Security	Number Authorized to be Issued	Price per Security	Number Outstanding as at March 31, 2017	Number Outstanding after min. Offering	Number outstanding after max. Offering
Preferred Shares	Unlimited	\$1.00	28,939,699 ⁽¹⁾	N/A ⁽¹⁾	50,000,000 ⁽²⁾
Common Shares	Unlimited	\$1.00	6,004	6,004	6,004

⁽¹⁾ Includes Preferred Shares issued under the Company's dividend reinvestment Plan or DRIP.

⁽²⁾ There is no minimum Offering. The maximum Offering is 50,000,000 Preferred Shares. To date, 25,940,097 Preferred Shares have been issued pursuant to this Offering Memorandum to date.

4.2 Long Term Debt

The Company has no long term debt.

4.3 Prior Sales

Within the last 12 months, the Company has issued the following Preferred Shares:

Item 4.3 Prior Sales

Date of Issuance	Type of Security	Shares Issued	Price per Share	Total Funds Received
April 1 to April 30, 2016	Preferred Shares	286,014	\$ 1.00	\$ 286,014
May 1 to May 31, 2016	Preferred Shares	529,589	\$ 1.00	\$ 529,589
June 1 to June 30, 2016	Preferred Shares	37,975	\$ 1.00	\$ 37,975
July 1 to July 31, 2016	Preferred Shares	26,500	\$ 1.00	\$ 26,500
August 1 to August 31, 2016	Preferred Shares	-	\$ 1.00	\$ -
September 1 to September 30, 2016	Preferred Shares	-	\$ 1.00	\$ -
October 1 to October 31, 2016	Preferred Shares	-	\$ 1.00	\$ -
November 1 to November 30, 2016	Preferred Shares	-	\$ 1.00	\$ -
December 1 to December 31, 2016	Preferred Shares	-	\$ 1.00	\$ -
January 1 to January 31, 2017	Preferred Shares	-	\$ 1.00	\$ -
February 1 to February 28, 2017	Preferred Shares	711,937	\$ 1.00	\$ 711,937
March 1 to March 31, 2017	Preferred Shares	477,600	\$ 1.00	\$ 477,600
Total		2,069,615		\$ 2,069,615

ITEM 5 SECURITIES OFFERED

5.1 Terms of Preferred Shares

The Company is offering up to 24,059,903 Preferred Shares. The maximum Offering of 50,000,000 Preferred Shares (increased from 25,000,000 Preferred Shares) has been adjusted to account for the 25,940,97 Preferred Shares issued under this Offering Memorandum to date.

Dividends

Each Preferred Share entitles its registered holder to participate on a *pro rata* basis with the other Preferred Shareholders, in the distribution of 100% of the dividends payable by the Company. Dividends will be payable from the Distributable Income of the Company, subject to the payment of the Management Fee and other operating expenses. Dividends will

be declared on the issued and outstanding Preferred Shares, subject to the provisions of the *Business Corporations Act* (British Columbia) and the Articles of the Company. Pursuant to the Articles of the Company, dividends declared by the directors of the Company will be paid on an annual basis as follows to the Preferred Shareholders. All such dividends will be paid in arrears on the 90th day following the Fiscal Year End of the Company. Upon their initial subscription, Preferred Shareholders may elect:

- (a) to receive dividends on all Preferred Shares subscribed for by way of cash payment; or
- (b) to receive dividends on all Preferred Shares subscribed for by the issuance of additional Preferred Shares by way of the Dividend Reinvestment Plan. The additional Preferred Shares arising from such dividends will be accumulated and issued to Preferred Shareholders as of March 1st in each year. In order to elect this option, the Shareholder must reside in Canada. If any Preferred Shares of the Corporation are held by a non-resident of Canada, such Shareholder shall not be eligible to participate in the Plan. Upon ceasing to be a resident of Canada, a Shareholder shall forthwith notify the Corporation and the Agent and terminate participation in the Plan. Any Canadian resident Shareholder may enroll in the Plan at any time by completing an enrollment form. If the Preferred Shares are held directly, the Shareholder must complete an enrollment form and return it to the Agent. If the Preferred Shares are held in a registered account, the Shareholder must complete an enrollment form and return it to the trustee of such registered account. A Shareholder may terminate participation in the Plan for the current fiscal year at any time by written notice to the Corporation and the Agent.

In each Fiscal Year, dividends will be proportionate to the number of days the Preferred Share has been issued and outstanding in the year to which the dividend relates.

For greater certainty, although the Company intends to pay dividends on the applicable Dividend Payment Date, each dividend declared pursuant to the Articles of the Company constitutes a binding obligation of the Company on the applicable Calculation Date. To the extent dividends are calculated in respect of a period and payable at the end of such period, if for any reason, including the dissolution or winding up of the Company, such period is not completed or such amounts are no longer payable, then the dividend will be pro-rated to the end of the shortened period and be payable at the end of such shortened period.

In each Fiscal Year, with respect to each Preferred Share, the Preferred Shareholder holding such Preferred Share shall only be entitled to a proportionate share based on the proportion that the number of days between the date of first issue of such Preferred Share and the last day of the Fiscal Year bears to the aggregate total number of days in such Fiscal Year. By allocating dividends in the aforementioned manner, early subscriber of Preferred Shares is compensated for the fact that they contributed to the Company at an earlier date.

The Company intends to distribute all of the net income and net realized capital gains, if any, of the Company to Preferred Shareholders by way of dividends, so that the Company will not be liable to pay income tax pursuant to the Tax Act during any year. Notwithstanding the foregoing, the Company may retain earnings as it may deem advisable, for example if required to bring the Net Asset Value per Preferred Share up to the Subscription Price. See Item 6 "Income Tax Consequences and RRSP / TFSA Eligibility".

If, on a Dividend Payment Date, the Company does not have cash in an amount sufficient to pay the dividends to be made on such Dividend Payment Date, the Company may, in its discretion, borrow sufficient funds on such terms as it deems appropriate to make such cash distributions. In the event that the Company is unable to, or determines that it is not in the best interests of, the Company and the Preferred Shareholders to borrow funds in order to pay dividends wholly in cash, the dividend payable to the Preferred Shareholders on such Dividend Payment Date may, at the option of the Company, include a distribution of additional Preferred Shares (at \$1.00 per Preferred Share) having a value equal to the cash shortfall.

If the Manager determines that the value of a Preferred Share is materially different than \$1.00, each additional Preferred Share will be issued at such different value. The distribution of Preferred Share will be subject to the requirements of the applicable Securities Authority and if not permitted, dividends will be paid in cash. The Manager may, in exceptional circumstances, consolidate the number of outstanding Preferred Shares after a distribution of additional Preferred Shares,

so that each Preferred Shareholder holds the same number of Preferred Shares held before the distribution of additional Preferred Shares.

Redemption Rights

Subject to the Articles of the Company, a Preferred Shareholder wishing to redeem the whole or any part of his or her Preferred Shares (a "Redemption") may deliver written notice via registered mail or other form that is acknowledged by the Company of such desire (the "Redemption Notice") to the Company at any time. Upon receipt by the Company of the notice to redeem Preferred Shares, the Preferred Shareholder shall thereafter cease to have any rights with respect to the Preferred Shares tendered for redemption (other than to receive the redemption payment therefore) including the right to receive any dividends thereon that are declared payable to the Preferred Shareholders of record on a date that is subsequent to the date on which the Preferred Share is redeemed. Preferred Shares shall be considered to be tendered for redemption on the date that the Company has, to the satisfaction of the directors, received the notice and further documents or evidence the directors may reasonably require with respect to the identity, capacity or authority of the person giving such notice.

Subject to the Articles of the Company, applicable laws and the conditions listed below, Preferred Shares will be eligible for redemption at the request of the Preferred Shareholders pursuant to the Redemption Notice or at the option of the Company. A maximum of 10% of the Preferred Shares then issued and outstanding will be redeemed in any year. Preferred Shares will be redeemed at a redemption price (the "Redemption Price") equal to the lesser of the Net Asset Value per Preferred Share* and the Subscription Price, multiplied by:

- (a) 95%, if notice to redeem is given by the Preferred Shareholder at any time up to the first anniversary of the Preferred Shareholder's original subscription date;
- (b) 96%, if notice to redeem is given by the Preferred Shareholder at any time after the first anniversary of the Preferred Shareholder's original subscription date and up to the second anniversary of the Preferred Shareholder's original subscription date;
- (c) 97%, if notice to redeem is given by the Preferred Shareholder at any time after the second anniversary of the Preferred Shareholder's original subscription date and up to the third anniversary of the Preferred Shareholder's original subscription date;
- (d) 98%, if notice to redeem is given by the Preferred Shareholder at any time after the third anniversary of the Preferred Shareholder's original subscription date and up to the fourth anniversary of the Preferred Shareholder's original subscription date;
- (e) 99%, if notice to redeem is given by the Preferred Shareholder at any time after the fourth anniversary of the Preferred Shareholder's original subscription date and up to the fifth anniversary of the Preferred Shareholder's original subscription date; and
- (f) 100%, if notice to redeem is given by the Preferred Shareholder at any time after the fifth anniversary of the Preferred Shareholder's original subscription date.

**Preferred Shares were offered at a price of \$0.95 per Preferred Share up to and including February 28, 2009. A total of 1,607,888 Preferred Shares were issued at \$0.95, which resulted in a total asset (cash) deficit of \$80,394.40 relative to a Net Asset Value per Preferred Share of \$1.00. The Company subsequently issued additional Common shares to generate sufficient additional assets (cash) to cure this deficit, thereby delivering a Net Asset Value per Preferred Share of \$1.00. To the extent Preferred Shares are redeemed at prices less than \$1.00 over time, the difference (up to a maximum of \$80,394.40) will be used to repurchase Common shares.*

The Redemption Price per Preferred Share multiplied by the number of Preferred Shares tendered for redemption will be paid to a Preferred Shareholder by way of a cash payment no later than 90 days after the fiscal year end of the year in which the Preferred Shares were tendered for redemption, subject to the provisions of the Articles of the Company.

Redemption of the Preferred Shares by a Preferred Shareholder – Subject to the provisions of the Articles, upon receiving a Notice of Redemption from a Preferred Shareholder, the Company will redeem the number of the Preferred Shares registered in the name of that shareholder and which are specified in the Notice of Redemption by paying the Redemption Price in respect thereof to such Preferred Shareholder. Regardless of when it received a Notice of Redemption from a holder of the Preferred Shares, the Company will pay the aggregate Redemption Price in respect thereof once per year on the date that is no later than 90 days after the Fiscal Year end of the Company of the Fiscal Year in which the Company received the Redemption Notice or at a time determined by the Company.

The obligation of the Company to redeem any Preferred Shares will be subject to the following:

- (a) the directors of the Company may determine, in their sole discretion, whether sufficient funds are available to the Company for the redemption of any Preferred Shares, provided that if the directors of the Company determine, in their sole discretion, that sufficient funds are not available to pay for the redemption of any Preferred Shares, then the redemption of the Preferred Shares shall be delayed until the directors of the Company determine that sufficient funds are available;
- (b) any Preferred Shares are not redeemable if the Company is insolvent or if the redemption of such Preferred Shares would render the Company insolvent;
- (c) any Preferred Shares are not redeemable if the redemption of such Preferred Shares would result in the Company not qualifying as a mortgage investment corporation under the Tax Act, as amended;
- (d) in any Fiscal Year, the Company shall not redeem any Preferred Shares in excess of 10% of the total number of Preferred Shares issued and outstanding on the first day of such Fiscal Year;
- (e) Preferred Shares will be redeemed in the order that the Notices of Redemption in respect thereof have been received by the Company; and
- (f) any redemption of Preferred Shares of the Company need not be made on a *pro rata* basis among every person holding the Preferred Shares.

If any redemptions of the Preferred Shares are delayed because of the reasons set forth in conditions (a) through (e) above, when the directors of the Company determine that the Company may resume redemption of the Preferred Shares, the delayed redemptions shall be completed in the order that the Notices of Redemption in respect thereof have been received by the Company.

Redemption of the Preferred Shares by the Company – The Company may, at its option, redeem any or all of the Preferred Shares outstanding from time to time either:

- (a) by invitation for tenders addressed to all of the Preferred Shareholders; or
- (b) on payment of an amount specified by the Company for each share to be redeemed, provided that such amount will not be less than the lesser of \$1.00 per Preferred Share or the Net Asset Value per Preferred Share.

In the case of a redemption under (a) above, the Company shall give at least seven days' written notice of such redemption by mailing such notice to the registered holder or holders of the Preferred Shares. If upon any such invitation for tenders the Company receives tenders at the same lowest price from multiple holders of Preferred Shares (the "Tender Price") which the Company is willing to pay for an aggregate number of Preferred Shares greater than the number for which the Company has specified it is prepared to accept tenders, the Preferred Shares so tendered will be purchased as nearly as may be, *pro rata*, according to the number of Preferred Shares so tendered by each of the Preferred Shareholders who submitted tenders at the same lowest price.

In the case of a redemption under (b) above, the Company shall give at least seven days' written notice of such redemption by mailing such notice to the registered holder or holders of the Preferred Shares, specifying the price at which the

Company will redeem each Preferred Share (the "Company Redemption Price"); and, if not all the Preferred Shares registered in the name of each such holder are to be redeemed, the number to be redeemed.

On the date specified for redemption, the Company will pay or cause to be paid the Company Redemption Price or the Tender Price, as the case may be, to the Preferred Shareholders as well as all declared but unpaid dividends on such Preferred Shares. On such date the holders of the Preferred Shares required to be redeemed must present and surrender the share certificates issued by the Company with respect to the Preferred Shares to be redeemed. If only a portion of the Preferred Shares represented by any such share certificate are to be redeemed, then the Company will issue a new share certificate for the balance to the Preferred Shareholder.

Net Asset Value – The Net Asset Value of the Company and the Net Asset Value per Preferred Share will be computed by the Manager as at the close of business on a Valuation Day. The number of Preferred Shares, the fair market value of the assets of the Company and the amount of the liabilities of the Company will be calculated by the Manager subject to the following:

- (a) the fair market value of any cash on hand, on deposit or on call, and prepaid expenses shall be the face amount thereof, unless the Manager determines that any deposit, call loan or prepaid expense has a fair market value less than the face amount thereof, in which event the fair market value thereof shall be deemed to be such value as the Manager determines to be the reasonable value thereof;
- (b) the fair market value of any money market instruments shall be cost plus accrued unpaid interest;
- (c) the fair market value of the Mortgages shall be the aggregate principal amount thereof, unless the Manager determines that any such Mortgage has a fair market value different than the principal amount thereof, in which event the fair market value thereof shall be deemed to be such value as the Manager determines to be the reasonable value thereof;
- (d) the fair market value of any interest accrued and not yet received shall be the face amount thereof, unless the Manager determines that any accrued interest has a fair market value less than the face amount thereof, in which event the fair market value thereof shall be deemed to be such value as the Manager determines to be the reasonable value thereof;
- (e) interest income will be recorded for accounting purposes on the accrual basis and recording of interest income will cease on Mortgages in default if the Manager determines there is some reasonable doubt as to the ultimate collectability of principal and interest;
- (f) fees associated with Mortgage lending transactions are deferred and amortized over the term of the associated Loan;
- (g) realized gains and losses from investment transactions will be calculated on a cost basis;
- (h) all material expenses or liabilities (including fees payable to the Manager) of the Company shall be calculated on an accrual basis;
- (i) the amount of any undistributed net income or net realized capital gains allocated to Preferred Shares but not yet distributed on the Valuation Day shall not be included in the assets of the Company; and
- (j) any interim investment made while the investment of funds in Loans is pending will be valued at market value.

As a result of the Company issuing Preferred Shares at a price of \$0.95 per Preferred Share for subscriptions up to and including February 28, 2009, the average preferred share capital per Preferred Share will be less than \$1.00. To the extent the average share capital per Preferred Share is less than the redemption price, a portion of the redemption price paid will represent a capital dividend rather than repayment of capital.

Redemption Record

Date of Redemption	Shares Redeemed	Total Funds Paid	Average Price per Share
24-May-2012	21,052	\$ 20,631	\$ 0.98
19-Feb-2014	5,263	\$ 5,210	\$ 0.99
27-May-2016	268,703	\$ 263,443	\$ 0.98
Total	295,018	\$ 289,284	

**As at March 31, 2017, redemption requests outstanding and payable within a year amount to \$962,202 representing 990,789 preferred shares. All other redemption requests have been honoured by the Company. The source of funds used to honour the redemption was a return of invested capital.*

Non-Voting

The Preferred Shares are non-voting.

5.2 Subscription Procedure

The Preferred Shares are being offered for sale in the Province of British Columbia. The Preferred Shares are conditionally offered if, as and when Subscriptions are accepted by the Company and subject to prior sale. Subscriptions for Preferred Shares will be received by the Company subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

This Offering is being made in accordance with certain statutory prospectus and, where applicable, registration exemptions contained in securities legislation in British Columbia. Such exemptions relieve the Company from provisions under such statutes requiring the Company to file a prospectus and utilize a registered securities dealer to sell the Preferred Shares. As such, investors will not receive the benefits associated with purchasing the Preferred Shares pursuant to a filed prospectus, including the review of the material by the securities commissions or similar regulatory authority in such jurisdictions, or the benefits associated with the involvement of such registrants.

The Preferred Shares are being offered on a continuous basis pursuant to exemptions from the prospectus and, where applicable, registration requirements of applicable securities legislation. In order to subscribe for Preferred Shares, investors must be within one of the following categories:

- (a) an “accredited investor” as such term is defined in National Instrument 45-106 (“NI 45-1-6”), provided the subscriber delivers a signed risk acknowledgement form in the form required by NI 45-106, if applicable; or
- (b) one of the following:
 - (i) a director, officer, founder, employee or control person of the Company or an Affiliate of the Company; or
 - (ii) a spouse, parent, grandparent, brother, sister or child of a director, executive officer, founder or control person of the Company or an Affiliate of the Company; or
 - (iii) a parent, grandparent, brother, sister or child of a spouse of a director, executive officer, founder or control person of the Company or an Affiliate of the Company; or
 - (iv) a close personal friend of a director, executive officer, founder or control person of the Company or an Affiliate of the Company; or
 - (v) a close business associate of a director, executive officer, founder or control person of the Company or an Affiliate of the Company; or
 - (vi) a founder of the Company or a spouse, parent, grandparent, brother, sister, child, close personal friend or close business associate of a founder of the Company; or

- (vii) a parent, grandparent, brother, sister or child of the spouse of a founder of the Company;
or
- (viii) a person, the majority of the voting securities of which are beneficially owned by, or a majority of the directors of which are, persons described in paragraphs (i) to (vii); or
- (ix) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors of which of which are beneficially owned by persons described in paragraphs (i) to (vii),

provided that no Sale Fee will be payable in respect of the distribution of Preferred Shares to any such person under (b) above; or

- (c) resident in British Columbia, and acknowledges having received and read a copy of this Offering Memorandum and delivers a signed risk acknowledgement form in the form required by NI 45-106;
or
- (d) a non-individual acquiring Preferred Shares that have a Subscription Price of not less than \$150,000, provided the conditions of Section 2.10 of NI 45-106 are satisfied.

Notwithstanding the foregoing, Preferred Shares may be issued pursuant to other available exemptions from the prospectus requirements of applicable securities legislation provided the conditions of such exemptions are satisfied.

Investors may subscribe for Preferred Shares by returning to the Company at 500-2609 Granville Street, Vancouver, BC V6H 3H3 the following:

- (a) a completed Subscription Form; and
- (b) a certified cheque or bank draft in an amount appropriate for the number of Preferred Shares subscribed for, payable to “Redbricks Mortgage Investment Corp.” or “Clark Wilson LLP, in Trust”.

Each investor will also be required to sign two copies of a Risk Acknowledgment (Form 45-106F4), attached as Appendix A to the Subscription Form before signing the Subscription Form, in accordance with the requirements of NI 45-106 and two further copies of a Risk Acknowledgment Form (Appendix A to BC Instrument 32-517). Each investor that is an individual that is relying on the “accredited investor” exemption in Section 2.3 of NI 45-106 will also be required to sign two copies of a Risk Acknowledgment Form (Form 45-106F9), in accordance with the requirements of NI 45-106. In accordance with the requirements of NI 45-106, the Company will hold the subscription monies advanced by each investor in trust for the investor until midnight on the second business day after the Subscription Form is signed by the investor.

Subscriptions received will be subject to rejection or allotment by the Company in whole or in part in the Manager’s sole discretion. The Company is not obliged to accept any subscription. If any subscription is not accepted, the Company will promptly return to the subscriber the Subscription Form and the money comprising such subscription. Confirmation of acceptance of a subscription will be forwarded to the subscriber by the Company. The Company reserves the right to close the subscription books at any time without notice.

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

All subscription documents should be reviewed by prospective subscribers and their professional advisers prior to subscribing for Preferred Shares.

ITEM 6 INCOME TAX CONSEQUENCES AND RRSP / TFSA ELIGIBILITY

6.1 General

In the opinion of management of the Company, the following sets out a summary of the principal Canadian federal income tax consequences of acquiring, holding and disposing of the Preferred Shares by a Subscriber who, at all relevant times, is a resident of Canada, deals with the Company at arm's length, and who acquires and holds the Preferred Shares as capital property. This summary is not applicable to any Preferred Shareholder which is a "financial institution" or "specified financial institution" as defined in the Tax Act, or to any holder of Preferred Shares an interest in which is a "tax shelter investment" for the purposes of the Tax Act.

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

You should consult your own professional advisors to obtain advice on the tax consequences that apply to you. The summary contained in this section is of a general nature only and is not exhaustive of all possible Canadian federal income tax consequences. It is not intended to be and should not be interpreted as legal or tax advice to any particular subscriber.

6.2 Status as a Mortgage Investment Corporation

This summary is based on the assumption that the Company qualifies as a mortgage investment corporation under the Tax Act. The Company will qualify as a mortgage investment corporation throughout a taxation year of the Company if throughout that taxation year:

- (a) the Company is a Canadian corporation as defined in the Tax Act;
- (b) the Company's only undertaking is the investing of funds and it did not manage or develop any real or immovable property;
- (c) no debts are owed to the Company that are secured on real or immovable property situated outside of Canada;
- (d) no debts are owed to the Company by non-residents, other than debts secured on real or immovable property situated in Canada;
- (e) the Company does not own shares of any corporation not resident in Canada;
- (f) the Company does not own real or immovable property located outside of Canada or any leasehold interest in such property;
- (g) the Company has at least 20 shareholders (except that the Company is deemed to comply with this requirement throughout its first taxation year if it complies with it on the last day of its first taxation year);
- (h) no person is a "specified shareholder" of the Company, as that term is defined in 248(1) of the Tax Act and modified by paragraph 130.1(6)(d) of the Tax Act, which generally means a person who alone or together with the person's spouse, children under the age of 18, and other related parties, owns more than 25% of the issued shares of any class of the Company;

- (i) any Holders of Preferred Shares of the Company have 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;
- (j) the cost amount of the Company's property represented by Loans on houses (as defined in section 2 of the *National Housing Act*) or on property included within a housing project (as defined in section 2 as it read on June 16, 1999), together with cash on hand and deposits with a bank or any other lender whose deposits are insured by the Canada Deposit Insurance Corporation or a credit union, (collectively, the "Qualifying Property") is at least 50% of the cost amount to it of all of its property;
- (k) the cost amount of real or immovable property (including leasehold interests therein but excluding real property acquired as a consequence of foreclosure or defaults on a Mortgage held by the Company) owned by the Company does not exceed 25% of the cost amount to it of all of its property; and
- (l) where at any time in the year the cost amount to the Company of its Qualifying Property is less than 2/3 of the cost amount to it of all of its property, the Company's liabilities throughout the year do not exceed three times the amount by which the cost amount to it of all of its property exceed its liabilities, or, where throughout the taxation year the cost amount to the Company of its Qualifying Property equals or exceeds 2/3 of the cost amount of all of its property, the Company's liabilities do not exceed five times the amount by which the cost amount to it of all of its property exceed its liabilities.

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

6.3 Taxation of the Company

As a mortgage investment corporation, the Company will, in computing its taxable income, generally be entitled to deduct the full amount of all taxable dividends (other than capital gains dividends) which it pays during the year or within 90 days after the end of the year to the extent that such dividends were not deductible by the Company in computing its income for the preceding year. As a mortgage investment corporation is deemed to be a public company, the Company cannot pay capital dividends. However, a mortgage investment corporation 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 dividend from its taxable income. As discussed below, a capital gains dividend is taxed in the hands of a Preferred Shareholder as a capital gain arising from a notional disposition of capital property. The combination of the Company's deduction for capital gains dividends and the Preferred Shareholder's deemed capital gain will allow the Company to flow capital gains through to a Preferred Shareholder on a tax efficient basis. As it is deemed to be a public company, the Company will be subject to tax at the highest corporate rates. However, at this time the Company intends to declare dividends and capital gains dividends each year in sufficient amounts to reduce its taxable income to nil. Notwithstanding the foregoing, the Company may retain earnings as it may deem advisable, for example if required to bring the Net Asset Value per Preferred Share up to the Subscription Price.

6.4 Taxation of Preferred Shareholders

Dividends other than capital gains dividends which are paid by the Company on the Preferred Shares will be included in the income of a Preferred Shareholder as interest. Capital gains dividends received by a Preferred Shareholder will be treated as a realized capital gain, and will be subject to the general rules relating to the taxation of capital gains. **The normal gross-up and dividend tax credit rules do not apply to dividends paid on Preferred Shares to individuals and trusts, and corporate holders of the Preferred Shares will not be entitled to deduct the amount of any dividends paid on their Preferred Shares from their taxable income.**

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

A disposition or a deemed disposition of Preferred Shares (other than to the Company) will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition of the Preferred Shares exceed (or are exceeded by) the adjusted cost base of the Preferred Shares and the disposition costs. Amounts paid by the Company on the redemption or acquisition by it of a Preferred Share, up to the paid-up capital thereof, will be treated as proceeds of disposition. Any amount paid by the Company on the redemption or acquisition of a Preferred Share which is in excess of the paid-up capital of such Preferred Share will be deemed to be a dividend and will be included in the income of a holder of Preferred Shares, in accordance with the rules described above.

Fifty percent of any capital gain realized by a Preferred Shareholder (including capital gains deemed to be realized as a result of a receipt of a capital gains dividend) will be included in the Preferred Shareholder's income under the Tax Act as a taxable capital gain. Subject to certain specific rules in the Tax Act, one-half of any capital loss realized in a taxation year may be deducted against any taxable capital gains realized by the Preferred Shareholder in that year, in the three preceding taxation years or in any subsequent taxation year.

The taxable capital gains realized by a Preferred Shareholder that is an individual may give rise to alternative minimum tax depending upon the Preferred Shareholder's circumstances. A Preferred Shareholder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 10 ²/₃% on certain investment income, including amounts in respect of interest and taxable capital gains. The 10 ²/₃% tax is to be added to such corporation's refundable dividend tax on-hand account and will be eligible for refund at a rate of 38 ¹/₃% of dividends paid by the Company.

6.5 Eligibility for Investment by Deferred Plans

The Preferred Shares will be qualified investments for a trust governed by a registered retirement savings plan ("RRSP"), registered educational savings plan ("RESP"), deferred profit sharing plan ("DPSP"), registered retirement income fund ("RRIF"), or tax-free savings account ("TFSA") (any of the foregoing, a "Deferred Plan") at a particular time if the Company qualifies as a mortgage investment corporation under the Tax Act at such particular time and if throughout the calendar year in which the particular time occurs, the Company does not hold as part of its property any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer, a subscriber, or a holder, as the case may be, of or under the relevant Deferred Plan or of any other person who does not deal at arm's length with that person. Deferred Plans will generally not be liable for tax in respect of any dividends received from the Company.

If the Preferred Shares cease to be a qualified investment for a Deferred Plan, the Deferred Plan will be subject to a penalty tax.

Notwithstanding that the Preferred Shares may be qualified investments for a trust governed by an RRSP, RRIF or TFSA, the annuitant of an RRSP or RRIF or the holder of a TFSA will be subject to a penalty tax if the Preferred Shares are a "prohibited investment" for the RRSP, RRIF or TFSA for the purposes of the Tax Act. The Preferred Shares will generally not be a "prohibited investment" provided that the holder or annuitant of the RRSP, RRIF, or TFSA deals at arm's length with the Company for the purposes of the Tax Act and does not have a "significant interest", as defined in the Tax Act, in the Company or in a corporation, partnership or trust that does not deal at arm's length with the Company 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. **Prospective purchasers who intend to hold Preferred Shares in a RRSP, RRIF or TFSA are urged to consult their own tax advisors to ensure that the Preferred Shares would not constitute a "prohibited investment" in their particular circumstances.**

ITEM 7 COMPENSATION PAID TO SELLERS AND FINDERS

The Company may pay a sales fee to registered securities dealers and exempt market dealers, or where permitted, non-registrants, in an amount not to exceed 6% of the subscription monies. Accordingly, the Company may pay as much as \$1,443,594 in up front selling commissions and fees. The amount included in the table under Item 1.1 is based on the Company's expectation that the average sales fee paid will be approximately 4% of the subscription proceeds. The

Company may also pay trailing commissions to securities dealers in respect of Preferred Shares sold by them or held in client accounts of such securities dealers. The Company expects the average trailer will be approximately 1% per annum on invested capital. To the extent that the Company is responsible for the payment of compensation to securities dealers, the funds available to the Company will be reduced.

ITEM 8 RISK FACTORS

The purchase of Preferred Shares involves a number of risk factors. In addition to the factors set forth elsewhere in this Offering Memorandum, prospective investors should consider the following factors.

No Guaranteed Return

Although investments in Mortgages will be carefully chosen by the Company, there is no representation made by the Company that such investments will have a guaranteed return to Preferred Shareholders, nor that losses will not be incurred by the Company in respect of such investments. This Offering is not suitable for investors who cannot afford to assume significant risks in connection with their investments.

Nature of Mortgage Backed Investments

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

Conflicts of Interest

The Manager and the Company are Affiliates and negotiations between them have not been, and will not be, conducted at arm's length. Therefore, the Company will be subject to various conflicts of interest arising from its relationship with the Manager, Affiliates of the Manager, and the officers and directors thereof. In addition, there may be situations where the interests of the Company or its Shareholders conflict with the interests of the officers and directors of the Manager. The risk exists that such conflicts will not be resolved in the best interests of the Company and the Preferred Shareholders. However, the Manager will make any decision involving the Company or the Preferred Shareholders in accordance with its duty to deal honestly and in good faith.

The net subscription proceeds will be invested primarily in Loans to MOSAIC projects. Transactions between the Company and one or more of the MOSAIC entities may be entered into without the benefit of arm's length bargaining. Therefore, situations may arise in which either or both of the Company or Manager may be making determinations which could benefit itself or themselves, its or their Affiliates or its officers or directors to the detriment of the Company or the Preferred Shareholders. Therefore, there will be situations where the interests of the Company or its shareholders conflict with the interests of the officers and directors of the Manager and of the borrowers of the Loans. The risk exists that such conflicts will not be resolved in the best interests of the Company and the Shareholders.

Availability of Mortgage Investments

The ability of the Company to make investments in Mortgages in accordance with its investment policies will depend upon the availability of suitable investments and the amount of Mortgages available. The Company will compete with individuals, partnerships, companies, trusts and institutions for the investment in the financing of real properties. Many of these competitors have greater resources than the Company or operate with greater flexibility.

Subordinate and Non-Conventional Financing

Subordinate financing which will be carried on by the Company is generally considered a higher risk than primary financing. Mortgages will be secured by a charge which is in a first or subsequent-ranking position upon or in the

underlying real estate. When a charge on a real property is in a position other than first-ranking on a real property, it is possible for the holder of a prior charge on the real property, 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 real property in order to realize the security given for his loan. Such actions may include a foreclosure action, or an action forcing the real property to be sold. A foreclosure action may have the ultimate effect of depriving any person having other than a first-ranking charge the security of the real property. If an action is taken to sell the real property and sufficient proceeds are not realized from such sale to pay off all creditors who have prior charges on the property, the holder of a subsequent charge may lose his investment or part thereof to the extent of such deficiency, unless he can otherwise recover such deficiency from other property owned by the debtor. The Company intends to make investments in Mortgages where the loan exceeds 75% of the value of the Real Property which is mortgaged, which exceeds the typical investment limit for conventional mortgage lending.

Composition of Loan Portfolio

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

Reliance on Management

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

Potential Liability under Environmental Protection Legislation

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

Marketability of Preferred Shares

There is currently no market for the Preferred Shares and it is not anticipated that any market will develop. The Preferred Shares are not transferable, except as approved by the Company. Consequently, holders of Preferred Shares will not be able to resell their Preferred Shares. See Item 10 "Resale Restrictions".

Redemption Matters

Changes in economic conditions and other factors may cause Preferred Shareholders to redeem their Preferred Shares and could cause a shortfall in funds available to meet redemptions or dividends to the Preferred Shareholders. The directors of the Company may determine that funds are not currently available for the payment of the redemption price of any Preferred Shares in respect of which the Preferred Shareholder has requested a Redemption, in which case the Company may elect to delay payment or pay the redemption price for such Preferred Shares. As a result of the Company issuing Preferred Shares at a price of \$0.95 per Preferred Share for subscriptions up to and including February 28, 2009, the average preferred share capital per Preferred Share will be less than \$1.00. To the extent the average share capital per Preferred Share is less than the redemption price, a portion of the redemption price paid will represent a capital dividend rather than repayment of capital.

Tax Matters

The return on the Preferred Shareholder's investment in the Preferred Shares is subject to changes in Canadian federal and provincial tax laws, tax proposals, other governmental policies or regulations and governmental, administrative or judicial interpretation of the same. There can be no assurance that tax laws, tax proposals, policies or regulations,

or the interpretation thereof, will not be changed in a manner which will fundamentally alter the tax consequences to Preferred Shareholders acquiring, holding or disposing of Preferred Shares.

If, for any reason, the Company fails to maintain its qualification as a mortgage investment corporation under the Tax Act, dividends paid by the Company on the Preferred Shares will cease to be deductible from the Company's income and the Preferred Shares may cease to be qualified investments for Deferred Plans. See Item 6 "Income Tax Consequences and RRSP / TFSA Eligibility".

Other Activities of the Manager

The Manager is not in any way limited or affected in its ability to carry on business ventures for its own account and for the account of others and may be engaged in the ownership, acquisition and operation of businesses, which compete with the Company. In addition, the Manager and its Affiliates may establish in the future other investment vehicles which have or may have investment objectives that are the same as or similar to those of the Company and to act as adviser and/or Manager to such vehicles.

Borrowing

The Company may from time to time borrow funds to increase the mortgage portfolio. Borrowings would be secured by Mortgages in the Company's portfolio. This could increase the risk of the Company's insolvency.

ITEM 9 REPORTING OBLIGATIONS

Because the Company is not a "reporting issuer" as defined in the applicable securities legislation, the continuous reporting requirements of those statutes do not generally apply to the Company.

The Company is not required to send you any documents on an annual or ongoing basis. The Company will, however, on or before that date which is 90 days following the end of the Company's Fiscal Year, provide to each Preferred Shareholder audited financial statements and all other information required to file Canadian income tax returns.

ITEM 10 RESALE RESTRICTIONS

The Preferred Shares will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, subscribers will not be able to trade the Preferred Shares unless they comply with an exemption from the prospectus and registration requirements under securities legislation. For subscribers resident in British Columbia, unless permitted under securities legislation, Investors cannot trade the securities before the date that is four months and a day after the date the Company becomes a reporting issuer in any province or territory of Canada. The Company does not intend to become a reporting issuer at any time, with the result that the Preferred Shareholders may never be able to trade or re-sell their Preferred Shares.

ITEM 11 PURCHASERS' RIGHTS

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

- (i) Two Day Cancellation Right - You can cancel your Subscription Agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the subscription agreement to buy the securities.
- (ii) Statutory Rights of Action in the Event of a Misrepresentation

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

- A. the Company to cancel your agreement to buy the Preferred shares; or
- B. for damages against the Company, every person who was a director at the date of this Offering Memorandum and every other person who signed this Offering Memorandum.

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

If you intend to rely on the rights described in A or B above, you must do so within strict time limitations. You must commence your action to cancel the Subscription Agreement within 180 days after you signed the agreement to purchase the Preferred Shares. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation or 3 years after you signed the subscription agreement to purchase the Preferred Shares.

The following is a summary of the rights of the rescission or damages, or both, available to investors under securities legislation in British Columbia. Such rights will be expressly conferred upon investors in the Subscription Agreement to be executed by investors in connection with the Offering of securities hereunder.

If an investor is (i) resident in British Columbia; (ii) not an "accredited investor", as defined in *National Instrument 45-106 Prospectus Exemptions* ("NI 45-106"), and (iii) not purchasing, as principal, a sufficient number of Shares such that the aggregate Subscription Price to the investor is not less than \$150,000, then if there is a misrepresentation in this Offering Memorandum, the non-individual Investor will have a statutory right of action for damages against the Company and every director of the Manager at the date of this Offering Memorandum and every person who signs this Offering Memorandum. The Company has granted an identical contractual right of action in the Subscription agreement to investors resident in British Columbia who are "accredited investors" or purchasing a sufficient number of Preferred Shares such that the aggregate Subscription Price is not less than \$150,000.

Alternatively, the investor may elect to exercise a right of rescission against the Company in which case the investor will have no right of action for damages against the Company or the Manager.

If applicable, the statutory right to sue is available to an investor whether or not the investor relied on the misrepresentation. However, there are various defences available to the Company and the Manager or entities that an investor has a right to sue, including if it can be proven that the investor knew of the misrepresentation when the investor purchased the securities. In an action for damages, the amount an investor may recover will not exceed the price that the investor paid for his securities and will not include any part of the damages that the Company or the Manager prove does not represent the depreciation in value of the securities resulting from the misrepresentation.

If an investor intends to rely on the rights described above, the investor must do so within strict time limitations. An Investor must commence his action to cancel the agreement within 180 days after he signed the agreement to purchase the securities. The investor must commence his action for damages within the earlier of 180 days after learning of the misrepresentation and 3 years after he signed the agreement to purchase the securities.

The foregoing summary is subject to the express provisions of the B.C. Securities Act and the rules and the regulations thereunder and reference is made thereto for the complete text and provisions. Investors should refer to those provisions for the particulars of these rights or consult with a lawyer.

The rights of action described herein are in addition to and without derogation from any other right or remedy that the Investor may have at law.

ITEM 12
FINANCIAL STATEMENTS

Interim Financial Statements of

**REDBRICKS MORTGAGE
INVESTMENT CORP.**

For the nine months ended November 30, 2016 and 2015
(Unaudited)

REDBRICKS MORTGAGE INVESTMENT CORP.

Interim Statements of Financial Position
(Unaudited)

	As at November 30, 2016	As at February 29, 2016
Assets		
Current assets:		
Cash	\$ 10,619,936	\$ 6,937,735
Accounts Receivable	7,900	-
Mortgage investments (note 4)	12,419,361	9,467,480
	<u>23,047,197</u>	<u>16,405,215</u>
Non-current assets:		
Deferred income taxes (note 5)	42,953	61,638
Mortgage investments (note 4)	6,578,125	11,567,380
	<u>6,621,078</u>	<u>11,629,018</u>
	<u>\$ 29,668,275</u>	<u>\$ 28,034,233</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 6(a))	\$ 51,415	\$ 91,601
Deferred revenue (note 6(b))	142,649	192,446
Redeemable preferred shares (note 7(b))	242,629	215,067
	<u>436,693</u>	<u>499,114</u>
Non-current liabilities:		
Deferred revenue (note 6(b))	22,554	44,625
	<u>459,247</u>	<u>543,739</u>
Redeemable preferred shares (note 7(c))	27,498,803	25,589,982
Shareholders' equity:		
Common shares (note 7(b))	8,583	8,583
Retained earnings	1,701,642	1,891,929
	<u>1,710,225</u>	<u>1,900,512</u>
Commitments (note 8)		
	<u>\$ 29,668,275</u>	<u>\$ 28,034,233</u>

See accompanying notes to the interim financial statements.

REDBRICKS MORTGAGE INVESTMENT CORP.

Interim Statements of Earnings and Comprehensive Income
(Unaudited)

	Nine Months Ended November 30, 2016	Nine Months Ended November 30, 2015
Revenues:		
Mortgage interest (notes 4 and 6(b))	\$ 2,102,155	\$ 1,527,117
Commitment fee (note 6(b))	205,165	271,656
Interest	39,182	40,265
Premium on share redemption (note 7(c))	5,260	-
Other income (note 6(b))	13,970	17,335
	<u>2,365,732</u>	<u>1,856,373</u>
Expenses:		
Management and incentive fees (note 6(a))	432,757	317,075
General and administrative	37,337	50,848
	<u>470,094</u>	<u>367,923</u>
Net earnings before income taxes	1,895,638	1,488,450
Income tax expense (recovery) (note 5)	18,685	(5,496)
Net earnings before distributions on redeemable preferred shares	1,876,953	1,493,946
Distributions to redeemable preferred shareholders (note 7c)	2,067,240	1,386,736
Net (loss) earnings and comprehensive (loss) earnings	<u>\$ (190,287)</u>	<u>\$ 107,210</u>

See accompanying notes to the interim financial statements.

REDBRICKS MORTGAGE INVESTMENT CORP.

Interim Statements of Changes in Shareholders' Equity
(Unaudited)

	Nine Months Ended November 30, 2016	Nine Months Ended November 30, 2015
Common shares:		
Opening balance	\$ 8,583	\$ 8,583
Closing balance	\$ 8,583	\$ 8,583
Retained earnings:		
Opening balance	\$ 1,891,929	\$ 1,223,468
Net (loss) earnings and comprehensive (loss) earnings	(190,287)	107,210
Closing balance	\$ 1,701,642	\$ 1,330,678

See accompanying notes to the interim financial statements.

REDBRICKS MORTGAGE INVESTMENT CORP.

Interim Statements of Cash Flows
(Unaudited)

	Nine Months Ended November 30, 2016	Nine Months Ended November 30, 2015
Cash provided by (used in):		
Operations:		
Net (loss) earnings and comprehensive (loss) earnings	\$ (190,287)	\$ 107,210
Adjustments for items not affecting cash:		
Reinvestment of distributions	1,331,648	968,913
Adjustment for mortgage interest	(2,102,155)	(1,527,117)
Income tax expense (recovery)	18,685	(5,496)
Mortgage interest received	1,675,292	1,391,017
Premium on redemption of preferred shares	(11,901)	(3,075)
	<u>721,282</u>	<u>931,452</u>
Changes in non-cash operating working capital:		
Accounts receivable	(7,900)	-
Accounts payable and accrued liabilities	(40,185)	(104,139)
Deferred revenue	(71,868)	21,139
	<u>601,329</u>	<u>848,452</u>
Financing:		
Proceeds from issuance of redeemable preferred shares	880,078	8,909,735
Payments on redemption of redeemable preferred shares	(263,443)	-
	<u>616,635</u>	<u>8,909,735</u>
Investing:		
Mortgage investment advances	(7,579,351)	(17,510,650)
Mortgage investment repayments	10,043,588	11,629,890
Restricted cash – mortgage advances	-	(1,884,400)
	<u>2,464,237</u>	<u>(7,765,160)</u>
Net increase in cash	3,682,201	1,993,027
Cash, beginning of period	6,937,735	5,517,531
Cash, end of period	<u>\$ 10,619,936</u>	<u>\$ 7,510,558</u>

See accompanying notes to the interim financial statements.

REDBRICKS MORTGAGE INVESTMENT CORP.

Notes to the Interim Financial Statements

For the nine months ended November 30, 2016

1. Reporting entity:

Redbricks Mortgage Investment Corp. (the "Company") is a private company incorporated on March 11, 2008 pursuant to the laws of the province of British Columbia, Canada. The objective of the Company is to originate and manage long-term income generation through a portfolio of interests in mortgages underwritten on real property developments. The Company qualifies as a mortgage investment corporation ("MIC") under the Income Tax Act (Canada) and, as such, is able to make distributions to its shareholders on a pre-tax basis.

2. Basis of preparation:

(a) Statement of compliance:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and follow International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Boards ("IASB"). Significant accounting policies have been consistently applied in the preparation of the financial statements as set out in note 3.

(b) Basis of measurement:

The financial statement accounts have been prepared on the historical cost basis.

(c) Functional and presentation currency:

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

(d) Use of estimates:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual amounts may differ from these estimates.

The most significant estimates that the Company is required to make relate to the assessment of impairment of the mortgage investments (notes 3(a) and 4). These estimates may include assumptions regarding local real estate market conditions, interest rates and the availability of credit, cost and terms of financing, the impact of present or future legislation and regulation, prior encumbrances and other factors affecting the investments and underlying security of the investments.

These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events. Accordingly, by their nature, estimates of impairment are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated fair value could vary by a material amount.

REDBRICKS MORTGAGE INVESTMENT CORP.

Notes to the Interim Financial Statements

For the nine months ended November 30, 2016

3. Significant accounting policies:

(a) Financial Instruments:

(i) Recognition and measurement:

The Company initially recognizes loans and receivables and financial liabilities on the date they are originated. All other financial instruments, including those designated at fair value through profit or loss ("FVTPL"), are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(A) Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company has designated mortgage investments as loans and receivables.

(B) Financial liabilities:

The Company initially recognizes financial liabilities on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

The Company's financial liabilities consist of accounts payable and accrued liabilities and redeemable preferred shares.

REDBRICKS MORTGAGE INVESTMENT CORP.

Notes to the Interim Financial Statements

For the nine months ended November 30, 2016

3. Significant accounting policies (continued):

(a) Financial Instruments (continued):

(i) Recognition and measurement (continued):

(C) Impairment of financial assets:

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of an asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of an amount due to the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Company considers evidence of impairment for mortgages receivable at a specific mortgage level. All individually significant mortgages receivable are assessed for specific impairment on a regular basis.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the statement of earnings and comprehensive income and reflected in an allowance account against the mortgage investments. Interest on the impaired asset continues to be recognized through the unwinding of the discount if it is considered collectible. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

REDBRICKS MORTGAGE INVESTMENT CORP.

Notes to the Interim Financial Statements

For the nine months ended November 30, 2016

3. Significant accounting policies (continued):

(b) Revenue recognition:

Interest income, for all interest bearing financial instruments, is recognized using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest method includes all fees and costs paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition of a financial asset.

Mortgage interest presented in the statement of earnings and comprehensive income represents interest on mortgage investments measured at amortized cost, calculated on an effective interest basis.

Commitment and extension fees received are recognized using the effective interest method when such fees are integral to the effective interest rate on the related financial instrument.

Other fees, including discharge fees are recognized as the related services are performed.

(c) Income taxes:

The Company is considered a mortgage investment corporation ("MIC") under the Income Tax Act (Canada). As such, the Company is entitled to deduct, from its taxable income, distributions paid to shareholders during the year, or within 90 days of the end of the year, to the extent the distributions were not deducted previously. The Company intends to maintain its status as a MIC and intends to make sufficient distributions in the year and in future years to ensure that the Company is not subject to income taxes payable.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years.

Deferred income tax is recognized using the liability method based on the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are measured at the tax rates that are expected to apply to the year when the asset is realized, based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

REDBRICKS MORTGAGE INVESTMENT CORP.

Notes to the Interim Financial Statements

For the nine months ended November 30, 2016

3. Significant accounting policies (continued):

(d) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity.

Redeemable preferred shares are classified as a liability, as they are redeemable at the option of the holder (note 7(c)).

(e) New Accounting standards not yet adopted:

(i) IFRS 9 - *Financial Instruments*

In November 2009, the IASB issued IFRS 9, *Financial Instruments* which will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 consists of three separate phases, which include classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, but early adoption is permitted. The Company is currently assessing the impact of this standard on its financial statements.

(ii) IFRS 15 – *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”). The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers. The new standard will supersede IAS 18 Revenues, IAS 11 Construction Contracts and related interpretations. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is currently assessing the impact of this standard on its financial statements.

REDBRICKS MORTGAGE INVESTMENT CORP.

Notes to the Interim Financial Statements

For the nine months ended November 30, 2016

4. Mortgage investments:

Mortgage investments are summarized as follows:

Borrower	Interest rate	Term	November 30, 2016	February 29, 2016
Mosaic Upper Victoria LP & Mosaic Lower Victoria LP	13.5%	20 months	\$ 3,811,472	\$ 4,198,500
Mosaic DRF Nine LP	15%	24 months	3,681,529	3,681,529
Mosaic Baycrest LP	13.5%	18 months	2,765,351	-
Mosaic Yukon LP	15%	25 months	2,641,000	2,084,000
Mosaic DRF Eight LP	13.5%	24 months	2,377,000	-
Mosaic 27th Ave LP	13.5%	12 months	1,120,000	1,120,000
Mosaic DRF Seven LP	10%	24 months	1,058,400	1,058,400
Mosaic DRF Eight LP & Mosaic DRF Ten LP	15%	18 months	-	2,718,161
Mosaic 54th Ave LP	15%	18 months	-	2,131,500
Mosaic DRF Two LP	6%	12 months	-	1,904,900
Mosaic Guildford LP	15%	18 months	-	1,022,000
Total			17,454,752	19,918,990
Accrued mortgage interest			1,542,734	1,115,870
Total mortgage investments			\$ 18,997,486	\$ 21,034,860
Classified as:				
Current			\$ 12,419,361	\$ 9,467,480
Non-current			6,578,125	11,567,380
Total mortgage investments			\$ 18,997,486	\$ 21,034,860

During the nine months ended November 30, 2016, the Company advanced \$7,579,351 for four mortgage investments (November 30, 2015 - \$17,510,650 for nine mortgage investments). Principal and accrued interest repaid during the period was \$10,043,588 (November 30, 2015 - \$11,629,890) and \$1,675,292 (November 30, 2015 - \$1,391,017) respectively.

REDBRICKS MORTGAGE INVESTMENT CORP.

Notes to the Interim Financial Statements

For the nine months ended November 30, 2016

4. Mortgage investments (continued):

The mortgage investments held by the Company are all advanced to related entities, by way of common control.

Mortgage investments are secured against the properties being developed, a general security agreement over all non-realty assets of the related entity and a general assignment of income of the related entity, which are either first or subordinated charges. As at November 30, 2016, \$18,997,486 (February 29, 2016 - \$19,120,904) of the mortgage investments are secured by a subordinated charge and nil (February 29, 2016 - \$1,913,956) are secured by a first charge.

All mortgages can be extended by up to six months, beyond their term, subject to the payment of a monthly extension fee equal to 0.1% of the balance outstanding with interest kept current, and are repayable from the net sales proceeds of the properties being developed by the borrower or from take-out financing.

5. Income taxes:

The Company intends to distribute all of its taxable earnings to its shareholders within the 90 days subsequent to its year end. Therefore, income taxes consist of deferred income tax expenses or recoveries, which result from differences between accounting income and income for tax purposes due to the timing of revenue recognition related to commitment fees, share redemption premiums and prepaid interest received. The difference between accounting and tax income gives rise to a deferred income tax asset of \$42,953 (February 29, 2016 - \$61,638).

6. Related party transactions and balances:

During the nine months ended November 30, 2016, the Company recorded the following related party transactions:

- (a) Management and incentive fees of \$432,757 (November 30, 2015 - \$317,075) were charged by Gryphon Capital Management Ltd. (the "Manager"), an entity under common control (note 8(a) and (b)). As at November 30, 2016, accounts payable and accrued liabilities include \$49,290 relating to management and incentive fees (February 29, 2016 - \$88,103).
- (b) Mortgage interest of \$2,102,155 (November 30, 2015 - \$1,527,117), discharge, extension and amendment fees of \$13,970 (November 30, 2015 - \$17,335), and commitment fees of \$205,165 (November 30, 2015 - \$271,656) were earned from entities under common control with the Company. As at November 30, 2016, \$165,203 of commitment fees received were recorded as deferred revenue (February 29, 2016 - \$234,981).

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

REDBRICKS MORTGAGE INVESTMENT CORP.

Notes to the Interim Financial Statements

For the nine months ended November 30, 2016

7. Share capital:

(a) Authorized:

Unlimited number of common shares without par value

Unlimited number of preferred shares without par value

(b) Issued:

	As at		As at	
	November 30, 2016		February 29, 2016	
6,004 (February 29, 2016 - 6,004) common shares	\$	6,004	\$	6,004
Paid-up capital		2,579		2,579
	\$	8,583	\$	8,583
27,741,432 (February 29, 2016 – 25,807,138) redeemable preferred shares (note 7(c))	\$	27,732,702	\$	25,805,049

The paid-up capital of the Company was advanced to fund the redemption of preferred shares at a price higher than their issue price. As at November 30, 2016, redemption requests outstanding amount to \$242,629 (February 29, 2016 - \$215,067) representing 251,359 preferred shares (February 29, 2016 – 217,156) that have been classified as a current liability. The premium of \$8,730 (February 29, 2016 - \$2,089) to be charged relating to the early share redemption has been classified as deferred revenue.

REDBRICKS MORTGAGE INVESTMENT CORP.

Notes to the Interim Financial Statements

For the nine months ended November 30, 2016

7. Share capital (continued):

(c) Redeemable preferred shares:

On January 29, 2009, the Company issued an offering memorandum to issue up to 20,000,000 non-voting redeemable preferred shares at a price of \$0.95 per share up to and including February 28, 2009. Subsequent offering memorandums offered preferred shares at \$1.00 per share. On January 1, 2015, the Company issued an offering memorandum to issue up to 25,000,000 non-voting redeemable preferred shares. The preferred shares are redeemable at the option of the holder or at the option of the Company at a redemption price equal to the lesser of the net assets fair market value per preferred share and:

- (i) \$0.95 at any time up to the first anniversary of the investment;
- (ii) \$0.96 at any time after the first anniversary of the investment and up to the second anniversary;
- (iii) \$0.97 at any time after the second anniversary of the investment and up to the third anniversary;
- (iv) \$0.98 at any time after the third anniversary of the investment and up to the fourth anniversary;
- (v) \$0.99 at any time after the fourth anniversary of the investment and up to the fifth anniversary; and
- (vi) \$1.00 at any time after the fifth anniversary of the investment.

A maximum of 10% of the preferred shares then issued and outstanding can be redeemed in any given fiscal year, subject to the Company having sufficient cash to exercise such redemption. The Company will pay redemptions once per year on a date that is no later than 90 days after the fiscal year end of the Company.

During the nine months ended November 30, 2016, the Company redeemed 268,703 (November 30, 2015 – nil) preferred shares for total proceeds of \$263,443 (November 30, 2015 – nil) realizing a premium on redemptions of \$5,260 (November 30, 2015 – nil).

The Company intends to distribute all of its net earnings and net realized capital gains, if any, to the preferred shareholders. Distributions are payable annually in arrears on or before the 90th day following year end. A minimum return equal to 9% of the net preferred share equity must be paid to the shareholders prior to the distribution of an incentive fee to the Manager.

During the nine months ended November 30, 2016, the Company issued 2,211,726 (November 30, 2015 – 9,878,648) redeemable preferred shares at \$1.00 per share for total proceeds of \$2,211,726 (November 30, 2015 - \$9,878,648). Of the shares issued, 1,331,648 (November 30, 2015 – 968,913) related to dividend distributions of \$1,331,648 (November 30, 2015 - \$968,913) reinvested in preferred shares at \$1.00 per share.

REDBRICKS MORTGAGE INVESTMENT CORP.

Notes to the Interim Financial Statements

For the nine months ended November 30, 2016

8. Commitments:

- (a) The Company does not have and does not expect to have any employees. In order to obtain ongoing administrative and management services, the Company has entered into a management agreement, expiring January 2019, with the Manager, to manage and oversee the Company's day-to-day operations. The Company has committed to paying the Manager an annual management fee equal to 2% of the aggregate assets of the Company in monthly installments (note 6(a)).
- (b) The Company has also committed to pay the Manager an annual incentive fee, as defined in the offering memorandum, equal to 25% of the balance of distributable income after a minimum annual non-compounded return of 9% is paid to the preferred shareholders (note 6(a)).

9. Fair value of financial instruments:

The Company's financial instruments consist of cash, mortgage investments, accounts payable and accrued liabilities and redeemable preferred shares. Cash is carried at fair value.

Fair value hierarchy:

Financial instruments measured at fair value are categorized into one of the three hierarchy levels. Each level is based on the transparency of the inputs used to measure that fair value of the assets or liabilities:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of mortgage investments and accounts payable and accrued liabilities approximate their carrying values because of the short-term nature. The fair value of redeemable preferred shares cannot be reliably measured as they are not publicly traded.

The Company's financial assets and liabilities, which are measured at amortized cost, are considered Level 2, because while observable prices are available, they are not quoted in an active market. There has been no movement between levels for the nine months ended November 30, 2016.

REDBRICKS MORTGAGE INVESTMENT CORP.

Notes to the Interim Financial Statements

For the nine months ended November 30, 2016

10. Risk management:

(a) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as the interest income generated from all of the mortgage investments at November 30, 2016 is fixed at rates ranging between 10% and 15%, and the entity has no interest bearing liabilities.

(b) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The maximum exposure to credit risk is the full carrying value of the financial instrument.

The Company is exposed to a concentration of credit risk as the mortgage investments are due from entities under common control. Such concentration of credit risk is mitigated by the subordinated charge against the properties and other collateral held.

(c) Liquidity risk:

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they are due. The Company manages liquidity by ensuring, as far as possible, that it will have sufficient liquidity under both normal and stressed conditions. The Manager prepares an annual budget and cash flow forecasts to ensure that the Company can meet its obligations.

(d) Capital risk management:

The Company's primary objective when managing capital is to carry out its objectives, including long-term income generation, in order to provide returns for shareholders.

The Company includes the redeemable preferred shares and equity, comprising issued common shares and retained earnings, in the definition of capital. The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital management strategy.

Financial Statements of

**REDBRICKS MORTGAGE
INVESTMENT CORP.**

Year ended February 29, 2016



KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Redbricks Mortgage Investment Corp.

We have audited the accompanying financial statements of Redbricks Mortgage Investment Corp., which comprise the statement of financial position as at February 29, 2016, the statements of earnings and comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Redbricks Mortgage Investment Corp. as at February 29, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

April 29, 2016
Vancouver, Canada

REDBRICKS MORTGAGE INVESTMENT CORP.

Statement of Financial Position

February 29, 2016, with comparative information for February 28, 2015

	2016	2015
Assets		
Current assets:		
Cash	\$ 6,937,735	\$ 5,517,531
Mortgage investments (note 4)	9,467,480	3,970,832
	<u>16,405,215</u>	<u>9,488,363</u>
Non-current assets:		
Deferred income taxes (note 5)	61,638	57,407
Mortgage investments (note 4)	11,567,380	7,436,252
	<u>11,629,018</u>	<u>7,493,659</u>
	<u>\$ 28,034,233</u>	<u>\$ 16,982,022</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 6(a))	\$ 91,601	\$ 151,968
Deferred revenue (note 6(b))	192,446	171,006
Redeemable preferred shares (note 7(c))	215,067	-
	<u>499,114</u>	<u>322,974</u>
Non-current liabilities:		
Deferred revenue (note 6(b))	44,625	49,789
	<u>543,739</u>	<u>372,763</u>
Redeemable preferred shares (note 7(c))	25,589,982	15,377,207
Shareholders' equity:		
Common shares (note 7(b))	8,583	8,583
Retained earnings	1,891,929	1,223,468
	<u>1,900,512</u>	<u>1,232,051</u>
Commitments (note 8)		
	<u>\$ 28,034,233</u>	<u>\$ 16,982,022</u>

See accompanying notes to financial statements.

REDBRICKS MORTGAGE INVESTMENT CORP.

Statement of Earnings and Comprehensive Income

Year ended February 29, 2016, with comparative information for February 28, 2015

	2016	2015
Revenues:		
Mortgage interest (notes 4 and 6(b))	\$ 2,205,323	\$ 1,411,655
Commitment fee (note 6(b))	327,384	155,773
Interest	55,245	36,986
Other income (note 6(b))	17,335	16,000
	<u>2,605,287</u>	<u>1,620,414</u>
Expenses:		
Management and incentive fees (note 6(a))	496,732	363,044
General and administrative	57,589	28,458
	<u>554,321</u>	<u>391,502</u>
Net earnings before income taxes	2,050,966	1,228,912
Income tax recovery (note 5)	(4,231)	(41,664)
Net earnings before distributions on redeemable preferred shares	2,055,197	1,270,576
Distributions to redeemable preferred shareholders (note 7(c))	1,386,736	613,848
Net earnings and comprehensive income	<u>\$ 668,461</u>	<u>\$ 656,728</u>

See accompanying notes to financial statements.

REDBRICKS MORTGAGE INVESTMENT CORP.

Statement of Changes in Shareholders' Equity

Year ended February 29, 2016, with comparative information for February 28, 2015

	2016	2015
Common shares:		
Opening balance	\$ 8,583	\$ 21,346
Reduction of paid-up capital	-	(12,763)
Closing balance	\$ 8,583	\$ 8,583
Retained earnings:		
Opening balance	\$ 1,223,468	\$ 566,740
Net earnings and comprehensive income	668,461	656,728
Closing balance	\$ 1,891,929	\$ 1,223,468

See accompanying notes to financial statements.

REDBRICKS MORTGAGE INVESTMENT CORP.

Statement of Cash Flows

Year ended February 29, 2016, with comparative information for February 28, 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Net earnings and comprehensive income	\$ 668,461	\$ 656,728
Adjustments for items not affecting cash:		
Reinvestment of distributions	968,913	371,585
Adjustment for mortgage interest	(2,205,323)	(1,411,655)
Income tax recovery	(4,231)	(41,664)
Mortgage interest received	1,668,125	1,603,834
Premium on redemption of preferred shares	(2,089)	-
	<u>1,093,856</u>	<u>1,178,828</u>
Changes in non-cash operating working capital:		
Accounts payable and accrued liabilities	(60,367)	111,984
Deferred revenue	16,275	157,824
	<u>1,049,764</u>	<u>1,448,836</u>
Financing:		
Reduction of paid-up capital of common shares	-	(12,763)
Fair value adjustment to preferred shares	-	14,868
Proceeds from issuance of redeemable preferred shares	9,461,018	6,136,011
	<u>9,461,018</u>	<u>6,138,116</u>
Investing:		
Mortgage investment advances	(20,646,550)	(15,226,662)
Mortgage investment repayments	11,555,972	9,510,444
	<u>(9,090,578)</u>	<u>(5,716,218)</u>
Net increase in cash	1,420,204	1,870,534
Cash, beginning of year	5,517,531	3,646,997
Cash, end of year	<u>\$ 6,937,735</u>	<u>\$ 5,517,531</u>

See accompanying notes to financial statements.

REDBRICKS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

Year ended February 29, 2016

1. Reporting entity:

Redbricks Mortgage Investment Corp. (the "Company") is a private company incorporated on March 11, 2008 pursuant to the laws of the province of British Columbia, Canada. The objective of the Company is to originate and manage long-term income generation through a portfolio of interests in mortgages underwritten on real property developments. The Company qualifies as a mortgage investment corporation ("MIC") under the Income Tax Act (Canada) and, as such, is able to make distributions to its shareholders on a pre-tax basis.

2. Basis of preparation:

(a) Statement of compliance:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Boards ("IASB"). The significant accounting policies applied in the preparation of the financial statements are set out in note 3.

(b) Basis of measurement:

The financial statement accounts have been prepared on the historical cost basis.

(c) Functional and presentation currency:

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

(d) Use of estimates:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual amounts may differ from these estimates.

The most significant estimates that the Company is required to make relate to the assessment of impairment of the mortgage investments (notes 3(a) and 4). These estimates may include assumptions regarding local real estate market conditions, interest rates and the availability of credit, cost and terms of financing, the impact of present or future legislation and regulation, prior encumbrances and other factors affecting the investments and underlying security of the investments.

These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events. Accordingly, by their nature, estimates of impairment are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated fair value could vary by a material amount.

REDBRICKS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

Year ended February 29, 2016

3. Significant accounting policies:

(a) Financial Instruments:

(i) Recognition and measurement:

The Company initially recognizes loans and receivables and financial liabilities on the date they are originated. All other financial instruments, including those designated at fair value through profit or loss ("FVTPL"), are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(A) Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company has designated mortgage investments as loans and receivables.

(B) Financial liabilities:

The Company initially recognizes financial liabilities on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

The Company's financial liabilities consist of accounts payable and accrued liabilities and redeemable preferred shares.

REDBRICKS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

Year ended February 29, 2016

3. Significant accounting policies (continued):

(a) Financial Instruments (continued):

(i) Recognition and measurement (continued):

(C) Impairment of financial assets:

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of an asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of an amount due to the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Company considers evidence of impairment for mortgages receivable at a specific mortgage level. All individually significant mortgages receivable are assessed for specific impairment on a regular basis.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the statement of earnings and comprehensive income and reflected in an allowance account against the mortgage investments. Interest on the impaired asset continues to be recognized through the unwinding of the discount if it is considered collectible. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

REDBRICKS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

Year ended February 29, 2016

3. Significant accounting policies (continued):

(b) Revenue recognition:

Interest income, for all interest bearing financial instruments, is recognized using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest method includes all fees and costs paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition of a financial asset.

Mortgage interest presented in the statement of earnings and comprehensive income represents interest on mortgage investments measured at amortized cost, calculated on an effective interest basis.

Commitment fees and extension fees received are recognized using the effective interest method when such fees are integral to the effective interest rate on the related financial instrument.

Other fees, including discharge fees are recognized as the related services are performed.

(c) Income taxes:

The Company is considered a mortgage investment corporation ("MIC") under the Income Tax Act (Canada). As such, the Company is entitled to deduct, from its taxable income, distributions paid to shareholders during the year, or within 90 days of the end of the year, to the extent the distributions were not deducted previously. The Company intends to maintain its status as a MIC and intends to make sufficient distributions in the year and in future years to ensure that the Company is not subject to income taxes payable.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years.

Deferred income tax is recognized using the liability method based on the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are measured at the tax rates that are expected to apply to the year when the asset is realized, based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

REDBRICKS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

Year ended February 29, 2016

3. Significant accounting policies (continued):

(d) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity.

Redeemable preferred shares are classified as a liability, as they are redeemable at the option of the holder (note 7(c)).

(e) New Accounting standards not yet adopted:

(i) IFRS 9 - *Financial Instruments*

In November 2009, the IASB issued IFRS 9, *Financial Instruments* which will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 consists of three separate phases, which include classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, but early adoption is permitted. The Company is currently assessing the impact of IFRS 9 on its financial statements.

(ii) IFRS 15 – *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”). The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers. The new standard will supersede IAS 18 Revenues, IAS 11 Construction Contracts and related interpretations. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is currently assessing the impact of IFRS 15 on its financial statements.

REDBRICKS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

Year ended February 29, 2016

4. Mortgage investments:

Mortgage investments are summarized as follows:

Borrower	Interest rate	Term	2016	2015
Mosaic Upper Victoria LP & Mosaic Lower Victoria LP	13.5%	20 months	\$ 4,198,500	\$ -
Mosaic DRF Nine LP	15%	24 months	3,681,529	-
Mosaic DRF Eight LP & Mosaic DRF Ten LP	15%	18 months	2,718,161	-
Mosaic 54th Ave LP	15%	18 months	2,131,500	1,176,250
Mosaic Yukon LP	15%	25 months	2,084,000	-
Mosaic DRF Two LP	6%	12 months	1,904,900	-
Mosaic 27th Ave LP	13.5%	12 months	1,120,000	-
Mosaic DRF Seven LP	10%	24 months	1,058,400	-
Mosaic Guildford LP	15%	18 months	1,022,000	1,022,000
Mosaic DRF Six LP	15%	18 months	-	2,750,000
Mosaic DRF Five LP	15%	24 months	-	2,281,662
Mosaic East 35th LP	15%	12 months	-	1,710,500
Mosaic DRF Three LP	15%	18 months	-	1,130,000
Mosaic DRF Two LP	15%	22 months	-	758,000
Total			19,918,990	10,828,412
Accrued mortgage interest			1,115,870	578,672
Total mortgage investments			\$ 21,034,860	\$ 11,407,084
Classified as:				
Current			\$ 9,467,480	\$ 3,970,832
Non-current			11,567,380	7,436,252
Total mortgage investments			\$ 21,034,860	\$ 11,407,084

During the year ended February 29, 2016, the Company advanced \$20,646,550 for nine mortgage investments (2015 - \$15,226,662 for three mortgage investments). Principal and accrued interest repaid during the year was \$11,555,972 (2015 - \$9,510,444) and \$1,668,125 (2015 - \$1,603,834) respectively.

REDBRICKS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

Year ended February 29, 2016

4. Mortgage investments (continued):

The mortgage investments held by the Company are all advanced to related entities, by way of common control.

Mortgage investments are secured against the properties being developed, a general security agreement over all non-realty assets of the related entity and a general assignment of income of the related entity, which are either first or subordinated charges. As at February 29, 2016, \$19,120,904 (2015 - \$11,407,084) of the mortgage investments are secured by a subordinated charge and \$1,913,956 (2015 – nil) are secured by a first charge.

All mortgages can be extended by up to six months, beyond their term, subject to the payment of a monthly extension fee equal to 0.1% of the balance outstanding with interest kept current, and are repayable from the net sales proceeds of the properties being developed by the borrower or from take-out financing.

5. Income taxes:

The Company intends to distribute all of its taxable earnings to its shareholders within the 90 days subsequent to its year end. Therefore, income taxes consist of deferred income tax recovery, which results from differences between accounting income and income for tax purposes due to the timing of revenue recognition related to commitment fees and prepaid interest received. The difference between accounting and tax income gives rise to a deferred income tax asset of \$61,638 (2015 - \$57,407).

6. Related party transactions and balances:

During the year ended February 29, 2016, the Company recorded the following related party transactions:

- (a) Management and incentive fees of \$496,732 (2015 - \$363,044) were charged by Gryphon Capital Management Ltd. (the “Manager”), an entity under common control (note 8(a) and (b)). As at February 29, 2016, accounts payable and accrued liabilities include \$88,103 relating to management and incentive fees (2015 - \$151,152).
- (b) Mortgage interest of \$2,205,323 (2015 - \$1,411,655), discharge fees of \$11,600 (2015 - \$8,200), extension fees of \$2,735 (2015 - \$7,800), amendment fees of \$3,000 (2015 – nil) and commitment fees of \$327,384 (2015 - \$155,773) were earned from entities under common control with the Company. As at February 29, 2016, \$234,981 of commitment fees received were recorded as deferred revenue (2015 - \$220,796).

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

REDBRICKS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

Year ended February 29, 2016

7. Share capital:

(a) Authorized:

Unlimited number of common shares without par value

Unlimited number of preferred shares without par value

(b) Issued:

	2016		2015	
6,004 (2015 - 6,004) common shares	\$	6,004	\$	6,004
Paid-up capital		2,579		2,579
	\$	8,583	\$	8,583
25,807,138 (2015 - 15,377,207) redeemable preferred shares (note 7(c))	\$	25,805,049	\$	15,377,207

The paid-up capital of the Company was advanced to fund the redemption of preferred shares at a price higher than their issue price. During the year ended February 29, 2016, the paid up capital was reduced by nil (2015 - \$12,763) and the preferred share liability increased by nil (2015 - \$14,868) to reflect the redemption price of the preferred shares. As at February 29, 2016, redemption requests of \$215,067 (2015 - nil), representing 217,156 preferred shares, have been classified as a current liability. The premium of \$2,089 to be charged relating to the early share redemption has been classified as deferred revenue.

(c) Redeemable preferred shares:

On January 29, 2009, the Company issued an offering memorandum to issue up to 20,000,000 non-voting redeemable preferred shares at a price of \$0.95 per share up to and including February 28, 2009. Subsequent offering memorandums offered preferred shares at \$1.00 per share. On January 1, 2015, the Company issued an offering memorandum to issue up to 25,000,000 non-voting redeemable preferred shares. The preferred shares are redeemable at the option of the holder or at the option of the Company at a redemption price equal to the lesser of the net assets fair market value per preferred share and:

- (i) \$0.95 at any time up to the first anniversary of the investment;
- (ii) \$0.96 at any time after the first anniversary of the investment and up to the second anniversary;
- (iii) \$0.97 at any time after the second anniversary of the investment and up to the third anniversary;
- (iv) \$0.98 at any time after the third anniversary of the investment and up to the fourth anniversary;

REDBRICKS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

Year ended February 29, 2016

7. Share capital (continued):

(c) Redeemable preferred shares (continued):

- (v) \$0.99 at any time after the fourth anniversary of the investment and up to the fifth anniversary; and
- (vi) \$1.00 at any time after the fifth anniversary of the investment.

A maximum of 10% of the preferred shares then issued and outstanding can be redeemed in any given fiscal year, subject to the Company having sufficient cash to exercise such redemption. The Company will pay redemptions once per year on a date that is no later than 90 days after the fiscal year end of the Company.

The Company intends to distribute all of its net earnings and net realized capital gains, if any, to the preferred shareholders. Distributions are payable annually in arrears on or before the 90th day following year end. A minimum return equal to 9% of the net preferred share equity must be paid to the shareholders prior to the distribution of an incentive fee to the Manager.

During the year ended February 29, 2016, the Company issued 10,429,931 (2015 - 6,507,596) redeemable preferred shares at \$1.00 per share for total proceeds of \$10,429,931 (2015 - \$6,507,596). Of the shares issued, 968,913 (2015 - 371,585) related to dividend distributions of \$968,913 (2015 - \$371,585) reinvested in preferred shares at \$1.00 per share.

8. Commitments:

- (a) The Company does not have and does not expect to have any employees. In order to obtain ongoing administrative and management services, the Company has entered into a management agreement, expiring January 2019, with the Manager, to manage and oversee the Company's day-to-day operations. The Company has committed to paying the Manager an annual management fee equal to 2% of the aggregate assets of the Company in monthly installments (note 6(a)).
- (b) The Company has also committed to pay the Manager an annual incentive fee, as defined in the offering memorandum, equal to 25% of the balance of distributable income after a minimum annual non-compounded return of 9% is paid to the preferred shareholders (note 6(a)).

REDBRICKS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

Year ended February 29, 2016

9. Fair value of financial instruments:

The Company's financial instruments consist of cash, mortgage investments, accounts payable and accrued liabilities and redeemable preferred shares. Cash is carried at fair value.

Fair value hierarchy:

Financial instruments measured at fair value are categorized into one of the three hierarchy levels. Each level is based on the transparency of the inputs used to measure that fair value of the assets or liabilities:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of mortgage investments and accounts payable and accrued liabilities approximate their carrying values because of the short-term nature. The fair value of redeemable preferred shares cannot be reliably measured as they are not publicly traded.

The Company's financial assets and liabilities, which are measured at amortized cost, are considered Level 2, because while observable prices are available, they are not quoted in an active market. There has been no movement between levels during 2016.

10. Risk management:

(a) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as the interest income generated from all of the mortgage investments at February 29, 2016 is fixed at rates ranging between 6% and 15%, and the entity has no interest bearing liabilities.

(b) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The maximum exposure to credit risk is the full carrying value of the financial instrument.

The Company is exposed to a concentration of credit risk as the mortgage investments are due from entities under common control. Such concentration of credit risk is mitigated by the charges against the properties and other collateral held.

REDBRICKS MORTGAGE INVESTMENT CORP.

Notes to Financial Statements

Year ended February 29, 2016

10. Risk management (continued):

(c) Liquidity risk:

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they are due. The Company manages liquidity by ensuring, as far as possible, that it will have sufficient liquidity under both normal and stressed conditions. The Manager regularly assesses budgets and cash flow forecasts to ensure that it can meet its obligations.

(d) Capital risk management:

The Company's primary objective when managing capital is to carry out its objectives, including long-term income generation, in order to provide returns for shareholders.

The Company includes the redeemable preferred shares and equity, comprising issued common shares and retained earnings, in the definition of capital. The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital management strategy.

**ITEM 13
DATE AND CERTIFICATE**

Dated "March 31, 2017"

This Offering Memorandum does not contain a misrepresentation.

REDBRICKS MORTGAGE INVESTMENT CORP.

"Jason Daviss"
Jason K. Daviss, Director and Acting Chief Executive Officer

"Clint Murphy"
Clint R. Murphy, Chief Financial Officer

"Christopher White"
Christopher R. White, Director

"Max Bruce"
Max J. Bruce, Director

Manager and Promoter:

GRYPHON CAPITAL MANAGEMENT LTD.

"Jason Daviss"
Jason K. Daviss, President

"Max Bruce"
Max J. Bruce, Director