



APCAPITAL



Offering Memorandum

A P R I L 2024

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**FORM 45-106F2
OFFERING MEMORANDUM FOR NON-QUALIFYING ISSUERS**



OFFERING OF CLASSES OF NON-VOTING COMMON SHARES

Date: April 30, 2024

The Issuer

Name: **AP Capital Mortgage Investment Corporation** (the “**Corporation**”)
Address: 555 Burrard Street, Suite 1795, Vancouver, BC V7X 1M9
Telephone: (778) 328-7401 Fax: (604) 608-9070
E-mail: investor@apcapital.ca Website: www.apcapital.ca
Currently listed or quoted? No. **These securities do not trade on any exchange or market.**
Reporting Issuer? No.

The Offering

Securities offered: Class B Non-Voting Common Shares (each, a “**Class B Share**”), Class F Non-Voting Common Shares (each, a “**Class F Share**”) and Class I Non-Voting Common Shares (each, a “**Class I Share**”) of the Corporation.
Price per security: \$100 per Class B Share.
\$100 per Class F Share.
\$100 per Class I Share.
Minimum/Maximum offering: **There is no minimum or maximum offering. You may be the only purchaser.**
Minimum subscription amount: Except as otherwise permitted by the Corporation, investors must subscribe for a minimum of: (i) 100 Class B Shares (\$10,000); (ii) 100 Class F Shares (\$10,000) or (iii) 150,000 Class I Shares (\$15,000,000).
Payment terms: A certified cheque or bank draft drawn on a Canadian chartered bank on closing made payable to “AP Capital Mortgage Investment Corporation”. See Item 5.2 “Subscription Procedure”.
Proposed Closing Date: This is a continuous offering. Closings are expected to occur on the first day of each month (or the next business day should such day be a day that is not a business day) or on such other dates determined by the Corporation in its sole discretion.
Income tax consequences: There are important tax consequences to these securities. See Item 8 “Income Tax Consequences and RRSP Eligibility”.

Insufficient Funds

Funds available under the offering may not be sufficient to accomplish our proposed objectives. See Item 2.6.

Compensation Paid to Sellers and Finders

A person has received or will receive compensation for the sale of securities under this offering. See Item 9.

Underwriter(s)

Not applicable.

Resale restrictions

You will be restricted from selling your securities for an indefinite period. See Item 12.

Working Capital Deficiency

N/A.

Payments to Related Party

Some of your investment will be paid to a Related Party of the Corporation. See Item 1.2.

Certain Related Party Transactions

N/A.

Certain Dividends or Distributions

The Corporation has not paid dividends or distributions that exceeded cash flow from operations. See Item 7.

Conditions on Repurchases

You will have a right to require the Corporation to repurchase the securities from you, but this right is qualified by the provisions of the Corporation's Articles relating to such repurchases, including, among other things, adherence to notice provisions, quarterly limits on the number of securities that may be repurchased, and limitations necessary for the Corporation to maintain its status as a mortgage investment corporation as defined in the Tax Act (as defined herein). In addition, repurchases may be subject to certain fees, including a processing fee of \$350 per repurchase request and deferred service charges ranging from 1% to 5%. As a result, you might not receive the amount of proceeds that you want. See Item 5.1 and Item 10.

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 13.**Error!**

Reference source not found.

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See Item 10.

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GENERAL INFORMATION AND DISCLAIMERS

This offering is being made pursuant to exemptions from the prospectus requirements of applicable securities legislation in Canada. Subscriptions will be received if, as and when accepted, subject to prior sale and satisfaction of the conditions set forth under Item 5.2 “Subscription Procedure” and to the right of the Corporation to close the offering at any time without notice. Closings will be held from time to time as determined by the Corporation. See Item 5.2 “Subscription Procedure”.

No action has been or will be taken to permit a public offering of the Class B Shares, the Class F Shares or the Class I Shares in any jurisdiction where action would be required to be taken for such purpose. Accordingly, the distribution or circulation of this Offering Memorandum and the offering and sale of the Class B Shares, Class F Shares and/or the Class I Shares may be restricted by law in certain jurisdictions. This Offering Memorandum does not constitute, and may not be used for or in conjunction with, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Persons into whose possession this Offering Memorandum may come are directed to inform themselves of and observe such restrictions and all legal requirements of their respective jurisdictions of residence in respect of the acquisition, holding and disposition of the Class B Shares, Class F Shares and/or the Class I Shares.

Prospective investors should carefully review this Offering Memorandum and are advised to consult with their own legal, financial, accounting, and tax advisers concerning this investment.

The Class B Shares, the Class F Shares and the Class I Shares will be issued only on the basis of information contained in this Offering Memorandum (or as expressly incorporated by reference herein), and no other information or representation has been authorized nor may be relied upon as having been authorized by the Corporation. Any subscription for the Class B Shares, the Class F Shares or the Class I Shares made by any person on the basis of statements or representations not contained in this Offering Memorandum, or inconsistent with the information contained herein, shall be solely at the risk of such person. Neither the delivery of this Offering Memorandum at any time nor any sale of any of the Class B Shares, the Class F Shares or the Class I Shares made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the business and affairs of the Corporation since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

The Class B Shares, the Class F Shares and the Class I Shares offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), or any state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of U.S. Persons (as such term is defined in Regulation S under the U.S. Securities Act) except in compliance with the registration requirements of the U.S. Securities Act and applicable state securities laws or pursuant to an exemption therefrom.

MORTGAGE BROKER DISCLOSURE

Each of the Corporation and the Manager (as defined herein) is registered as a Mortgage Broker with the British Columbia Financial Services Authority (formerly the Financial Institutions Commission) in accordance with the *Mortgage Brokers Act*. The Office of the Registrar of Mortgage Brokers at the British Columbia Financial Services Authority regulates the mortgage brokering and lending activities of mortgage investment corporations or 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.

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. In particular and without limitation, this Offering Memorandum contains forward-looking statements pertaining to the following:

- the nature of the Corporation’s business development plans and estimated timing thereof, and its affairs following the completion of the offering;

- the Corporation’s business strategy and plans;
- the Corporation’s use of proceeds from the offering;
- the anticipated payment of dividends as and when declared by the Board of Directors of the Corporation;
- the ability to redeem and/or retract Class B Shares, the Class F Shares or Class I Shares, as applicable, from time to time in accordance with the Articles of the Corporation;
- the estimated timing of closings and the estimated costs and commissions payable on closings;
- the Corporation’s intentions and expectations regarding the growth of its mortgage portfolio;
- targeted yields; and
- anticipated rates of interest, fees, expenses and other terms and conditions with respect to both the Corporation’s lending activities and any future credit facilities.

Forward-looking statements involve known and unknown risks, uncertainties and other factors including acts of war, terrorism, natural disasters, extreme weather and other weather events or pandemics or epidemics, such as COVID-19, and the severity and duration thereof, which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking 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 and estimates which may prove to be incorrect including, but not limited to: the continued ability to raise capital from the offering, the ability of the Corporation to continue to operate as a mortgage investment corporation under the Tax Act; the ability of the Corporation to make loans secured by mortgages capable of generating the necessary income to enable the Corporation 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 Corporation, anticipated costs and expenses, competition, changes in general economic conditions and changes in tax laws. While the Corporation anticipates that subsequent events and developments may cause its views to change, the Corporation 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 Corporation’s views as of any date subsequent to the date of this Offering Memorandum. Although the Corporation 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 Corporation. Additional factors are noted under Item 10 “Risk Factors”.

The forward-looking statements contained in this Offering Memorandum are expressly qualified by the foregoing cautionary statements. Investors should read this entire Offering Memorandum and consult their own professional advisers to ascertain and assess the income tax, legal, risk factors and other aspects of their investment in the Class B Shares, the Class F Shares and the Class I Shares.

DOCUMENTS INCORPORATED BY REFERENCE

The marketing materials (the “marketing materials”) delivered or made reasonably available to a prospective purchaser before the termination of the distribution, related to each distribution under this Offering Memorandum, are incorporated by reference in this Offering Memorandum. The Corporation reserves the right to modify these marketing materials in a nonmaterial way without re-delivering or without making reasonably available the said marketing materials to a prospective purchaser.

SUMMARY

The following is a summary of the more detailed information appearing elsewhere in this Offering Memorandum and is qualified by such information. Capitalized terms used in this summary and not defined herein have the meanings given to them in the section entitled "Definitions".

- Introduction:** The Corporation is a mortgage investment corporation as defined in the Tax Act and intends to continue to qualify as such. It was incorporated on March 27, 2007 under the laws of the Province of British Columbia under the name "Alta Pacific Mortgage Investment Corp." and, effective December 4, 2015, changed its name to "AP Capital Mortgage Investment Corporation". This offering is an offering of Class B Shares, Class F Shares and Class I Shares, and not of real estate or interests in real estate. See Item 2.2 "The Business".
- Offering:** Continuous offering of Class B Shares, Class F Shares and Class I Shares. There is no maximum offering. There is no minimum offering. This offering is being made pursuant to exemptions from the prospectus requirements of applicable securities legislation in Canada. The Corporation may terminate the offering at any time. See Item 5.2 "Subscription Procedure".
- Price:** \$100 per Class B Share (minimum subscription of 100 Class B Shares).
\$100 per Class F Share (minimum subscription of 100 Class F Shares).
\$100 per Class I Shares (minimum subscription of 150,000 Class I Shares).
- Subscription Procedure:** Subscribers may subscribe for Class B Shares, Class F Shares or Class I Shares by returning to the applicable registered securities dealer or the Corporation, as applicable, a completed and executed Subscription Agreement, together with payment in the form of a bank draft or certified cheque drawn on a Canadian chartered bank, in the amount of the full subscription price payable to the Corporation. See Item 5.2 "Subscription Procedure".
- Closings:** Closings are expected to occur on the first day of each month (or the next business day should such day be a day that is not a business day) or on such other dates determined by the Corporation in its sole discretion.
- Use of Available Funds:** The Corporation intends to continue to operate as a mortgage investment corporation (as defined in the Tax Act). The net proceeds of the Offering will be principally used to invest in loans secured by mortgages in accordance with the Corporation's operating policies and investment criteria. Subject to any restrictions under the Tax Act that are applicable to mortgage investment corporations, the Corporation may make other permitted investments over time. In addition, a portion of the net proceeds of the Offering may be used to pay the expenses of the Corporation, including amounts payable to the Manager pursuant to the Management Contract. See Item 1 "Use of Available Funds", Item 2 "Business of the Issuer and Other Information and Transactions", and Item 10 "Risk Factors".
- Manager:** The Corporation has entered into a management/administration agreement (the "**Management Contract**") with AP Capital MIC Management Corp. (the "**Manager**"), a company incorporated under the laws of the British Columbia and an affiliate of the Corporation, pursuant to which the Manager will provide administrative services to the Corporation and be responsible for managing and overseeing the Corporation's business and affairs, including day-to-day operations such as managing the Corporation's loan portfolio.
- In consideration for the services provided by the Manager to the Corporation pursuant to the Management Contract, the Manager will receive a fee from the Corporation equal to 1.5% per annum of the mortgages under management of the Corporation to be paid

to the Manager on a monthly basis. See Item 2.8 “Material Agreements – Management Contract”.

Redemption and Retraction Rights:

The Class B Shares, the Class F Shares and the Class I Shares are redeemable at the option of either the Corporation or a holder thereof in accordance with the Articles of the Corporation.

Any holder of Class B Shares, Class F Shares or Class I Shares, as applicable, may, by giving a Retraction Notice at least sixty (60) days before the fiscal year-end to the Corporation, request that the Corporation redeem in whole or part the Class B Shares, the Class F Shares and the Class I Shares, as applicable, held by such holder. Class B Share, Class F Shares and Class I Shares, as applicable, shall be considered to be tendered for redemption on the date the Corporation has, to the satisfaction of the directors, received the Retraction Notice, and any other information reasonably requested by the Corporation.

The Corporation will redeem the Class B Shares, the Class F Shares and Class I Shares, as applicable, specified in the Retraction Notice in accordance with the Articles of the Corporation and subject to the restrictions and limitations described herein. See Item 5.1 “Terms of Securities – Redemption and Retraction Rights”.

Investors’ Rights:

Each Investor has certain statutory or contractual rights of rescission, withdrawal and damages. See Item 13 “Purchaser’s Rights”.

Credit Facility:

The Corporation, as borrower, and Royal Bank of Canada (“**RBC**”), as lender, lead arranger and sole book runner, and administrative agent on behalf of itself and such other financial institutions and other entities that from time to time become as lenders, have entered into a secured credit agreement whereby the lenders have agreed to provide the Corporation with certain credit facilities which include an aggregate principal amount of up to \$100,000,000, consisting of a margined revolving credit facility and a swing line facility. Subject to certain conditions, the Corporation may request an increase to the credit facility to a maximum amount of up to but not more than \$150,000,000. See Item 2.8 “Material Agreements – Credit Facility”.

Directors and Officers of the Corporation:

Ches Hagen	Director and Chief Executive Officer
Bradly Unrau	Director and Vice President
Terry Sidhu	Director and Vice President

See Item 3 “Compensation and Security Holdings of Certain Parties”.

Risk Factors:

The Class B Shares, the Class F Shares and the Class I Shares, as applicable, offered hereunder must be considered highly speculative. Interested parties should carefully consider the following risk factors:

- (a) there is no market for the Class B Shares, the Class F Shares or the Class I Shares and a market is not expected to develop; the Class B Shares, the Class F Shares and Class I Shares are subject to indefinite hold periods; transfers of the Class B Shares, the Class F Shares and Class I Shares, as applicable, are subject to the restrictions in the Articles of the Corporation and compliance with applicable securities laws;
- (b) there is no guaranteed return on invested funds; the Class B Shares, the Class F Shares and Class I Shares are not insured through the Canada Deposit Insurance Corporation nor are they guaranteed by any person; there is no fixed dividend on or redemption of the Class B Shares, the Class F Shares or Class I Shares;

- (c) reliance on the expertise and good faith of management; availability of funding for the Corporation; reliance on a non-arm's length manager to determine mortgage investments; situations may arise where the interests of the officers/directors of the Manager and their associates and affiliates may conflict with those of the Class B Shareholders, the Class F Shareholders and Class I Shareholders;
- (d) although investments in mortgages will be carefully chosen by the Corporation and/or the Manager, there is no representation made that such investments will have a guaranteed return, nor that losses may not be incurred by the Corporation 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;
- (e) all investments in mortgages are subject to risks such as the borrowers financial circumstances, liquidity, fluctuations in real property values, occupancy rates, operating expenses, interest rates and other factors;
- (f) restrictions on redemptions of the Class B Shares, the Class F Shares and Class I Shares contained in the Articles of the Corporation;
- (g) investment in real estate is subject to numerous financial and operating risks;
- (h) the Corporation must maintain its status as a mortgage investment corporation as defined in the Tax Act; changes in income tax laws and government incentive programs may negatively impact the Corporation; and
- (i) cybersecurity and other factors including acts of war, terrorism, natural disasters, extreme weather and other weather events or pandemics.

This offering is not suitable for investors who cannot afford to assume any significant risks in connection with their investments. See Item 10 "Risk Factors".

DEFINITIONS

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.

Administration Agreement means the agreement dated January 14, 2019, between the Corporation and QIFM whereby QIFM provides the Corporation with a FundSERV code.

BCA means the *Business Corporations Act* (British Columbia) as amended from time to time.

business day means a day other than a Saturday, Sunday or any other day treated as a holiday in the municipality in Canada in which the Corporation's registered office is then located.

Class A Shares means the Class A Voting Non-Participating Common Shares in the capital of the Corporation.

Class B Shares means the Class B Non-Voting Common Shares in the capital of the Corporation.

Class F Shares means the Class F Non-Voting Common Shares in the capital of the Corporation.

Class I Shares means the Class I Non-Voting Common Shares in the capital of the Corporation.

Commercial Mortgages means mortgages that are principally secured by land developments or income-producing properties that have retail, commercial, service, office and/or industrial uses.

Closing means one or more closings of this Offering. Closings are expected to occur on the first day of each month (or the next business day should such day be a day that is not a business day) or on such other dates determined by the Corporation in its sole discretion.

Credit Agreement means the third amended and restated credit facility dated April 26, 2024, among the Corporation, as borrower, and Royal Bank of Canada, as lender, lead arranger and sole book runner, and administrative agent on behalf of itself and such other financial institutions and other entities that from time to time become parties thereto as lenders in accordance with the terms thereof, whereby the lenders have agreed to provide the Corporation certain credit facilities which include an aggregate principal amount of up to \$100,000,000, consisting of a revolving credit facility and a swing line facility, as described under Item 2.8 – "Material Agreements – Credit Agreement".

First Mortgage means a mortgage having priority over all other security interests registered against the same real property used to secure such mortgage for which the principal amount, at the time of commitment, does not exceed 85% of the appraised value of the underlying real property securing the mortgage as determined by a qualified independent appraiser.

Management Contract to provide means the management/administration agreement dated July 1, 2018, between the Corporation and the Manager in respect of the provision of financial and management services relating to the mortgage investment portfolio of the Corporation.

Manager means AP Capital MIC Management Corp., a British Columbia corporation.

Maturity Date means, in respect of the Credit Agreement, one year from the date of the Credit Agreement, or such other date agreed to by Corporation and the administrative agent of the Credit Agreement.

NI 45-106 means National Instrument 45-106 *Prospectus Exemptions*.

Offering means the continuous offering of Class B Shares, Class F Shares and Class I Shares, as described herein.

QIFM means QWest Investment Fund Management Ltd.

Related Party has the meaning given to it in NI 45-106.

Residential Mortgages means mortgages that are principally secured by single-family detached homes.

Second Mortgage means a second mortgage for which the principal amount, at the time of commitment, together with the principal balance outstanding on any mortgage having priority on the same real property secured by such second mortgage, does not exceed 85% of the appraised value of the underlying real property securing the mortgage as determined by a qualified appraiser.

Subscription Agreement means the agreement between a subscriber and the Corporation whereby a subscriber subscribes for Class B Shares, Class F Shares or Class I Shares, as applicable.

Subscription Price means: (i) \$100 per Class B Share; (ii) \$100 per Class F Share; and (iii) \$100 per Class I Share.

Tax Act means the *Income Tax Act* (Canada), as amended from time to time.

ITEM 1 - USE OF AVAILABLE FUNDS

1.1 Funds

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

		Assuming Minimum Offering ⁽¹⁾	Assuming Maximum Offering ⁽²⁾
A.	Amount to be raised by this offering	N/A	N/A
B.	Estimated selling commissions and fees	N/A ⁽³⁾	N/A ⁽³⁾
C.	Estimated offering costs	N/A ⁽⁴⁾	N/A ⁽⁴⁾
D.	Available Fund D = A – (B+C)	N/A	N/A
E.	Additional sources of funding required (available): Credit Agreement	N/A ⁽⁵⁾	N/A ⁽⁵⁾
F.	Working capital deficiency	N/A	N/A
G.	Total: G = (D + E) – F	N/A	N/A

⁽¹⁾ There is no minimum offering.

⁽²⁾ There is no maximum offering.

⁽³⁾ The Corporation may pay sales fees to registered securities dealers and exempt market dealers, or, where permitted, non-registrants, in an amount up to 5% of the subscription monies obtained by such persons in connection with the sale of Class B Shares, payable at the time of investment. In addition, the Corporation may pay up to 1% to such persons annually as a trailing commission. For the year ended December 31, 2023, the fees paid to registered securities dealers and exempt market dealers averaged 1.7% of the subscription monies obtained by such persons in connection with the sale of Class B Shares. See Item 9 “Compensation Paid to Sellers and Finders”.

⁽⁴⁾ Estimated legal, accounting, audit costs and printing and other administrative costs associated with marketing the Class B Shares, the Class F Shares and the Class I Shares pursuant to this Offering Memorandum are \$85,000.

⁽⁵⁾ The Corporation may draw on the Credit Agreement pursuant to the terms and conditions thereof. The balance available depends on the amount of qualifying mortgage loans held, and, as a result, the full amount under the Credit Agreement may not be available. As at the date of this Offering Memorandum, \$68,004,874 was available to the Corporation under the Credit Agreement, subject to change per the foregoing, of which \$60,493,727 has been drawn. See Item 2.8 “Material Agreements – Credit Facility”.

1.2 Use of Available Funds

The Corporation intends to use the net proceeds of the Offering primarily as follows:

Description of intended use of available funds listed in order of priority	Assuming Minimum Offering	Assuming Maximum Offering
Investment in mortgages and other permitted investments ⁽¹⁾	N/A	N/A

⁽¹⁾ There is no minimum or maximum to this Offering. The Corporation intends to use the net proceeds of the Offering to primarily invest in Residential Mortgages as more particularly described under Item 2.2 “The Business”.

Until specific loans are identified and funded, the available funds may be invested only in securities of, or those guaranteed by, the Government of Canada or any province of Canada, in certificates of deposit or interest-bearing accounts of Canadian chartered banks or trust companies. The available funds will not be commingled with any funds of the Manager. The Manager will use its best efforts to make suitable investments of the available funds as soon as possible following each Closing.

A portion of the proceeds received by the Corporation from the issuance of Class B Shares, Class F shares and Class I Shares, as applicable, may be used to pay the expenses of the Corporation, including amounts payable to the Manager pursuant to the Management Contract. Pursuant to the Management Contract, the Manager will receive a fee from the Corporation equal to 1.5% per annum of the mortgages under management of the Corporation, to be paid to the Manager on a monthly basis. The directors and officers of the Corporation are also directors and officers of the Manager. See Item 2.8 “Material Agreements – Management Contract” and Item 10 “Risk Factors”.

ITEM 2 - BUSINESS OF THE ISSUER AND OTHER INFORMATION AND TRANSACTIONS

2.1 Structure

The Corporation was incorporated under the BCA on March 27, 2007, under incorporation number BC0786612. Its head office and registered and records office is located at 1795 - 555 Burrard Street, Vancouver, BC V7X 1M9. Subsequent to the fiscal year ended June 30, 2016, the Corporation changed its year end from June 30 to December 31. Amounts, if any, presented herein for the period ended December 31, 2016, represent the period from July 1, 2016 to December 1, 2016.

The Manager was incorporated under the BCA on November 18, 2014, under incorporation number BC1019378. Its head office and registered and records office is located at 1795 - 555 Burrard Street, Vancouver, BC V7X 1M9.

2.2 The Business

The Corporation

The Corporation intends to operate as a mortgage investment corporation. It is in the business of making loans secured by mortgages primarily to homeowners of residential real estate located in British Columbia and, to a lesser degree, Alberta. These mortgages will be registered against specific parcels of real estate allowing the Corporation to be a secured creditor. Subject to limitations and restrictions applicable to mortgage investment corporations that are contained in the Tax Act, the Corporation may make other permitted investments over time, including the direct ownership of real property (including real property acquired by way of foreclosure under mortgages).

The Manager

The Corporation does not have and does not expect to have any employees other than the officers described herein. See Item 3 “Compensation and Security Holdings of Certain Parties”. The Corporation will be managed by the Manager, which provides ongoing administrative and management services relating to the Corporation’s business pursuant to the Management Contract. See Item 2.8 “Material Agreements – Management Contract”.

The Corporation’s Investments

Bradley Unrau, Vice President, acts as the registered Designated Individual overseeing mortgage lending in concert with Michael Chies, Vice President of Mortgage Lending, who is a registered sub-mortgage broker. Messrs. Unrau and Chies are responsible for establishing and implementing the Corporation’s investment objectives and investment strategy, setting any limitations or restrictions on investments, monitoring the performance of the portfolio, and making any adjustments to the Corporation’s portfolio. Neither Mr. Unrau nor Mr. Chies is registered under securities legislation.

The Corporation’s objective is to maintain a mortgage investment portfolio that encompasses the following general characteristics:

- (a) property type and geographical diversification in primarily urban markets of British Columbia, including the Lower Mainland, Fraser Valley, Greater Victoria, Kelowna and Kamloops, and to a lesser degree Alberta, including Calgary and Edmonton;
- (b) short and intermediate term loans up to a maximum of 12 months (renewal offered with good payment history). Interest rates generally range between 8% to 12% for first mortgages and 9% to 14% for second mortgages, moving with market pricing;
- (c) payment schedules including primarily interest only with few longer-term amortization (i.e. 25 year); and
- (d) loans in Canadian dollars on Canadian based real estate.

The actual composition of the Corporation’s mortgage investment portfolio will vary over time depending on the Manager’s assessment of the appropriate strategy given overall market conditions and outlook.

Operating Policies

The Corporation has established certain operating policies respecting how it can invest its funds in mortgages, which include, but are not limited to, the following:

- (a) the Corporation will invest primarily in Residential Mortgages (ie., single family detached homes) and on occasion Commercial Mortgages and mortgages of strata properties and serviced and urban lots. Investments of the Corporation will be made by being the source of funds for mortgages originated and/or identified by the Manager;
- (b) the Corporation will invest primarily in First Mortgages and Second Mortgages, but may also invest in third mortgages, promissory notes and other caveatable interests;
- (c) no more than 50% of the available funds of the Corporation may be invested in Second Mortgages;
- (d) a First Mortgage may not exceed 85% of the appraised value of the underlying real property securing the mortgage, as determined by a qualified independent appraiser and calculated at the time of commitment;
- (e) a Second Mortgage may not exceed 85% of the appraised value of the underlying real property securing the mortgage, as determined by a qualified appraiser and calculated at the time of commitment;
- (f) mortgages may contain clauses permitting the mortgagor, when not in default, to renew the mortgage for additional terms at the sole discretion of the Corporation;
- (g) the value of the underlying real property securing the mortgage will be reviewed by the Vice President of Mortgage Lending (Head Underwriter) at time of the first renewal, if offered. Any loans advance 24 to 36 months prior to a renewal request may require a new appraisal in respect of the underlying property;
- (h) mortgages will be sourced through independent mortgage brokers and arm's length borrowers and the Corporation will not advance loans to Related Parties;
- (i) an investment in, or acquisition of, a mortgage with a single borrower shall not exceed 5% of the value of the Corporation's assets;
- (j) mortgage loans subject to a renewal request will be reviewed based on the following: (i) payment history, (ii) the present value of the underlying property, and (iii) registered title by both the Vice President of Mortgage Lending (Head Underwriter) and by the Manager;
- (k) all borrowers will be reviewed by the Vice President of Mortgage Lending (Head Underwriter) for covenant strength and the ability to repay;
- (l) the Corporation may borrow funds in order to acquire or invest in specific mortgage investments or mortgage portfolios in amounts up to 50% of the book value of the Corporation's portfolio of mortgages; provided, the interest rate is less than the interest rate charged by the Corporation on the corresponding mortgage investment or portfolios acquired with such borrowed funds; and
- (m) the Corporation may participate in mortgages on a syndication basis.

The foregoing policies are consistent with the provisions of the Tax Act and real estate legislation which apply to mortgage investment corporations generally.

Investment Criteria

In addition to the operating policies set out above, the Corporation has established the following investment criteria, which are consistent with the Corporation's Articles of Incorporation, the provisions of the Tax Act and applicable real estate legislation:

- (a) all mortgages, promissory notes and caveatable interests will, prior to funding, be registered on the title of the approved property as the Manager shall direct;
- (b) where investment is made by the Corporation in purchasing an interest in a mortgage originated and/or identified by the Manager that amounts to less than full acquisition of that mortgage, the purchase agreement will contain a charging clause enabling the Corporation to register a beneficial caveat on title to the subject property in the Corporation's name;
- (c) all mortgage investments will be made primarily in British Columbia and Alberta and on occasion in such other Canadian jurisdictions as the Manager or the Corporation become registered as mortgage brokers in such jurisdictions;
- (d) the Corporation will attempt to maintain at least 80% of the Corporation's assets in investments in mortgages secured by residential real estate;
- (e) the Corporation will attempt to maintain less than 20% of the Corporation's assets invested in mortgages secured by commercial and industrial real estate;
- (f) the Corporation may advance funds on approved loans by way of progress payments upon Manager evaluation and acceptance of completion of specified stages of construction or development;
- (g) the Corporation will not make any investment that would result in the Corporation not qualifying as a mortgage investment corporation under the Tax Act;
- (h) the Corporation will not invest in securities, guaranteed investment certificates or treasury bills unless they are issued by an arm's length party and are pledged as collateral in connection with Mortgage investments or obtained by realizing on such collateral;
- (i) the Corporation will not act as an underwriter in the capital stock of any corporation;
- (j) the Corporation will not guarantee the securities or obligations of any person;
- (k) the Corporation will not loan money to or invest in securities of the Manager, affiliates of the Corporation or the Manager, or other non-arm's length parties;
- (l) to the extent that the Corporation's funds are not invested in mortgages from time to time, they will be held in securities of, or those guaranteed by, the Government of Canada or any province of Canada, in certificates of deposit or interest-bearing accounts of Canadian chartered banks or trust so as to maintain a level of working capital for ongoing operations considered acceptable by the Corporation's directors;
- (m) the Corporation will not make any investments that would result in the Manager developing or managing real property on the behalf of the Corporation; and
- (n) the Corporation may invest up to 25% of its assets directly in real estate, but may not develop land or engage in construction.

If, due to a change in the provisions of the Tax Act or other legislation applicable to the Corporation, any of the foregoing restrictions require amendment in order to comply with such change in legislation, the Corporation may make such change and such change will be binding on the Corporation. It is anticipated that the Manager will provide the Corporation with assistance from time to time on revision of the foregoing restrictions in order to comply with

applicable legislation or any shareholder resolution. In the event of any amendment to the foregoing restrictions, the Manager will be required to comply with and observe such change immediately upon such change becoming effective.

Dividends and Returns

The Corporation intends to operate as a mortgage investment corporation or MIC under the Tax Act. As such, the Corporation is entitled to deduct from its taxable income dividends paid to Class B Shareholders, Class F Shareholders and Class I Shareholder during the year or within 90 days of the end of the year to the extent the dividends were not deducted previously. The Corporation pays a monthly dividend plus a potential adjusted annual dividend after the end of each fiscal year in an amount equal to the amount required to remain effectively non-taxable under the provisions of the Tax Act relating to mortgage investment corporations. The annual dividend yield is calculated as the sum of net and comprehensive income, financing costs net of amounts deductible for tax purposes, less share issuance costs deductible for tax purposes, all divided by the weighted average number of shares outstanding.

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 Corporation will fund dividend payments from cash reserves. The Corporation maintains a certain amount of liquid cash available to invest in opportunities, as they arise, to pay the Corporation's operating costs, and to fund dividend payments in the event that cashflows from operations are not sufficient relative to earnings.

The Corporation's target return to investors for 2024 is 8.5% or greater per annum. The Corporation's annual return to investors for the fiscal years indicated is set out below:

Fiscal Year	Class B Distributed Return*	Class F Distributed Return*	Class I Distributed Return⁽¹⁾	Net Income	Total Mortgage Balance
2013	8.07%	N/A	N/A	\$2,089,998	\$20,965,364
2014	8.15%	N/A	N/A	\$2,338,947	\$24,427,521
2015	13.45%	N/A	N/A	\$4,940,450	\$33,597,775
2016 ⁽²⁾	7.13% / 7.19%	N/A	N/A	\$3,078,778	\$57,459,116
2017	7.03%	N/A	N/A	\$4,309,319	\$69,368,938
2018	7.09%	7.65%	N/A	\$5,488,616	\$85,726,345
2019	7.15%	7.71%	N/A	\$6,752,309	\$95,452,907
2020	6.80%	7.33%	N/A	\$6,972,000	\$93,329,408
2021	5.65%	6.23%	N/A	\$6,495,976	\$165,595,470
2022	6.34%	6.87%	N/A	\$9,262,950	\$230,458,709
2023	7.84%	8.36%	N/A	\$13,401,511	\$216,654,607

*Historical results may not be indicative of future performance. See Item 10 "Risk Factors".

(1) The Class I Shares were authorized for issuance on April 20, 2023. As of the date of this Offering Memorandum, no Class I Share have been issued.

(2) Indicates distributed return for the year ended June 30, 2016 and the six month period ended December 31, 2016.

Investors have the option to choose monthly cash distribution of dividends or to participate in the dividend re-investment program (DRIP). As of the date of this Offering Memorandum, investors choosing the monthly cash dividends receive 8.50% (Class B) and 9.0% (Class F) per annum payable monthly as to 0.708% (Class B) and 0.75% (Class F) per month. The monthly distribution is not guaranteed and may be increased, decreased, or discontinued at any time at the sole discretion of the directors of the Corporation.

Since inception, all of the Corporation's dividends have been, and are expected to continue to be, funded out of the Corporation's net income and capital gains received in each financial year, and none of such dividends have been funded by sources such as loans, share issuances or the Credit Agreement. It is the Corporation's intention to continue to pay dividends on such basis.

The rates of return are averages for all of the Corporation's shareholders and may not reflect the return received by any one investor. There is no guarantee that such rates of return will continue or that investors will

receive similar returns in future years. See Item 10 “Risk Factors” for factors that may affect the Corporation’s business and the rates of return realized by investors.

2.3 Development of Business

The Offering is intended to provide the Corporation with sufficient funds to continue operations and advance further mortgage loans with emphasis on urban centers and growth areas.

Mortgages

The following table provides a description of the Corporation’s mortgage portfolio as of April 15, 2024:

Item	Value	
Average of the interest rates payable under the mortgages (weighted by the principal amount of the mortgage):	10.98%	
Average of the terms to maturity of the mortgages (weighted by the principal amount of the mortgage):	4.95 months	
Average loan-to-value ratio of the mortgages (calculated for each mortgage by dividing the total principal amount of the Corporations’ mortgage and all other loans ranking in equal or greater priority to the Corporation’s mortgage by the fair market value of the property, weighted by the principal amount of each mortgage):	58.02%	
Principal amount, and the percentage of the total principal amount of the mortgages, that rank in the following:		
First priority:	\$194,283,943.63	82.97%
Second priority:	\$39,869,616.83	17.03%
Third or lower priority:	N/A	
Principal amount, and the percentage of the total principal amount of the mortgages by each jurisdiction of Canada, each state or territory of the United States and each other foreign jurisdiction:		
BC:	\$214,403,587.24	91.57%
AB:	\$19,749,973.21	8.43%
Breakdown by property type, and the principal amount, and the percentage of the total principal amount of the mortgages, that is attributable to each property type:		
Single family detached:	\$126,834,389.12	54.17%
Serviced and Urban lots:	\$69,357,280.38	29.62%
Commercial:	\$10,792,102.76	4.61%
Condominium units:	\$12,838,876.14	5.48%
Townhouse:	\$4,517,507.36	1.93%
Duplex:	\$9,813,404.69	4.19%
With respect to mortgages that will mature in less than one year of the date of the summary provided in subsection (1), the percentage that those mortgages represent of the total principal amount of the mortgages:	100%	
With respect to mortgages with payments more than 90 days overdue, the number of those mortgages, the principal amount of those mortgages, and the percentage that those mortgages represent of the total principal amount of the mortgages:	Twelve mortgages Aggregate principal amount: \$11,235,890.15 4.80% of total mortgages	
With respect to mortgages that have an impaired value (including loans in foreclosure), the principal amount and the percentage that those mortgages represent of the total principal amount of the mortgages:	Three mortgages Principal amount: \$2,286,505.93 <1% of total mortgages	
For any mortgages that are not impaired or in default, but for which the Corporation has made accommodations to respond to financial difficulties of the borrower, if the accommodations would be material to a reasonable investor, a summary of the accommodations, and the principal amount and the percentage that those mortgages represent of the total principal amount of the mortgages:	N/A	

Item	Value
Average credit score of the borrowers:	709
No mortgage comprises greater than 5% of the total principal amount of the mortgages in the portfolio.	
Other than information that may be posted on the Corporation's website from time to time, if any, subscribers will not receive any information about the Corporation's Mortgage portfolio on an ongoing basis.	

A summary of the Corporation's mortgage portfolio as of April 15, 2024, December 31, 2023 and December 31, 2022 is set out below:

Mortgage Type	As of April 15, 2024			As of Dec. 31, 2023			As of Dec. 31, 2022		
	No.	%	Principal	No.	%	Principal	No.	%	Principal
First	310	82.97%	\$194,283,943.63	211	81.39%	\$175,104,759.91	224	83.91%	\$192,023,139
Second	59	17.03%	\$39,869,616.83	133	18.61%	\$40,042,203.17	105	16.09%	\$36,818,862
Third	0	0%	\$0	0	0%	\$0	0	0%	\$0
Total	369	100%	\$234,153,560.46	344	100%	\$215,146,963.08	329	100%	\$228,842,001

A summary of the Corporation's average mortgage balance and weighted average interest rate as of April 15, 2024, December 31, 2023 and December 31, 2022 is set out below:

	As of April 15, 2024	As of Dec. 31, 2023	As of Dec. 31, 2022
The average mortgage balance is:	\$634,562.49	\$625,414.19	\$695,568.39
The weighted average mortgage interest rate is:	10.98%	11.07%	9.57%

The Corporation's loans are primarily concentrated on residential mortgages in British Columbia, specifically within the Greater Vancouver Regional District and the Fraser Valley, and this focus is intended to continue. The loan-to-value for the whole portfolio is 58.02% as of April 15, 2024. A summary of the Corporation's loans by location, property type, and type of mortgage as of April 15, 2024, December 31, 2023 and December 31, 2022 is set out below:

	As of April 15, 2024		As of Dec. 31, 2023		As of Dec. 31, 2022	
	No. of Mortgages	% of Total Value	No. of Mortgages	% of Total Value	No. of Mortgages	% of Total Value
Location of Mortgage						
BC	235	91.57%	284	91.85%	280	93.13%
AB	134	8.43%	60	8.15%	49	6.87%
ON	0	0.00%	0	0.00%	0	0.00%
Property Type						
Single Family Detached	200	54.17%	183	56.08%	180	55.62%
Townhouses	19	1.93%	19	2.73%	20	3.44%
Condominiums	35	5.48%	30	5.39%	24	3.80%
Serviced and Urban Lots	115	38.42%	112	35.80%	102	37.36%
Type of Mortgage						
Residential	264	66.40%	242	65.08%	227	61.72%
Serviced and Urban Lots	96	28.79%	93	29.15%	91	31.78%
Commercial	9	4.81%	9	5.77%	12	6.50%

Foreclosures

As of April 15, 2024, mortgage loans representing an aggregate amount of approximately \$11,235,890.15 (or 4.80% of the Corporation's total mortgage loans) are subject to foreclosure proceedings. The weighted average loan to value of mortgages in foreclosure is 57.04%. The Corporation expects to recover the full amount of the mortgage loans subject to such proceedings.

2.4 Long Term Objectives

The Corporation's long term objectives are to:

- (a) issue sufficient Class B Shares, Class F Shares and Class I Shares, as applicable, to invest in additional mortgage loans;
- (b) provide Class B Shareholders, Class F Shareholders and Class I Shareholders with a return that is higher than term deposits, guaranteed investment certificates and money market funds, with due consideration to preservation of invested capital;
- (c) provide Class B Shareholders, Class F Shareholders and Class I Shareholders with sustainable income while preserving capital for distribution or re-investment;
- (d) establish a pool of high-quality loans through prudent investment in Mortgages of real property situated primarily in British Columbia and Alberta, and, to a lesser extent, other provinces of Canada;
- (e) distribute income on a monthly basis; and
- (f) continue to qualify as a mortgage investment corporation pursuant to the Tax Act.

The Corporation will seek to achieve these investment objectives by investing primarily in loans secured by mortgages on real property in Canada.

The Corporation expects to incur costs in connection with the Offering and in administering and placing mortgages, which costs are expected to remain consistent with historical costs incurred by the Corporation, as shown on the Corporation's financial statements. The Corporation's income will primarily consist of interest received on the mortgages, less fees paid to the Manager and other operating expenses. See Item 1.1 "Funds" and Item 1.2 "Use of Available Funds".

2.5 Short Term Objectives

As a mortgage investment corporation, the principal short-term objectives focus on completing the Offering and investing the net proceeds therefrom in mortgages. The following table sets out the objectives, the timelines and the expected costs to complete the short-term objectives for the next twelve months:

Actions to be Taken	Target Completion Date	Cost to Complete
Raise investment funds.	Within next 12 months	\$85,000 ⁽¹⁾
Commence investment of available funds into mortgages.	As soon as practicable after each Closing.	- ⁽²⁾

⁽¹⁾ Estimated legal, accounting, audit costs and printing and other administrative costs associated with marketing the Offering.

⁽²⁾ The costs to complete the investment of the available funds will vary based on the amount of funds actually invested and the different type of mortgages invested in.

2.6 Insufficient Funds

The funds available as a result of the Offering may not be sufficient to accomplish all of the Corporation's proposed objectives and there is no assurance that alternative financing will be available. The Corporation may draw up to \$100,000,000, subject to certain conditions, pursuant to the Credit Facility to finance a portion of the mortgage loans. See Item 2.8 "Material Agreements – Credit Facility".

2.7 Additional Disclosure for Issuers Without Significant Revenue

Not applicable.

2.8 Material Agreements

The following are the material agreements to which the Corporation is currently a party.

- (a) **Management Contract** – the agreement between the Corporation and the Manager whereby the Manager provides certain ongoing administrative and management services relating to the Corporation’s business. See Item 2.8 “Material agreement – Management Contract.
- (b) **The Credit Agreement** – the third amended and restated credit facility dated April 26, 2024, among the Corporation, as borrower, and Royal Bank of Canada, as lender, lead arranger and sole book runner, and administrative agent on behalf of itself and such other financial institutions and other entities that from time to time become parties thereto as lenders in accordance with the terms thereof, whereby the lenders have agreed to provide the Corporation certain credit facilities which include an aggregate principal amount of up to \$100,000,000, consisting of a revolving credit facility and a swing line facility. See Item 2.8 “Material Agreements – Credit Facility”.
- (c) **Subscription Agreements** – the agreement by which investors will subscribe for and acquire Class B Shares, Class F Shares or Class I Shares, as applicable, on the terms and conditions described in this Offering Memorandum. See Item 5.2 “Subscription Procedure”.

Copies of all contracts referred to above may be inspected during normal business hours at the registered and records office of the Corporation, located at: 1795 – 555 Burrard Street, Vancouver, BC V7X 1M9.

Management Contract

Pursuant to the Management Contract, the Manager provides management and administrative services to the Corporation and oversees the day-to-day mortgage operations and administration. The Manager pays all of its internal costs, expenses and overhead relating to the provision of these services, including office expenses, rent, employee salaries and management financial services fees, with the exception of the monthly costs for the independent advisory board.

All costs relating to the business of the Corporation are payable by the Corporation. Such costs include, without limitation, legal, audit, referral fees, fund raising, as well as travel, marketing, advertising, shareholder meeting and communication costs that relate specifically to the Corporation’s business and its shareholders. The Corporation is also responsible for the monthly costs of independent advisory board members as well as director and officer fees for attending formal meetings of the directors, conference calls and meetings of the committees of the Corporation. The Corporation will be responsible for paying the costs, including legal fees and disbursements, for collecting or attempting to collect any amounts owing or in arrears on any of its mortgage investments sourced by the Manager, including foreclosure or other court proceedings.

In consideration for the management services provided under the Management Contract, the Manager will receive a fee payable by the Corporation equal to 1.5% per annum of the mortgages under management of the Corporation to be paid to the Manager on a monthly basis.

The Management Contract provides the right for the Manager, or its principals or affiliates, to purchase with their own funds and own as co-lenders, percentage interests in mortgage loans. The Manager may also sell undivided percentage interests in mortgage loans to other co-lenders. See Item 10 “Risk Factors”. The Management Contract provides that the Manager may charge lender fees, broker fees, commitment fees, extension fees, renewal fees, NSF fees, administration fees and similar fees to borrowers with respect to any mortgage loan.

The Management Contract is for a term of one year and will be automatically renewed for successive one year terms unless a notice of intention not to renew is given by either party at least 120 days before the end of the term. In addition, either party may at any time terminate the Management Contract upon 120 days’ written notice to the other party.

Pursuant to the Management Contract, the Manager must carry out its duties in a conscientious and commercially reasonable manner. The Manager must render its services under the Management Contract honestly and in good faith

and must use reasonable commercial efforts to perform its duties and responsibilities under the Management Contract in a conscientious, reasonable and competent manner.

The Corporation has agreed that it will not hold the Manager liable for any loss, damages or costs arising out of a failure to collect any amount owing on any particular mortgage after funds have loaned. The Corporation has also agreed under the Management Contract to indemnify and hold harmless the Manager as well as its officers, directors, employees, shareholders and agents from and against any and all liabilities, losses, claims, damages, penalties, actions, suits, demands, costs and expenses including, without limiting the following, reasonable legal fees and expenses arising from or in connection with any actions or omissions which the Manager takes or omits to take as Manager under the Management Contract, provided that such action or omission is taken or not taken in good faith and without gross negligence or is taken pursuant to and is in compliance with the Management Contract.

The Manager and its shareholders, directors, officers, agents and employees will have no liability in respect of any act or omission regarding, respecting or relating to the services, duties, and powers performed or to be delivered or performed by those pursuant to the Management Contract, except to the extent such act or omission constitutes gross negligence or willful misconduct. The indemnity survives the removal or resignation of the Manager in connection with any and all of its duties and obligations under the Management Contract.

Credit Facility

On April 26, 2024, the Corporation, as borrower, and Royal Bank of Canada (“**RBC**”), as lender, lead arranger and sole book runner, and administrative agent on behalf of itself and such other financial institutions and other entities that from time to time become as lenders, agreed to amend the terms of a credit agreement previously entered into by the parties whereby the lenders agreed to provide the Corporation with certain credit facilities which include an aggregate principal amount of up to \$100,000,000, consisting of a margined revolving credit facility and a swing line facility. The credit facilities may be increased by an additional aggregate amount of \$50,000,000 by way of exercise of the accordion as may be arranged by the Corporation from existing or new lenders. The actual principal amount available to the Corporation under the Credit Agreement is based on the margined value of the Corporation’s underlying mortgage portfolio. All advances and all other obligations outstanding under the Credit Agreement, including principal, interest and fees, shall be paid in full and the Credit Facility shall be cancelled on the Maturity Date, unless otherwise extended by the lenders. The Corporation agreed to pay to RBC certain upfront fees, arrangement fees and agency fees in connection with the Credit Agreement. The Credit Agreement amends the second amended and restated credit agreement, as amended, with RBC dated April 26, 2023.

Advances under the Credit Agreement by a lender to the Corporation may be made by way of Prime Loans (as defined in the Credit Agreement) or CORRA Loans (as defined in the Credit Agreement). Interest on Prime Loans and Swing Line Loans (as defined in the Credit Agreement) is at a rate equal to the prime rate (as defined in the Credit Agreement) plus 0.5% per annum. Interest on CORRA Loans is at a rate equal to the Adjusted Term CORRA Rate (as defined in the Credit Agreement) or Adjusted Daily Compounded CORRA (as defined in the Credit Agreement), in each case plus 2.15% per annum. The Corporation is also subject to a standby fee based on the amount of unutilized and uncanceled portion of the credit facility at a rate equal to 0.30% per annum. The Credit Agreement includes provisions with respect to application of a replacement benchmark for Term CORRA Reference Rate (as defined in the Credit Agreement) or Daily Compounded CORRA (as defined in the Credit Agreement) if and when applicable.

The main purpose of the Credit Agreement is to assist the Corporation to better manage the timing difference between the Corporation’s cash flows in order to maintain efficient capital deployment through new capital raises, borrower payouts/paydowns, redemptions of shares and new mortgage investments, in addition to increasing returns through leverage. Any proceeds under the Credit Agreement will be used by the Corporation to refinance the Corporation’s existing outstanding indebtedness with the balance for working capital requirements of the Corporation arising in the ordinary course of its business operations. To secure the payment and performance under the Credit Agreement, the Corporation has agreed to grant to RBC, as administrative agent on behalf of the lenders, a security interest with respect to, among other things: all the present and after-acquired personal property of the Corporation, and a floating charge over all real property, present and future, of the Corporation or any interest therein; all legal and beneficial interest in all present and future mortgages in the Corporation’s mortgage portfolio, the mortgage loans outstanding thereunder and all other mortgage documents relating thereto; and general power(s) of attorney from the Corporation in respect of all present and future mortgages in its mortgage portfolio.

As of April 26, 2024, \$68,004,874 was available to the Corporation based on its mortgage portfolio, of which \$60,493,727 has been drawn pursuant to the Credit Agreement. The Corporation is required to make certain reporting

to RBC and to meet certain financial covenants, including debt to tangible net worth, EBITDA to interest and tangible net worth. As at April 26, 2024, the Corporation is current in these reporting requirements and covenants.

2.9 Related Party Transactions

Not applicable.

ITEM 3 - COMPENSATION AND SECURITY HOLDINGS OF CERTAIN PARTIES

3.1 Compensation and Securities Held

The following table sets out information about each director, officer and promoter of the Corporation and each person that has beneficial ownership of, or direct or indirect control over, or a combination of beneficial ownership and direct or indirect control over, 10% or more of any class of voting securities of the Corporation (a “principal holder”).

Name and Municipality of Principal Residence	Positions Held (e.g. Director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by the Corporation in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the issuer held after completion of min. offering ⁽¹⁾	Number, type and percentage of securities of the issuer held after completion of max. offering ⁽¹⁾
Ches Orlando Hagen, Vancouver, BC	Chief Executive Officer, Director and Principal Holder March 27, 2020 April 28, 2020 (appointed CEO)	2023: \$0 2024 (anticipated): \$0 ⁽²⁾	600 Class A Shares (25%) held by 0824016 B.C. ⁽³⁾ 19,275.34 Class F Shares	600 Class A Shares (25%) held by 0824016 B.C. ⁽³⁾ 19,275.34 Class F Shares
Bradly Daniel Unrau, Abbotsford, BC	Vice President, Director and Principal Holder March 27, 2020	2023: \$0 2024 (anticipated): \$0 ⁽²⁾	600 Class A Shares (25%) held by 0824004 B.C. Ltd. ⁽⁴⁾ 2,500 Class F Shares	600 Class A Shares (25%) held by 0824004 B.C. Ltd. ⁽⁴⁾ 2,500 Class F Shares
Terry Sidhu, Vancouver, BC	Vice President, Director and Principal Holder April 6, 2021	2023: \$0 2024 (anticipated): \$0 ⁽²⁾	600 Class A Shares (25%) held by Urban Land Holdings ⁽⁵⁾ 1,605.04 Class F Shares	600 Class A Shares (25%) held by Urban Land Holdings ⁽⁵⁾ 1,605.04 Class F Shares
Clint Dean Cornish, Edmonton, AB	Principal Holder March 27, 2020	2023: \$0 2024 (anticipated): \$0 ⁽²⁾	285.71 Class A Shares (11.91%) held by 1647963 Alberta Ltd. ⁽⁷⁾ 4,308.15 Class F Shares	285.71 Class A Shares (11.91%) held by 1647963 Alberta Ltd. ⁽⁷⁾ 4,308.15 Class F Shares
Chris Cameron, Kamloops, BC	Principal Holder June 15, 2022	2023: \$0 2024 (anticipated): \$0	314.279 Class A Shares (13.09%) held by 0860936 B.C. Ltd. ⁽⁶⁾ 19.1871 Class B Shares	314.279 Class A Shares (13.09%) held by 0860936 B.C. Ltd. ⁽⁶⁾ 19.1871 Class B Shares
AP Capital MIC Management Corp. Vancouver, BC	Promoter July 1, 2018	2023: \$3,482,511 2024 (anticipated): \$3,700,299	Nil	Nil

⁽¹⁾ There is no minimum or maximum offering.

⁽²⁾ No compensation is paid by the Corporation to the named individual for service as a director or officer of the Corporation. Each such individual is employed by and receives compensation from the Manager.

⁽³⁾ All of the issued and outstanding shares of this company are held by Ches Orlando Hagen and Erika Brett Hagen.

⁽⁴⁾ All of the issued and outstanding shares of this company are held by Bradley Daniel Unrau and Tara Unrau.

⁽⁵⁾ All of the issued and outstanding shares of this company are held by Terry Sidhu.

⁽⁶⁾ All of the issued and outstanding shares of this company are held by Chris Cameron and Angela Cameron.

⁽⁷⁾ All of the issued and outstanding shares of this company are held by Clint Dean Cornish and Rebecca Cornish.

The Manager is a corporation incorporated pursuant to the BCA. The directors of the Manager are: Ches Orlando Hagen (Chief Executive Officer), Bradly Daniel Unrau (Vice President) and Terry Sidhu (Vice President). The Manager compensates its officers and employees from fees earned pursuant to the Management Contract. Any such compensation is determined by the board of directors of the Manager. The Corporation is not required to reimburse the Manager for compensation paid to the officers and employees of the Manager.

3.2 Management Experience

The following table discloses the principal occupations of the directors and senior officers of the Corporation and the Manager over the past five years and their relevant experience in businesses similar to the Corporation's.

Name	Principal Occupation and Related Experience
Ches Orlando Hagen	Chief Executive Officer, Director and Mortgage Investment Manager. Mr. Hagen co-founded AP Capital Mortgage Investment Corporation in March 2007 with Mr. Unrau. Mr. Hagen has 25 years of experience in leading teams and building companies in both the lending business as well as the software industry. He has more than 2 decades of experience raising capital for private companies in Canada through various channels including conventional banks, venture capital firms, investment dealers, family offices, and exempt market dealers.
Bradly Daniel Unrau	Vice President, Director and Mortgage Investment Manager. Mr. Unrau co-founded AP Capital Mortgage Investment Corporation in March 2007 with Mr. Hagen. Mr. Unrau has been very active in the mortgage business for the past twenty years. He has extensive experience in the acquisition, financing and management of residential and commercial real estate in Western Canada.
Terry Sidhu	Vice President, Director and Mortgage Investment Manager. Mr. Sidhu has been very active in the real estate business for his entire career. As owner of Abbotsford Notary, Mr. Sidhu and his team conduct conveyancing for over 1,000 mortgages annually. He also owns one the Fraser Valley's largest property management companies with nearly 1,000 units under management. Mr. Sidhu has extensive experience in the acquisition, financing and management of residential and commercial real estate in B.C.
Michael Chies ⁽¹⁾	Vice President of Mortgage Lending and Head Underwriter. Mr Chies has a background in prime residential lending and underwriting at a Schedule 1 OSFI regulated Bank of Canada. He came to AP Capital in 2019 and leads the Mortgage Department, guiding portfolio risk management and growth. Mr Chies is a graduate of UBC with a focus in Geography and Accounting.

⁽¹⁾ The named individual is employed by and receives compensation from the Manager from fees earned by the Manager pursuant to the Management Contract. No compensation is paid by the Corporation to such individual nor does the Corporation reimburse the Manager for compensation paid by the Manager to such individual. The named individual is not subject to any penalty, sanction, bankruptcy, insolvency or criminal or quasi-criminal matters described under Item 3.3 "Penalties, Sanctions, Bankruptcy, Insolvency and Criminal or Quasi-Criminal Matters".

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

To the Corporation's knowledge, no director, executive officer or control person of the Corporation has, or any issuer of which any of those persons was a director, executive officer or control person has:

- (a) during the last 10 years, been subject to: (i) a penalty or other sanction imposed by a court relating to a contravention of securities legislation, (ii) a penalty or other sanction imposed by a regulatory body relating to a contravention of securities legislation, or (iii) an order restricting trading in securities that was in effect for a period of 30 or more consecutive days; or
- (b) during the last 10 years, made: (i) a declaration of bankruptcy, (ii) a voluntary assignment in bankruptcy, (iii) a proposal under any bankruptcy or insolvency legislation, or (iv) a proceeding, arrangement or compromise with creditors, or appointment of a receiver, receiver-manager or trustee to hold assets;

To the Corporation's knowledge, no director, executive officer or control person of the Corporation or the Corporation has ever pled guilty to, or been found guilty of: (i) a summary conviction or indictable offence under the Criminal Code (Canada); (ii) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction; (iii) a

misdeemeanour or felony under the criminal legislation of the United States of America, or any state or territory of the United States of America; or (iv) an offence under the criminal legislation of any other foreign jurisdiction

3.4 Certain Loans

As of the date hereof, there are no debentures, bonds or loan agreements between the Corporation and a Related Party.

ITEM 4 - CAPITAL STRUCTURE

4.1 Securities Except for Debt Securities

Details of the outstanding securities of the Corporation as of April 15, 2024 are as follows:

Description of Security	Number Authorized to be Issued	Price per Security	Number Outstanding as of April 15, 2024	Number Outstanding after min. Offering ⁽¹⁾	Number outstanding after max. Offering ⁽¹⁾
Class A Shares	unlimited	\$1.00	2,400	2,400	2,400
Class B Shares	unlimited	\$100.00	1,549,236.35 ⁽²⁾	1,549,236.35	1,549,236.35 ⁽²⁾
Class F Shares	unlimited	\$100.00	194,525.68 ⁽³⁾	194,525.68	194,525.68 ⁽³⁾
Class I Shares	unlimited	\$100.00	nil	N/A	N/A

⁽¹⁾ There is no minimum or maximum Offering.

⁽²⁾ Includes Class B Shares issued pursuant to the Corporation's DRIP.

⁽³⁾ Includes Class F Shares issued pursuant to the Corporation's DRIP.

⁽⁴⁾ For additional information about the rights and restrictions attaching to the securities, see Item 5.1 "Terms of Securities".

4.2 Long Term Debt

As at the date hereof, the Corporation has no long term debt.

4.3 Prior Sales

Within the last 12 months, the Corporation issued Class B Shares and Class F Shares as follows:

Date of Issuance	Type of Security	Number Issued	Price per share	Total Funds Received
03/01/2023	Class B Shares	16,644.18	\$100.00	\$1,664,418.00
	Class F Shares	33,000.00	\$100.00	\$3,300,000.00
04/03/2023	Class B Shares	22,365.50	\$100.00	\$2,236,550.00
04/28/2023	Class B Shares	15,370.00	\$100.00	\$1,537,000.00
	Class F Shares	1,600.00	\$100.00	\$160,000.00
05/15/2023	Class B Shares	6,410.00	\$100.00	\$641,000.00
06/01/2023	Class B Shares	50,094.50	\$100.00	\$5,009,450.00
	Class F Shares	1,925.00	\$100.00	\$192,500.00
07/04/2023	Class B Shares	16,780.00	\$100.00	\$1,678,000.00
	Class F Shares	500	\$100.00	\$50,000.00
08/01/2023	Class B Shares	9,944.00	\$100.00	\$994,400.00
09/01/2023	Class B Shares	3,558.00	\$100.00	\$355,800.00
	Class F Shares	5,687.00	\$100.00	\$568,700.00
10/03/2023	Class B Shares	23,060.00	\$100.00	\$2,306,000.00
	Class F Shares	2,600.00	\$100.00	\$260,000.00
11/01/2023	Class B Shares	25,991.51	\$100.00	\$2,599,151.00
	Class F Shares	20,000.00	\$100.00	\$2,000,000.00
11/15/2023	Class B Shares	13,611.00	\$100.00	\$1,361,100.00
12/01/2023	Class B Shares	48,916.18	\$100.00	\$4,891,618.00
	Class F Shares	1,627.00	\$100.00	\$162,700.00
01/02/2024	Class B Shares	15,386.0	\$100.00	\$1,538,600.00
	Class F Shares	3,000.00	\$100.00	\$300,000.00
02/01/2024	Class B Shares	10,125.30	\$100.00	\$1,012,530.00
	Class F Shares	2,000.00	\$100.00	\$200,000.00
03/01/2024	Class B Shares	26,429.00	\$100.00	\$2,644,900.00

Date of Issuance	Type of Security	Number Issued	Price per share	Total Funds Received
	Class F Shares	22,100.00	\$100.00	\$2,210,000.00
04/01/2024	Class B Shares	11,484.0	\$100.00	\$1,184,400.00
	Class F Shares	6,970.00	\$100.00	\$697,000.00

ITEM 5 - SECURITIES OFFERED

5.1 Terms of Securities

The Corporation is offering: (i) an unlimited number of Class B Shares at a price of \$100.00 per Class B Share; (ii) an unlimited number of Class F Shares at a price of \$100.00 per Class F Share; and (iii) an unlimited number of Class I Shares at a price of \$100.00 per Class I Share. The rights and restrictions attaching to the Class B Shares, the Class F Shares and Class I Shares are as follows:

Non-Voting

Holders of the Class B Shares, Class F Shares and Class I Shares, as applicable, shall not be entitled to receive notice of, attend or speak at any meeting of the shareholders of the Corporation, except as provided in the Articles of the Corporation and the BCA.

Dividend Entitlement

The Class B Shares, the Class F Shares and Class I Shares are the only classes of shares entitled to receive dividends. In each year, at the discretion of the directors, dividends may be paid on the Class B Shares only or on the Class B Shares, the Class F Shares and the Class I Shares in the proportions as the directors may decide, in an amount equal to the profits of the Corporation available for the payment of dividends, subject to the following: (a) the dividends per share declared and payable on each Class B Share in each year are equal to or greater than the dividends per share declared and payable on each Class F Share; and (b) the dividends per share declared and payable on each Class F Share in each year are equal to or greater than the dividends per share declared and payable on each Class I Share. Dividends are intended to be distributed equitably and equally between Class B Shares, Class F Shares and the Class I Shares with no preference to any class. Share issuance costs are expected to be deducted after dividends are declared. Since such share issuance costs may differ between the classes of shares, this may impact the dividends received by the holders of a particular class of shares.

Shareholders have the option to choose monthly cash distribution of dividends or to participate in the dividend re-investment program (DRIP). For shareholders that elect the “cash dividend” option, the Corporation intends to target a monthly cash dividend payment of 8.5% (Class B) and 9.0% (Class F) for fiscal 2024, calculated and payable monthly. However, any dividend payment would remain at the discretion of the directors of the Corporation and will only be declared where the directors are of the opinion (in their sole discretion) that any monthly or annual net income and available cash of the Corporation can support such dividend payment. Once the year-end financial statements of the Corporation are available, the directors will determine (in their sole discretion) whether there is sufficient additional net income and available cash to support a further “top-up” dividend payment to the shareholders.

For shareholders that elect the dividend re-investment (DRIP) option, the cash dividends that such shareholders would otherwise be entitled to receive will be used to acquire additional Class B Shares, Class F Shares or Class I Shares, as applicable, based on a price of \$100 per Class B Share, \$100 per Class F Share or \$100 per Class I Share, as applicable.

Redemption and Retraction Rights

The Class B Shares, the Class F Shares and Class I shares shall be redeemable at the option of either the Corporation or a holder thereof pursuant to the Articles of the Corporation.

In the event that the Corporation chooses to redeem the Class B Shares, the Class F Shares or the Class I Shares, as applicable, the Corporation shall give at least thirty (30) days’ notice before fiscal year-end in writing to the registered holder of the shares to be redeemed, specifying the date and place or places of redemption and, if not all the shares registered in the name of each such holder are to be redeemed, the number to be redeemed. The redemption price for each share to be redeemed will be the net realizable value attributable to each share as determined in the Corporation’s audited financial statements prepared for the relevant fiscal year-end in which notice is given plus any dividends declared thereon but unpaid up to the date of redemption thereof. For purposes of the foregoing, net realizable value

of the Corporation means the aggregate fair value of the assets of the Corporation less the amount of the liabilities of the Corporation on the most recent financial statements of the Corporation; and (b) net realizable value per share means the net realizable value of the Corporation divided by the total number of shares outstanding.

Any holder of Class B Shares, Class F Shares or Class I Shares, as applicable, may by giving written notice at least sixty (60) days before the fiscal year-end to the Corporation (“**Retraction Notice**”), request that the Corporation redeem in whole or part the Class B Shares, Class F Shares or Class I Shares, as applicable, held by such holder. Class B Shares, Class F Shares or Class I Shares, as applicable, shall be considered to be tendered for redemption on the date the Corporation has, to the satisfaction of the directors, received the Retraction Notice, and such other information reasonably requested by the Corporation.

The Corporation will redeem the Class B Shares, Class F Shares and Class I Shares, as applicable, specified in the Retraction Notice in accordance with the Articles of the Corporation and subject to the restrictions and limitations contained herein.

The Corporation will not redeem Class B Shares, Class F Shares or Class I Shares, as applicable, for which Retraction Notices are given, if redemption of the aggregate number of shares subject to the Retraction Notices would result in the Corporation having a holder of Class B Shares, Class F Shares or Class I Shares, as applicable, during the period of time since the start of the most recent fiscal year, that owns greater than 25% of the Class B Shares, Class F Shares or Class I Shares, as applicable, issued and outstanding.

The Corporation will not redeem Class B Shares, Class F Shares or Class I Shares, as applicable, for which Retraction Notices are given if it would result in the Corporation having less than 20 shareholders.

The Corporation will not, except upon resolution of the directors in favour thereof, redeem more than five percent (5%) of all Class B Shares, Class F Shares and Class I Shares which are issued and outstanding on the first day of the fiscal quarter in which the Retraction Notice is delivered to the Corporation or deemed effective, as the case may be. Retraction Notices will be processed by the Corporation in priority in accordance with the time and date on which such Retraction Notices are delivered to the Corporation or deemed effective on a “first-come, first-served” basis.

Subject to the provisions of the BCA, including the solvency provisions therein, on the day that is 120 days after the end of the fiscal year in which the Retraction Notice is received by the Corporation, the Corporation will be required to redeem the shares specified in the Retraction Notice. The redemption price for each share to be redeemed will be the net realizable value attributable to each share as determined based on the Corporation’s audited financial statements prepared for the relevant fiscal year-end in which notice is given plus any dividends declared thereon but unpaid up to the date of redemption thereof, less a \$350 processing fee, and less the applicable contingent deferred service charge, if any, determined as follows:

The deferred service charge in respect of the Class B Shares will be determined as follows:

- (a) where the Class B Shares have been held for one (1) year or less, up to \$5.00 per Class B share;
- (b) where the Class B Shares have been held for two (2) years or less but more than one (1) year, up to \$4.00 per Class B Share;
- (c) where the Class B Shares have been held for three (3) years or less but more than two (2) years, up to \$3.00 per Class B Share;
- (d) where the Class B Shares have been held for four (4) years or less but more than three (3) years, up to \$2.00 per Class B Share; or
- (e) where the Class B Shares have been held for more than four (4) years, there will be no contingent deferred service charge.

The deferred service charge in respect of the Class F Shares will be determined as follows:

- (a) where the Class F Shares have been held for one (1) year or less, up to \$1.00 per Class F share; or

- (b) where the Class F Shares have been held for more than one (1) year, there will be no contingent deferred service charge.

The deferred service charge in respect of the Class I Shares will be determined as follows:

- (a) where the Class I Shares have been held for one (1) year or less, up to \$1.00 per Class I share; or
- (b) where the Class I Shares have been held for more than one (1) year, there will be no contingent deferred service charge.

The directors of the Corporation, in their sole discretion, may waive the contingent deferred service charge on any redemption requests.

Redemption – Sample Calculation

Number and Class of Shares	Period Held	NAV as of date of Retraction Notice	Redemption Amount Payable
100 Class B Shares	Less than 1 year	\$100	\$9,150 ⁽¹⁾⁽²⁾
100 Class B Shares	1.5 years	\$100	\$9,250 ⁽¹⁾⁽³⁾
100 Class B Shares	2.5 years	\$100	\$9,350 ⁽¹⁾⁽⁴⁾
100 Class F Shares	Less than 1 year	\$100	\$9,550 ⁽¹⁾⁽⁵⁾
100 Class F Shares	More than 1 year	\$100	\$9,650 ⁽¹⁾
100 Class I Shares	Less than 1 year	\$100	\$9,550 ⁽¹⁾⁽⁶⁾
100 Class I Shares	More than 1 year	\$100	\$9,650 ⁽¹⁾

⁽¹⁾ Net of \$350 processing fee.

⁽²⁾ Net of deferred service charge of \$5.00 per Class B Share.

⁽³⁾ Net of deferred service charge of \$4.00 per Class B Share.

⁽⁴⁾ Net of deferred service charge of \$3.00 per Class B Share.

⁽⁵⁾ Net of deferred service charge of \$1.00 per Class F Share.

⁽⁶⁾ Net of deferred service charge of \$1.00 per Class I Share.

Entitlement on Liquidation, Dissolution or Winding-Up

In the event of a reduction of capital or the liquidation, dissolution or winding-up of the Corporation or other distribution of property or assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class B Shares, Class F Shares and Class I Shares shall be entitled to receive any declared but unpaid dividends on such shares and thereafter Class A Shares, the Class B Shares, the Class F Shares and the Class I Shares shall be entitled to receive an amount equal to the aggregate amount paid up on the Class A Shares, Class B Shares, Class F Shares and Class I Shares held by them. In the event that there is not sufficient property or assets to return the entire amount paid thereon to all holders, the amount available for distribution shall be distributed to the holders ratably according to a fraction the numerator of which is the amount paid up on the issued shares of the particular class and the denominator of which is the amount paid up on the issued shares of all classes. After the Corporation has made the distribution to the holders of the Class A Shares, Class B Shares, Class F Shares and Class I Shares contemplated above, the holders of the Class A Shares, Class B Shares, Class F Shares and Class I Shares shall be entitled to receive, on a *pro rata* basis, the remaining amount available for distribution.

Constraints on Transferability

Paragraph 130.1(6)(d) of the Tax Act stipulates that to qualify as a mortgage investment corporation, a corporation must have at least 20 shareholders and no one shareholder may be a “Specified Shareholder”, as such term is defined in the Tax Act, of the Corporation.

The Tax Act states that a trust governed by a registered pension plan or a deferred profit sharing plan is counted as four shareholders for purposes of determining the number of shareholders and one shareholder for purposes of determining if a shareholder is a Specified Shareholder.

The directors of the Corporation intend to refuse registration of an allotment or any transfer of shares which would result in the Corporation ceasing to meet the qualifications of a mortgage investment corporation pursuant to the Tax Act.

In addition to the restrictions in the Articles of the Corporation, as the Corporation is not a reporting issuer in the selling jurisdictions or in any other jurisdiction, the Class B Shares, the Class F Shares and the Class I Shares are subject to resale restrictions pursuant to applicable securities law. See Item 12 “Resale Restrictions”.

5.2 Subscription Procedure

The Class B Shares, the Class F Shares and the Class I Shares are conditionally offered if, as and when subscriptions are accepted by the Corporation and subject to prior sale. Subscriptions for the Class B Shares, the Class F Shares and the Class I Shares, as applicable, will be received by the Corporation 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 exemptions from the prospectus requirement contained in securities legislation in the jurisdictions in which the Class B Shares, the Class F Shares and the Class I Shares are being offered. Such exemptions relieve the Corporation from provisions under securities legislation requiring the Corporation to file a prospectus, including the review thereof by the securities commissions or similar regulatory authority in such jurisdictions where the prospectus is filed.

The Class B Shares, the Class F Shares and the Class I Shares are being offered on a continuous basis. In order to subscribe therefor, investors must be within one of the following categories:

- (a) an “accredited investor” as such term is defined in National Instrument 45-106 (“**NI 45-106**”) or Section 73.3 of the Ontario *Securities Act* (Ontario), provided the subscriber delivers a signed risk acknowledgement form in the form required by NI 45-106, if applicable;
- (b) a resident in British Columbia, who 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;
- (c) a resident in Manitoba, who 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 and is either:
 - (i) an “Eligible Investor” (as defined in NI 45-106); or
 - (ii) purchasing a number of Class B Shares or Class F Shares, as applicable, which have an aggregate subscription price of less than \$10,000;
- (d) a resident in Alberta, Ontario or Saskatchewan, who acknowledges having received and read a copy of this Offering Memorandum and delivers a signed risk acknowledgement form, including Schedule 1 Classification of Investors under the Offering Memorandum Exemption, in the form required by NI 45-106 and the acquisition cost of all securities acquired by the subscriber who is an individual in the preceding 12 months does not exceed the following amounts:
 - (i) in the case of a subscriber that is not an “Eligible Investor”, \$10,000;
 - (ii) in the case of a subscriber that is an “Eligible Investor”, \$30,000;
 - (iii) in the case of a subscriber that is an “Eligible Investor” and that received advice from a portfolio manager, investment dealer or exempt market dealer that the investment is suitable, \$100,000,

provided, however, that the investment limits described in (d)(i) and (ii) above do not apply if the subscriber is an “accredited investor” or a person described in Section 2.5(1) of NI 45-106; or

- (e) a subscriber that is not an individual acquiring Class B Shares, Class F Shares or Class I Shares, as applicable, 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, the Class B Shares, the Class F Shares and the Class I Shares, as applicable, 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 Class B Shares, Class F Shares and Class I Shares, as applicable, by delivering to the applicable registered securities dealer or to the Corporation, at 1795 - 555 Burrard Street, Vancouver, BC V7X 1M9, a duly completed and properly executed Subscription Agreement. A certified cheque, bank draft drawn or wire transfer from a Canadian chartered bank in an amount equal to the price per share multiplied by the number of shares subscribed for payable to "AP Capital Mortgage Investment Corporation" must accompany the Subscription Agreement.

Each investor will also be required to sign two copies of a Risk Acknowledgment (Form 45-106F4 with Schedule 1 Classification of Investors Under the Offering Memorandum Exemption for Alberta, New Brunswick, Nova Scotia, Saskatchewan, Quebec and Ontario subscribers), and in accordance with the requirements of NI 45-106). 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 Corporation will hold the subscription monies advanced by each investor in trust for the investor until midnight on the second business day after the Subscription Agreement is signed by the investor. Subject to applicable securities laws and the subscriber's two-day cancellation right, a subscription for shares, evidenced by a duly completed Subscription Agreement delivered to the Corporation, shall be irrevocable by the subscriber.

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

The Corporation intends to accept subscriptions for shares on a continuous basis, on such dates as the directors of the Corporation may determine from time to time. For convenience, subscription funds which are received by the Corporation prior to any acceptance date will be held in a separate bank account of the Corporation until subscriptions are accepted. The deposit of subscription funds by the Corporation into such bank account shall not constitute acceptance of the subscription for shares in respect of which such funds have been delivered.

At a Closing, the Corporation will deliver to the investor the certificates representing, or a transaction notification in respect of, fully paid and non-assessable shares, provided the subscription price has been paid in full. Unless directed otherwise, copies of the original share certificates/advices will be kept in the Corporation's minute book.

Investors should carefully review the terms of the Subscription Agreement attached hereto for more detailed information concerning their rights and obligations and those of the Corporation. Execution and delivery of the Subscription Agreement will bind the investor to the terms thereof and hereof, whether executed by the investor or by an agent on the investor's behalf. All subscription documents should be reviewed by prospective subscribers and their professional advisers, including tax, legal and financial advisers, prior to subscribing for shares.

5.3 FundSERV

The Corporation intends to expand its capital raising through additional registered entities in Canada, including those in the Investment Dealers registration category. Management will work to increase distribution through more dealers via the FundSERV network. FundSERV is an electronic settlement system that allows investment dealers to purchase, report, and redeem shares of the Corporation far more efficiently than dealing in physical certificates. Additional costs will be associated with FundSERV but management feels the advantages of a diversified dealer network outweigh the additional costs associated with this form of distribution.

ITEM 6 – REPURCHASE REQUESTS**6.1 Redemption History**

The Corporation’s redemption history over the last two fiscal years and the current period to April 30, 2024 is as follows:

Description of Security	Date of end of financial year	Number of securities with outstanding repurchase requests on the first day of the year	Number of securities for which investors made repurchase requests during the year*	Number of securities repurchased during the year	Average price paid for the repurchased securities	Source of funds used to complete the repurchases	Number of securities with outstanding repurchase requests on the last day of the year
Class B Common Shares	December 31, 2022	0	127,654.3150	127,654.3150	(1)	(2)	0
Class F Common Shares	December 31, 2022	0	34,158.7678	34,158.7678	(1)	(2)	0
Class B Common Shares	December 31, 2023	0	254,572.86	254,572.86	(1)	(2)	0
Class F Common Shares	December 31, 2023	0	45,250.00	45,250.00	(1)	(2)	0
Class B Common Shares ⁽³⁾	December 31, 2024	0	72,392.80	72,392.80	(1)	(2)	0
Class F Common Shares ⁽³⁾	December 31, 2024	0	22,050.00	22,050.00	(1)	(2)	0

*Redemptions include full and partial redemptions and RRIF payments.

(1) Redemption payment of \$100 per share subject to the payment of the applicable deferred sales charge and processing fee. See Item 5.1 “Terms of Securities – Redemption and Retraction Rights”.

(2) Amounts paid in connection with redemptions of shares were from cash on hand from operations.

(3) For the period from January 1, 2024 to April 30, 2024.

ITEM 7 – CERTAIN DIVIDENDS AND DISTRIBUTIONS

The Corporation has not paid dividends or distributions that exceeded cash flow from operations.

ITEM 8 - INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY**8.1 Consult Your Own Advisers**

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

8.2 General

PROSPECTIVE PURCHASERS SHOULD OBTAIN INDEPENDENT ADVICE FROM THEIR OWN TAX AND LEGAL ADVISERS REGARDING THE INCOME TAX CONSEQUENCES APPLICABLE TO THEIR OWN PARTICULAR CIRCUMSTANCES.

As each individual investor has unique income and financial backgrounds, the exact nature of the income tax consequences to you, should you choose to purchase the offered securities, cannot be determined.

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

8.3 RRSP Eligibility

The Corporation intends to maintain its qualification as a mortgage investment corporation under the terms of the Tax Act, which would mean that its shares are an eligible investment for registered retirement savings plans ("RRSPs") and registered retirement investment funds ("RRIFs"). However, you should consult your own professional advisers to obtain advice on the RRSP and RRIF eligibility of these securities. As a mortgage investment corporation, if it pays out all of its net income annually in the form of dividends during the year or within ninety (90) days after the end of the year, it may deduct the dividend amount paid as if it was an expense. The dividends received are not subject to usual dividend treatment in the hands of shareholders. Rather, they will be taxable in the hands of shareholders who are subject to tax as if they had received an interest payment.

Accordingly, it is anticipated that for each taxation year of the Corporation throughout which it qualifies as a mortgage investment corporation under the Tax Act, the Corporation will not be required to pay income taxes on the net earnings from which dividends are paid in each year. Income in excess of allowable deductible reserves under the Tax Act, which is not distributed to shareholders within ninety (90) days of each of the Corporation's year-ends, will be subject to ordinary corporate tax under the Tax Act.

The Corporation is making the foregoing tax disclosure, but it makes no other warranties or representations, implied or otherwise, with respect to the taxation issues.

ITEM 9 - COMPENSATION PAID TO SELLERS AND FINDERS

The Corporation may pay sales fees to registered securities dealers and exempt market dealers, or where permitted, non-registrants, in respect of monies obtained by such persons in connection with the sale of Class B Shares, payable at the time of investment. It is currently contemplated that the offered securities will primarily be sold through arm's length sellers/finders in connection with this Offering, and the Corporation, or the Manager on the Corporation's behalf, will negotiate terms as follows:

- (a) the Corporation may pay fees in respect of the sale of Class B Shares of up to a maximum of 5% of the investment monies and, potentially, up to 1% annually as a trailing commission;
- (b) fees will not be paid in respect of the sale of Class F Shares or Class I Shares;
- (c) broker's warrants or agent's options will not be issued as a component of any sales fee; and
- (d) any sales fee paid will consist of cash compensation only; no securities will be issued as compensation.

For the year ended December 31, 2023, the fees paid to registered securities dealers and exempt market dealers averaged 1.7% of the subscription monies obtained by such persons in connection with the sale of Class B. Assuming an offering of \$20,000,000 based on the sale of Class B Shares only, and an average sales fee of 1.7%, such fees would equal \$340,000.

ITEM 10 - RISK FACTORS

The Offering should be considered highly speculative due to the nature of the Corporation's business. The purchase of Class B Shares, Class F Shares and/or Class I Shares involves a number of significant risks. In addition to the risks set forth elsewhere in this Offering Memorandum, prospective Investors should consider the following risks before purchasing Shares of the Corporation. Any or all of these risks, or other as yet unidentified risks, may have a material, adverse effect on the Corporation's business or the dividends to the holders of Class B Shares, Class F Shares and Class I Shares.

10.1 Investment Risks

Exempt Offering - This Offering Memorandum constitutes a private offering of securities by the Corporation only in those jurisdictions where, and to those persons to whom, they may be lawfully offered for sale under exemptions to the prospectus requirements of applicable securities legislation. This Offering Memorandum is not, and under no circumstances is to be construed as a prospectus, advertisement or public offering of securities. Subscribers to this Offering Memorandum will not have the benefit of a review of the material by any regulatory authority.

Resale Restrictions - The securities offered hereunder are subject to onerous and indefinite resale restrictions under applicable securities legislation. There is no market through which such securities may be sold and the Corporation does not expect that any market will develop pursuant to this offering or in the future. Accordingly, an investment in Class B Shares, Class F Shares or Class I Shares, as applicable, should only be considered by investors who do not require liquidity. See Item 12 "Resale Restrictions".

Investment Not Guaranteed - The Class B Shares, the Class F Shares and the Class I Shares are not guaranteed by any other person. Neither the Manager nor any of its affiliates are guaranteeing the obligations of the Corporation.

Losses Not Insured - The Corporation is not a member institution of the Canada Deposit Insurance Corporation and the securities offered pursuant to this Offering Memorandum are not insured against loss through the Canada Deposit Insurance Corporation. The Class B Shares, the Class F Shares and the Class I Shares are retractable at the option of the holder, but only under certain circumstances. See Item 5.1 "Terms of Securities".

Returns Not Guaranteed - There is no guarantee that an investment in the Class B Shares, the Class F Shares or the Class I Shares, as applicable, will earn any positive return. The declaration and payment of dividends on the Class B Shares, the Class F Shares and Class I Shares is at the discretion of the directors of the Corporation. There is no guarantee that any dividends will be declared and paid.

Failure to Maintain Status as a Mortgage Investment Corporation - If, for any reason, the Corporation fails to maintain its qualification as a mortgage investment corporation under the Tax Act, dividends paid by the Corporation on the Class B Shares, the Class F Shares and the Class I Shares will cease to be deductible from the Corporation's income and such shares, unless listed on a prescribed stock exchange for the purposes of the Tax Act, may cease to be qualified investments for RRSPs or RRIFs. See Item 8 "Income Tax Consequences and RRSP Eligibility".

10.2 Issuer Risk

Reliance on Management - Investors are relying on the expertise and good faith of the management of the Corporation and the Manager to carry on the business of the Corporation. Some of the directors and officers of the Corporation are engaged part time on activities related to the Corporation. Some of the directors and officers of the Corporation are engaged and will continue to be engaged in other activities.

Failure to Maintain Status as a Mortgage Investment Corporation - If the Corporation fails to meet all of the conditions required to be a mortgage investment corporation, the dividends paid on the Class B Shares, the Class F Shares and/or the Class I Shares will cease to be deductible in the determination of the Corporation's taxable income. In addition, the Class B Shares, the Class F Shares and the Class I Shares, unless listed on a prescribed stock exchange, which the Corporation has no intentions of such public listing, may cease to be qualified investments for RRSPs or RRIFs. See Item 8 "Income Tax Consequences and RRSP Eligibility".

Dividend Rules - The normal gross-up and dividend tax credit rules do not apply to dividends paid on the Class B Shares, the Class F Shares or the Class I Shares, as applicable, of the Corporation and corporate investors will not be entitled to deduct the amount of any dividends received on their shareholdings from their taxable income.

Inability to Fulfill Commitments - The Corporation may commit to making future mortgage investments in anticipation of repayment of principal outstanding under existing mortgage investments. In the event that such repayments of principal are not made in contravention of the borrowers' obligations, the Corporation may be unable to advance some or all of the funds required to be advanced pursuant to the terms of its commitments and may face liability in connection with its failure to make such advances.

Portfolio Concentration - Although the Corporation will endeavour to maintain a diversified portfolio of mortgage loans, the composition of the Corporation's investment portfolio may vary widely from time to time and may be concentrated by type of security, industry or geography.

Conflicts of Interest - Some of the Corporation's directors and officers are also directors or officers of the Manager and may act as members of the Manager's credit committee, and accordingly, there may be conflicts of interest if the interests of these companies are inconsistent.

The Manager has entered into the Management Contract with the Corporation and is entitled to management fees for providing services to the Corporation. The Corporation may be subject to various conflicts of interest because the directors and officers of the Manager are engaged in a wide range of investing and other business activities, which may include real property financing in direct competition with the Corporation. The Manager intends to and has established other investment vehicles which may involve transactions which conflict with the interests of the Corporation.

The services of the Manager, the directors and officers of the Manager and the members of its credit committee are not exclusive to the Corporation. The Manager, its affiliates, members of its credit committee and their affiliates may, at any time, engage in promoting or managing any other corporation or its investments including those which may compete directly or indirectly with the Corporation.

Reliance on the Manager - The Corporation will be dependent on the knowledge and expertise of the directors and officer of the Manager for investment advisory and portfolio management services under the Management Contract. There is no certainty that the persons who are currently directors and officers of the Manager or members of its credit committee will continue to be directors and officers of the Manager or members of its credit committee for an indefinite period of time.

Although none of the directors or officers of the Corporation or the members of its credit committee will devote all of his or her time to the business and affairs of the Corporation, each will devote as much time as is necessary to supervise the management of, to manage, or to advise on the business and affairs of the Corporation, in compliance with the BCA.

Competition - The Corporation will be competing for investments with individuals, corporations and institutions (both Canadian and foreign) which are seeking or may seek investments similar to those desired by the Corporation. Many of these investors will have greater financial resources than those of the Corporation or operate without the investment or operating restrictions of the Corporation or according to more flexible conditions. An increase in the availability of investment funds and lenders and an increase in interest in such investments may increase competition for those investments, thereby increasing purchase prices, lowering the interest rate that may be charged on loans and reducing the yield on available investments.

The Corporation's stream of income depends on the ability of the Manager to invest the Corporation's funds in suitable investments and on the yields available from time to time on mortgages as well as the cost of borrowings, if any. A variety of competing lenders and investors are active in the areas of investment in which the Corporation operates. The returns on real estate investments, including mortgages, depend on many factors including economic conditions, prevailing interest rates, the level of risk assumed, conditions in the real estate industry, opportunities for other types of investments and tax laws. The Corporation cannot predict the effect which such factors will have on its operations.

10.3 Industry Risk

Risks Associated with Real Estate - The Corporation's investments in mortgage loans will be secured by real estate. All real property investments are subject to elements of risk. Real property value is affected by general economic conditions, local real estate markets, the attractiveness of the property to tenants, competition from other available properties and other factors. While independent appraisals are a key component of the underwriting process before the Corporation may make any mortgage investments, the appraised values provided therein, even where reported on an "as is" basis are not necessarily reflective of the market value of the underlying real property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain conditions, including the completion, rehabilitation or lease-up improvements on the real property providing security for the investment. There can be no guarantee that these conditions will be satisfied and if, and to the extent, they are not satisfied, the appraised value may not be achieved. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.

Borrower Credit Risk - The value of income producing real property may also depend on the credit worthiness and financial stability of the borrowers. The Corporation's income and funds available for distribution to security holders would be adversely affected if a significant number of borrowers were unable to pay their obligations to the Corporation or if the Corporation were unable to invest its funds in mortgages on economically favourable terms. On default by a borrower, the Corporation may experience delays in enforcing its rights as lender and may incur substantial costs in protecting its investment.

Expenditures - Certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made through the period of ownership of real property regardless of whether the property is producing income. The Corporation may be required to incur such expenditures to protect its investment, even if the borrower is not making debt service required of it under the mortgage.

Illiquid Investment - Real property mortgage investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand and for the perceived desirability of the investment. Such illiquidity may tend to limit the Corporation's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Corporation were required to liquidate its real property mortgage investments, the proceeds to the Corporation might be significantly less than the total value of its investment on a going concern basis.

Debt Financing - The Corporation will be subject to the risks associated with debt financing, including the risk that mortgage indebtedness secured by the properties of the Corporation will not be able to be refinanced or that the terms of refinancing will not be as favourable as the terms of existing indebtedness.

Interest Rates - The mortgage business can be significantly affected by the prevailing rates of interest. The interest rate is subject to sudden fluctuations. The Corporation's income consists primarily of interest payments on the mortgages comprising the mortgage portfolio. If there is a decline in interest rates (as measured by the indices upon which the interest rates of the Corporation's mortgages are based), the Corporation may find it difficult to purchase additional mortgages bearing rates sufficient to achieve the desired payment of dividends on the Class B Shares, Class F Shares and Class I Shares.

Environmental Laws - Although the Corporation intends to generally obtain an evaluation of the property to be subject to the mortgage, in the form of a Phase I Environmental Audit, environmental legislation and policies have become an increasingly important feature of property ownership and management in recent years. Under various laws, the Corporation could become liable for the costs of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and wastes at or from a property, or disposed of at another location. The failure to affect remedial work may adversely affect an owner's ability to sell real estate or to borrow using the real estate as collateral and could result in claims against the owner.

The Corporation follows the environmental program of the Manager, which includes policies and procedures to review and monitor environmental matters associated with its properties. The Manager's environmental policy usually includes a Phase I Environmental Audit when warranted, conducted by an independent and experienced environmental consultant, before advancing a loan or acquiring a mortgage.

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

Extreme Weather and other Weather Events - Frequent or unusually heavy snowfall, ice storms, rainstorms, forest fires or other extreme weather conditions may affect the value of the real estate securing the Corporation's mortgage loans or borrowers' financial circumstances, including their employment or business income. In addition, natural disasters such as hurricanes, tornadoes and earthquakes, or a combination of these or other factors, could severely damage or destroy such real estate located in the affected areas or severely adversely affect the financial circumstances of borrowers. Extreme weather or other weather events may disrupt the Corporation's business and operations, adversely affecting the Corporation's financial results, resulting in lower returns to investors.

10.4 Risks Related to the Coronavirus

Health epidemics, pandemics and similar outbreaks - The Corporation's business and financial results may be negatively impacted by health epidemics, pandemics and similar outbreaks. The coronavirus (COVID-19) pandemic may still have negative impacts on the Corporation's business, including increased client credit risk and decreased property values. The Corporation continues to work with its stakeholders (including clients, employees, partners, service providers, creditors and local communities) to address responsibly the affects of the global pandemic on its business and affairs. The Corporation will continue to monitor the situation, to assess further possible implications to its business, clients and creditors, and to take actions in an effort to mitigate adverse consequences. Despite the Corporation's efforts to manage these impacts, its ultimate impact also depends on factors beyond the Corporation's knowledge or control, including the duration and severity of any outbreak and actions taken to contain its spread and mitigate its public health effects. The Corporation is still unable at this time predict the impact of the COVID-19 pandemic, but it could have a material adverse effect on the Corporation's business, financial position, results of operations and/or cash flows.

10.5 Cybersecurity

Cybersecurity Breaches - Failures or breaches of the electronic systems of the Corporation, the Manager and/or the Corporation's other service providers, if any, have the ability to cause disruption and negatively impact the Corporation's business operations, potentially resulting in financial losses to the Corporation and its shareholders. While the Corporation has established continuity plans and risk management systems to mitigate the risk of system breaches or failures, there are inherent limitations with such plans and systems. In addition, the Corporation cannot control the cybersecurity plans and the systems of the Manager and/or other services providers. Security breaches could materially compromise information, disrupt business operations or cause the Corporation to breach obligations, thereby exposing the Corporation to liability, reputational harm and/or significant remediation costs. A theft, loss, corruption, exposure, fraudulent use or misuse of information whether by third parties or as a result of employee malfeasance could result in significant remediation and other costs, fines, litigation or regulatory actions against the Corporation, as well as, cause reputational harm, negatively impact the Corporation's competitive position and affect financial results.

For all of the aforesaid reasons and others set forth and not set forth herein, an investment in the Class B Shares, the Class F Shares and/or the Class I Shares involves a certain degree of risk. Any person considering the purchase of Class B Shares, Class F Shares and/or Class I Shares should be aware of these and other factors set forth in this Offering Memorandum and should consult with his, her or its legal, tax and financial advisers prior to making an investment. The Class B Shares, the Class F Shares and/or the Class I Shares, as applicable, should only be purchased by persons who can afford to lose all of their total investment.

ITEM 11 - REPORTING OBLIGATIONS

As the Corporation is not a "reporting issuer" as defined in the applicable securities legislation, the continuous reporting requirements of those acts do not generally apply to the Corporation.

Notwithstanding the foregoing, issuers relying on the offering memorandum exemption to distribute securities in certain provinces are required to file, deliver or make reasonably available, as applicable, certain prescribed documents within prescribed time periods with or to, as applicable, the applicable securities regulatory authority and each holder of a security acquired under the offering memorandum exemption.

In Ontario, Québec, Saskatchewan, and New Brunswick, the Corporation must, within 120 days after the end of each its financial years, deliver to the securities regulatory authorities annual financial statements and make them reasonably available to each investor who has acquired Class B Shares, Class F Shares and/or Class I Shares, as applicable, under this Offering Memorandum. In Alberta, the Corporation must, within 120 days after the end of each its financial years, file with the securities regulatory authority annual financial statements and make them reasonably available to each investor who has acquired Class B Shares, Class F Shares and/or Class I Shares, as applicable, under this Offering Memorandum. In Nova Scotia, the Corporation must, within 120 days after the end of each its financial years, make the annual financial statements reasonably available to each investor who has acquired Class B Shares, Class F Shares and/or Class I Shares, as applicable, under this Offering Memorandum. Such financial statements must be provided until the earlier of the date that the Corporation becomes a reporting issuer in any jurisdiction in Canada or the Corporation ceases to carry on business and it must be accompanied by a notice of the Corporation disclosing in reasonable detail the use of the aggregate gross proceed raised by the Corporation raised under this Offering Memorandum.

In New Brunswick, Nova Scotia and Ontario, the Corporation must make reasonably available to each Subscriber who has acquired Class B Shares, Class F Shares and/or Class I Shares, as applicable, under this Offering Memorandum, a notice of each of the following events within 10 days of the occurrence of the event: (a) a discontinuance of the Corporation's business; (b) a change in the Corporation's industry; or (c) a change of control of the Corporation.

The Corporation will, however, on or before that date which is 90 days following the end of the Corporation's fiscal year, provide to each Class B Shareholder, Class F Shareholder and Class I Shareholder audited financial statements and all other information required to file Canadian income tax returns.

ITEM 12 - RESALE RESTRICTIONS

The Class B Shares, the Class F Shares and the Class I Shares are 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 Class B Shares, the Class F Shares and/or the Class I Shares, as applicable, unless they comply with an exemption from the prospectus and registration requirements under securities legislation.

Unless permitted under securities legislation, holders of Class B Shares, Class F Shares and/or Class I Shares, as applicable, cannot trade the securities before the date that is four months and a day after the date the Corporation becomes a reporting issuer in any province or territory of Canada. The Corporation does not intend to become a reporting issuer at any time, with the result that such holders may never be able to trade or re-sell their shares.

Unless permitted under securities legislation, you must not trade the securities without the prior written consent of the regulator in Manitoba unless: (a) the Corporation has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus; or (b) you have held the securities for at least 12 months. The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

The Corporation has no current intention of becoming a reporting issuer in any jurisdiction and therefore the foregoing restriction on trading will continue indefinitely (subject to the availability of certain limited exemptions which may not apply in the circumstances).

ITEM 13 - PURCHASER'S 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.

13.1 Two Day Cancellation Right

You can cancel your Subscription Agreement to purchase these securities. To do so, you must send a notice to the Corporation by midnight (Vancouver time) on the 2nd business day after you sign the Subscription Agreement to buy the securities.

13.2 Statutory Rights of Action in the Event of a Misrepresentation

Applicable securities laws in the offering jurisdictions provide you with a remedy to sue to cancel your agreement to buy the Class B Shares, the Class F Shares or the Class I Shares, as applicable, or for damages if this Offering Memorandum, or any amendment thereto, contains a misrepresentation. Unless otherwise noted, in this section, a “**misrepresentation**” means an untrue statement or omission of a material fact that is required to be stated or that is necessary in order to make a statement in this Offering Memorandum not misleading in light of the circumstances in which it was made.

These remedies are 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. In addition, these remedies, or notice with respect thereto, must be exercised or delivered, as the case may be, by you within the strict time limit prescribed in the applicable securities laws.

The applicable contractual and statutory rights are summarized below. Subscribers should refer to the applicable securities laws of their respective offering Jurisdiction for the particulars of these rights or consult with professional advisers.

Investors in British Columbia

If you are a resident in British Columbia and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, you have a statutory right to sue:

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

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, this Offering Memorandum, the misrepresentation is deemed to be contained in 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 Class B Shares, the Class F Shares or the Class I Shares. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action or commence your action for damages within the earlier of: (a) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (b) three years after the transaction that gave rise to the cause of action.

Investors in Alberta

If you are a resident in Alberta and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, you have a statutory right to sue:

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

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, this Offering Memorandum, the misrepresentation is deemed to be contained in 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 Class B Shares, the Class F Shares or the Class I Shares. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action or commence your action for damages within the earlier of: (a) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (b) three years after the transaction that gave rise to the cause of action.

Investors in Manitoba

If you are a resident in Manitoba and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, you have a statutory right to sue:

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

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, this Offering Memorandum, the misrepresentation is deemed to be contained in 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 Class B Shares, the Class F Shares or the Class I Shares. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action or commence your action for damages within the earlier of: (a) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (b) two years after the day of the transaction that gave rise to the cause of action.

Investors in Ontario

If you are a resident of Ontario and there is a misrepresentation in this Offering Memorandum, together with any amendment to it, you have a statutory right to sue:

- (a) the Corporation to cancel your agreement to buy the Class B Shares, the Class F Shares or the Class I Shares; or
- (b) for damages against the Corporation.

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 Class B Shares, the Class F Shares or the Class I Shares. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action.

You must commence your action for damages within the earlier of: (a) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action; or (b) three years after the date of the transaction that gave rise to the cause of action.

A misrepresentation is defined in the *Securities Act* (Ontario) as an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary in order to make any statement therein not misleading in light of the circumstances in which it is made. A material fact, when used in relation to securities issued or proposed to be issued, is defined in the *Securities Act* (Ontario) as a fact that significantly affects, or would reasonably be expected to have a significant effect on, the market price or value of such securities.

Investors in Saskatchewan

If you are resident in Saskatchewan and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, subject to certain limitations, you have a statutory right to sue:

- (a) the Corporation to cancel your agreement to buy the Class B Shares, the Class F Shares or the Class I Shares, as applicable; or
- (b) for damages against:
 - (i) the Corporation, every person who was a director or the promoter of the Corporation, respectively, at the date of this Offering Memorandum,
 - (ii) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them,
 - (iii) every person who, or company that, in addition to the persons or companies mentioned in clauses (i) and (ii), signed this Offering Memorandum, and
 - (iv) every person who, or company that, sells the Class B Shares, the Class F Shares or the Class I Shares, as applicable, on behalf of the Corporation under this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Class B Shares, the Class F Shares or the Class I Shares, as applicable. 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 agreement within 180 days after you signed the agreement to purchase the Class B Shares or the Class F Shares, as applicable.

You must commence your action for damages within the earlier of: (a) one year after learning of the misrepresentation; or (b) six (6) years after you signed the agreement to purchase the Class B Shares, the Class F Shares or the Class I Shares as applicable.

In addition, subject to certain limitations, where any advertising or sales literature (as such terms are defined in the Saskatchewan securities legislation) disseminated in connection with the offering contains a misrepresentation, a purchaser who purchases the Class B Shares, the Class F Shares or the Class I Shares, as applicable, referred to in that advertising or sales literature has a right of action against the Corporation, every promoter and director of the Corporation, and every person who or company that sells the Class B Shares, the Class F Shares or the Class I Shares, as applicable, under the offering with respect to which the advertising or sales literature was disseminated. In addition, subject to certain limitations, where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the Class B Shares, the Class F Shares or the Class I Shares, as applicable, and the verbal statement is made either before or contemporaneously with the purchase of the Class B Shares, the Class F Shares or the Class I Shares, as applicable, the purchaser has a right of action for damages against the individual who made the verbal statement.

Cautionary Statement Regarding Report, Statement or Opinion by Expert

This Offering Memorandum includes the independent auditor's report on the annual consolidated financial statements of the Corporation dated April 29, 2024. You do not have a statutory right of action against this party for a misrepresentation in the offering memorandum. You should consult with a legal adviser for further information.

You should refer to the applicable provisions of the securities legislation for particulars of the rights or consult with a lawyer.

You should consult your own legal advisers with respect to your rights and the remedies available to you. The rights discussed above are in addition to and without derogation from any other rights or remedies, which you may have at law.

THE SECURITIES LAWS OF BRITISH COLUMBIA, ALBERTA, ONTARIO, MANITOBA AND SASKATCHEWAN ARE COMPLEX. THE FOREGOING IS A SUMMARY ONLY AND SUBJECT TO INTERPRETATION. REFERENCE SHOULD BE MADE TO THE APPLICABLE SECURITIES LEGISLATION, THE REGULATIONS AND THE RULES THEREUNDER FOR THE COMPLETE TEXT OF THE PROVISIONS UNDER WHICH THE FOREGOING RIGHTS ARE CONFERRED. THE FOREGOING SUMMARY IS SUBJECT TO THE EXPRESS PROVISIONS THEREOF.

THE RIGHTS DISCUSSED ABOVE ARE IN ADDITION TO, AND WITHOUT DEROGATION FROM, ANY OTHER RIGHTS OR REMEDIES WHICH THE SUBSCRIBERS MAY HAVE AT LAW. SUBSCRIBERS SHOULD CONSULT THEIR OWN LEGAL ADVISERS WITH RESPECT TO THEIR RIGHTS AND THE REMEDIES AVAILABLE TO THEM.

ITEM 14 - FINANCIAL STATEMENTS

The following financial statements are set forth below:

- (a) audited annual financial statements for the year ended December 31, 2023, and
- (b) audited annual financial statements for the year ended December 31, 2022.

AP Capital Mortgage Investment Corporation
Financial Statements
December 31, 2023

AP Capital Mortgage Investment Corporation

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For the year ended December 31, 2023

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To the Shareholders of AP Capital Mortgage Investment Corporation:

Opinion

We have audited the financial statements of AP Capital Mortgage Investment Corporation (the "Company"), which comprise the statements of financial position as at December 31, 2023 and the statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Vancouver, British Columbia

April 29, 2024

MNP LLP

Chartered Professional Accountants

AP Capital Mortgage Investment Corporation

Statement of Financial Position

As at December 31, 2023

	2023	2022
Assets		
Current		
Prepaid expenses and deposits	30,051	7,089
Mortgage investments (Note 4)	216,654,607	230,294,553
Investment in Dominion Properties REIT (Note 5)	-	157,067
Total assets	216,684,658	230,458,709
Liabilities		
Current		
Credit facility (Note 6)	46,099,741	72,109,589
Trade and other payables (Note 7)	526,910	867,223
Dividends payable	490,556	291,410
Deferred revenue	960,810	258,761
Total liabilities	48,078,017	73,526,983
Shareholders' Equity		
Share capital		
Common shares (Note 8)	163,494,225	152,768,873
Shares to be issued (Note 18)	392,300	78,000
	163,886,525	152,846,873
Retained earnings	4,720,116	4,084,853
Total shareholders' equity	168,606,641	156,931,726
	216,684,658	230,458,709

Approved on behalf of the Board

(signed)

Director

The accompanying notes are an integral part of these financial statements

AP Capital Mortgage Investment Corporation

Statement of Income and Other Comprehensive Income

For the year ended December 31, 2023

	2023	2022
Revenue		
Interest	22,338,700	16,266,051
Income from Dominion Properties REIT <i>(Note 5)</i>	2,281	2,264
	22,340,981	16,268,315
Expenses		
Financial services and other fees <i>(Note 7), (Note 10)</i>	3,482,511	3,128,112
Impairment loss on mortgage investments <i>(Note 4)</i>	378,412	291,563
Interest and bank charges	4,665,080	3,157,511
Office	196,043	221,094
Professional and consulting fees	145,678	201,879
Share trustee fees	224	27,659
	8,867,948	7,027,818
Operating income	13,473,033	9,240,497
Other comprehensive income		
Unrealized gain on investment <i>(Note 5)</i>	-	22,453
Loss on disposal of investment <i>(Note 5)</i>	(71,522)	-
Net income and comprehensive income	13,401,511	9,262,950
Earnings per share		
Basic and diluted net earnings per share <i>(Note 11)</i>	8.281	6.821

The accompanying notes are an integral part of these financial statements

AP Capital Mortgage Investment Corporation
Statement of Changes in Equity
For the year ended December 31, 2023

	<i>Share capital</i>	<i>Retained earnings</i>	<i>Total equity</i>
Balance December 31, 2021	111,800,745	3,498,020	115,298,765
Net and comprehensive income	-	9,262,950	9,262,950
Class B Dividends declared (Note 12)	-	(7,801,931)	(7,801,931)
Class F Dividends declared (Note 12)	-	(874,186)	(874,186)
Issued - dividends reinvestment (Note 9)	3,179,008	-	3,179,008
Issued - cash consideration	50,024,117	-	50,024,117
Shares to be issued (Note 18)	78,000	-	78,000
Redemption of shares for cash	(11,384,370)	-	(11,384,370)
Share issue costs	(850,627)	-	(850,627)
Balance December 31, 2022	152,846,873	4,084,853	156,931,726
Net and comprehensive income	-	13,401,511	13,401,511
Class B Dividends declared (Note 12)	-	(11,555,786)	(11,555,786)
Class F Dividends declared (Note 12)	-	(1,210,462)	(1,210,462)
Issued - dividends reinvestment (Note 9)	5,824,331	-	5,824,331
Issued - cash consideration	35,818,882	-	35,818,882
Shares to be issued (Note 18)	392,300	-	392,300
Redemption of shares for cash	(29,981,686)	-	(29,981,686)
Share issue costs	(1,014,175)	-	(1,014,175)
Balance December 31, 2023	163,886,525	4,720,116	168,606,641

The accompanying notes are an integral part of these financial statements

AP Capital Mortgage Investment Corporation

Statement of Cash Flows

For the year ended December 31, 2023

	2023	2022
Cash provided by (used for) the following activities		
Operating activities		
Net income and comprehensive income	13,401,511	9,262,950
Impairment on mortgage investments	378,412	291,563
Interest paid on credit facility	4,434,119	2,958,996
Interest received	(22,743,140)	(14,922,015)
Unrealized gain on investment	-	(22,453)
Loss on disposal of investment	71,522	-
	(4,457,576)	(2,430,959)
Changes in working capital accounts		
Trade and other receivables	-	32,870
Prepaid expenses and deposits	(22,962)	1,805
Accrued interest receivable	(297,608)	(712,691)
Trade and other payables	(340,312)	383,008
Dividends payable	199,146	254,406
Deferred revenue	702,049	(631,345)
	(4,217,263)	(3,102,906)
Financing activities		
Advances of credit facility	-	20,088,834
Repayments of credit facility	(30,443,968)	-
Redemption of common shares	(29,981,686)	(11,384,470)
Issuance of common shares	35,818,937	50,450,425
Payment of dividends	(6,941,972)	(5,923,316)
Shares to be issued	392,300	78,000
Share issuance costs	(1,014,175)	(850,627)
	(32,170,564)	52,458,846
Investing activities		
Proceeds from disposal of investment	85,545	-
Funding of mortgage investments	(105,284,508)	(153,157,706)
Discharge of mortgage investments	141,586,790	103,801,766
	36,387,827	(49,355,940)
Increase in cash resources	-	-
Cash resources, beginning of year	-	-
Cash resources, end of year	-	-

The accompanying notes are an integral part of these financial statements

AP Capital Mortgage Investment Corporation

Notes to the Financial Statements

For the year ended December 31, 2023

1. Corporate information

AP Capital Mortgage Investment Corporation (the “Company”) was incorporated on March 27, 2007 under the laws of British Columbia. The Company is domiciled in Canada with its registered principal business office located in Suite 1795 – 555 Burrard Street, Vancouver, British Columbia. The Company is in the business of investing in financial instruments, principally mortgages, and carries on business as a Mortgage Investment Corporation as defined in Section 130.1 (6) of the Income Tax Act of Canada. The Company is managed by AP Capital MIC Management Corp. (“Manager/Administrator”).

2. Basis of presentation

a. Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) using accounting policies consistent with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements for the year ended December 31, 2023 were authorized for issuance by the Board of Directors of the Company (“Board”) on April 29, 2024.

b. Basis of measurement

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

c. Functional and presentation currency

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

d. Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. These estimates and judgments are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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 future legislation or regulation, prior encumbrances and other factors affecting the investments in mortgages and the underlying security of the mortgages. However, actual outcomes may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future period.

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

Mortgage investments and impairment of financial assets

The Company determines the cash flows from mortgage investments represent solely payments of principal and interest (SPPI). The Company is also required to make assessments of the future expected losses on mortgage receivables, and in particular, the measurement of credit risk to determine significant changes. The estimation of future cash flows and expected losses includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. The assumptions used in the assessment of impairment are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events. Liquid credit markets and volatile equity markets have increased the uncertainty inherent in such estimates and assumptions.

These estimates of impairment are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated allowance for impairment losses could vary by a material amount.

AP Capital Mortgage Investment Corporation
Notes to the Financial Statements
For the year ended December 31, 2023

2. Basis of presentation (continued)

Foreclosed properties held for sale:

The Company uses management's best estimate to determine the fair market value of real estate assets in making an assessment of the impairment of the foreclosed properties held for sale. This may involve inspections, engaging realtors to assess market conditions based on previous property transactions or retaining professional appraisers to provide independent valuations. The estimates of realizable value of real estate assets are made at a specific point in time, given current relevant market information. These estimates are subjective and involve uncertainties and judgement. Should the underlying assumptions change, the estimated allowance for impairment losses could vary by a material amount.

3. Summary of material accounting policies

a. Cash and cash equivalents

The Company considers highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value to be cash equivalents.

b. Mortgage investments

The Company's business model is to manage mortgages and to collect principal and interest payments on mortgage investments. Mortgage investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgage investments are measured at amortized cost using the effective interest method, less any impairment losses.

c. Foreclosed properties held for sale

Real estate acquired through loan default is classified as foreclosed properties held for sale ("FPHFS") when their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The criteria for "held for sale" includes management's commitment to a plan to sell the assets and the expectation that such sale will be completed within a twelve-month period. Events or circumstances beyond the Company's control may extend the period to complete the sale beyond one year. Such assets continue to be classified as "held for sale" as management remains committed to its plan to sell the assets. FPHFS are not depreciated.

Contractual interest on the mortgage investment is discontinued from the date of transfer from mortgage investments to FPHFS. Any difference between the carrying value of the asset before foreclosure and the initially estimated realizable amount of the asset is recorded in the impairment losses on mortgage investments.

The Company capitalizes all foreclosures, maintenance, pre-development costs and property taxes with the intention of recovering the costs upon subsequent sale of the property.

FPHFS are carried at the lower of carrying amount and fair market value less costs to sell.

d. Deferred revenue

Deferred revenue comprises of unearned upfront commitment fees and mortgage interest received in advance from borrowers, which are amortized to income using the effective interest method over the contractual terms of the mortgages.

AP Capital Mortgage Investment Corporation
Notes to the Financial Statements
For the year ended December 31, 2023

3. Summary of material accounting policies (continued)

e. Share capital

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

Dividends are recognized in equity in the year in which they are declared. Dividends on new shares issued during the year and dividends on shares redeemed during the year are calculated on a pro-rated daily basis.

f. Revenue recognition

Interest on mortgage investments is recognized as revenue using the effective interest method. Interest is calculated on the gross carrying amount for mortgage investments in Stage 1 and 2 and on the net carrying amount for mortgage investments in Stage 3. Other fees are recognized as revenue when earned. See Note 15(b) for further discussion on the various stages.

g. Basic and diluted net earnings per share

The Company presents basic and diluted net earnings per share data for its common shares. Basic per share amounts are calculated by dividing the net income attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. As the Company has no dilutive financial instruments that could be converted to common shares, basic and diluted net earnings per share are identical.

h. Income taxes

The Company is a Mortgage Investment Corporation as defined in Section 130.1 (6) of the Canadian Income Tax Act and, as such, is not taxable on income which flows through to the shareholders in the form of dividends paid during the year or within 90 days of the end of the year. It is the Company's policy to flow such dividends out to the shareholders and as such have no taxable income for the year. Accordingly, no provision for corporate income taxes has been made in the accounts.

i. Financial instruments

Financial assets

Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets consist of cash and cash equivalents, mortgage investments and investment in Dominion Properties REIT. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

Subsequent to initial recognition, cash and cash equivalents, and mortgage investments are classified and measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Investment in Dominion Properties REIT is classified as financial assets at FVTPL and measured at fair value.

Reclassifications

The Company reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

3. Summary of material accounting policies (continued)

Financial assets (continued)

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The date the Company commits to purchasing a financial asset is considered the date of initial recognition for the purpose of applying the Company's accounting policies for impairment of financial assets.

For mortgage investments, the Company records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period, unless there has been a significant increase in credit risk since initial recognition. For those financial assets for which the Company assessed that a significant increase in credit risk has occurred, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

For mortgage investments assessed by the Company as having a significant increase in credit risk since initial recognition, the Company recognizes a loss allowance equal to the cumulative changes in lifetime expected credit losses since initial recognition.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts, breaches of borrowing contracts such as default events or breaches of borrowing covenants or requests to restructure loan payment schedules. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit loss.

Loss allowances for expected credit losses are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial assets;

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Refer to Note 15 for additional information about the Company's credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred under particular circumstances.

For this purpose, a financial asset is transferred if the Company either:

- Transfers the right to receive the contractual cash flows of the financial asset, or;
- Retains the right to receive the contractual cash flows of the financial asset but assumes an obligation to pay received cash flows in full to one or more third parties without material delay and is prohibited from further selling or transferring the financial asset.

Transferred financial assets are evaluated to determine the extent to which the Company retains the risks and rewards of ownership. When the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it evaluates whether it has retained control of the financial asset.

3. Summary of material accounting policies (continued)

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. Financial liabilities consist of credit facility, trade and other payable, deferred revenue and dividends payable. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

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

Interest

Interest income and expense are recognized in profit or loss using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets.

The 'amortized cost' of a financial asset or financial liability is the amount at which the instrument is measured on initial recognition minus principal repayments, plus or minus any cumulative amortization using the effective interest method of any difference between the initial amount and maturity amount and adjusted for any expected credit loss allowance. The 'gross carrying amount' of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit losses. Interest income and expense is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or the amortized cost of the financial liability.

Where a financial asset has become credit-impaired subsequent to initial recognition, interest income is calculated in subsequent periods by applying the effective interest method to the amortized cost of the financial asset. If the asset subsequently ceases to be credit-impaired, calculation of interest income reverts to the gross basis.

For financial assets that were purchased or originated as credit-impaired financial assets, a credit-adjusted effective interest rate is calculated which incorporated expected credit losses. Interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. Calculation of interest does not revert to another basis if credit risk of the asset subsequently improves.

AP Capital Mortgage Investment Corporation
Notes to the Financial Statements
For the year ended December 31, 2023

3. Summary of material accounting policies (continued)

j. Offsetting financial instruments

Financial assets and financial liabilities are offset, with the net amount presented in the statement of financial position, when, and only when, the Company has a current and legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or when arising from a group of similar transactions if the resulting income and expenses are not material.

k. Adopted accounting standards

The following is a summary of recent accounting pronouncements which were adopted by the Company during the year:

Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements

The Company adopted the amendments to IAS 1 and IFRS Practice Statement 2 on January 1, 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make based on those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

Amendments to IAS 8 – Definition of accounting estimates

Effective January 1, 2023, the Company adopted amendments to IAS 8, which introduce the definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates unless they result from the correction of prior period errors.

l. Accounting standards issued but not yet applied

IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to IAS 1, "Presentation of Financial Statements", to clarify how to classify debt and other liabilities as either current or non-current. Specifically, the amendments clarify the definition of a right to defer settlement and specify that the conditions that exist at the end of the reporting period are those that are to be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the definition of "settlement" of a liability. In October 2022, revised amendments in respect of non-current liabilities with covenants were issued. The amendments are effective for fiscal years beginning on or after January 1, 2024, and must be applied retrospectively. Early application is permitted. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

There are no other relevant standards, interpretations or amendments to existing standards that are not yet effective that are expected to have a material impact on the consolidated financial statements of the Company.

AP Capital Mortgage Investment Corporation
Notes to the Financial Statements
For the year ended December 31, 2023

4. Mortgage investments

Mortgages written by the Company are for terms of one year or less and earn interest at rates ranging from 7.50% to 14.99% (2022 – from 5.95% to 14.99%) per annum with a weighted average annual interest rate of 11.34% (2022 – 9.57%). The mortgages are secured by first, second and/or third charges on real properties. There are no, or nominal, principal repayments required during the terms of the mortgages. A majority of the mortgage investments contain prepayment option, whereby the borrower may repay the principal at any time prior to maturity without penalty or yield maintenance.

Property Locations	No.	2023	%	No.	2022	%
Urban properties in British Columbia	270	\$ 190,672,126	88.63	254	\$ 200,955,520	87.81
Rural properties in British Columbia	14	6,933,036	3.22	27	12,171,269	5.32
Urban properties in Alberta	58	17,005,664	7.90	44	14,568,908	6.37
Rural properties in Alberta	2	532,053	0.25	5	1,145,115	0.50
	344	215,142,879	100.0	330	228,840,812	100.0
Accrued interest receivable		1,979,228			1,681,620	
Allowance for impairment losses		(467,500)			(227,879)	
		\$ 216,654,607			\$ 230,294,553	

The mortgages, including accrued interest receivable, net of allowance for impairment losses, are all invested in residential and commercial properties.

The changes in allowance for impairment losses are summarized as follows:

	2023	2022
Balance at beginning of year	\$ 227,879	\$ 244,536
Impairment loss, net of provision	378,412	291,563
Discharge of mortgage investments	(138,791)	(308,220)
Balance at end of year	\$ 467,500	\$ 227,879

	2023	%	2022	%
Interest in first mortgages	\$ 175,100,675	81.40	\$ 192,021,950	83.91
Interest in non-first mortgages	40,042,204	18.60	36,818,862	16.09
	\$ 215,142,879	100.00	\$ 228,840,812	100.00

AP Capital Mortgage Investment Corporation
Notes to the Financial Statements
For the year ended December 31, 2023

5. Investment in Dominion Properties REIT

In December 2023, the Company sold 185,564 Class G Units of Dominion Properties REIT (the "REIT") with a total redemption and fair value on disposal date of \$85,545, to the Manager/Administrator.

	2023	2022
Balance at beginning of year	\$ 157,067	\$ 134,614
Fair value adjustment	-	22,453
Disposal	(157,067)	-
Balance at end of year	\$ -	\$ 157,067

During the year, the Company received cash dividends of \$2,281 (2022 - \$2,264).

6. Credit facility

On March 27, 2019, the Company entered into a credit facility ("Facility") with Royal Bank of Canada for an amount of up to \$28,000,000. This facility was renewed on March 26, 2021 and the total commitment amount was increased up to \$60,000,000. On April 29, 2022, the Company entered into a credit agreement with a syndicate of banks including Royal Bank of Canada, Toronto-Dominion Bank, and Bank of Montreal for a total commitment of \$100,000,000 consisting of two portions: a prime loan portion and a Canadian Dollar Offered Rate ("CDOR") portion. The CDOR is the financial benchmark for bankers acceptances in Canada. The prime loan portion bears an annual interest rate equal to the bank's prime rate plus 0.50% (0.75% prior to April 29, 2022) per annum. The CDOR portion bears an annual interest rate equal to the bank's prime rate plus 2.10% per annum. The Company has the option of using the CDOR or Prime rate structure and will choose the option which is most favorable.

The Facility is secured by a credit agreement, creating a first fixed charge over all present and subsequently acquired personal property of the Company and assignment of all mortgage investments and all risk insurance showing the bank as the first loss payee. As at December 31, 2023, \$46,099,741 (2022 - \$72,109,589) was outstanding on the Facility.

Under the terms of the Facility, the Company is required to comply with certain financial covenants. As at December 31, 2023, the Company is in compliance with all financial covenants.

7. Related party transactions and balances

All related party 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.

- a. During the year, financial services fees amounted to \$3,482,511 (2022 - \$3,128,112), to the Manager/Administrator, a Company controlled by the directors/shareholders.
- b. During the year, dividends on Class B and F common shares, including dividends reinvested in such shares, to the directors and associated persons totaled \$278,929 (2022 - \$257,736).
- c. At December 31, 2023, there was \$472,825 (2022 - \$551,484) due to the Manager/Administrator included in trade and other payables.
- d. In December 2023, the Company sold its investment in Dominion Properties REIT to the Manager/Administrator (Note 5).

AP Capital Mortgage Investment Corporation
Notes to the Financial Statements
For the year ended December 31, 2023

8. Common shares

The authorized share capital of the Company consists of unlimited Class A common shares, voting, non-participating, without par value and unlimited Class B and F common shares, non-voting, participating, without par value.

The Company's issued share capital consists of the following:

<i>NUMBER OF SHARES</i>	<i>2023</i>	<i>2022</i>
Class A common shares	2,400	2,400
Class B common shares		
Opening balance	1,448,635	1,055,133
Issued - dividends reinvestment	56,644	31,187
Issued - cash consideration	291,242	444,278
Redemption of shares for cash	(254,573)	(81,963)
Closing balance	1,541,948	1,448,635
Class F common shares		
Opening balance	135,939	109,252
Issued - dividends reinvestment	1,599	604
Issued - cash consideration	67,727	57,964
Redemption of shares for cash	(45,244)	(31,881)
Closing balance	160,021	135,939
Total share capital	1,704,369	1,586,974

<i>AMOUNT</i>	<i>2023</i>	<i>2022</i>
Class A common shares	\$ 2,400	\$ 2,400
Class B common shares		
Opening balance	\$ 139,172,580	\$ 100,673,065
Issued - dividends reinvestment	5,664,350	3,118,656
Issued - cash consideration	29,124,242	44,427,746
Redemption of shares for cash	(25,457,286)	(8,196,260)
Share issue costs	(1,014,175)	(850,627)
Closing balance	\$ 147,489,711	\$ 139,172,580
Class F common shares		
Opening balance	\$ 13,593,893	\$ 10,925,280
Issued - dividends reinvestment	159,926	60,352
Issued - cash consideration	6,772,695	5,796,371
Redemption of shares for cash	(4,524,400)	(3,188,110)
Closing balance	\$ 16,002,114	\$ 13,593,893
Total share capital	\$ 163,494,225	\$ 152,768,873

AP Capital Mortgage Investment Corporation

Notes to the Financial Statements

For the year ended December 31, 2023

8. Common shares (continued)

The Class B and F shares, which are the only class of shares entitled to receive dividends as and when declared at the discretion of the Board, shall be redeemable at the option of either the Company or the holder of Class B and F shares in accordance with the Special Rights and Restrictions of the Company's Articles and Notice of Articles. The Company will not, except upon resolution of the Board in favor of such redemption, redeem more than 5% of all Class B and F shares which are issued and outstanding on the first day of the fiscal quarter in which the retraction notice is given to the Company. Such retraction notice shall be processed on a "first-come, first serve basis."

9. Distribution reinvestment plan

The Distribution Reinvestment Plan ("DRIP") allows holders of Class B and F shares to elect to have all cash distributions from the Company reinvested in additional Class B and F shares at a value of \$100 per share. These issuances are considered non-cash transactions.

For the year ended December 31, 2023, 56,644 Class B common shares (2022 – 31,187 shares) and 1,599 Class F common shares (2022 – 604 shares) were issued under the non-cash DRIP at \$100 per share, for a total of \$5,664,405 (2022 – \$3,118,656) and \$159,926 (2022 - \$60,352) respectively.

10. Financial services fees

The Manager/Administrator is responsible for the day-to-day operations, including administration of the Company's mortgage investments. Pursuant to the Management/Administration Agreement ("Management Contract") updated on July 1, 2018, the Company shall pay to the Manager/Administrator, an annual mortgage servicing and administration fee ("Annual Administration Fee") up to 1.5% (2022 – 1.5%) per annum of the Company's mortgages under management of the Corporation, calculated and payable monthly, plus applicable taxes.

The Manager/Administrator pays all of its internal direct costs and overhead relating to the provision of the services under the Management Contract, including office expenses, rent, employee salaries and management financial services fees, with the exception of the costs for the independent advisory board, which are paid by the Company.

All other costs with respect to the business of the Company are paid by the Company including, without limitation, legal, audit, referral fees, fundraising, insurance, IT support, software fees, and fund service expenses, as well as travel, marketing, advertising, shareholder meetings and communication costs that relate specifically to the Company and its shareholders. The Company is also responsible for the costs of independent advisory board members as well as director and officer fees for attending meetings of the Directors, conference calls and meetings of the committees of the Company. The Company is responsible for paying the costs, including legal fees and disbursements, of collecting or attempting to collect any amounts owing or in arrears on its mortgage investments, including foreclosure or other court proceedings.

The Management Contract permits the Manager/Administrator to charge lender fees, broker fees, commitment fees, extension fees, renewal fees, NSF fees, administration fees and similar fees to borrowers with respect to any mortgage loan. These fees are collected by the Company and paid monthly to the Manager/Administrator.

The Management Contract is for an indefinite term and may be terminated upon occurrence of certain specified events and by the mutual consent of the parties.

AP Capital Mortgage Investment Corporation
Notes to the Financial Statements
For the year ended December 31, 2023

11. Basic and diluted net earnings per share

The following table reconciles the numerator and denominator of both the basic and diluted net earnings per Class B and Class F common shares:

	2023		2022	
Numerator for net earnings per share				
Net and comprehensive income	\$	13,401,511	\$	9,262,950
Denominator for net earnings per share				
Weighted average shares		1,618,283		1,357,953
Basic and diluted net earnings per share	\$	8.281	\$	6.821

12. Amount available for dividend distribution

The Company follows the practice of paying a dividend subsequent to the end of the fiscal year in an amount at least sufficient to remain non-taxable under the provisions of the Canadian Income Tax Act related to Mortgage Investment Corporations.

The following table reconciles the numerator and denominator of the dividend yield per Class B common share:

	2023		2022	
Numerator for dividend yield per share				
Net income	\$	12,202,434	\$	8,395,375
Add financing costs, net of amount deductible for tax purposes		48,053		84,325
Add (deduct) fair value adjustment on investment		65,123		(20,350)
Deduct share issue costs deductible for tax purposes		(759,824)		(657,419)
Dividends declared	\$	11,555,786	\$	7,801,931
Denominator for net earnings per share				
Weighted average shares		1,473,490		1,230,766
Dividend yield per share	%	7.842	%	6.339

The following table reconciles the numerator and denominator of the dividend yield per Class F common share:

	2023		2022	
Numerator for dividend yield per share				
Net income	\$	1,199,077	\$	867,575
Add financing costs, net of amount deductible for tax purposes		6,398		8,714
Add (deduct) fair value adjustment on investment		4,987		(2,103)
Dividends declared	\$	1,210,462	\$	874,186
Denominator for net earnings per share				
Weighted average shares		144,793		127,187
Dividend yield per share	%	8.360	%	6.873

AP Capital Mortgage Investment Corporation
Notes to the Financial Statements
For the year ended December 31, 2023

13. Capital management

The Company defines its capital structure to include Class B common shares, Class F common shares, and the Credit Facility. The overall objective of capital management is to ensure that the Company has sufficient capital to maintain its operations based on current activities and expected business developments in the future and to provide a return to the shareholders commensurate with the risk of the business and comparable to other similar companies.

The Company reviews its capital structure on an ongoing basis and adjusts its capital structure in response to mortgage investment opportunities, the availability of capital and anticipated changes in general economic conditions. The Company's capital management objectives and strategies are unchanged from prior years.

The Company's investment guidelines are subject to externally imposed capital requirements to maintain the Company's eligibility as a Mortgage Investment Corporation as defined in Section 130.1(6) of the Canadian Income Tax Act. These guidelines state that (i) at least 50% of the Company assets must be residential mortgages and/or cash and insured deposits at Canada Deposit Insurance Corporation member financial institutions, (ii) no more than 25% of its assets must be in real estate, and (iii) that all investments must be within Canada. The Company complied with these requirements during the year.

14. Fair value measurements

The Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Company uses market observable data where possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 - Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly;

Level 3 - Unobservable inputs for which there is little or no market data and which require the Company to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is assessed to be significant to that fair value measurement. This assessment requires the use of judgment in considering factors specific to an asset or a liability and may affect the placement of the fair value measurement within the hierarchy.

The following table shows the carrying amounts and fair values of assets and liabilities:

December 31, 2023	Carrying value		Fair Value
	Investments, loans and receivable	Other financial liabilities	
Assets not measured at fair value			
Mortgage investments	\$ 216,654,607	\$ -	\$ 216,654,607
Liabilities not measured at fair value			
Credit facility	-	46,099,741	46,099,741
Trade and other payables	-	526,910	526,910
Dividends payable	-	490,556	490,556
Deferred revenue	-	960,810	960,810

AP Capital Mortgage Investment Corporation
Notes to the Financial Statements
For the year ended December 31, 2023

14. Fair value measurements (continued)

<i>December 31, 2022</i>	<i>Carrying value</i>		<i>Fair Value</i>
	<i>Investments, loans and receivable</i>	<i>Other financial liabilities</i>	
<i>Assets not measured at fair value</i>			
Mortgage investments	\$ 230,294,553	\$ -	\$ 230,294,553
<i>Assets measured at fair value</i>			
Investment in Dominion Properties REIT	157,067	-	157,067
<i>Liabilities not measured at fair value</i>			
Credit facility	-	72,109,589	72,109,589
Trade and other payables	-	867,223	867,223
Dividends payable	-	291,410	291,410
Deferred revenue	-	258,761	258,761

The valuation techniques and inputs used for the Company's financial and non-financial assets and liabilities are as follows:

a. Mortgage investments

There is no quoted price in an active market for the mortgage investments. The Manager/Administrator makes its determination of fair value based on its assessment of the current lending market for mortgage investments of same or similar terms. Typically, the fair value of these mortgage investments approximates their carrying values given the amounts consist of short-term loans that are repayable without yield maintenance or penalties. As a result, the fair value of mortgage investments is based on level 3 inputs.

b. Other assets and liabilities

The fair values of cash and cash equivalents, credit facility, trade and other payables, dividends payable, and deferred revenue approximate their carrying amounts due to their short-term maturities. The fair value of the investment in Dominion Properties REIT is based on level 1 input. There were no transfers between level 1, level 2 and level 3 during the years ended December 31, 2023 and December 31, 2022.

15. Risk management

The Company is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition and operating results. Many of these factors are beyond the Company's direct control. The Manager/Administrator and Board of Directors play an active role in monitoring the Company's key risks in determining the policies that are best suited to manage these risks. There has been no change in the process since the previous year.

The Company's business activities, including its use of financial instruments, expose the Company to various risks, the most significant of which are interest rate risk, credit risk, redemption risk and liquidity risk:

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. Interest rates on the mortgage investments are fixed until maturity and therefore the interest rate risk associated with mortgage investments at year-end is not considered significant. The floating interest rate on the credit facility subjects the Company to a cash flow risk. The interest rate risk on cash and cash equivalents and trade and other payable are also not considered significant.

16. Risk management (continued)

a. Interest rate risk (continued)

Sensitivity analysis

The Company is exposed to interest rate risk on the Credit Facility. Based on the outstanding balance of \$50,000,000 (2022 – \$72,109,589) on the Credit Facility as at December 31, 2023, a 0.5% increase in the bank's prime rate, keeping other variables constant, would result in an annual decrease in net income of \$250,000 (2022 – \$360,548) as a result of higher interest payable on the Credit Facility. A 0.5% decrease in the bank's prime rate would have an equal but opposite effect on the net income of the Company.

b. Credit risk

As with most mortgage investment corporations, the Company provides financing to borrowers who may not meet financing criteria for conventional mortgages from institutional sources and, as a result, these investments generally earn a higher rate of return than what institutional lenders may receive. Credit risk is the possibility that the mortgagor may fail to discharge the obligation causing the Company to incur a financial loss. The Company minimizes its credit risk primarily by ensuring that the collateral value of the security fully protects first, second and subsequent mortgage advances and that there is a viable exit strategy for each loan. In addition, the Company limits concentration of risk by diversifying its mortgage portfolio by way of location, property type, maximum loan amount on any one property and maximum loan amount to one borrower.

At the end of each reporting period, impairment is assessed using an expected credit loss (ECL) approach. Under this approach the level of credit risk deterioration is assessed in a three-stage impairment model. The three stages are determined, and expected credit losses are assessed as follows:

Stage 1 - No significant increase to credit risk since initial recognition. 12-month expected credit losses are recognized.

Stage 2 - Significant increase in credit risk since initial recognition. Lifetime expected credit losses are recognized.

Stage 3 - Credit Impaired. Lifetime expected credit losses are recognized.

The Company is required to make assessments of the future expected losses on mortgage investments in Stage 1 and Stage 2 using forward-looking information, including macro-economic factors. Mortgage investments are transferred to Stage 3 when there is objective information that indicates that one or more events ("loss events") have occurred that have a negative effect on the estimated future cash flows of that asset.

The Company makes an estimate for determining whether the cash flows from mortgage investments represent solely payments of principal and interest (SPPI). The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors.

The Company considers a number of past events, current conditions and forward-looking information to assess if there has been a significant increase or subsequent decrease in credit risk. To identify whether the credit risk of a mortgage investment has significantly increased since initial recognition, management will consider forward-looking information, including macro-economic factors as well as information related to the specific borrower, including the outstanding balance upon default, credit worthiness and changes in personal economic situation.

Determining if there was a significant increase or decrease in credit risk requires significant judgement. Management reviews the mortgage investments and considers the credit risk to be increase when reasonable assurance no longer exists that the sole payments of principal and interest would be recoverable.

Loss provisions are recorded upon initial recognition of the mortgage investment based upon expectations of future losses at the time. For Stage 1 mortgages, the Company will recognize a loss allowance equal to 12-month expected credit losses, if the credit risk at the reporting date has not increased significantly since initial recognition, representing the expected credit losses from default events that are possible within the next 12 months.

AP Capital Mortgage Investment Corporation
Notes to the Financial Statements
For the year ended December 31, 2023

15. Risk management (continued)

b. Credit risk (continued)

Under IFRS 9, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. However, based on historical experience, mortgages that were 30 day past due could be brought up to date with later payments. Therefore, this factor will not be used to identify mortgages above Stage 1.

The recognition of credit losses must be made for the remaining life of the mortgage investments (lifetime expected credit losses) that are considered to have experienced a significant increase in credit risk (Stage 2) and for mortgage investments that are credit impaired at the reporting date (Stage 3). The lifetime expected credit losses represent the expected loss in value due to possible default events over the life of the mortgage investment weighted by the likelihood of a loss. At each reporting date, credit impaired mortgage investments will be transferred to Stage 3 when there is objective information that the mortgage investments are credit impaired.

To determine whether a mortgage investment is credit impaired, an event must be identified that has a detrimental impact on the estimated future cash flows.

The Company considers evidence of impairment for mortgage investments in Stage 3 at a specific level on a mortgage-by-mortgage basis, and specific allowances are recorded if management determines that the mortgage investment is impaired. In such cases, a specific provision is established to write-down the loan to the estimated future cash flows from the loan discounted at the loan's original effective interest rate. In cases where it is impractical to estimate the future cash flows, the carrying amount of the loan is reduced to its fair value calculated based on an observable market price.

The following table sets out information about the credit quality of financial assets assessed for impairment under IFRS 9 Financial Instruments. The amounts in the table, unless otherwise indicated, represent the assets' gross carrying amount.

The gross carrying amount represents the maximum exposure to credit risk for that class of financial asset.

As at December 31, 2023				
Property Locations	Stage 1	Stage 2	Stage 3	Total
Urban properties in British Columbia	\$ 162,641,435	\$ 3,755,563	\$ 24,275,128	\$ 190,672,126
Rural properties in British Columbia	3,199,118	1,127,418	2,606,500	6,933,036
Urban properties in Alberta	13,490,466	910,078	2,605,121	17,005,664
Rural properties in Alberta	532,053	-	-	532,053
	\$ 179,863,072	\$ 5,793,059	\$ 29,486,749	\$ 215,142,879

As at December 31, 2022				
Property Locations	Stage 1	Stage 2	Stage 3	Total
Urban properties in British Columbia	\$ 176,070,554	\$ 6,975,041	\$ 17,909,925	\$ 200,955,520
Rural properties in British Columbia	10,532,417	120,102	1,518,750	12,171,269
Urban properties in Alberta	8,208,165	3,779,225	2,581,518	14,568,908
Rural properties in Alberta	1,145,115	-	-	1,145,115
	\$ 195,956,251	\$ 10,874,368	\$ 22,010,193	\$ 228,840,812

AP Capital Mortgage Investment Corporation
Notes to the Financial Statements
For the year ended December 31, 2023

15. Risk management (continued)

b. Credit risk (continued)

The allowance for impairment losses is summarized as follows:

As at December 31, 2023				
Property Locations	Stage 1	Stage 2	Stage 3	Total
Urban properties in British Columbia	\$ -	\$ -	\$ 342,500	\$ 342,500
Rural properties in British Columbia	-	-	25,500	25,500
Urban properties in Alberta	-	-	99,500	99,500
Rural properties in Alberta	-	-	-	-
	\$ -	\$ -	\$ 467,500	\$ 467,500

As at December 31, 2022				
Property Locations	Stage 1	Stage 2	Stage 3	Total
Urban properties in British Columbia	\$ -	\$ -	\$ 126,969	\$ 126,969
Rural properties in British Columbia	-	-	-	-
Urban properties in Alberta	-	-	100,910	100,910
Rural properties in Alberta	-	-	-	-
	\$ -	\$ -	\$ 227,879	\$ 227,879

The changes in allowance for impairment losses are summarized as follows:

As at December 31, 2023				
Property Locations	Stage 1	Stage 2	Stage 3	Total
Opening balance	\$ -	\$ -	\$ 227,879	\$ 227,879
Advances ⁽¹⁾				
Urban properties in British Columbia	-	-	306,500	306,500
Rural properties in British Columbia	-	-	25,500	25,500
Urban properties in Alberta	-	-	4,500	4,500
Rural properties in Alberta	-	-	-	-
Transfers ⁽²⁾	-	-	-	-
Net remeasurement ⁽³⁾	-	-	(50,379)	(50,379)
Repayments ⁽⁴⁾	-	-	(46,500)	(46,500)
	\$ -	\$ -	\$ 467,500	\$ 467,500

(1) Advances represent the expected credit loss for existing mortgages or mortgages advanced during the year.

(2) Transfer between stages which are presumed to occur before any corresponding remeasurement of the provision.

(3) Net remeasurement represents the change in the expected credit loss related to change in model inputs or assumptions, including changes in macroeconomic conditions, and change in measurement following a transfer between stages.

(4) Repayments represent the expected credit loss removed due to mortgage discharged or paid out during the year.

AP Capital Mortgage Investment Corporation
Notes to the Financial Statements
For the year ended December 31, 2023

15. Risk management (continued)

b. Credit risk (continued)

As at December 31, 2023, the allowance for impairment losses was \$467,500. Management estimated the ECL for mortgages in Stage 1 and 2 as \$nil due to the mortgage collaterals held. The provision for losses for mortgages classified in Stage 2 did not change during the current year. The provision for losses for mortgages classified in Stage 3 decreased as a result of decrease in loan-to-value in specific mortgages in Stage 3. The ECL is assessed individually for all mortgages.

As at December 31, 2023, there were two (2022 – two) mortgages with three payments or more in arrears or in collections other than those in foreclosures. The amounts in arrears on these mortgages are immaterial and management have received the balances post year-end.

There were nine (2022 – eleven) mortgages in foreclosure with total carrying amounts of \$11,802,515 (2022 – \$16,538,576). The Company has recognized an allowance for impairment losses of \$287,000 (2022 - \$227,879) on mortgages in foreclosure.

c. Redemption risk

The amount payable by the Company by cash payment in respect of the redemption of Class B and Class F common shares in any fiscal quarter of the Company will not exceed the redemption price payable plus any unpaid dividends in respect of 5% of the issued and outstanding Class B and Class F common shares. The Board may, in its sole discretion, redeem by cash payment such excess Class B and Class F common shares, if in the opinion of the Board, doing so, will not adversely affect the Company.

d. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligation as they become due. This risk arises in normal operations from fluctuations in cash flow as a result of the timing of mortgage investment advances and repayments and the need for working capital. Management routinely forecasts future cash flow sources and requirements to ensure cash is efficiently utilized.

The following are the contractual maturities of the financial liabilities as at December 31, 2023:

	<i>Amortized cost</i>	<i>Due in 1 year</i>
Credit facility	\$ 46,099,741	\$ 46,099,741
Trade and other payables	526,910	526,910
Dividends payable	490,556	490,556
	\$ 47,117,207	\$ 47,117,207

The following are the contractual maturities of the financial liabilities as at December 31, 2022:

	<i>Amortized cost</i>	<i>Due in 1 year</i>
Credit facility	\$ 72,019,589	\$ 72,019,589
Trade and other payable	867,223	867,223
Dividends payable	291,410	291,410
	\$ 73,178,222	\$ 73,178,222

AP Capital Mortgage Investment Corporation
Notes to the Financial Statements
For the year ended December 31, 2023

17. Contingencies

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims arising from investing in mortgages. Where required, management records adequate provisions in the accounts.

Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the Company's financial position. No contingent loss provision was recorded as at year-end.

18. Key management personnel compensation

The compensation of the senior management of the Manager/Administrator is paid through the annual mortgage servicing and administration fees paid to the Manager/Administrator (Note 10).

19. Subsequent events

In December 2023, the Company received advance payments of \$392,300 for share subscriptions. On January 2, 2024, the Company issued 3,923 Class B Common shares at \$100 per share for a total of \$392,300.

ITEM 15 - DATE AND CERTIFICATE

Dated April 30, 2024

This Offering Memorandum does not contain a misrepresentation.

AP CAPITAL MORTGAGE INVESTMENT CORPORATION

“Ches Orlando Hagen”

Ches Orlando Hagen
Director, Chief Executive Officer and Acting Chief
Financial Officer

On behalf of the Board of Directors

“Terry Sidhu”

Terry Sidhu
Director and Vice President

“Bradly Daniel Unrau”

Bradly Daniel Unrau
Director and Vice President

Manager and Promoter

AP CAPITAL MIC MANAGEMENT CORP.

“Ches Orlando Hagen”

Ches Orlando Hagen
Director and Chief Executive Officer

“Terry Sidhu”

Terry Sidhu
Director and Vice President