



## OFFERING MEMORANDUM

**FOR SUBSCRIBERS IN ALBERTA, BRITISH COLUMBIA, MANITOBA, NEW BRUNSWICK, NOVA SCOTIA, ONTARIO, PRINCE EDWARD ISLAND, SASKATCHEWAN, QUÉBEC, NEWFOUNDLAND AND LABRADOR, NUNAVUT AND NORTHWEST TERRITORIES**

Date: December 18<sup>th</sup>, 2023

### The Issuer

Name:	Stewards Canada (the “Corporation”)
Head office:	PO Box 1, Orono, ON L0B 1M0
Phone #:	(905) 797-3003
E-mail address:	joy@stewardscanada.org
Fax #:	(905) 797-3131
Currently listed or quoted?	No. These securities do not trade on any exchange or market
Reporting issuer?	No.
SEDAR filer?	Yes.

### The Offering

Securities offered:	Unsecured, demand variable interest rate bonds bearing interest at a rate determined based on: regular assessments of current competitive lending rates in the market (the “Interest Rate”), calculated and payable semi-annually (the “Bonds”).
Price per security:	Each Bond is equal to the principal amount invested by each subscriber.
Minimum subscription amount:	Minimum Subscription Amount of \$5,000. <b>You may be the only purchaser. Funds available under the offering may not be sufficient to accomplish our proposed objectives.</b> <sup>(1)</sup>
Payment terms:	Cheque, bank draft, wire transfer or other form of payment acceptable to the Corporation, payable to the Corporation, with delivery of a fully executed and completed subscription agreement. See Item 5.2 - “ <i>Subscription Procedures</i> ”.
Proposed closing date(s):	Closing is expected to occur on a rolling basis, but may occur at such other later date as determined by the Corporation in its sole discretion. <sup>(2)</sup> The Bonds may be in one or more series, but each series will rank <i>pari passu</i> with all other issued and outstanding Bonds.
Income tax consequences:	There are important tax consequences to these securities. See Item 6 – “ <i>Income Tax Consequences and RRSP Eligibility</i> ”.
Selling agent?	Covenant Securities Corp. (the “Agent”). The Agent is a restricted dealer as such term is defined in National Instrument 31-103 – <i>Registration Requirements</i> . See Item 7 – “ <i>Compensation Paid to the Agent</i> ”.
Resale restrictions:	None.
Purchaser's rights:	You may cancel your agreement to purchase these securities at any time. If there is a misrepresentation in this offering memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 11 – “ <i>Purchasers' Rights</i> ”.

**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 8 – “*Risk Factors*”.**

Notes:

- (1) This disclosure is a requirement under Form 45-106F2 (the “Form”) and does not meaningfully apply to the offering of Bonds (the “Offering”) under this offering memorandum (the “Offering Memorandum”) given that the Offering is a continuous offering. Please see Item 5.3 – “*Understanding Certain Disclosure in the Offering Memorandum – Continuous Offering*” for further information.
- (2) Please see Item 5.3 – “*Understanding Certain Disclosure in the Offering Memorandum – Continuous Offering*” for further information.

## Item 1 - Use of Available Funds

**1.1 Funds** – The following table sets out the funds available to the Corporation upon the completion of the offering of Bonds (the “Offering”) under this offering memorandum (the “Offering Memorandum”) and the principal uses of the net proceeds of the Offering and current resources, if any. There is a potential working capital deficiency, see Item 1.4 – “Potential Working Capital Deficiency” for further information.

	Breakdown of Offering Costs	Offering <sup>(1)</sup>
A.	Amount to be raised from Bond Investors	\$2,000,000 <sup>(2)</sup>
B.	Selling commissions and fees	\$85,000 <sup>(3)</sup>
C.	Estimated offering costs (e.g., legal, accounting, audit.)	\$15,000 <sup>(4)</sup>
D.	Available funds: $D = A - (B+C)$	\$1,900,000
E.	Additional sources of funding required	N/A
F.	Working capital deficiency	N/A <sup>(5)</sup>
G.	Total: $G = (D+E) - F$	\$1,900,000

Notes:

- (1) This disclosure is a requirement under the Form and does not meaningfully apply to the Offering under this Offering Memorandum given that the Offering is a continuous offering. Please see Item 5.3 – “Understanding Certain Disclosure in the Offering Memorandum – Continuous Offering” for further information.
- (2) This amount represents an estimate of the annual gross proceeds from the sale of the Bonds. Actual sales may vary.
- (3) This amount is not a form of commission or transaction-based compensation related to the sale or renewal of Bonds. This amount represents a fee payable to the Agent on an annual basis that may be up to but shall not exceed 0.5% of the aggregate value of the outstanding Bonds (the “Annual Fee”), see Item 7 - “Compensation Paid to the Agent” for further information.
- (4) Includes \$5,000 payable to the Corporation’s legal counsel, which is largely the result of costs due to compliance obligations under applicable securities legislation. This disclosure is a requirement under the Form and does not meaningfully apply to the Offering under this Offering Memorandum given that the Offering is a continuous offering. Offering costs will be incurred annually as part of the continuous nature of the Offering. Please see Item 5.3 – “Understanding Certain Disclosure in the Offering Memorandum – Continuous Offering” for further information.
- (5) Please see Item 1.4 – “Potential Working Capital Deficiency” for further information.

**1.2 Use of Available Funds** – The available funds will be used by the Corporation for the purposes set out below.

Description of intended use of available funds listed in order of priority	Offering <sup>(1)</sup>
Available to the Corporation in furtherance of its charitable purposes	\$1,835,000 <sup>(2)</sup>
General operating expenses	\$65,000
Total: Equal to G in the Funds table above	\$1,900,000

- (1) This disclosure is a requirement under the Form and does not meaningfully apply to the Offering under this Offering Memorandum given that the Offering is a continuous offering. Please see Item 5.3 – “Understanding Certain Disclosure in the Offering Memorandum – Continuous Offering” for further information.
- (2) Stewards Canada is a registered charity. This amount represents an estimate of the net amount the Corporation will be able to use from the proceeds of the sale of Bonds in the fiscal year ending June 30, 2020 to pursue its charitable purposes; namely, the funding of mortgage loans with the Stewards Community.

**1.3 Reallocation** - We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.

**1.4 Potential Working Capital Deficiency** - The Bonds are redeemable at the option of the Bondholder. Consequently, the Bonds do not have maturity dates. The mortgage loans made by the Corporation, however, have a fixed term to maturity (typically three to five years). There is no way for the Corporation to align the redemption demands of Bondholders with the maturity dates of mortgages. From time to time, the aggregate redemption requests received by the Corporation from Bondholders may exceed the cash receivable by the Corporation on payment of mortgages that become due. In such circumstances, the Corporation may have a working capital deficiency. To mitigate this risk, the Corporation maintains cash reserves to allow for a reasonable and predictable level of

Bondholder redemption requests to be processed on a continuous basis. The Corporation set five years of redemption requests, based on historic redemption patterns, as the amount of cash reserves to be maintained.

## **Item 2: Business of the Corporation**

**2.1 Structure** – Stewards Canada was incorporated as a not-for-profit corporation by way of Letters Patent under the *Ontario Corporations Act* on January 31, 1952 under the name Stewards Foundation (Ontario). By way of Supplementary Letters Patent, on April 8, 1991, the name was changed to Stewards Canada.

### **2.2 Our Business**

#### History of the Bond Program and the Corporation

Stewards Canada provides mortgage financing to Canadian evangelical Christian churches, camps, nursing homes and schools (“Christian organizations”) to assist them with capital projects such as purchasing or building new church buildings, or major renovations to existing buildings.

In order to raise funds for this purpose, Stewards Canada historically offered Bonds under a certificate mortgage program (the “**Bond Program**”). Stewards Canada has operated the Bond Program for 70 years without any material defaults. The operation of the Bond Program and all other business of the Corporation is overseen by its board of directors (the “**Board**”) and the day-to-day management is under the direction of the executive director. All mortgage loans are funded by the proceeds the Corporation receives from Bond Investors. The Corporation manages and administers the mortgage loans, and enters into the mortgage and related security documents as lender with the Christian organizations entering into these documents as the borrower. As a condition of any investment, the Corporation secures its investment by taking a mortgage in the amount of the investment. The Corporation’s guidelines for making these investments in Christian organizations is as follows:

- (a) the Corporation usually only invests if it can obtain a first mortgage in the property it is investing in. There may be exceptions where a second mortgage is approved by the Board of Directors.
- (b) the Corporation has a commercial appraisal of land and buildings to cover market and fire sale liquidation values performed;
- (c) the Corporation will only make a loan if the loan does not exceed 75% of the appraised value of the property securing the loan; and
- (d) the Corporation is required to have mortgage title insurance.

The Corporation also engages in short term investing in equities and fixed income securities in order to manage the in-flow of the proceeds from the sale of Bonds and the out-flow of proceeds by way of mortgages or capital loans. These funds are also used to ensure that bonds can be redeemed on a timely basis.

#### Profits from the Bond Program

The Corporation generates net profits from operating the Bond Program and the amounts received from interest on the mortgages advanced to Christian organizations. Most of the net profits are reinvested in Stewards Canada. An interest rate rebate program has been used from time to time in the past to return some of the net profits to the Christian organizations who are the mortgage borrowers.

### Nature of the Current Bond Investors

Bond Investors include:

- (a) individuals within the Christian community as well as corporations, trusts, partnerships and estates associated with such individuals; and
- (b) churches within the Christian community.

### Current Status of the Bond Program

As at the date hereof (October 1<sup>st</sup>, 2023):

- (a) the aggregate principal amount of issued and outstanding Bonds is approximately \$23,967,000
- (b) the number of Bonds issued and outstanding is approximately 377; and
- (c) the Corporation holds first mortgages in 16 Christian organizations totalling approximately \$7,767,594.

The surplus cash is maintained by the Corporation in short-term, high quality investments.

### **2.3 Securities Law Compliance**

The Corporation operated the Bond Program pursuant to an exemption from the dealer registration requirement and prospectus requirement of the securities legislation in Canada (the “**Requirements**”) as set out in a decision document of the Ontario Securities Commission (the “**OSC**”) (and adopted via the process for exemptive relief in multiple jurisdictions in the other provinces of Canada) dated November 13, 2013 (the “**Prior Decision**”). The Prior Decision expired on November 13, 2018 and a new decision document of the OSC granting partial exemptive relief from the Requirements (and adopted via the process for exemptive relief in multiple jurisdictions in the other provinces of Canada) was issued on August 16, 2019 (the “**2019 Decision**”). Under the 2019 Decision, the business of the Corporation was restricted to operating the Bond Program and making and administering the mortgage loans. The full text of the Prior Decision and the 2019 Decision are available on the OSC’s website at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

**2.4 Long Term Objectives** – The Corporation is organized exclusively for charitable purposes and all net earnings of the Corporation are used for such purposes in accordance with the Corporation’s articles. The Corporation intends to advance funds from time to time to Christian organizations to assist them in the construction or renovation of church buildings or other similar capital projects approved by the Board, or in the refinancing of previously existing member congregation mortgages entered into for similar purposes. The proceeds from any particular series of Bonds, including the Bonds in this Offering, are not intended to be used in respect of any specific project. This disclosure is a requirement under Form 45-106F2 (the “**Form**”) and does not meaningfully apply to the Corporation given that the Corporation is not focused on profit or growth. Please see Item 5.3 – “*Understanding Certain Disclosure in the Offering Memorandum – Nature of the Corporation*” for further information.

**2.5 Short Term Objectives and How We Intend to Achieve Them** – As noted above, the Corporation raises capital through the sale of the Bonds on a continuous offering basis in order to provide funds to Christian organizations to assist in the purchase, construction or renovation of church buildings, camps, nursing homes and schools secured by mortgages on such property, or in the refinancing of previously existing mortgages issued for similar purposes. Accordingly, the Corporation does not have a short term objective different than its long term objective of raising capital from the sale of Bonds and deploying the net proceeds in its mortgage program. The table below is prescribed disclosure for this Offering Memorandum and is intended to provide a breakdown of costs for the Corporation’s short term objectives. As the Corporation does not have short term objectives, the table has been left blank.

What we must do and how we will do it <sup>(1)</sup>	Target completion date or, if not known, number of months to complete	Our cost to complete
The Corporation has no short term objectives	NA	NA

## 2.6 Material Agreements

### Agency Agreement with the Agent

The Corporation has entered into an agency agreement dated August 19, 2019 with the Agent with respect to the sale of Bonds under the Bond Program (the “Agency Agreement”). No selling commission or other compensation is paid by the Corporation to the Agent under the Agency Agreement. However, the Agency Agreement provides for a cost allocation to be paid by the Corporation to cover the cost of the Agent’s services, including compliance with applicable securities laws for the Offering.

## Item 3: Interests of Directors, Management, Promoters and Principal Holder

### 3.1 Compensation and Securities Held

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 issuer or related party 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 the offering <sup>(1)</sup>
Rebecca Adrian Kawartha Lakes, ON	Director since November 1, 2022	None	None
Mark Cretney Cobourg, ON	Director since March 1, 2018	None	None
Terry Cretney Port Hope, ON	Director since September 1, 2014	None	One bond (1%)
David DiMarco Milton, ON	Director since September 29, 2015	None	None
Matt Nero Guelph, ON	Director since April 11, 2023	None	None
Mark Vanderpol Ajax, ON	Director since November 1, 2019	None	None
Joy Gomersall Campbellcroft, ON	Executive Director since Sept 18, 2023	\$130,000	None

Notes:

- (1) This disclosure is a requirement under the Form and does not meaningfully apply to the Corporation given the nature of the Corporation. Please see Item 5.3 – “Understanding certain disclosure in the Offering Memorandum – Nature of the Corporation” for further information.

### 3.2 Management Experience

Name and Municipality of Residence	Principal occupation and related experience
Rebecca Adrian Kawartha Lakes, ON	CPA, Public accounting with Grant Thornton LLP
Mark Cretney Cobourg, ON	Financial Analyst
Terry Cretney	CPA, CGA; former Treasurer of HSBC Financial Corporation Ltd., now retired

Port Hope, ON	
David DiMarco Milton, ON	CPA, CMA, formerly Director of Finance with Salvation Army, now retired
Matt Nero Guelph, ON	CPA, Chief Financial Office
Mark Vanderpol Ajax, ON	CPA, CMA, MBA, Director of Finance, Hope and Healing International
Joy Gomersall Campbellcroft, ON	Executive Director of Stewards Canada. Ten years of Canadian bank management, five years of non-profit leadership experience.

**3.3 Penalties, Sanctions and Bankruptcy** – No director, executive officer or control person of the Corporation has in the last 10 years: (i) been subject to any penalties, sanctions or cease trade orders; (ii) been a director, executive officer or control person of an issuer that has been subject to any penalties, sanctions or cease trade orders while such director, executive officer or control person was a director, executive officer or control person of such issuer; (iii) made any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets; or (iv) been a director, executive officer or control person of an issuer that has made any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets while such director, executive officer or control person was a director, executive officer or control person of such issuer.

**3.4 Loans** – There are no outstanding debentures or loans to or from the directors or management and the Corporation.

#### **Item 4: Capital Structure**

**4.1 Share Capital** – Stewards Canada is a non-share corporation established in 1952 and is a “charitable organization” for the purposes of the *Income Tax Act (Canada)*.

#### **Item 5: Securities Offered**

##### **5.1 Terms of Securities**

The Bonds may be in one or more series, but each series will rank *pari passu* with all other issued and outstanding Bonds.

##### Voting Rights

There are no voting rights attached to the Bonds.

##### Conversion, Maturity Dates and Renewal

There are no conversion rights attached to the Bonds.

##### Rights of Redemption or Retraction

The Bondholder has the right to redeem the Bond at any time. The Corporation maintains a cash reserve to facilitate the redemption of Bonds on a timely basis. See Item 1.4 – “*Potential Working Capital Deficiency*” above.

The Corporation has the right to repay a Bond at any time.

### Variable Interest Rate

The Bonds are offered at a price equal to the principal amount thereof.

Each Bond will bear interest at the Interest Rate. The Interest Rate is determined based on regular assessments of current competitive lending rates in the market when an investment in the Bonds is made. The Corporation has the right to change the Interest Rate over the life of the Bond based on the same assessment made at the time the Bond was issued. When the Corporation determines to change the Interest Rate, it will make the same change for all Bonds issued and outstanding at that time. The determination will be made in advance of the interest period when the change to the Interest Rate will be effective. The Corporation will give written notice to all Bondholders at least 30 days in advance of such a change.

Interest accrues on the Bond from and after the date of purchase until repayment of the Bond, calculated semi-annually and not in advance and is paid by the Corporation to the Bond Investor semi-annually on interest payment dates specified in the certificate evidencing the Bond, in each and every year until redeemed.

### **5.2 Subscription Procedure**

To subscribe for Bonds, prospective Bond Investors are required to provide:

- (a) the subscription agreement or risk acknowledgment agreement that accompanies this Offering Memorandum, including the full name, address, birth date and SIN number of the Bond Investor; (the “**Subscription Agreement**”);
- (b) a void cheque for the deposit of interest; and
- (c) a cheque, bank draft, wire transfer or other form of payment acceptable to the Corporation in the principal amount of the Bond.

The Corporation, in its sole discretion, may accept or reject the prospective Bond Investor’s subscription for Bonds.

### **5.3 Understanding Certain Disclosure in the Offering Memorandum**

The Corporation is conducting the Offering in reliance on exemptions from the prospectus requirement of applicable securities legislation, including the Offering Memorandum exemption in section 2.9 of National Instrument 45-106 (the “**OM Exemption**”). In order to rely on the OM Exemption, the Corporation must provide purchasers with an offering memorandum prepared in accordance with disclosure requirements set out in the Form. Because (i) the Offering is a continuous offering, and (ii) the Corporation is organized exclusively for charitable purposes and all net earnings of the Corporation are used for such purposes in accordance with the Corporation’s articles, much of the required disclosure either does not apply, or does not produce meaningful disclosure that is useful to prospective Bond Investors or reflective of the business of the Corporation.

In each instance where the disclosure does not apply to the Corporation, either because the Offering is a continuous offering, or because of the nature of the Corporation, a sentence or footnote with a cross-reference to this section has been included.

### Continuous Offering

The prescribed disclosure requirements do not accommodate an offering conducted on a continuous basis; that is, offered continuously through time rather than a one-time offering and deployment of proceeds. The Offering conducted pursuant to this Offering Memorandum is a continuous offering. Consequently, much of the required disclosure either does not apply, or does not produce meaningful disclosure that is useful to investors or reflective of the business of the Corporation.

For example, there is no minimum or maximum offering in the case of a continuous offering. Without a minimum or maximum, it is not meaningful to indicate that a Bond Investor may be the only investor and that the funds available under the Offering may not be sufficient to accomplish the Corporation's objective, yet this disclosure is prescribed and must be given.

### **Item 6: Income Tax Consequences and RRSP Eligibility**

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

6.2 Not all securities are eligible for investment in a registered retirement savings plan ("RRSP"). You should consult your own professional advisers to obtain advice on the RRSP eligibility of these securities.

### **Item 7: Compensation Paid to the Agent**

No amounts are paid to the Agent as commission or transaction-based compensation related to the sale or renewal of Bonds. Pursuant to the Agency Agreement, the Agent will receive an annual fee that may be up to, but shall not exceed, 0.5% of the aggregate value of the outstanding Bonds (the "Annual Fee"). The Annual Fee is to be used by the Agent to compensate its staff and for general corporate and administrative expenses. In the fiscal year ending June 30, 2023, the Annual Fee is estimated to be \$85,000. This disclosure is a requirement under the Form and does not meaningfully apply to the Offering under this Offering Memorandum given that the Offering is a continuous offering. Offering costs will be incurred annually as part of the continuous nature of the Offering. Please see Item 5.3 – "*Understanding Certain Disclosure in the Offering Memorandum – Continuous Offering*" for further information.

The business and activities of the Agent are restricted to acting as a dealer in order to facilitate any distributions or investments in Bonds under the Bond Program. The Agent will not recommend, advise, or solicit a donation from any Bond Investor.

### **Item 8: Risk Factors**

There are certain risks inherent in an investment in Bonds and in the activities of the Corporation which prospective Bond Investors should carefully consider before investing in Bonds. Prospective Bond Investors should review the risks relating to an investment in Bonds with their legal and financial advisors.

#### *Credit Risk*

The Bonds are fixed income securities. Fixed income securities are subject to risks principally resulting from credit risk. There are certain risks inherent in an investment in Bonds and in the activities of the Corporation, which prospective Bond Investors should carefully consider before investing in the Bonds.

Credit risk is the possibility that an issuer of a fixed income investment may not be able to pay interest or to repay the principal when due. The ability of the Corporation to pay interest semi-annually and to repay the principal of the Bonds at the applicable Maturity Dates depends primarily upon the ability of the Christian organizations who borrow money from the Corporation to pay the interest and repay the principal owing by them to the Corporation under the terms of their debt obligations. The risk of default is greater with some borrowers than with others. For example, the risk of default is generally low for government and high quality corporate securities. The loans to Christian organizations to be made by the Corporation will not be of this quality, will not be rated by any credit rating agency, and are not insured by any government deposit insurer or other agency. While these loans will be secured by first mortgages, and are subject to the Corporation's guidelines for investment set out in Item 2.2 – "*Our Business*", there can be no assurance that on a default by the borrowing Christian organization the Corporation will be able to realize sufficient funds on the enforcement of the mortgage to honour its obligations to investors under the Bonds.



### Interest Rate Risk

When interest rates fall, the value of the fixed income securities can be expected to rise. That is because existing securities pay higher rates than newly issued ones, and so are worth more. When interest rates rise, the prices of fixed income securities can be expected to fall.

### Real Estate Market Risk

Since investments of the Corporation are in real property and the security taken by the Corporation is in the form of a mortgage over the real property of the Christian organizations, investments in the Bonds are subject to risks associated with fluctuations in or the volatility in the real estate market. The real estate market is subject to change and there can be no assurance that there will not be a significant decline in the real estate market. A significant decline in the real estate market could materially adversely affect the value of the security taken by the Corporation in the Christian organizations and, as a result, the ability of the Corporation to repay the principal of the Bonds or the interest that accrues thereon.

### Risk of Change in Investment Return

The amount of income to be allocated, and cash to be distributed, to a Bond Investor and the timing of such distributions are dependent upon the amounts receivable by the Corporation in respect of payments from the Christian organizations on the loans or mortgages advanced to them by the Corporation. A Bond Investor has no assurance, therefore, that any amount will be distributed to him, her or it when any such distributions are required to be made.

### Nature of Bonds

The Corporation does not hold registered title to or have a direct beneficial interest in the properties of the Christian organizations. Bonds, in and of themselves, do not represent a direct investment in the properties of the Christian organizations.

### Limited Marketability

Bonds offered under this Offering Memorandum are speculative securities. There is no market for Bonds, and it is not anticipated that any market for Bonds will develop. Bonds are not qualified by a prospectus, and consequently, the resale of Bonds is subject to restrictions under applicable securities legislation. An investment in Bonds should be considered only by investors who are able to make a long-term investment and bear the economic risk of the possible loss of their entire investment and bear the risk of being unable to sell their Bonds. The transfer of a Bond may result in adverse tax consequences for the transferor.

### Absence of Regulatory Oversight

As the Corporation will offer Bonds by way of private placement only, the Corporation's activities will not be governed by the securities laws applicable to reporting issuers, such as the continuous disclosure rules. However, this risk is somewhat mitigated by the fact that NI 45-106 imposes certain continuous disclosure obligations on issuers relying on the Offering Memorandum exemption, see Item 9 – "Reporting Obligations" for further information.

### Tax-Related Risks

Canadian federal and provincial tax aspects should be considered prior to investing in Bonds. The discussion of income tax considerations herein is based upon current Canadian federal income tax laws and regulations and the

Tax Proposals (as defined therein). There can be no assurance that tax laws will not be changed in a manner that adversely affects a return.

Bonds may not be purchased by any investor who is not a resident of Canada or by a partnership that is not a “Canadian partnership” for purposes of the *Income Tax Act* (Canada) (the “Tax Act”) or which is a “financial institution” as defined in subsection 142.2(1) of the Tax Act.

All Bond Investors will be responsible for the preparation and filing of their own tax returns in respect of this investment. Costs associated with the preparation and filing of such returns may be material. Prospective Bond Investors should consult their own tax advisors for the specific Canadian federal and provincial and foreign tax consequences applicable to them.

### **Item 9: Reporting Obligations**

**9.1** The Corporation will, within 120 days after the end of each of its financial years:

- (a) In Alberta, file with the securities regulatory authority (i) audited annual financial statements (the “Annual Disclosure”), and (ii) a notice of the Corporation, in required form, disclosing in reasonable detail the use of any aggregate gross proceeds raised by the Corporation under the OM Exemption, and make them reasonably available to each Bond Investor resident in Alberta;
- (b) In New Brunswick, Ontario, Québec and Saskatchewan deliver the Annual Disclosure to the securities regulatory authority and make it reasonably available to each Bond Investor resident in New Brunswick, Ontario, Québec and Saskatchewan;
- (c) In Nova Scotia, make the Annual Disclosure reasonably available to each Bond Investor resident in Nova Scotia;
- (d) In Alberta, New Brunswick, Ontario, Québec and Saskatchewan, if the Corporation decides to change its financial year end by more than 14 days, it must deliver to the securities regulatory authority and make reasonably available to each Bond Investor resident in Alberta, New Brunswick, Ontario, Québec and Saskatchewan a notice in required form providing details for the change of financial year end;
- (e) In Nova Scotia, if the Corporation decides to change its financial year end by more than 14 days, it must make reasonably available to each Bond Investor resident in Nova Scotia a notice in required form providing details for the change of financial year end; and
- (f) In New Brunswick, Nova Scotia and Ontario, the Corporation must make reasonably available to each Bond Investor resident in New Brunswick, Nova Scotia and Ontario a notice of each of the following events, in required form, within 10 days of the occurrence of the event:
  - (i) a discontinuation of the Corporation’s business;
  - (ii) a change in the Corporation’s industry; or
  - (iii) a change of control of the Corporation.

**9.2** Information about the Corporation is available on the Corporation’s profile on the System for Electronic Document Analysis and Retrieval (“SEDAR”) which can be accessed at [www.sedar.com](http://www.sedar.com).

## Item 10: Resale Restrictions

**10.1 General Statement** - For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Québec and Saskatchewan these securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

**10.2 Restricted Period** - For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Québec and Saskatchewan, unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the date the Corporation becomes a reporting issuer in any province or territory of Canada. It is not intended that the Corporation will become a reporting issuer in any jurisdiction.

**10.3 Manitoba Resale Restrictions** - For trades in Manitoba, unless permitted under securities legislation, you must not trade the securities without the prior written consent of the regulator in Manitoba unless:

- (a) the 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.

## Item 11: Purchasers' Rights

All OM marketing materials (as such term is defined in National Instrument 45-106 – *Prospectus Exemptions*) related to any distribution under this Offering Memorandum and delivered or made reasonably available to a prospective Bond Investor are incorporated by reference into this Offering Memorandum.

If you purchase these securities you will have certain rights, some of which are described below. These rights may not be available to you if you purchase the Bonds pursuant to an exemption from the prospectus requirements other than the OM Exemption. For information about your rights you should consult a lawyer.

**(1) Two Day Cancellation Right** - You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the securities.

**(2) Statutory Rights of Action in the Event of a Misrepresentation** - Purchasers in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Québec and Saskatchewan, if there is a misrepresentation in this offering memorandum, you have a statutory right to sue:

- (a) the Corporation to cancel your agreement to buy these securities, or
- (b) for damages against the Corporation.

In addition, in all of the above provinces (except for Ontario), you also have a statutory right to sue for damages against every director of the Corporation at the date of this Offering Memorandum and every person who signed this Offering Memorandum.

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

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the 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 (i) 180 days (other than in Saskatchewan and New Brunswick, in which the period is one year and other than Québec, in which the period is three years) from the day that you first had knowledge of the misrepresentation, or (ii) three years (other than in Saskatchewan and New Brunswick, in which the period is six years, other than in Québec, in which the period is the earlier of three (3) years after you first had knowledge of the facts giving rise to the cause of action and five (5) years after the execution of the subscription agreement, and other than in Manitoba, in which the period is two years) after the date of the transaction that gave rise to the cause of action.

In addition to, and not detracting from, any other rights of the Bond Investor under applicable securities laws, Bond Investors shall have a contractual right of action against the Corporation for recession or damages that:

- (a) is available to a Bond Investor who purchases a Bond under this Offering Memorandum during the period of this Offering, if the Offering Memorandum, or any information or documents incorporated or deemed to be incorporated by reference into this Offering Memorandum, contains a misrepresentation, without regard to whether the Bond Investor relied on the misrepresentation,
- (b) is enforceable by the Bond Investor delivering notice to the Corporation:
  - (i) in the case of an action for rescission, within 180 days after the date of the transaction that gave rise to the cause of action, or
  - (ii) in the case of an action for damages, before the earlier of
    - A. 180 days after the Bond Investor first had knowledge of the facts giving rise to the cause of action, or
    - B. three years after the date the Bond Investor signs the agreement to purchase the Bond,
- (c) is subject to the defence that the Bond Investor had knowledge of the misrepresentation,
- (d) in the case of an action for damages, the amount recoverable:
  - (i) must not exceed the price at which the Bond was purchased, and
  - (ii) does not include all or any part of the damages that the Corporation proves does not represent the depreciation in value of the Bond resulting from the misrepresentation.

**Your rights are described in greater detail in Appendix A of this Offering Memorandum.**

## **Item 12: Financial Statements**

The financial statements of the Corporation are set out below.

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**STEWARDS CANADA**  
**FINANCIAL STATEMENTS**  
June 30, 2023

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- Page 1-2. Independent Auditor's Report
3. Statement of Financial Position
4. Statement of Comprehensive Income and Changes in Net Assets
5. Statement of Cash Flows
- 6-11. Notes to Financial Statements

## INDEPENDENT AUDITOR'S REPORT

To the Board Members  
Stewards Canada  
BRAMPTON  
Ontario

### *Opinion*

We have audited the accompanying financial statements of Stewards Canada which comprise the statement of financial position as at June 30, 2023 and the statement of comprehensive income and changes in net assets, and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at June 30, 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 entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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 these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity'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 entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity'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.

- 1 -

JOHN C. KARRAM, CPA  
PAULA A. SIMPSON, CPA  
PAUL W. McMULLEN, CPA

MARK D. POTTER, CPA  
MICHAEL J. McNEILL, CPA  
PETER A. SIMPSON, CPA

MARC F. CERNELE, CPA  
ANTHONY G. DIJBERTO, CPA  
JENNIFER A. STALEY, CPA

**NORTON McMULLEN LLP**

ONE VALLEYWOOD DRIVE SUITE 200 MARKHAM ONTARIO L3R 5L9 T 905-479-7001 F 905-479-0045

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 entity'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 entity'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 entity 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.

*Norton McMullen LLP*

NORTON McMULLEN LLP

Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada

September 22, 2023

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**STEWARDS CANADA**  
**STATEMENT OF FINANCIAL POSITION**

As at June 30,	2023	2022
<b>ASSETS</b>		
<b>Current</b>		
Cash and guaranteed investment certificates	\$ 1,503,333	\$ 1,654,908
Short-term investments (Note 2)	17,151,454	24,435,831
Accrued interest receivable	39,587	20,948
Prepaid expenses	2,604	7,615
HST recoverable	37,036	29,072
Current portion of mortgages receivable (Notes 3 and 7)	<u>225,613</u>	<u>210,787</u>
	\$ 18,959,627	\$ 26,359,161
Equipment (Note 4)	-	2,380
Mortgages Receivable (Notes 3 and 7)	<u>8,583,948</u>	<u>4,581,202</u>
	<u>\$ 27,543,575</u>	<u>\$ 30,942,743</u>

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**LIABILITIES**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 26,061	\$ 27,318
Current portion of callable debt (Note 5)	<u>2,668,813</u>	<u>2,824,748</u>
Current liabilities before callable debt	\$ 2,694,874	\$ 2,852,066
Callable debt (Note 5)	<u>21,094,389</u>	<u>25,931,766</u>
	\$ 23,789,263	\$ 28,783,832
<b>NET ASSETS</b>	<u>3,754,312</u>	<u>2,158,911</u>
	<u>\$ 27,543,575</u>	<u>\$ 30,942,743</u>

Commitments (Note 6)

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## STEWARDS CANADA

### STATEMENT OF COMPREHENSIVE INCOME AND CHANGES IN NET ASSETS

For the year ended June 30,

2023

2022

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#### INCOME

Investment income	\$ 2,561,688	\$ -
Interest on mortgages	296,840	347,796
Contributions	81,708	-
	<u>\$ 2,940,236</u>	<u>\$ 347,796</u>

#### EXPENSES

Interest on bonds	\$ 854,088	\$ 912,083
Loan loss provision	170,527	6,020
Salaries and management fees	105,699	102,628
Legal	97,810	80,517
Audit and accounting	30,558	29,492
Rent and storage	26,312	26,531
Advertising and website	15,856	12,764
Office supplies and postage	14,306	12,877
Insurance	10,390	11,222
Computer	6,623	5,493
Telephone and fax	5,230	3,695
Bank charges	5,030	4,300
Amortization	2,380	2,380
Travel	26	-
Investment loss	-	2,553,082
	<u>\$ 1,344,835</u>	<u>\$ 3,763,084</u>

#### COMPREHENSIVE NET INCOME (LOSS)

\$ 1,595,401 \$ (3,415,288)

#### NET ASSETS - Beginning

2,158,911 5,574,199

#### NET ASSETS - Ending

\$ 3,754,312 \$ 2,158,911

See accompanying notes

- 4 -

**STEWARDS CANADA**  
**STATEMENT OF CASH FLOWS**

For the year ended June 30,

2023

2022

**CASH AND CASH EQUIVALENTS WERE PROVIDED BY (USED IN):**

**OPERATING ACTIVITIES**

Comprehensive net income (loss)	\$ 1,595,401	\$ (3,415,288)
Items not affecting cash:		
Loan loss provision	170,527	6,020
Amortization	2,380	2,380
	<u>\$ 1,768,308</u>	<u>\$ (3,406,888)</u>
Net change in non-cash working capital balances:		
Accrued interest receivable	(18,639)	24,794
HST recoverable	(7,964)	(1,223)
Prepaid expenses	5,011	(324)
Other receivables	-	3,730
Accounts payable and accrued liabilities	(1,257)	(10,349)
	<u>\$ 1,745,459</u>	<u>\$ (3,390,260)</u>

**INVESTING ACTIVITIES**

Mortgages - advances	\$ (6,432,741)	\$ (1,965,000)
Mortgages - transfers to RRIF & RRSP funds	2,049,389	7,081,342
Mortgages - repayments	195,253	860,048
	<u>\$ (4,188,099)</u>	<u>\$ 5,976,390</u>

**FINANCING ACTIVITIES**

Issuance of bonds	\$ 2,227,863	\$ 2,023,389
Redemption of bonds	(7,221,175)	(2,834,227)
	<u>\$ (4,993,312)</u>	<u>\$ (810,838)</u>

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

\$ (7,435,952) \$ 1,775,292

**CASH AND CASH EQUIVALENTS - Beginning**

26,090,739 24,315,447

**CASH AND CASH EQUIVALENTS - Ending**

\$ 18,654,787 \$ 26,090,739

**CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:**

Cash and guaranteed investment certificates	\$ 1,503,333	\$ 1,654,908
Short-term investments	17,151,454	24,435,831
	<u>\$ 18,654,787</u>	<u>\$ 26,090,739</u>

See accompanying notes

- 5 -

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**STEWARDS CANADA**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2023

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**NATURE OF OPERATIONS**

Stewards Canada (the "Organization") is incorporated as a not-for-profit organization under the Ontario Corporations Act and is a registered charity under the Income Tax Act. Stewards Canada is dedicated to glorify God by providing financial assistance and consulting services for property acquisitions, building construction and improvements to Christian registered charitable organizations, including churches, camps and schools. All of these activities are carried out in Canada.

The address of the Organization's registered office is 202-30 Intermodal Drive, Brampton, Ontario L6T 5K1.

The Board of Directors approved these financial statements on September XX, 2023.

**1. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB").

These financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit or loss ("FVTPL") which are presented at fair value.

The financial statements include the following significant accounting policies:

**a) Use of Estimates and Assumptions**

The preparation of financial statements in accordance with IFRS requires management to use accounting estimates. It also requires management to exercise its judgment in the process of applying the Organization's accounting policies. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively. Significant estimates include the estimated useful life of equipment, determination of the allowance for loan losses, and the calculated current portion of callable debt (bonds payable).

**b) Foreign Currency Translation**

Foreign currency transactions are translated at the rate in effect when the transactions occur. Monetary assets and liabilities denominated in a foreign currency have been translated at the rate in effect at the end of the year.

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# STEWARDS CANADA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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### 1. SIGNIFICANT ACCOUNTING POLICIES - Continued

#### c) Investments

Investments are classified as held-for-trading and stated at the lower of cost or fair market value. The change in the difference between the fair value and the cost of investments at the beginning and end of each year is reflected in the statement of comprehensive income and changes in net assets. Transaction costs that are directly attributable to the acquisition of investments are not considered significant and are expensed when paid.

#### d) Investment Transactions and Revenue Recognition

The interest income shown on the statement of comprehensive income represents the mortgage interest received by the Organization accounted for on an accrual basis.

The Organization follows the deferred method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

#### e) Cash and Cash Equivalents

Cash and cash equivalents consist of bank balances, government and corporate bonds, and equities. Short-term investments are stated at the lower of cost or fair market value.

#### f) Equipment

Equipment is recorded at cost. Amortization is provided over the estimated useful life of the assets being three years using the straight-line method.

#### g) Financial Instruments - Classification

Interest receivable, fixed income investments, and mortgages receivable are classified as financial assets and initially measured at fair value and subsequently measured at amortized cost and recorded at cost or amortized cost. Accounts payable and accrued liabilities, and callable debt are designated as financial liabilities and reported at amortized cost. Investments in equities are initially and subsequently measured at fair value.

**STEWARDS CANADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**2. SHORT-TERM INVESTMENTS**

Short-term investments consist of the following:

	2023	2022
Fixed income	\$ 8,388,888	\$ 11,450,836
International equities	<u>8,762,566</u>	<u>12,984,995</u>
	<u>\$ 17,151,454</u>	<u>\$ 24,435,831</u>

**3. MORTGAGES RECEIVABLE**

Mortgages receivable consist of the following:

	2023	2022
Balance - Beginning	\$ 4,791,989	\$ 10,768,379
Advanced during the year	6,432,741	1,965,000
Repaid during the year	(195,253)	(860,048)
Loss provision	(170,527)	-
Transferred during the year	<u>(2,049,389)</u>	<u>(7,081,342)</u>
Balance - Ending	\$ 8,809,561	\$ 4,791,989
Less: Current portion	<u>225,613</u>	<u>210,787</u>
	<u>\$ 8,583,948</u>	<u>\$ 4,581,202</u>

The Organization holds open first mortgages on church properties at interest rates varying from 5.0% to 6.75%, repayable in blended monthly installments over 12-25 year amortization periods, renewable every five years.

**4. EQUIPMENT**

Equipment consists of the following:

	2023			2022
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Furniture and fixtures	\$ 7,783	\$ 7,783	\$ -	\$ -
Computer equipment	<u>26,938</u>	<u>26,938</u>	<u>-</u>	<u>2,380</u>
	<u>\$ 34,721</u>	<u>\$ 34,721</u>	<u>\$ -</u>	<u>\$ 2,380</u>

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**STEWARDS CANADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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**5. CALLABLE DEBT**

Callable debt consists of variable rate demand bonds. The change in callable debt is as follows:

	2023	2022
Balance - Beginning	\$ 28,756,514	29,567,352
Bonds issued during the year	2,227,863	2,023,389
Bonds redeemed during the year	<u>(7,221,175)</u>	<u>(2,834,227)</u>
Balance - Ending	\$ 23,763,202	\$ 28,756,514
Less: Current portion	<u>2,668,813</u>	<u>2,824,748</u>
	<u>\$ 21,094,389</u>	<u>\$ 25,931,766</u>

The Organization finances mortgages mainly by securing variable rate demand bonds, bearing interest at 3% from July 1, 2022 to December 31, 2022 and at 3.25% from January 1, 2023 to June 30, 2023. Bond rates are set January 1st and July 1st of each year. Bond holders may demand repayment at any time. Upon such demand, the Organization has 30 days to repay the outstanding amount subject to the understanding by both parties that repayment is contingent on having sufficient liquid funds available without requiring significant refinancing of the mortgages on church properties.

**6. COMMITMENTS**

The Organization has entered into two operating leases with expiry dates in 2024. Future minimum annual rental payments (excluding property taxes, maintenance, and insurance) for the next year is as follows:

2024	<u>\$ 17,640</u>
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**STEWARDS CANADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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**7. RELATED PARTY BALANCES AND TRANSACTIONS**

Related parties consist of the following:

Stewards Canada - RRSP Fund	Related by virtue of common control
Stewards Canada - TFSA Fund	Related by virtue of common control
Stewards Canada - RRIF Fund	Related by virtue of common control

Related party transactions are recorded at the exchange amount which in the amount of

The Fund transfers between its related parties consist as following:

	2023	2022
Mortgages transferred from the Bond Fund to RRSP Fund	\$ 1,236,648	\$ 6,666,342
Mortgages transferred from the Bond Fund to RRIF Fund	<u>812,741</u>	<u>415,000</u>
	<u>\$ 2,049,389</u>	<u>\$ 7,081,342</u>

**8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Organization is exposed to various risks through financial instruments. The following analysis provides a measure of the risk exposure and concentrations at June 30, 2023:

**a) Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk on mortgages receivables. The risk is limited to the balance on the statement of financial position. The risk is mitigated by the Organization following a policy that limits the amount of the investment to a maximum of seventy five percent of the appraised value of the underlying assets. As of the date of the Auditor's report none of mortgages receivable were in default.

**b) Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to risk mainly in respect to of its accounts payable and accrued liabilities, and callable debt. These risks are mitigated by the nature of the investments, which are in interest bearing mortgages receivable, repayable in blended monthly amounts of principal and interest, to meet the current cash requirements and the Organization's ability to sell a mortgage to another Organization managed by Stewards Canada.

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# STEWARDS CANADA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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### 8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - Continued

#### c) Market Risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of risk - currency risk, interest rate risk, and other price risk. The Organization is exposed to market risk as follows:

##### i) Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization maintains its investments in fixed income and equity instruments and as a result is subject to price risk associated with the fluctuations in the market price for these investments. Based on the Organization's risk tolerance, an asset allocation model was developed and implemented for investments. As at June 30, 2023, fixed income and investments in equity instruments total \$17,151,454 (2022 - \$24,435,831). The exposure to this risk fluctuates as the Organization's investments change from year to year.

##### ii) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization's functional currency is the Canadian Dollar. The value of investments denominated in a currency other than the Canadian dollar will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated. The Organization manages this risk by limiting concentration levels. As at June 30, 2023, investments in the amounts of \$8,762,566 (2022 - \$12,984,995) are denominated in foreign currencies and have been converted into equivalent Canadian dollars at the exchange rate in effect at the year end. The exposure to this risk changes as the transaction and balance amounts change and as the exchange rate fluctuates.

##### iii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As described in Notes 3 and 5, the Company is exposed to interest rate risk with respect to its mortgages receivable and callable debt. The Company does not currently hold any financial instruments to mitigate this risk. The exposure to this risk fluctuates as the debt and related interest rates change from year to year.



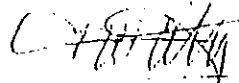
Item 13: Date and Certificate

Dated December 18th, 2023.

This Offering Memorandum does not contain a misrepresentation.



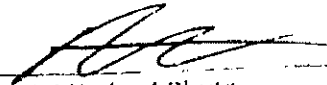
Jay Giametsall, Executive Director



Tony Creney, Director



David DiMareo, Director



Mark Vanderpol, Director

**APPENDIX A**  
**Statutory Rights of Action in the Event of a Misrepresentation**

Where used below, “**Misrepresentation**” means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities legislation.

**Alberta**

Section 204 of the *Securities Act* (Alberta) provides that if an offering memorandum (such as this Offering Memorandum) contains a Misrepresentation, a purchaser who purchases a security offered by the Offering Memorandum is deemed to have relied on the representation, if it was a Misrepresentation at the time of the purchase, and has a right of action (a) for damages against (i) the issuer, (ii) every director of the issuer at the date of the Offering Memorandum, and (iii) every person or company who signed the Offering Memorandum, and (b) for rescission against the issuer, provided that:

- (a) if the purchaser elects to exercise its right of rescission, it shall cease to have a right of action for damages against the person or company referred to above;
- (b) no person or company referred to above will be liable if it proves that the purchaser had knowledge of the Misrepresentation;
- (c) no person or company (other than the issuer) referred to above will be liable if it proves that the Offering Memorandum was sent to the purchaser without the person’s or company’s knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the knowledge and consent of the person or company;
- (d) no person or company (other than the issuer) referred to above will be liable if it proves that the person or company, on becoming aware of the Misrepresentation in the Offering Memorandum, withdrew the person’s or company’s consent to the Offering Memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it;
- (e) no person or company (other than the issuer) referred to above will be liable if, with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that:
  - (i) there had been a Misrepresentation; or
  - (ii) the relevant part of the Offering Memorandum
    - (A) did not fairly represent the report, opinion or statement of the expert, or
    - (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert;

- (f) the person or company (other than the issuer) will not be liable with respect to any part of the Offering Memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company
  - (iii) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation, or
  - (iv) believed there had been a Misrepresentation;
- (g) in no case shall the amount recoverable exceed the price at which the Bonds were offered under the Offering Memorandum; and
- (h) the defendant will not be liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the Misrepresentation;

Section 211 of the *Securities Act* (Alberta) provides that no action may be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days from the day of the transaction that gave rise to the cause of action, or
- (b) in the case of any action, other than an action for rescission, the earlier of
  - (i) 180 days from the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or
  - (ii) three years from the day of the transaction that gave rise to the cause of action.

The foregoing summary is subject to the express provisions of the securities legislation referred to above and the rules, regulations and other instruments thereunder, and reference is made to the complete text of such provisions. Such provisions may contain limitations and statutory defences on which the issuer may rely.

### **British Columbia**

Section 132.1 of the *Securities Act* (British Columbia) provides that where an offering memorandum (such as this Offering Memorandum), which is required to be delivered to a purchaser of a security under section 2.9 of NI 45-106, contains a Misrepresentation, a purchaser who purchases a security offered by the Offering Memorandum is deemed to have relied on the Misrepresentation if it was a Misrepresentation at the time of purchase, and has a right of action for damages against:

- (a) the issuer;
- (b) every director of the issuer at the date of the Offering Memorandum; and
- (c) every person who signed the Offering Memorandum.

The purchaser may elect to exercise a right of rescission against the issuer, in which case the purchaser has no right of action for damages against the issuer.

Such rights of rescission and damages are subject to certain limitations including the following:

- (a) a person will not be liable if the person proves that the purchaser had knowledge of the Misrepresentation;
- (b) a person, other than the issuer, will not be liable if the person proves that:
  - (i) the Offering Memorandum was delivered to purchasers without the person's knowledge or consent and that, on becoming aware of its delivery, the person gave written notice to the issuer that it was delivered without the person's knowledge or consent;
  - (ii) on becoming aware of any Misrepresentation in the Offering Memorandum, the person withdrew the person's consent to the Offering Memorandum and gave written notice to the issuer of the withdrawal and the reason for it; or
  - (iii) with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert, or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person had no reasonable grounds to believe and did not believe that there had been a Misrepresentation, or the relevant part of the Offering Memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.
- (c) a person, other than the issuer, will not be liable if the person proves that any part of the Offering Memorandum not purporting to be made on the authority of an expert, or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, unless the person failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no Misrepresentation, or believed that there had been a Misrepresentation;
- (d) in an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves does not represent the depreciation in value of securities resulting from the Misrepresentation;
- (e) a person is not liable for a Misrepresentation in forward-looking information if the person proves that
  - (i) the Offering Memorandum containing the forward-looking information contained, proximate to that information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
  - (ii) the person had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

Section 140 of the *Securities Act* (British Columbia) provides that an action to enforce a civil remedy must not be commenced:

- (a) in the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of an action other than for rescission, more than the earlier of:
  - (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action; or
  - (ii) three years after the date of the transaction that gave rise to the cause of action.

## **Manitoba**

In Manitoba, Section 141.1 of the *Securities Act* (Manitoba) provides a statutory right of action for damages or rescission to purchasers resident in Manitoba in circumstances where this Offering Memorandum or an amendment hereto contains a Misrepresentation. A purchaser who purchases a security offered by the Offering Memorandum is deemed to have relied on the representation, if it was a Misrepresentation at the time of purchase.

The rights of action for damages or rescission discussed above are in addition to, and without derogation from, any other right or remedy which investors may have at law.

Such a purchaser has a statutory right of action for damages against the issuer, every director of the issuer at the date of the Offering Memorandum and every person or company who signed the Offering Memorandum or, alternatively, while still an owner of the securities purchased by the purchaser, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages. No such action may be commenced to enforce rights:

- (a) in the case of an action for rescission, more than 180 days after the day that the plaintiff received the Offering Memorandum containing the Misrepresentation; or
- (b) in any other case, more than:
  - (i) 180 days after the day that the purchaser first had knowledge of the facts giving rise to the cause of action, or
  - (ii) two years after the day of the transaction that gave rise to the cause of action,
 whichever occurs earlier.

All persons or companies referred to above that are found to be liable or accept liability are jointly and severally liable.

Manitoba's securities legislation provides a number of limitations and defences, including the following:

- (a) no person or company is liable if the person or company proves that the purchaser had knowledge of the Misrepresentation;
- (b) in the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the Misrepresentation; and

- (c) in no case will the amount recoverable in any action exceed the price at which the securities were offered under the Offering Memorandum.

In addition, a person or company, other than the issuer, will not be liable if:

- (a) the person or company proves that the Offering Memorandum was sent to the purchaser without the person's or company's knowledge or consent, and that, after becoming aware that it was sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the person's or company's knowledge and consent;
- (b) the person or company proves that after becoming aware of the Misrepresentation, the person or company withdrew the person's or company's consent to the Offering Memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it;
- (c) with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that (i) there had been a Misrepresentation, or (ii) the relevant part of the Offering Memorandum (A) did not fairly represent the expert's report, opinion or statement, or (B) was not a fair copy of, or an extract from, the expert's report, opinion or statement; or
- (d) with respect to any part of the Offering Memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation, or (ii) believed there had been a Misrepresentation.

If a Misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, the Offering Memorandum, the Misrepresentation is deemed to be contained in the Offering Memorandum.

### **New Brunswick**

Section 2.1 of New Brunswick Securities Commission Rule 45-802 provides that the statutory rights of action in rescission or damages referred to in Section 150 of the *Securities Act* (New Brunswick) apply to information relating to an offering memorandum (such as this Offering Memorandum) that is provided to a purchaser of securities in connection with a distribution made in reliance on the "eligible investor" prospectus exemption in Section 2.9 of NI 45-106. In the event that any information relating to the offering provided to the purchaser contains a Misrepresentation (as defined in the New Brunswick Act), the New Brunswick Act provides that where the Offering Memorandum is delivered to a prospective purchaser of securities in connection with a trade made in reliance on Section 2.9 of NI 45-106, and the Offering Memorandum contains a Misrepresentation a purchaser who purchases securities shall be deemed to have relied on the Misrepresentation if it was a Misrepresentation at the time of purchase and:

- (a) the purchaser has a right of action for damages against
  - (i) the issuer,
  - (ii) the selling security holder on whose behalf the distribution was made;

- (iii) every person who was a director of the issuer at the date of the Offering Memorandum;
  - (iv) every person who signed the Offering Memorandum, or
- (b) if the purchaser purchased the securities from a person referred to in subparagraph (a)(i) or (ii) above, the purchaser may elect to exercise a right of rescission against the person referred to in that subparagraph, in which case the purchaser shall have no right of action for damages against the person.

However, there are various defences available to the issuer and the selling security holder(s). One such defence is that no person will be liable for a Misrepresentation if such person proves that the purchaser purchased the securities with knowledge of the Misrepresentation. Moreover, in an action for damages, the amount recoverable will not exceed the price at which the securities were offered under the Offering Memorandum and any defendant will not be liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the Misrepresentation.

If the purchaser intends to rely on the rights described in (a) or (b) above, such purchaser must do so within strict time limitations. The purchaser must commence an action for rescission within 180 days after the date of the transaction that gave rise to the cause of action. The purchaser must commence its action for damages within the earlier of:

- (a) one year after the purchaser first had knowledge of the facts giving rise to the cause of action; or
- (b) six years after the date of the transaction that gave rise to the cause of action.

#### **Newfoundland and Labrador**

Section 130.1 of the *Securities Act* (Newfoundland and Labrador) provides that where an offering memorandum (such as this Offering Memorandum) contains a Misrepresentation when a person or company purchases a security offered by the Offering Memorandum, a purchaser to whom the Offering Memorandum has been delivered and who purchases securities offered under the Offering Memorandum shall be deemed to have relied upon such Misrepresentation if it was a Misrepresentation at the time of purchase, in which event the purchaser has a right of action:

- (a) for the Corporation to rescind the subscription agreement; or
- (b) for damages against the Corporation, every person who is a director of the Corporation at the date of the Offering Memorandum and every person who signed said Offering Memorandum.

However, there are various defences available to the persons or companies that the purchaser has a right to sue. In particular, they have a defence if they prove the purchaser had knowledge of the Misrepresentation when the purchaser purchased the Bond. Additionally, if the purchaser elects to exercise a right of rescission against the Corporation, the purchaser will have no right of action against the persons described in (b) above. In an action for damages, the amount recoverable under the right of action shall not exceed the purchase price at which the security was offered under the Offering Memorandum.

In addition no person or company, other than the issuer, is liable if:

- (a) the person or company proves that the Offering Memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company promptly gave reasonable notice to the issuer that it was sent without the person's or company's knowledge or consent;
- (b) the person or company proves that on becoming aware of any Misrepresentation in the Offering Memorandum, the person or company withdrew the person's or company's consent to the Offering Memorandum, and gave reasonable notice to the issuer of the withdrawal and the reason for it;
- (c) with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert (or purporting to be a copy of or an extract from a report, opinion or statement of an expert), the person or company proves they had no reasonable grounds to believe and did not believe that there had been a Misrepresentation or the relevant part of the Offering Memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert; or
- (d) with respect to any part of the Offering Memorandum not purporting to be made on the authority of an expert (and not purporting to be a copy of or an extract from a report, opinion or statement of an expert), unless the person or company did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation, or believed there had been a Misrepresentation.

If a Misrepresentation is contained in a record incorporated by reference in, or deemed incorporated into the Offering Memorandum, the Misrepresentation is deemed to be contained in the Offering Memorandum.

Pursuant to section 138 of the *Securities Act* (Newfoundland and Labrador), if the purchaser intends to rely on the rights described in (a) or (b) above, the purchaser must do so within strict time limitations. The purchaser must commence his or her action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. In the case of any other action, the purchaser must commence his or her action by the earlier of: (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action; or (ii) three years after the date of the transaction that gave rise to the cause of action.

### **Nova Scotia**

The right of action for damages or rescission described herein is conferred by section 138 of the *Securities Act* (Nova Scotia). Section 138 of the *Securities Act* (Nova Scotia) provides, in relevant part, that in the event that an offering memorandum (such as this Offering Memorandum), together with any amendment thereto, or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)) contains a Misrepresentation, the purchaser will be deemed to have relied upon such Misrepresentation if it was a Misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the issuer and, subject to certain additional defences, every director of the issuer at the date of the Offering Memorandum and every person who signed the Offering Memorandum or, alternatively, while still the owner of the securities purchased by the purchaser, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer, directors of the issuer or persons who have signed the Offering Memorandum, provided that, among other limitations:



- (a) no action shall be commenced to enforce the right of action for rescission or damages by a purchaser resident in Nova Scotia later than 120 days after the date on which the initial payment was made for the securities;
- (b) no person will be liable if it proves that the purchaser purchased the securities with knowledge of the Misrepresentation;
- (c) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and
- (d) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

- (a) the Offering Memorandum or amendment to the Offering Memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;
- (b) after delivery of the Offering Memorandum or amendment to the Offering Memorandum and before the purchase of the securities by the purchaser, on becoming aware of any Misrepresentation in the Offering Memorandum or amendment to the Offering Memorandum the person or company withdrew the person's or company's consent to the Offering Memorandum or amendment to the Offering Memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or
- (c) with respect to any part of the Offering Memorandum or amendment to the Offering Memorandum purporting (a) to be made on the authority of an expert, or (b) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (i) there had been a Misrepresentation, or (ii) the relevant part of the Offering Memorandum or amendment to the Offering Memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Further, no person or company, other than the issuer, will be liable with respect to any part of the Offering Memorandum or amendment to the Offering Memorandum not purporting (a) to be made on the authority of an expert, or (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company: (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no Misrepresentation, or (ii) believed that there had been a Misrepresentation.

If a Misrepresentation is contained in a record incorporated by reference into, or deemed incorporated by reference into, the Offering Memorandum or amendment to the Offering Memorandum, the Misrepresentation is deemed to be contained in the Offering Memorandum or an amendment to the Offering Memorandum.

## Ontario

Section 130.1 of the *Securities Act* (Ontario) provides that every purchaser of Bonds pursuant to an offering memorandum (such as this Offering Memorandum) shall have a statutory right of action for damages or rescission against the issuer in the event that the Offering Memorandum contains a Misrepresentation. A purchaser who purchases Bonds offered by the Offering Memorandum during the period of distribution has, without regard to whether the purchaser relied upon the Misrepresentation, a right of action for damages or, alternatively, while still the owner of the Bonds, for rescission against the issuer provided that:

- (a) if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages as against the issuer;
- (b) the issuer will not be liable if they prove that the purchaser purchased the Bonds with knowledge of the Misrepresentation;
- (c) the issuer will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the Bonds as a result of the Misrepresentation relied upon; and
- (d) in no case shall the amount recoverable exceed the price at which the Bonds were offered.

Section 138 of the *Securities Act* (Ontario) provides that no action shall be commenced to enforce these rights more than:

- (e) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (f) in the case of an action for damages, the earlier of:
  - (i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or
  - (ii) three years after the date of the transaction that gave rise to the cause of action.

This Offering Memorandum is also being delivered to Ontario investors in reliance on the exemption from the prospectus requirements contained under section 2.9 of NI 45-106 (the “**offering memorandum exemption**”), and is also being delivered to such investors in reliance on the exemption from the prospectus requirements contained under section 2.3 of NI 45-106 (the “**accredited investor exemption**”). The rights referred to in section 130.1 of the *Securities Act* (Ontario) do not apply in respect of an offering memorandum (such as this Offering Memorandum) delivered to a prospective investor in connection with a distribution made in reliance on the accredited investor exemption if the prospective investor is:

- (a) a Canadian financial institution or a Schedule III bank (each as defined in NI 45-106)
- (b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or
- (c) a subsidiary of any person referred to in paragraphs (a) and (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

## Québec

If the purchaser is a resident of Québec, and there is a Misrepresentation in an offering memorandum (such as this Offering Memorandum), the purchaser has a statutory right to:

- (a) apply to have the subscription agreement rescinded, without prejudice to your claim for damages in the case of rescission;
- (b) sue for damages against the Corporation, against the officers or directors of the Corporation or against the dealer under contract to the Corporation whose Bonds were distributed; or
- (c) sue for damages against the expert whose opinion containing the Misrepresentation appeared, with his consent, in the Offering Memorandum and any person who is required to sign an attestation in this Offering Memorandum.

This right of action is subject to the following limitations:

- (a) no person or company will be liable if it proves that the subscriber acquired the securities with knowledge of the Misrepresentation;
- (b) in the case of an action for damages, the officers or directors of the Company or the dealer under contract with the Company will not be liable if they acted with prudence and diligence; and
- (c) a defendant may defeat an action based on a Misrepresentation in forward-looking information by proving that:
  - (i) the document containing the forward-looking information contained, proximate to that information,
    - A. reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information; and
    - B. a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection; and
  - (ii) the defendant had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information.

If the purchaser intends to rely on the rights described in (a) or (b) above, the purchaser must do so within strict time limitations. The purchaser must commence the purchaser's action to cancel the agreement within three (3) years of the date the purchaser signed the Subscription Agreement or Risk Acknowledgement Form. The purchaser must commence the purchaser's action for damages within the earlier of three (3) years after the purchaser first had knowledge of the facts giving rise to the cause of action and five (5) years after the signature of the subscription agreement.

The rights of action for damages or rescission discussed above are in addition to, and without derogation from, any other right or remedy which purchasers may have at law.

Legislation has been adopted in Québec, but is not yet in force, that will provide purchasers of Securities with a statutory right to sue (if proclaimed in force). Until such time as this legislation is in force, in addition to any other right or remedy available to purchasers of Securities under ordinary civil liability rules, purchasers are granted the same rights of action for damages or rescission as purchasers in Ontario. If and when this legislation is in force, then purchasers of Securities residing in the province of Québec will no longer have the rights granted to purchasers in Ontario and other rights may apply at that time.

### **Saskatchewan**

Section 138 of *The Securities Act, 1988* (Saskatchewan), as amended (the “**Saskatchewan Act**”) provides that where an offering memorandum (such as this Offering Memorandum) or any amendment to it is sent or delivered to a purchaser and it contains a Misrepresentation (as defined in the Saskatchewan Act), a purchaser who purchases a Bond covered by the Offering Memorandum or any amendment to it is deemed to have relied upon that Misrepresentation, if it was a Misrepresentation at the time of purchase, and has a right of action for rescission against the issuer or has a right of action for damages against:

- (a) the issuer;
- (b) every promoter and director of the issuer at the time the Offering Memorandum or any amendment to it was sent or delivered;
- (c) 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;
- (d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the Offering Memorandum or the amendment to the Offering Memorandum; and
- (e) every person who or company that sells Bonds on behalf of the issuer under the Offering Memorandum or amendment to the Offering Memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

- (a) if the purchaser elects to exercise its right of rescission against the issuer it shall have no right of action for damages against that party;
- (b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the Bonds resulting from the Misrepresentation relied on;
- (c) no person or company, other than the issuer, will be liable for any part of the Offering Memorandum or any amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation or believed that there had been a Misrepresentation;
- (d) in no case shall the amount recoverable exceed the price at which the Bonds were offered; and

- (e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the Bonds with knowledge of the Misrepresentation.

In addition, no person or company, other than the issuer, will be liable if the person or company proves that:

- (a) the Offering Memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered; or
- (b) with respect to any part of the Offering Memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a Misrepresentation, the part of the Offering Memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Not all defences upon which we or others may rely are described herein. Please refer to the full text of the Saskatchewan Act for a complete listing.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a Misrepresentation in advertising and sales literature disseminated in connection with an offering of Bonds.

Section 138.2 of the Saskatchewan Act also provides that where an individual makes a verbal statement to a prospective purchaser that contains a Misrepresentation relating to the Bonds purchased and the verbal statement is made either before or contemporaneously with the purchase of the Bonds, the purchaser is deemed to have relied on the Misrepresentation, if it was a Misrepresentation at the time of purchase, and has a right of action for damages against the individual who made the verbal statement.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the Bonds if the Bonds are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Saskatchewan Financial Services Commission.

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of Bonds to whom the Offering Memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the Bonds, as required by Section 80.1 of the Saskatchewan Act.

The rights of action for damages or rescission under the Saskatchewan Act are in addition to and do not derogate from any other right which a purchaser may have at law.

Section 147 of the Saskatchewan Act provides that no action shall be commenced to enforce any of the foregoing rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

- (b) in the case of any other action, other than an action for rescission, the earlier of:
  - (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or
  - (ii) six years after the date of the transaction that gave rise to the cause of action.

The Saskatchewan Act also provides a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act has a right to withdraw from the agreement to purchase the Bonds by delivering a notice to the person who or company that is selling the Bonds, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended offering memorandum.

### Nunavut

Section 112 of the *Securities Act* (Nunavut) provides that if an offering memorandum (such as this Offering Memorandum) contains a Misrepresentation, a purchaser who purchases a security offered by the Offering Memorandum is deemed to have relied on the representation, if it was a Misrepresentation at the time of the purchase, and has a right of action (a) for damages against (i) the issuer, (ii) every director of the issuer at the date of the Offering Memorandum, and (iii) every person or company who signed the Offering Memorandum, and (b) for rescission against the issuer, provided that:

- (a) if the purchaser elects to exercise its right of rescission, it shall cease to have a right of action for damages against the person or company referred to above;
- (b) no person or company referred to above will be liable if it proves that the purchaser had knowledge of the Misrepresentation;
- (c) no person or company (other than the issuer) referred to above will be liable if it proves that the Offering Memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the knowledge and consent of the person or company;
- (d) no person or company (other than the issuer) referred to above will be liable if it proves that the person or company, on becoming aware of the Misrepresentation in the Offering Memorandum, withdrew the person's or company's consent to the Offering Memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it;
- (e) no person or company (other than the issuer) referred to above will be liable if, with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that:
  - (iii) there had been a Misrepresentation; or
  - (iv) the relevant part of the Offering Memorandum

- (A) did not fairly represent the report, opinion or statement of the expert, or
  - (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert;
- (f) the person or company (other than the issuer) will not be liable with respect to any part of the Offering Memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation, or
  - (v) believed there had been a Misrepresentation;
- (g) A person will not liable with respect to a Misrepresentation in this Offering Memorandum in forward-looking information if:
  - (i) the Offering Memorandum containing the forward-looking information also contains, proximate to the forward-looking information,
    - (A) reasonable cautionary language identifying the forward-looking information as such and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and
    - (B) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
  - (ii) the person had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information.
- (h) in no case shall the amount recoverable exceed the price at which the Bonds were offered under the Offering Memorandum; and
- (i) the defendant will not be liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the Misrepresentation;

Section 121 of the *Securities Act* (Nunavut) provides that no action may be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days from the day of the transaction that gave rise to the cause of action, or
- (b) in the case of any action, other than an action for rescission, the earlier of
  - (i) 180 days from the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or
  - (ii) three years from the day of the transaction that gave rise to the cause of action.