

## **AXION CAPITAL CORP.**

### **INFORMATION BOOKLET**

**February 21, 2025**

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#### **1. THE CORPORATION**

AXION CAPITAL CORP. (the "Corporation") was incorporated under the Business Corporations Act (British Columbia) on July 3, 2018. The registered and records office of the Corporation is located at 6345 – 197 Street, Langley, B.C. V2Y 1K8. The head office of the Corporation is located at **#205 - 3211 152nd Street, Surrey, B.C., V3S 3H2.**

The Corporation provides its shareholders with the opportunity to participate in a professionally managed and diversified portfolio of residential and other mortgage loans secured by real property located within British Columbia. The Corporation distributes all of its profits to shareholders by way of quarterly dividends in cash or in shares of the Corporation and is not taxed on its earnings.

## **2. THE BUSINESS**

The Corporation carries on business as a mortgage investment company, as that term is defined in section 130.1 of the Income Tax Act (Canada). The Corporation will be in the business of lending money to builders, developers and owners of residential, commercial and industrial real estate located in British Columbia. The security for these loans will be mortgages registered against specific parcels of real estate allowing the Corporation to be a secured creditor of these mortgagors.

The Corporation intends to conduct business initially in the province of British Columbia. The Corporation may expand its business into other provinces, and if so the Corporation will apply, if necessary, to become registered in other provinces of Canada.

The business of the Corporation is restricted as follows:

- (a) Its activities are passive and of an investment nature;
- (b) Its only undertaking is the investing of funds in residential and commercial mortgages;
- (c) It does not invest its funds in real property or leasehold interests situate outside Canada;
- (d) It does not invest its funds in debts of non-residents, except those secured on Canadian real property;
- (e) It does not invest its funds in shares of non-resident corporations;
- (f) At least 50% of the cost amount of all of its property consists of bank deposits or debts secured on Canadian homes or housing projects;
- (g) No more than 25% of the cost amount of all of its properties may consist of real property or leasehold interests herein unless acquired through foreclosure;
- (h) It will restrict its net leveraging to ½ to 1/1;
- (i) in order to qualify as a mortgage investment corporation under the Income Tax Act (Canada) the Corporation will ensure that no one shareholder or family of a Shareholder of the Corporation may own, directly or indirectly, at any time more than 25% of the issued and outstanding shares of any class of the Corporation; and
- (j) if the Corporation permits investment by registered plans such as Registered Retirement Savings Plans and/or Tax Free Savings Plans, then the requirements of the Income Tax Act will be met and in

such case no one shareholder or family of a Shareholder of the Corporation may own, directly or indirectly, at any time more than 10% of the issued and outstanding shares of any class of the Corporation; and

(k) there must be, at minimum, twenty (20) non related shareholders of the Corporation during each year of its continuance

(l) shareholders may be individuals, corporations or partnerships and if so determined by the directors, may be registered plans.

A mortgage investment corporation is allowed to deduct dividends within the year earned or within ninety (90) days from the end of the year as specified in the Income Tax Act (Canada). As a result, it is not anticipated that the Corporation will be paying any income taxes.

### **3. ADMINISTRATION/MANAGEMENT AGREEMENT**

The Corporation has entered into a Management Agreement dated **September 15, 2019** with AXION INVESTMENTS INC. (hereinafter referred to as "Management") under which Management manages the business of the Corporation in consideration for a fee as described herein (the "Agreement"). The Agreement's term has no fixed expiry date.

Under the Agreement Management is required to:

- (a) make or purchase, process and administer mortgage loans on behalf of the Corporation within investment parameters from time to time approved by the Corporation;
- (b) provide administrative services as required by the Corporation;
- (c) provide monthly reports on the operations of the Corporation to the directors of the Corporation;
- (d) communicate with shareholders of the Corporation and answer shareholders queries; and
- (e) perform other assignments related to the business of the Corporation as directed by the directors.

Pursuant to the Agreement Management must carry out its duties in a conscientious and commercially reasonable manner.

Management will also oversee the Corporation's day to day operations and the administrative services provided by Management for the Corporation's operations. Management will pay all of its costs, expenses and overhead relating to the provision of its services.

All other costs with respect to the business of the Corporation will be for the account of the Corporation including, without limitation, legal, shareholder meetings and communication costs.

This Agreement provides that Management shall be paid an annual fee based on the Corporation's invested mortgage portfolio, now will be as in the following example:

The Manager shall be paid a monthly fee for its management services equal to the sum of 1/12 of 1.5% per month calculated on the invested mortgage portfolio.

Management and the Corporation may mutually agree to reduce or increase the amount of the fee payment to Management on account of services provided to the Corporation.

The Corporation is required to reimburse Management for the out-of-pocket disbursements, excluding wages, incurred by Management in connection with managing the business of the Corporation.

The Corporation is required to indemnify Management from all claims and expenses incurred by Management in respect of the origination, administration and servicing of the Corporation's mortgage portfolio except those caused by negligence or willful misconduct of Management.

Management furnishes the Corporation with all management services not including provision of office space, clerical staff and maintenance of books and records. Management may retain and pay for consulting and management services in connection with the business of the Corporation.

The Management Agreement is non-assignable without the consent of both parties.

The Directors and Officers of Management are:

Varun Chaudhry, Director and President Gursharan Dhaliwal, Director and Secretary

The Shareholders of Management are:

1069816 B.C. Ltd. 1097304 B.C. Ltd. 1213270 B.C. Ltd.

Management has the right to retain consultants to assist in the growth of the Corporation and to ensure that the Corporation's goals and objectives are achieved.

#### **4. FUNDAMENTAL POLICIES**

##### **Investment Policies**

The Corporation's objective is to build a mortgage investment portfolio initially within British Columbia and specifically Vancouver and the Fraser Valley or other urban centers elsewhere within the Province that encompasses the following general characteristics: (i) property type and geographical diversification; (ii) maximum term loans of twelve (12) months and (iii) loans in Canadian dollars on Canadian based real estate. The actual composition of the Corporation's mortgage investment portfolio will vary over time depending on its assessment of the appropriate strategy given overall market conditions and outlook if circumstances warrant the Corporation will consider expanding its business into other Provinces of Canada.

The investment policy of the Corporation is designed to allow it to qualify for the special tax treatment afforded to "mortgage investment corporations" under the *Income Tax Act* (Canada). Therefore, it has established certain policies respecting how it can invest its funds in mortgages, which include, but are not limited to, the following:

- (a) The Corporation will primarily invest in residential and some commercial mortgages;
- (b) The Corporation will primarily invest in first and second mortgages;

- (c) A first mortgage may not exceed 80% of the appraised value of the underlying real property securing the mortgage, as determined by a qualified appraiser and calculated at the time of commitment;
- (d) A second mortgage combined with the existing first mortgage may not exceed 80% of the appraised value of the underlying real property securing the mortgage, as determined by a qualified appraiser and calculated at the time of commitment;
- (e) Mortgages may contain clauses permitting the mortgagor, when not in default, to renew the mortgage for additional terms at the sole discretion of the Corporation; and
- (f) The Corporation may borrow funds in order to acquire or invest in specific mortgage investments or mortgage portfolios in amounts up to 50% of the book value of the Corporation's portfolio of first and second mortgages; provided, the interest rate is less than the interest rate charged by the Corporation on the corresponding mortgage investments or portfolio acquired with such borrowed funds.

By leveraging the capital base of the Corporation, investing prudently and charging borrowers "user" fees, it is anticipated that a net return on investment (after payment of all expenses of the Corporation) of approximately **10.5%** can be achieved, based on recent performance. There can be no assurance or guarantees that such returns will be obtained in the future. The types of mortgage loans in which the Corporation has invested and will invest in, are consistent with the criteria for "mortgage investment corporations" and while the Corporation meets these criteria, it will be accorded "flow through" tax treatment and not be taxed on any of its earnings so long as all profits after expenses are paid out in the form of dividends, either in shares or cash.

### **Operating Policies**

In addition to the above policies, the Corporation has established the following investment criteria, which are consistent with the Corporation's articles of incorporation, the provisions of the Income Tax Act (Canada) and applicable real estate legislation including, but not limited to, the following:

- (a) All mortgages will, prior to funding, be registered on title of the approved property as the Corporation shall direct;
- (b) The majority of mortgage investments will be made in the Greater Vancouver and Fraser Valley regions of British Columbia;
- (c) The Corporation will attempt to maintain at least 50% of the Corporation's assets invested in mortgages secured by residential real estate;
- (d) The Corporation will attempt to maintain no more than 50% of the Corporation's assets invested in mortgages secured by commercial or industrial real estate;
- (e) The Corporation will invest in mortgages with terms of twelve (12) months or less but will attempt to stagger the maturities in order to produce an orderly turnover of assets and liabilities;
- (f) The Corporation will generally require a current appraisal, with every mortgage application, prepared by a member of the Accredited Appraisal Canadian Institute or Canadian Residential

Appraiser prior to the approval of any mortgage loan and title insurance will be compulsory for mortgage loans more than \$50,000.00.

(g) The Corporation will generally require that title insurance be acquired by its lawyers for each mortgage transaction.

(h) The Corporation will not make any investment that would result in the Corporation not qualifying as a mortgage investment corporation pursuant to the Income Tax Act (Canada);

(i) The Corporation will not guarantee the obligations of any person;

(j) The Corporation will not loan money to or invest in securities of Management; and

(k) To the extent that the Corporation's funds are not invested in mortgages from time to time, they will be held in securities of, or those guaranteed by, the Government of Canada or any province of Canada, in certificates of deposit or interest-bearing accounts of Canadian chartered banks, credit unions or trust companies so as to maintain a level of working capital for ongoing operations considered acceptable by the Corporation's directors.

If, due to a change in the provisions of the Income Tax Act (Canada) or other legislation applicable to the Corporation, any of the foregoing restrictions require amendment in order to comply with such change in legislation, the Corporation may make such change and such change will be binding on the Corporation.

## **5. DEPOSIT & WITHDRAWAL OF FUNDS BY SHAREHOLDERS**

Regulations regarding the input and withdrawal of investment funds, dividend and interest entitlement related thereto and reinvestment of dividends are outlined for the benefit of shareholders and guidance of accountants.

### **Redemption of Preferred Shares by the Corporation**

Preferred Shares may be redeemed by the Corporation subject to the provisions of the Business Corporations Act (British Columbia) provided that the Corporation shall give at least ninety (90) days written notice before year end (July 31st) of such redemption to the registered holders of the Preferred shares by mail, specifying the date and place of the redemption. The Corporation shall, on or before the date which is ninety (90) days from its delivery of such notice, then purchase the subject shares at the then book value plus any dividends declared but unpaid by the Corporation for the relevant period prior to the date of redemption provided that the Corporation shall not redeem preferred shares of the Corporation if such redemption would cause the Corporation to cease being qualified as a mortgage investment corporation pursuant to the provisions of the Income Tax Act (Canada).

### **Redemption of Preferred Shares by Shareholders**

Preferred Shares may be redeemed by a shareholder subject to the provisions of the *Business Corporations Act* (British Columbia) provided that the shareholder provides the Corporation with written notice ninety (90) days before its fiscal year end of such desired redemption by registered mail or delivers notice to the registered office of the Corporation. The Corporation shall, on or before the date which is ninety (90) days from its receipt of such notice, then purchase the subject

shares at the then book value plus any dividends declared but unpaid by the Corporation for the relevant period prior to the date of redemption *provided that the Corporation shall not be required to redeem preferred shares of the Corporation if such redemption would cause the Corporation to cease being qualified as a mortgage investment corporation pursuant to the provisions of the Income Tax Act (Canada).*

### **Year End**

The fiscal year end of the Corporation is to be June 30.

### **Annual Dividend**

A dividend will be declared annually on all of the Corporation's outstanding preferred shares within three (3) months of the Corporation's fiscal year end. The dividend will be reinvested as additional shares or paid as cash dividend to shareholders on request. Dividends reinvested as additional shares will qualify for dividend entitlement for the entire year and dividends taken as cash will not be eligible for further dividend or interest consideration.

### **Subscription Procedure**

For new subscribers, a minimum investment of **\$50,000.00** for each first-time investor is required by the Corporation. No shares will be issued except under the terms of an Information Booklet.

A subscriber wishing to subscribe for shares in the Corporation must execute a Share Purchase Form, a Risk Acknowledgement Form and a Confirmation of Relationship form and deliver such documents to the Corporation, together with a certified cheque, bank draft or money order for the subscription amount, payable to the Corporation. Subscription funds will be released to the Corporation (at one or more closings expected to occur) as funds are available.

### **Additional Money or Capital Contribution**

First time investment money of **\$50,000.00** will be paid to the Corporation (initial deposit only) and will be used to acquire preferred shares. Thereafter deposits to the Corporation for the acquisition of shares are to be made in a minimum amount of \$5,000.00.

## **6. BANKING**

The Corporation's banking partner remains **Toronto Dominion Canada Trust (TD)**.

As at the date of this Information Booklet the Corporation is not indebted to a Bank or Lender however, in the future the Corporation may maintain a line of credit secured by a General Pledge of Security with its Banker.

## **7. DESCRIPTION OF SHARE CAPITAL**

The authorized capital of the Corporation consists of shares in series as follows:

(a) An unlimited number of Common Voting shares with a par value of \$1.00 each (with special rights and restrictions attached thereto); and

(b) An unlimited number of Preferred Non-Voting shares with a par value of \$1.00 each (with special rights and restrictions attached thereto);

The common shares are voting but non-participating. The issued common shares are not subject to calls, assessments, pre-emptive rights or conversion rights. There are no provisions attached to such shares for redemption, cancellation, surrender, sinking funds or purchase funds. Provisions as to the modification, amendment or variations of such rights or such provisions are contained in the *Business Corporations Act* (British Columbia).

Only the holders of common shares are entitled to vote in respect of each common share held at all meetings of the shareholders of the Corporation.

The preferred shares only participate in the profits of this Corporation but such shares are non-voting and the directors will determine annually the amount of dividends payable on the Preferred Shares.

Redemption rights of the preferred shares are described on page 7. See "Income Tax Consequences" for a description of the income tax consequences of owning shares.

All shares of the Corporation to be issued pursuant to this Information Booklet shall be fully paid and non-assessable.

### Structure

Class	Amount Authorized	Issued & Outstanding
Class B voting non-participating shares	unlimited	3
Class A non-voting participating shares	unlimited	0

### Debt Structure

The Corporation does not have any long term or short term debt but may, in the future, have a line of credit loan payable to a Canadian chartered bank or credit union.

## 8. DIRECTORS, OFFICERS, PROMOTERS AND PRINCIPAL HOLDERS OF SECURITIES

The names, municipalities of residence and principal occupations for the last five years of the directors and officers of the Corporation are as follows:

Name, Municipality of Residence and Position	Principal Occupation for Previous 5 Years	Number of Securities Beneficially Held as of the Date of this Information Booklet
Varun Chaudhry Director and President Surrey, BC	Mortgage Professional Director at Kraft Mortgages Canada Inc. for 5 years	1 Class B Voting Non-Participating

Name, Municipality of Residence and Position	Principal Occupation for Previous 5 Years	Number of Securities Beneficially Held as of the Date of this Information Booklet
Gursharan Dhaliwal Director and Secretary Surrey, BC	Mortgage Professional Director at Kraft Mortgages Canada Inc. for 5 years	1 Class B Voting Non-Participating

The directors of the Corporation will not devote their full time to the Corporation's affairs.

The directors of the Corporation will also serve as directors of companies involved in a similar business as the Corporation. Accordingly, it may occur that mortgage properties will be offered to both the Corporation and such other companies. Furthermore, those other companies may participate in the same properties as those in which the Corporation has an interest. As a result there may be situations which involve a conflict of interest. In that event, the director having a conflict will not be entitled to vote at meetings of directors which evoke any such conflict. Directors will attempt to avoid conflicts at all times and will use his or her best efforts for the benefit of the Corporation.

## 9. INCOME TAX CONSEQUENCES

The Corporation will function as a “mortgage investment corporation” (see “The Business”). So long as the Corporation carries on the business of a “mortgage investment corporation” it will not be a taxable entity as after all expenses have been paid all profits will be disbursed to its plan holders either individuals, trusts or corporations or registered plans of individuals. The Corporation expects that some of the holders of its Preferred shares will be registered plans either Registered Retirement Savings Plan or Registered Income Funds (collectively referred to as “registered funds”) and distribution of net income to such registered plans will be made by way of dividends paid by issuing shares in an amount equal to the holder's *pro rata* share of the net income of the Corporation. If preferred shareholders invest non-registered funds and thereby acquire shares, such shareholders at their option may receive a cash payment equal to their respective *pro rata* share of the income of the Corporation or shares and income paid and described as interest earned and paid to shareholders will vary depending on the class of preferred share held by a shareholder.

The Corporation has structured its business and corporate structure to ensure that **Canadian Registered Savings and Registered Pension Plan investments, including RRSPs, RRIFs, LIRAs, LIFs, LRIFs, IPPs, RESPs, and TFSAs, are eligible** to invest in the shares offered. The advantages of such a fund or plan investing its funds in the Corporation include:

- (a) any dividend income received by fund from the Corporation will be received on a tax-deferred basis and the full amount so received by the RRSP or RRIF may be immediately re-invested in the Corporation;
- (b) it enables a fund holder to take advantage of financing leverage; and

(c) investors depositing non-registered funds with the Corporation will receive dividends annually which dividend income is treated like income from a bond.

YOU SHOULD CONSULT WITH YOUR OWN PROFESSIONAL ADVISORS TO OBTAIN ADVICE ON THE TAX CONSEQUENCES THAT MAY APPLY TO YOU

## **10. RISK FACTORS**

### **Nature of a Mortgage Investment Company**

When you invest in a MIC you do so by buying its shares. The MIC then invests the money raised from you and a group of investors with similar investment objectives in mortgages that are professionally managed by the MIC's investment manager. As a result, when you buy shares of a MIC you are indirectly buying these underlying mortgages. The value of your investment is determined by the performance of these underlying mortgages so you and the investors in the MIC share in any gains or losses generated by the MIC from these mortgages. Often, you can sell your shares back to the MIC (in other words, the MIC will redeem your shares) in order to take your money out of the MIC. When you sell your shares back to the MIC, the value of your original investment may have increased or decreased.

### **How risk is related to return**

Generally, there is a strong relationship between the amount of risk associated with a particular investment, and that investment's long-term potential to increase in value.

Investments that have a lower risk also tend to have lower returns because factors that can affect the value of the investment, the risks, are well known or are well controlled and have already been worked into the price of the investment. On the other hand, investments that could have potentially higher returns if conditions for success are favourable also risk generating equally higher losses if conditions become unfavourable. This is because the factors affecting the value of such investments are unknown or difficult to control.

The Corporation's business involves some risk including the following:

1. On occasion mortgage borrowers refuse or are unable to pay their debts. While the lending policy of the Corporation is regarded as conservative and losses are not anticipated losses may occur; however, if a loss does occur any loss would be spread out over the entire capital base of the Corporation.
2. There is a risk of the Corporation incurring losses. Such losses could result in an investor losing his/her entire investment or failing to receive a return on his/her investment as expected.
3. There are certain risks inherent in mortgage lending over which neither the Corporation nor Management has any control. These risks include abnormal significant fluctuations in interest rates, the general state of the economy, concentration of mortgages on properties which are in one geographic location and the changing of real estate values.
4. The Corporation has been created to comply with the "mortgage investment corporation" requirements pertaining to terms of the Income Tax Act (Canada). The shares are intended

to appeal to individuals or corporations having significant net worth funds available to invest in a mortgage fund and individuals having registered plan such as RRSP's or RRIF's. While it is not anticipated that the Income Tax Act as it pertains to MIC's and registered funds will change, there is always the possibility that the Income Tax Act could be altered so that the shares would no longer be eligible investments for such funds. Such changes would have an adverse effect on an investor's investment.

5. The Corporation will be operated so that it complies at all times with the requirements for a "mortgage investment corporation" under the Income Tax Act. Failure to meet such requirements could have a material adverse effect on the Corporation's financial performance.
6. The Corporation will deal with the trustees of the registered plans but undertakes no responsibility pertaining to the administration of any self-directed registered fund by such trustees.
7. The Shares may not be resold.
8. An investment in the shares is somewhat restricted and reference should be made to Risk Factors, and sections of this Information Booklet referring to retraction of shares by the Corporation and non-voting features of the shares.
9. The Corporation's business is to provide loans to borrowers, some of which may not qualify for financing from conventional lenders. Accordingly, the risk of repayment of these loans may be high.
10. There are potential conflicts of interest to which the director of the Corporation may be subject in connection with the operations of the Corporation. These conflicts arise primarily out of the contractual relationship between the Corporation and Management.
11. Your investment and the Corporation are subject to fluctuating economic conditions and interest rates.
12. Changes in tax legislation may affect the business of the Corporation.

### **Restrictions on Resale of Securities**

Both Common and Preferred shares may not be resold and may be redeemed by the Corporation. All investors should read the Articles of the Corporation attached as Schedule "A" and in particular those paragraphs pertaining to resale and to redemption and retraction of rights.

There will be no shareholder's agreement prepared for the shareholders of the Corporation.

### **Continuous Reporting Obligations to Investors**

The Corporation will provide annual financial reports to shareholders in connection with an annual general meeting to be held as required by the *Business Corporations Act* (British Columbia) each year. The Corporation intends to deliver such financial reports to shareholders within ninety (90) days of the Corporation's fiscal year end.

## **11. ACCOUNTANTS**

The accountant of the Corporation is **MNP LLP** in Langley, BC.

## **12. REGISTRAR & TRANSFER AGENT**

The registrar and transfer agent for the Corporation is Olympia Trust Company, 2200, 125 – 9 Avenue SE, Calgary, AB, T2P 1C8, 403-770-0001.

## **13. Other Material Facts**

There are no actual or pending material legal proceedings to which the Corporation is or is likely to be a party or of which any of its property is or is likely to be the subject.

No Director or officer of the Corporation will be paid for their services at this time.

There are no other material facts not previously disclosed herein.

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Varun Chaudhry

President