

DX FINANCIAL (CANADA) LTD.

EXEMPT MARKET DEALER · GREATER TORONTO AREA

The Investor Guide to MIC Investing

Stable, asset-backed returns through
Canadian mortgage investing.

Prepared by Leo, Dealing Representative

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For information purposes only. Not an offer to sell securities.

Offered in the exempt market under prospectus exemptions in National Instrument 45-106.

A NOTE FROM YOUR DEALING REPRESENTATIVE

Welcome



Thank you for your interest in mortgage investing with DX Financial (Canada) Ltd. Most Canadians have owned a mortgage. Far fewer have been on the other side of one — earning the interest rather than paying it. That is what a Mortgage Investment Corporation, or MIC, makes possible.

This guide is written in plain language for investors who are new to the exempt market. It explains what a MIC is, how income flows through to you, how DX Financial underwrites and secures each loan, what the realistic risks are, and the steps involved if you decide to proceed. Nothing here is a recommendation — suitability is always assessed individually, in conversation.

What you will find inside

1. What a MIC is

Origins in the 1973 Residential Mortgage Financing Act and how the structure works.

3. Why investors choose MICs

Security, flow-through tax treatment, income and diversification.

5. Returns and liquidity

Distributions, redemption windows and what is — and is not — guaranteed.

2. How your capital works

The four-step flow from subscription to monthly distribution.

4. Why DX Financial

Underwriting discipline, quality GTA assets and aligned interests.

6. Risks and disclosures

The full risk picture, eligibility and required regulatory language.

“My role is to make sure you understand exactly what you would own — including the risks — before you invest a dollar.” — Leo, Dealing Representative

SECTION 1

What is a Mortgage Investment Corporation?

A MIC is a Canadian investment structure created by Parliament in 1973 through the **Residential Mortgage Financing Act**. Its purpose was to let everyday Canadians pool their capital and participate in the residential mortgage market — an asset class previously reserved for banks and institutions.

A MIC is a company whose only business is lending money secured by real property. Investors buy shares in the corporation. The corporation lends that pooled capital to carefully vetted borrowers, registers a mortgage charge against the underlying real estate, collects interest and fees, and then passes the net income back to shareholders as dividends.

Defining features under the Income Tax Act

Mortgages only

A MIC's assets are invested in mortgages, cash and insured deposits — not operating businesses.

At least 20 shareholders

No single shareholder may hold more than 25% of the shares, keeping the pool broad.

Residential focus

At least 50% of assets must be in residential mortgages, cash or insured deposits.

Flow-through taxation

A MIC that distributes effectively all of its net income pays no corporate tax on it.



Greater Toronto Area residential property — the collateral behind the loans a MIC makes.

SECTION 2

How your capital works

From your subscription to your monthly distribution, the cycle has four steps.

1 Investors subscribe

Eligible investors purchase shares of the MIC after a suitability review. Capital is pooled with that of other shareholders, creating a single, diversified lending fund.

2 Capital is lent as mortgages

The manager underwrites each loan — appraisal, borrower covenant, exit strategy — and advances funds secured by a registered mortgage charge on real property, at a conservative loan-to-value ratio.

3 Borrowers pay interest

Borrowers make monthly interest payments, plus lender and renewal fees. Because the loans are secured, the property stands behind the obligation if a borrower fails to pay.

4 Income is distributed to you

After expenses, effectively all net income is distributed to shareholders — commonly monthly — either as cash or reinvested through a dividend reinvestment plan.

The tax mechanics, simply

Because a MIC distributes its income rather than retaining it, the corporation itself is not taxed on the amount distributed — the tax obligation flows through to you. Distributions are generally reported as interest income on a T5, and they are eligible to be held inside registered plans such as an RRSP, RRIF or TFSA, subject to plan rules. Your own tax advisor should confirm treatment for your situation.

What a MIC is not

A MIC is not a bank deposit, a GIC or a publicly traded security. It is not insured by CDIC. Its shares are illiquid and subject to redemption limits. It is an exempt-market investment intended for a portion of a portfolio, not a replacement for cash savings.

SECTION 3

Why investors choose a MIC

Risk mitigation through diversification

Your capital is spread across a portfolio of mortgages rather than a single loan, so the impact of any one borrower is diluted.

Tax-efficient flow-through

The MIC structure avoids a layer of corporate tax on distributed income, and shares can generally be held in registered plans.

Strength in numbers

Pooled capital reaches lending opportunities and loan sizes that an individual private lender could not access alone.

A secured investment

Every loan is registered against real property. The real estate — not a promise — is the primary security behind the position.

A predictable income stream

Mortgage interest arrives monthly, which suits investors who want cash flow rather than reliance on capital appreciation.

Low correlation to equities

Returns are driven by contracted mortgage interest, not by daily stock market sentiment, which can smooth portfolio volatility.

Who a MIC typically suits

Investors seeking steady income from an asset-backed source; retirees and pre-retirees supplementing cash flow; holders of registered plans looking for interest-bearing alternatives; and investors who already own equities and real estate and want a different return driver. In every case, the investment must be suitable given your objectives, time horizon, other holdings and tolerance for illiquidity and loss.



DX Financial lends in the Greater Toronto Area — a market the team knows street by street.

SECTION 4

Why DX Financial

Underwriting discipline is what separates one mortgage fund from another. These are the safeguards built into the way DX Financial operates.

Experienced manager

A management team with decades of combined banking, credit and asset-management experience running the lending program.

Structured due diligence

Independent appraisals, title and insurance review, borrower credit and covenant analysis, and a defined exit strategy on every loan.

Aligned financial interest

Management co-invests alongside shareholders, so the people making credit decisions carry the same risk you do.

Quality assets

Lending concentrated on residential and select commercial property in the Greater Toronto Area, with conservative loan-to-value limits.

Trusted legal counsel

Fasken acts as securities counsel; mortgage documentation and registration are handled by experienced real estate lawyers.

External auditing

Annual financial statements are audited by an independent external firm, with reporting provided to shareholders.



Every file is reviewed against a defined credit checklist before capital is advanced.

SECTION 5

Returns, distributions and liquidity

What generates the return

Income comes from the interest borrowers pay, together with lender and renewal fees. Net income — after management fees, loan servicing costs and any loan losses — is what reaches shareholders. Target distributions are objectives, not guarantees, and actual results will vary with the loan book and credit conditions.

Distributions

Distributions are typically declared monthly and may be taken as cash or reinvested into additional shares. Amounts are reported annually for tax purposes, generally as interest income.

Liquidity — read this carefully

MIC shares are illiquid. There is no public market and no obligation for anyone to buy your shares. Redemptions are permitted only in accordance with the offering documents, which may include a minimum holding period, notice requirements, redemption windows, early-redemption fees and an overall cap on redemptions in any period. Invest only capital you can leave in place for the full intended horizon.

How to invest — the process

1 **Introductory conversation**

A no-obligation call to understand your objectives and answer questions about the structure.

2 **Suitability and eligibility review**

We collect know-your-client information and confirm which prospectus exemption applies to you under NI 45-106.

3 **Review the offering documents**

You receive the offering memorandum or subscription agreement and are encouraged to review it with your own legal, tax and financial advisors.

4 **Subscribe and fund**

Once you are satisfied, you complete the subscription documents and fund from cash or an eligible registered plan.

5 **Ongoing reporting**

You receive distribution statements, annual audited financial statements and tax slips, with continuing access to your representative.

YOUR REPRESENTATIVE

About Leo



Leo

Dealing Representative · DX Financial (Canada) Ltd.

OSC-registered Dealing Representative · Exempt Market Dealer · MBA · CIA · 20+ years in finance and asset management

Leo's career spans more than two decades in professional services and institutional finance. He began in audit and advisory with PwC in Beijing, where he built the analytical discipline that still shapes how he reviews an investment. He went on to insurance asset management, working with portfolios where capital preservation and predictable income were the mandate rather than an afterthought.

Today, as a Dealing Representative with DX Financial (Canada) Ltd., an Exempt Market Dealer registered in Ontario, Leo works with private investors across the Greater Toronto Area who want asset-backed income they can understand. He holds an MBA and the CIA designation, and is registered with the Ontario Securities Commission.

How Leo works with investors

Education before allocation

You should be able to explain the investment back to him before you subscribe.

Full-picture disclosure

Risks, fees and liquidity limits are discussed openly, not buried in an appendix.

Suitability, individually

Every recommendation is assessed against your objectives, horizon and risk tolerance.

A long relationship

Ongoing reporting, annual reviews and direct access to your representative.

SECTION 6

Risks you should weigh

An asset-backed investment is not a risk-free investment. These are the principal risks of investing in a Mortgage Investment Corporation.

Borrower default

A borrower may stop paying. Enforcement and sale of the property take time and cost money, and may not recover the full amount owed.

Interest rate changes

Rate movements affect borrower demand, refinancing ability and the relative attractiveness of the distribution rate.

Illiquidity

There is no public market for the shares. Redemptions are limited by the offering documents and may be suspended.

Declining real estate values

The security is the property. If values fall, the recovery on a defaulted loan can be less than the loan balance.

Geographic concentration

Lending is concentrated in the Greater Toronto Area, so a downturn in that single market affects the whole portfolio.

No guarantee

Returns are not guaranteed and are not insured by CDIC or any government agency. You may lose some or all of your investment.

Eligibility

These securities are sold only to investors who qualify under a prospectus exemption in National Instrument 45-106 — commonly the accredited investor, eligible investor or offering memorandum exemptions. Investment limits may apply depending on which exemption you rely on. Eligibility is confirmed during onboarding, not by self-selection.

IMPORTANT INFORMATION

Disclosures and next steps

Exempt market disclosure

Securities described in this guide are offered in the exempt market pursuant to prospectus exemptions under National Instrument 45-106. No securities regulatory authority has assessed the merits of these securities or reviewed this material. This document is for information purposes only and does not constitute an offer to sell or a solicitation to buy securities. Any offer is made solely by offering memorandum or subscription agreement, which should be read in full and reviewed with your own legal, tax and financial advisors.

Risk disclosure

Investments in a Mortgage Investment Corporation involve risk, including the possible loss of your entire investment. These securities are illiquid, subject to resale restrictions and redemption limits, and are not guaranteed or insured by CDIC or any government agency. Returns are not guaranteed. Past performance and target distributions are not indicative of future results. Risks include borrower default, declines in real estate values, interest rate changes and concentration in the Greater Toronto Area market. Suitability is assessed individually.

Registration information

Leo — Dealing Representative, registered with the Ontario Securities Commission. DX Financial (Canada) Ltd. is registered as an Exempt Market Dealer. Registration details are available on the CSA National Registration Search.

NEXT STEP

Book a suitability conversation

A 20-minute call, no obligation. Bring your questions — and your accountant's, if you like.

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