FORGE & FOSTER

INVESTMENT MANAGEMENT

MORTGAGE INVESTMENT PROPOSAL

231 BAY STREET NORTH

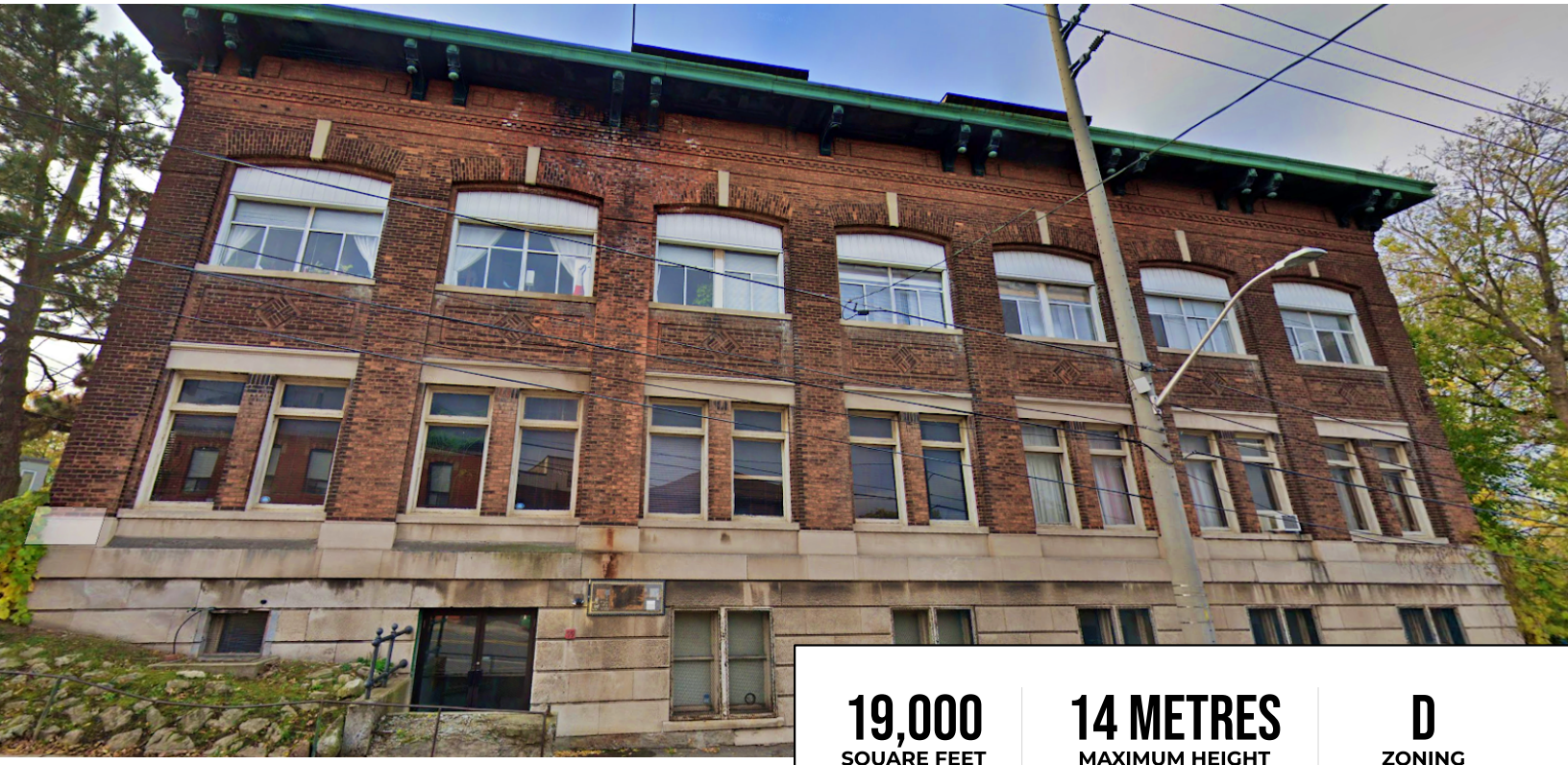
Hamilton, ON

INVESTOR RETURN:
8% PER ANNUM, PAID MONTHLY

EXECUTIVE SUMMARY

INVESTMENT OVERVIEW	
Opportunity	To invest in a second-position mortgage with the intention to fund renovations at 231 Bay St N, a 19,000 square foot mixed-use and residential property along with the surrounding assets in the Barton-Tiffany film district under F&F's portfolio. Undergoing this value-add transformation in the area will possess tremendous upside potential and redevelopment opportunities.
MORTGAGE INVESTMENT DETAILS	
Borrowing Entity	231 BAY INVESTMENTS INC.
Interest Rate	8% per annum, simple interest only
Mortgage Position	2nd Priority
Mortgage Amount Request	$550,000
Term	12-months
Payment Frequency	Monthly
Term Start	December 22, 2022
Term End	December 22, 2023
Security	Registered charge on title on the subject property
Exit Strategy	Refinance through a conventional lender to pay out debt
Eligible Accounts	Registered Funds (RRSP, TFSA, RESP, LIRA, RRIF) and Non-Registered Funds (Cash) through Olympia Trust
Minimum Investment Amount	$30,000
Investor Bonus	2% of investment amount on new investment funds for the first $300,000 and utilized as a contribution back into the mortgage
PROPERTY DETAILS	
Property Address	231 Bay St N, Hamilton ON
Appraised Value	$3,825,000
Expected 1st Mortgage	$2,812,500
NOI	$181,388
Cap Rate	5.5%
Expected Total LTV	88%

THE PROPERTY



19,000	14 METRES	D
SQUARE FEET	MAXIMUM HEIGHT	ZONING

231 BAY ST N
HAMILTON, ON

231 Bay St N (the "Property"), is approximately a 19,000 sqft, 4 level brick and steel beam mixed-use building located in downtown Hamilton, Ontario. 231 Bay St N is bounded by a semi-detached residential home to the South; Bay St N to the East; Barton St W to the North; and the Bridgeworks Community Space to the West. The latter of which was granted $206,000 by the federal government for Supercrawl to retrofit into a concert hall. The property also resides within the West Harbour Secondary Plan, which was created to curate the development and growth of Pier 8, Bayfront, James St N and Barton-Tiffany lands, with the latter transitioning into Hamilton's Film District. In February 2021, Forge & Foster acquired nearby 243 Queen St N and partnered with Aeon Studio group to promote and invest in Hamilton's film economy, as the industry continues to grow year after year. 231 Bay St N is also located steps away from the West Harbour GO Train Station. The Property sits on 0.35 acres, a majority of which is utilized as parking on the southern side. The Property is composed of commercial space on the ground and lower level, along with live/work studios on the upper floors. The existing D URBAN PROTECTED RESIDENTIAL - ONE AND TWO FAMILY DWELLINGS zoning allows for single and two family dwelling; lodging home; residential care facility or retirement home. The site also possesses site specific zoning, D/S-699, which also allows union office and banquet meeting hall uses.

MORTGAGE INVESTMENT PLAN

Forge & Foster (F&F) has a very specific vision for 231 Bay St N. With the mortgage investment capital F&F intends to improve the exterior facade, replacing the boiler, and renovating the Airbnb space. Our motivated leasing team is actively leasing the available units which will create upside potential for a turn-key property for interested buyers/investors. The funds raised will also be allocated towards the surrounding properties such as 243 Queen St N and 29 Harriet to further enhance and invest in the Barton-Tiffany area. The vision will replicate the successful Frid Park portfolio with the assembly of assets consisting of strong cash flow revenue after completing our tried and true business model.

INVESTMENT THESIS

231 Bay St N is in a prime location within the high-growth film district Barton-Tiffany in Hamilton. The film industry in particular has surged within the city and has grown to become the 3rd largest Film business cluster in Canada. With Hamilton also having the 3rd largest employment growth in Canada it is very clear that the dynamic in the city of Hamilton is shifting. In fact, by November of 2020 there had been 104 Film industry projects filmed within the city which contributed to $50 million in economic activity. All of this while considering the regulations that were needed as the world dealt with the effects of COVID-19 make for a promising outlook on the future of this property. More recently, Hamilton's film office announced 2021 was a record year, with 152 productions and 816 permits issued.[1] The film office also reported direct spending of just shy of $70 million. F&F has taken on a similar project with 29 Harriet St which is another property located 500m away, also in the Barton-Tiffany area. 29 Harriet is now the homebase of F&F and the built-ins for the office space will provide leasing appeal. Both buildings have a similar vision in mind as they are in close proximity to cater towards the film, tech, and creative industries. F&F is looking to help grow the already booming film district in the immediate area and this building is a key step towards that goal. A major goal for this property is to convert the residential units into commercial space in order to drive more revenue per SF. Aeon has committed to rent out all of the current commercial space in the building which aligns with F&F's vision to create another film, tech, and creative space in the Barton-Tiffany area. They are currently partners in a similar capacity in both 29 Harriet St and 243 Queen St N.

[1] https://www.thespec.com/entertainment/opinion/2022/01/06/filmmaking-shot-in-hamilton-productions-streaming.html

USE OF FUNDS & LOAN-TO-VALUE RATIO

By utilizing the capital raised through this investment, F&F will be able to continue improving the property's value while offering a value-add investment on a secure offering. The below table provides a breakdown on the source of funds and capital use for this investment. The second table provides a breakdown on the current LTV, on closing (based on the appraised value).

SOURCES & USES		
Sources		
Mortgages		$550,000
Total		**$550,000**
Uses		
Interest Reserve on 2nd Mortgage	8.00%	$44,000
Investor Bonus of $300,000	2.00%	$6,000
Closing Costs	1.50%	$8,250
Mortgage Admin Fee	1.00%	$5,500
231 Bay St N		$300,000
Barton-Tiffany Portfolio		$186,250
Total		**$550,000**

LOAN TO VALUE SUMMARY	
	On Closing
Asset Values	
Property Value	$3,825,000
Total Value	**$3,825,000**
Liabilities	
First Mortgage	$2,812,500
Second Mortgage Request	$550,000
Total Debt	**$3,362,500**
Loan to Value Ratio	**88%**

FINANCIAL SUMMARY

231 Bay St N offers stable cash flow through the building's prime location in Hamilton. F&F intends to actively manage and lease remaining space while intently seeking further redevelopment opportunities. The primary target market is the mixed-use flex space for the lower floors and the upper floors once they have been converted into commercial units (presently residential). Currently the upper floors are occupied with one unit remaining vacant F&F has been focussing on airbnb income in that unit in particular for much higher daily rates. With an exit valuation that produces a $ PSF value of $274, the property is on the conservative end of comparables in the immediate area. Recently F&F has a deal in place with Aeon in which they have committed to renting out the entirety of the current commercial space which will bring even more value to the property.

FINANCIAL SUMMARY					
		Current		**At Exit**	
		Per Month	**Per Year**	**Per Month**	**Per Year**
Rent		$18,702	$224,422	$20,953	$251,435
Other Income		$7,106	$85,268	$8,158	$97,900
Recoverable Expenses		$2,955	$35,460	$3,199	$38,383
Gross Income		**$28,763**	**$345,150**	**$32,310**	**$387,718**
Expenses					
Expenses		$6,719	$80,631	$6,719	$80,631
Vacancy	4%	$1,151	$13,806	$1,292	$15,509
Net Operating Income		**$20,893**	**$250,713**	**$24,298**	**$291,578**
Estimated Value			**$3,825,000**		**$5,301,000**
Cap Rate			6.6%		5.50%
Annual Gross Rent Multiplier			15.3		18.2
$ PSF			$197		$274

RENT ROLL

Currently, the second and third floors are residential units and are at full occupancy while the vacant ground and lower level floors are for commercial use. With already substantial current rents, F&F believes that through increases to current market levels and the occupancy of the commercial units rental income will show a steady and substantial increase over the investment period. With the Aeon deal in place the commercial units all have commitments to be occupied at the current rental rates seen below in the rent roll table.

RENT ROLL - CURRENT

Unit	Tenant	SF	$ PSF	Monthly Rent	Annual Rent	Net/Gross	% Income
Art Studio 1	Comm - Vacant	3,019	$14.00	$3,522	$42,266	Net	13.6%
Art Studio 2	Comm - Vacant	578	$14.00	$674	$8,092	Net	2.6%
Ground Floor	Comm - Vacant	5,222	$14.00	$6,092	$73,108	Net	23.6%
Second Floor - 1	Occupied	2,335	$7.06	$1,373	$16,476	Gross	5.3%
Second Floor - 2	Occupied	3,226	$5.20	$1,398	$16,776	Gross	5.4%
Third Floor - 1	Resi - Airbnb	2,480	$20.28	$4,192	$50,304	Gross	16.2%
Third Floor - 2	Resi - Occupied	2,509	$6.94	$1,450	$17,400	Gross	5.6%
Rental Income		**19,369**	**$11.59**	**$18,702**	**$224,422**	**46%**	**72%**
Solar Panels				$792	$9,500		3%
Additional Film Rental				$6,314	$75,768		24%
Total Income			**$15.99**	**$25,808**	**$309,690**		100%

EXPENSES

231 Bay St is a property that is already in good condition. The expense levels are very consistent and are not expected to increase in any substantial way as F&F works to increase both the occupancy and rental income levels in the property. The highest expense levels are for Repairs & Maintenance and Property Management which fall in line with the property plan to boost occupancy levels over the investment period.

EXPENSE SUMMARY

		Monthly	Annually	Per SF	% Total
Property Tax		$2,371	$28,458	$1.47	35.3%
Insurance		$974	$11,685	$0.60	14.5%
Water & Sewer		$371	$4,453	$0.23	5.5%
Hydro		$938	$11,260	$0.58	14.0%
Gas		$0	$0	$0.00	0.0%
Repairs & Maintenance	*4%*	$1,032	$12,388	$0.64	15.4%
Property Management	*4%*	$1,032	$12,388	$0.64	15.4%
Total		$6,719	**$80,631**	**$4.16**	**100%**

SAMPLE OF FIXED INCOME RETURN

The following is a scenario of an investor contributing $100,000 as their initial investment on a mortgage with a fixed interest rate of 8% per annum, paid monthly and a 12-month term length.

RETURN ON INVESTMENT		
Principal Investment		$100,000
Investor Bonus (paid upfront + reinvested)	2.00%	$2,000
Investment Amount		$102,000
Annual Interest Rate	8.00%	$8,160.00
Monthly Interest Payment on Investment Amount		$680.00
Total Return (Investor Bonus + Interest on Investment Amount)		**$10,160**
Effective ROI (Principal Investment / Total Return)		**10.16%**

For simplicity in showing the investment strategy of the power of compounding, the breakdown below outlines the accumulated monthly interest payments of 8% on the principal investment and upon repayment of the principal investment, the investor can re-invest both amounts altogether towards another mortgage investment with the same structure. Investors can double their capital in less than 10 years. The table below provides the repayment schedule year after year of reinvestment.

PRINCIPAL	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
$100,000	$108,000	$116,640	$125,971	$136,049	$146,933
	YEAR 6	**YEAR 7**	**YEAR 8**	**YEAR 9**	**YEAR 10**
	$158,687	$171,382	$185,093	$199,900	$215,892

MATERIAL RISKS

All investments carry a risk. In general, the higher the rate of return, the higher the risk of the investment. Understanding risk vs. reward within each investment vehicle is critical in building a balanced portfolio. Investors should meticulously assess the risk of this mortgage investment before making a commitment. Investments in mortgages are speculative and carry multiple risks, primarily such as risks associated with the Borrower's ability to make repayments and risks associated with the real estate market. By layering capital stacks towards real estate investments or assets, we mitigate undue risks and exposure while also cultivating risk managements towards desired outcomes in functional markets.

Risk factors may include, but are not limited to to the following:

Borrower Risk	Payments to an investor/lender rely on the ability of the borrower to make payments required under the terms of the mortgage investment/loan.
Concentration Risk	The extent to which any asset class forms a disproportionate part of the overall investor/ lender's investment portfolio.
Conflicts of Interest Risk	There are generally many parties involved in a mortgage. It is important to understand relationships that may exist between parties so that potential conflicts of interest may be managed.
Financing Risk	The successful completion of the project being funded by the mortgage likely depends upon the capacity of the borrower to obtain further funds to finance construction and other costs. An inability to obtain further funds could jeopardize completion of the project.
Government Approval Risk	A delay or inability to obtain municipal and/or provincial government approvals for renovations or development (e.g., zoning, environmental assessments) could result in project delays/ modifications that negatively impact investment returns (i.e., delay repayment of principal or loss of some or all of principal invested).
Interest Rate Risk	Increases in interest rates raise the cost of funds, exerting upward pressure on a borrower's debt service obligations.
Liquidity Risk	The investor/lender may not be able to liquidate his/her investment/loan, or a portion of it, on a timely basis. If he/she wants to withdraw his/her money before the end of the term of the investment/loan, there is no assurance that there will be a market for the resale or transfer of his/her investment/loan. A mortgage investment/loan should only be considered by investors/lenders who are able to bear the economic risks of a long-term investment and who do not require the investment to be immediately liquid upon demand.
Loan-to-Value Ratio Risk	A higher loan-to-value ratio (based on the "as is" value of a property) results in increased risk to participating investors/lenders.
Mortgage Enforcement Risk	If the investor/lender is one of several investors/lenders in a mortgage, the investor/lender will likely not be able to enforce repayment of the investment on his/her own if the borrower defaults.
Mortgage Rank / Priority	Many mortgages provide that they may be subordinated to subsequent construction and

Order Risk	other loans. As a result, the mortgage may be moved to 2nd priority or lower without the consent of the investor/lender, increasing the risk that the mortgage will be inadequately secured.
No Investment Guarantee	This mortgage investment is not insured by the Government of Ontario or any other investor protection fund. If the investor/lender is not prepared to accept the risk of loss, he/she should not consider mortgage investments/loans.
Personal Covenant Risk	If the mortgage includes a personal covenant or other financial commitment, the ability of the person providing the personal covenant or other financial commitment to perform under a personal covenant will depend on the financial capacity of the person. There is no assurance that a person will have the financial ability to be able to satisfy their obligations under the personal covenant or other financial commitment and therefore you may not receive any return from his/her investment, including any initial amounts invested.
Project Completion Risk	There is a risk that the successful completion of the project, in order to repay all mortgages and each investor, might not be possible. The renovations or development might be delayed or not completed at all. This in turn could delay payments to the lenders or even put repayment of the mortgage at risk.
Real Estate Value Risk	Real estate market values are subject to local, regional and national economic conditions. Changes in factors affecting the demand and supply of property (e.g., interest rates) can have significant positive or negative impacts on the value of a property, particularly for commercial real estate. It is possible for the value of a property to decline, reducing the value of the security underlying the loan and raising the loan-to-value (LTV) ratio. The property value may decrease over time, including the period between the date of the most recent appraisal and the date the transaction is completed. A decline in property value may also affect the return on and/or value of the investment in the event of a default in payments under this mortgage.
Revenue or Cash Flow Risk	Commercial real estate relies heavily on the revenue and cash flow stream of the asset. They are subject to market values in local, regional, and national economic conditions. A property management plays an integral role to carry out the tasks such as market leases and maintaining the property in good condition for tenants. An undermanaged property will be subject to underperforming revenue or cash flow.
Registered Funds Tax Risk	Whether or not this investment is eligible to be held in a registered account depends upon whether the Loan-to-Value Ratio exceeds 100% as this might cause the de-registration of your account, and result in negative tax consequences from the Canada Revenue Agency.
Sales Risk	The repayment of the investment is heavily reliant on the borrower's efforts, ability and experience in successfully promoting the underlying construction project to other investors and/or to sell the completed project to a buyer(s).
Term Risk	If the contract provides for an extension, the investor/lender may not be able to opt out of or object to any extension of a mortgage term. The investor/lender needs to review terms relating to the extension of mortgages carefully.

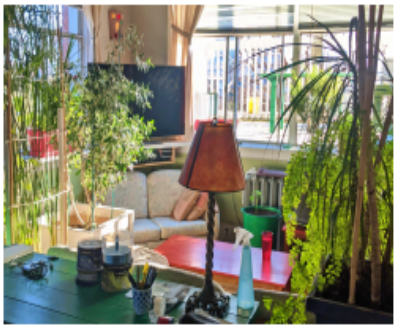
APPENDIX B: CONFIDENTIAL & READER ACKNOWLEDGEMENT

This Mortgage Investment Proposal ("MIP)" is being delivered to prospective mortgage investors to assist them in deciding whether they wish to invest in the offered mortgage investment. MIPs are for information and discussion purposes only. The MIPs provides selective information relating to certain physical, locational and financial characteristics of the Property.

By accepting this MIP, prospective investors agree to hold and treat this MIP and its contents in the strictest confidence. Prospective investors will not, directly or indirectly, disclose or permit anyone else to disclose or communicate this MIP or any of its contents or any part thereof to any person, firm or entity without prior written consent of Forge & Foster Investment Management Inc. ("F&F"). Prospective investors will not use or permit this MIP to be used in any manner detrimental to the interests of F&F or their affiliates or for any purpose other than the purpose intended herein.

This MIP shall not be copied, reproduced or distributed, in whole or in part, to other parties at any time without the prior written consent of F&F. It is made available to prospective investors for information purposes only and upon the express understanding that such prospective investors will use it only for the purposes set forth herein.

PROPERTY PICTURES



FORGE & FOSTER

INVESTMENT MANAGEMENT

Fixed Income Investment Program

INVESTMENT OPPORTUNITY

Historically, there have been limited opportunities for investors to access alternative asset classes through their registered accounts. Forge & Foster is presenting an innovative investment offering that combines attractive returns with downside protection, while supporting impactful community projects in Hamilton and across Southwestern Ontario.

INVESTMENT STRUCTURE

Forge and Foster offer 8-9% interest on funds loaned to our primary operating entity, for a 12-month term. The funds will be secured by a second lien mortgage against an identified Forge and Foster property.

HOW IT WORKS

Your registered funds are transferred from your current account to a trust funds administrator, and then a lawyer will register the funds as a mortgage on the identified property within Forge & Foster's real estate portfolio. Mortgage investments can be paid monthly during the term or a lump sum balloon payment at the end of the 12-month term which you are entitled to receive a payment into your registered account equal to the amount you loaned, plus accrued interest.

ABOUT THE COMPANY

F&F is a privately held real estate investment management company with approximately $350 million of real estate assets under management. The company's primary strategy is to acquire off-market, value-add real estate opportunities in Hamilton and Southwestern Ontario areas, then execute upon a business plan to create real estate value and generate an attractive equity multiple for investors.

INVESTMENT BENEFITS

- Compelling way to grow your retirement savings in a tax-efficient vehicle with downside protection
- Diversify your existing registered investment portfolio by accessing real asset exposure
- Short tenure and attractive-return opportunity

FREQUENTLY ASKED QUESTIONS

Which accounts are eligible?
All registered accounts are eligible, namely RRSP, TFSA, RESP, LIRA and RRIF trust accounts. Unregistered funds such as cash are also eligible. All accounts must be held at Olympia Trust.

What is the minimum investment?
The minimum investment amount is $30,000.

What is securing my investment?
The funds will be registered/secured as a second position mortgage (2nd lien) against an identified property within Forge & Foster's portfolio. The loan-to-value (LTV) percentage of an asset against which the funds are secured will never exceed 90%.

How is the 8-9% return generated?
The return is generated and paid from the operating profits of Forge and Foster.

What will the funds be used for?
We will use the funds to finance the construction expenses intended for the subject property as described in the proposal.

What circumstances could impair my investment?
For the value of your investment to become impaired, two things would have to occur. First, Forge & Foster is unable to pay the principal and accrued interest at the expiration of the term; and Second, the realized value of the identified property is less than the value of the first and second lien mortgages.