

## Information Meeting of the Shareholders of Sierra Mortgage Fund Ltd.

10:30 am on May 11, 2023  
Vernon Yacht Club  
7919 Okanagan Landing Road, Vernon, BC

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**Introductions:** **Directors:** Morgan Thomas, Craig Williams and Laurie Thomas.  
**Auditors:** Craig Wood and Murray Smith of KPMG.  
**Credit Committee:** Laurie Thomas, Morgan Thomas, Craig Williams

**Audit Procedures:** Our KPMG representative will provide a review of their most recent audit and is available to respond to any questions, which we welcome and encourage.

**Audit Resolution:** As we've done in the previous 3 years, we ask you to sign the Resolution allowing us to continue with Review Engagement Financial Statements as described.

**Quarter-End Results:** Net earnings for the quarter-ended March 31, 2023 totaled \$114,758 to produce an annualized yield of **5.51%** net to shareholders, compared to net earnings of \$192,732 and a net annualized yield of 7.25% for the previous quarter. Net earnings for the same period last year (Mar. 31/22) were \$135,494 with a net annualized yield of 5.31%.

**Historical Annualized Returns:**

6.31% (12 months ended March 31, 2023)  
5.52% (12 months ended September 30, 2022)  
6.40% (28+ years ended March 31, 2023)

**Share Capital:**

1,043,120 (\$10,431,200) (March 31, 2023)  
1,056,698 (\$10,356,980) (March 31, 2022)  
1,024,522 (\$10,245,220) (March 31, 2021)

Share Activity 12 Months Ended March 31, 2023:

Balance March 31, 2022	1,035,698	\$10,356,980
Reinvested Dividends	27,091	\$270,910
Redemptions Requested (3 requests)	29,669	\$296,690
Share Trades Facilitated (4 requests)	10,000	\$100,000
Shares Redeemed	<u>(19,669)</u>	<u>\$(196,690)</u>
Net Increase to Share Capital	7,422	\$74,220
Share Capital as at March 31, 2023	1,043,120	\$10,431,200
Dividends Reinvested April 1, 2023	<u>6,161</u>	<u>\$61,610</u>
Share Capital as at April 1, 2023	1,049,281	\$10,492,810

**Share Redemption/Trade Activity:**

	<u>Amount:</u>
<u>Redemption Date:</u> June 30, 2023	
Redemptions Requested (2 requests)	9,867
Trades facilitated as at April 1/23 (2 requests)	<u>9,867</u>
Net effect:	0

<u>Redemption Date:</u> December 31, 2023	
Redemptions Requested (3 requests to-date)	21,269
Trades Requested (2 requests to-date)	12,150
Shareholder(s) Not Accepting Trade Offer(s)	<u>10,060</u>
Shares Currently Available:	-1,487

**Loan Portfolio:**

\$7,282,199 - 26 loans (March 31, 2023)  
\$7,311,515 - 29 loans (March 31, 2022)  
\$7,328,760 - 28 loans (March 31, 2021)  
  
(Numbers for 2021 stated are after reserve allowance)

**Cash Position:**

\$ 3,270,820 (March 31, 2023)  
\$ 3,209,443 (March 31, 2022)  
\$ 3,780,485 (March 31, 2021)

We currently have \$2,700,000 held in redeemable term deposits earning 2.0% with the remainder excess cash held in a high interest savings account earning 1.40%. These funds are held with Interior Savings Credit Union which is 100% deposit insured.

**Unadvanced Portion of Construction Loans:**

\$159,500 of the cash presently on-hand is committed for 2 existing construction loans and is earning an average standby fees of 4.84% for us to hold these funds for future progress advances.

**Renewed Rates:**

In 2021 and 2022 our lending rates ranged from 7.50% - 9.90% and 7.0% – 10.50% respectively. Though we did not fund any new loans in the second fiscal quarter of 2023, the rates quoted during our underwriting process ranged from 8.25% - 10.50%.

As these loans are maturing we are issuing renewal offers in the range of 8.50% - 12.15%. A number of our current loans were renewed in this last quarter, the effect of the increased rates we expect to see in the coming quarters.

**Anticipated Loan Repayments:**

We expect to be repaid on 5 loans totaling \$1,023,000 and paid down on one loan by \$150,000 for a total repayment of \$1,173,000 in the month of May.

**Anticipated Fundings:**

We are currently in the due diligence phase on three loans totaling \$1,450,000 on which we've committed, one of which is a single-family construction loan for \$650,000.00. On the two single advance loans totaling \$800,000.00 our interest rate will average 9.80% and on the construction loan we will be earning 10.50% on funds as that are advanced and 5.75% on the funds being held for future advances as construction progresses. We are also fully committed to fund a single-advance loan of \$565,000 in the month of July, on which we'll be earning 8.25% once advanced. Combined, these four loans will utilize \$2,015,000.00 of the cash we presently have on-hand – barring any further repayment of other existing loans.

**Loan Impairment:**

We currently have one loan classified as impaired for which our solicitors were instructed to commence foreclosure in November of 2022. The outstanding balance of \$272,971 as at March 31, 2023 is well secured by a 0.45 acre lot in Oliver with 75 feet of frontage on Tucelnuit Lake. Due to the substantial equity in the property, which was recently appraised at \$750,000, we are considering advancing an additional \$90,000 to cover the amount owing to the Town of Oliver. As this amount owing ranks in priority to our loan due to the Township having a “super priority”, our overall exposure does not change.

**M95277 Final Settlement:**

As you may recall we endured a long, arduous foreclosure on property (2 lots) in Salmon Arm. This foreclosure ended favorably in May of 2021 when the lots sold, proceeds of which repaid our cash outlay plus an additional \$50,904 that was taken into income as a one-time recapture of interest earnings.

In addition to the mortgage charge held over the lots we also have a personal judgement against a Covenantor, which we continued to pursue in an attempt to further recapture some of our lost earning potential. We are pleased to report a settlement was recently reached in the approximate final amount of \$40,000 less costs to release the judgements. Accordingly, we anticipate being in a position to disburse these proceeds with our June quarter once the final legal invoices etc. relating to this settlement have been paid. An amount which we do not expect will exceed \$5,000.

**BCFSA Licensing Fees:**

In addition to the regular business licenses required by the City, BC Financial Services Authority (BCFSA) requires our little operation to have 2 mortgage broker licenses and 2 sub mortgage broker licenses each valid for a period of 2 years. The fees to hold these licenses increased from a total of \$3,000 to \$6,500 this past year. In addition to rising licensing expenses, the mandatory re-education programs have increased both in cost and required time commitments; from \$250 to \$550 and from what previously took approx. 6 hours now consumes a period of up to 3 weeks. BCFSA has indicated an additional “Ethics Course” is expected to be rolled out for 2024.

## **FINTRAC/Money**

### **Laundering Prevention:**

New legislation is being introduced where we will be required to create a money laundering prevention policies and procedures manual. This extensive manual will need to institute things such as internally created and ongoing training programs, regular reviews of terrorist and politically exposed persons lists, ongoing monitoring of clients, and among other things too great in number to list here, an annual effectiveness review. It is our understanding the effectiveness review will need to be performed by an arm's length entity qualified and/or trained in money laundering prevention. The additional cost to implement and maintain the manual and effectiveness review have not yet been determined.

### **Registered Accounts:**

Since new legislation was introduced in 2019 preventing us from issuing new shares from treasury without the services of an Exempt Market Dealer, a number of share trades have been successfully facilitated between existing Shareholders allowing us to maintain our capital base.

We wish to continue to allow these trades but due to growing bureaucracy within the Trustee organizations we have had no choice but to implement certain restrictions involving registered to registered account trades. We are exploring options and will advise should we be able to establish a solution.

Notwithstanding the above, please contact our office if you are interested in adding to your investment so we may determine share availability and eligibility.

### **Questions:**

Please feel free to ask any questions you may have of the Auditors and Directors.

### **Direct Deposit Option:**

A reminder that if you elected to be paid dividends in cash and you still receive payment by cheque in the mail please pick up a direct deposit form before you leave provided you deal with an institution with a branch here in Vernon.

### **Audit Resolution:**

A reminder to please sign a resolution before you leave.

### **Slide Presentation:**

The slides you are about to see are a sampling of properties against which your investment in Sierra is secured or, was secured over the past few years as some were funded and have now been repaid in full in that time.

### **Reminder:**

**It is possible you may recognize a property or, may know or, know of some of the owners, we remind you to be discreet if discussing your investment with individuals outside of Sierra.**