

ATLANTIC BAPTIST FOUNDATION REAL ESTATE MORTGAGE FUND OFFERING MEMORANDUM

Amended May 2017

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DESCRIPTION OF THE UNITS

Type of Fund: Real Estate Mortgage Fund.

Investment Objective: The Fund's objective is to provide capital preservation by investing in Atlantic Baptist Foundation real estate mortgages. Concentra Trust is the investment manager of the Fund, as well as its Custodian, Trustee, Registrar and Transfer Agent.

Restriction on Earnings: No part of the net earnings of the Fund or the Foundation will enure to the benefit of, or be distributed to, any Unit holder. Additional Units, or fractions thereof, will be allocated to participants in the Fund on a semi-annual basis, in June and December, based on accrued interest earned on Units at a rate equal to the Bank of Canada Prime Interest Rate plus 100 basis points (see The Fund), or a rate set from time to time by the Board of Directors.

Form of Units: No certificate will be issued for the Units, however a notice of transaction will be provided to each Unit holder.

Denominations: Multiples of \$10.00, subject to a minimum initial purchase of \$500.00 and minimum subsequent purchases of \$50.00.

Payments: RRIF - Retirement Income Option (RIO) payments are made in accordance with the requirements as set forth by Subsection 146.3(1) of the *Income Tax Act* (refer to Schedule D (8) Declaration of Trust).

Foreign Content: None.

Guarantee: The Units are unconditionally guaranteed by the assets of Atlantic Baptist Foundation, pursuant to an indemnity granted in favour of Concentra Trust.

Transfer Restrictions: The Units may not be transferred or sold, but may be redeemed at any time by giving written notice to Concentra Trust.

Registrar, Transfer Agent and Custodian of Fund Assets:

Concentra Trust
Self-Directed Administration Centre
333 - 3rd Avenue
Saskatoon, SK S7K 2M2
Fax Number: 306-652-7345

Financial Statements: The Foundation's Annual Report summary for the most recent fiscal year ended December 31, and the previous 2 years is attached hereto as Schedule A.

ATLANTIC BAPTIST FOUNDATION

Atlantic Baptist Foundation (formerly Foundation of the United Baptist Convention of the Atlantic Provinces, Canada) was incorporated as a not for profit society under the *Societies Act* (Nova Scotia) on October 16, 1961. It is a subsidiary board of the Canadian Baptist of Atlantic Canada (the "Baptist Convention").

The registered office of the Foundation is located at 2104 - 1969 Upper Water Street, Halifax, Nova Scotia B3J 3R7 and the business office is located at 10 Atlantic Baptist Avenue, Moncton, New Brunswick E1E 4N2. Communications may be directed to the Foundation by mail, Attention: Chair, or as follows:

Telephone: (506) 857-9482 Toll free: 1-888-263-1444

Fax: (506) 852-4378 email: baptistfoundation@rogers.com

From its inception, the Foundation has accepted deposits to savings accounts from adherents of member Churches, Agencies and Council of the Canadian Baptist of Atlantic Canada paying a rate of interest as set from time to time by the Board of Directors. Funds were then made available primarily as first mortgage loans to Churches and Canadian Baptist of Atlantic Canada Agencies for new construction, renovations and other purposes. No part of the net earnings of the Foundation enures to the benefit of, or is distributed to, any member of the Foundation or of the Canadian Baptist of Atlantic Canada. The Foundation is governed by a Board of Directors partially (75%) elected by the Assembly of the Canadian Baptist of Atlantic Canada consisting of experienced men and women from various professions and vocations. Directors serve without any financial reward.

THE FUND

The Fund is a pooled investment fund in which each Unit Holder maintains a right in a trust Unit entitling the Unit Holder to receive the principal amount deposited plus accrued interest thereon up to the last interest accrual date prior to the date of redemption. Accrued interest is earned on the Units at a rate equal to the Bank of Canada Prime Interest Rate plus basis points using the following formula: Bank of Canada Prime Interest Rate (ie. the overnight deposit rate) plus 1.00%, or a rate set from time to time by the Board of Directors. Interest is calculated semi-annually, namely on June 30 and December 31 of each year, at which time additional Units, or fractions thereof, are allocated to Unit holders. Units are not transferable and may not be sold.

The Fund was created by Atlantic Baptist Foundation to augment its existing ability to raise funds to loan to member Churches and Agencies of the Canadian Baptist of Atlantic Canada for the construction, renovations, and other worthwhile purposes to expand and enhance their ministries.

Concentra Trust acts as the Investment Manager, Trustee, Transfer Agent, Registrar and Custodian of Fund Assets. Concentra Trust, as Trustee, is ultimately responsible for the Investment management and administration of the Fund. The investment of pooled Funds will be in the real estate mortgages held by Atlantic Baptist Foundation. Net earnings of the Fund will be used for mortgage loans to Churches and Canadian Baptist of Atlantic Canada agencies. No part of the net earnings of the Fund will enure to the benefit of, or be distributed to, any Unit Holder.

In addition to the foregoing, Concentra Trust will act as Trustee of each RSP and RIF/LIF pursuant to a duly executed copy of the Declaration of Trust, which is printed on the reverse side of, or attached to the RSP/ RIF/LIF Application Form, attached as Schedule C hereto and on the reverse side of the RIF Application Form, attached as Schedule D attached hereto.

The Foundation has agreed to indemnify Concentra Trust in respect of the Units and the interest accruing on the Units, and it is intended that the indemnity be unconditional and legally binding upon the Atlantic Baptist Foundation. Concentra Trust and the Foundation have agreed that Concentra Trust would not accept any real estate mortgage for investment as part of any fund comprising any RRSP or RRIF contract unless the real estate mortgage is guaranteed, both as to principal and interest, by the Foundation. If there is a default by one of the Churches or Agencies in respect of a mortgage of the Fund, the Foundation would cure the default on behalf of the Church or Agency in question. The possibility of a deficiency whereby Concentra Trust would need to call upon the Foundation under its guarantee would be rare.

USE OF PROCEEDS

The net proceeds from the sale of the Units will be used by the Fund to invest principally in first mortgages held by the Foundation on the real estate properties of the Churches and Agencies of the Canadian Baptist of Atlantic Canada or held in Concentra's Cash Account, until such time as a suitable first mortgage investment is available.

RISK FACTORS

Eligible subscribers for the Units should consider the following factors, which may affect the financial results of the Fund.

Long Term Mortgages

The investments of the Fund are principally long term first mortgages held by the Fund and assigned to Concentra Trust. While the Fund is not affected by the day to day changes in interest rates, rate changes do affect the prosperity of the Fund according to the interest rate in effect at the time the mortgage is granted. Should a mortgage become Impaired, the Foundation will buy back the mortgage so that the Fund does not risk a default on a mortgage in which it has invested. Investments of the Fund by Concentra Trust are also unconditionally guaranteed by the Foundation and not by any government agency or insurance company (see Financial Information of the Foundation).

No Transfers of Units

The Units are issued in reliance upon certain statutory exemptions from the registration and prospectus requirements of applicable securities legislation. The Units may not be transferred or sold but may be redeemed in full at any time by giving written notice to Concentra Trust (see Transfer Restrictions).

Absence of a Public Market

There is no public market for the Units and the Foundation does not intend to apply for a listing of the Units on any securities exchange.

Performance History

The Fund started in late 2002 and interest distributions reported as percentages during the last three distribution periods have been as follows:

Dec. 31, 2013 - 3.0% Jun. 30, 2014 – 3.0% Dec. 31, 2014 - 3.0%

PLAN OF DISTRIBUTION

The subscription for and issuance of Units is to be made pursuant to statutory exemptions in each of the Atlantic Provinces exempting the offering of Units from the prospectus requirements of applicable securities legislation and exempting the Fund from the registration requirements of applicable securities legislation (see "Exemptions from Registration and Prospectus Requirements" below)

Subscription Forms and, if applicable, RSP Application Forms or RIF Application Forms will be received by the Foundation, as an agent of Concentra Trust, subject to rejection or allotment, in whole or in part, and the right is reserved to close the subscription books at any time without notice. If a subscription is rejected or accepted in part only, the unused subscription funds will be returned to the purchaser without interest or deduction as soon as is practicable.

A subscriber must be an adherent of a Baptist Church that is a member of the Canadian Baptist of Atlantic Canada. The Units may not be offered to the general public. No advertising or solicitations will be made to the general public.

Persons wishing to subscribe for Units must deliver to the Atlantic Baptist Foundation, as an agent of

Concentra Trust, a cheque payable in an amount equal to the aggregate principal amount subscribed for, or a Transfer-In Form to transfer an existing RRSP or RRIF from another company, a duly executed Subscription Form, a completed RSP Application Form, or a completed RIF Application Form, a completed Deposit Form, a completed Designation of Beneficiary form copies of which are included in the RSP Package and the RIF Package in the Baptist Foundation website. Notices of transactions, and not certificates evidencing the Units, will be available from Concentra Trust for delivery to the subscriber on or immediately following the date of purchase. There are no administration fees.

EXEMPTIONS FROM REGISTRATION AND PROSPECTUS REQUIREMENTS

The Units will be issued to eligible subscribers in the Atlantic Provinces pursuant to statutory exemptions from the requirement to register the Fund as a securities dealer and from the requirement to file a prospectus with respect to the distribution of the Units. The Atlantic Baptist Foundation has concluded that the offering of the Units comes within the applicable securities law exemptions contained in the respective legislation of the Provinces of Nova Scotia, Newfoundland and Labrador, Prince Edward Island and New Brunswick. As a consequence of the Foundation's reliance on the statutory exemptions described above, subscribers of Units will not receive benefits associated with subscribing for securities issued under a filed prospectus. In addition, subscribers may not be entitled to the benefits of the civil remedies available under the applicable securities legislation where securities have been distributed pursuant to a prospectus, and may not receive information that otherwise would be required to be provided in a prospectus. Subscribers are advised to consult their own professional advisers for advice on the exemptions and consequences of reliance thereon.

TRANSFER RESTRICTIONS

The Units may not be transferred or sold but may be redeemed in full at any time by giving written notice to Concentra Trust. Upon redemption, holders of Units will be entitled to the price paid for the Units and interest accrued on the Units being redeemed, up to the last interest accrual date, namely June 30 and December 31, as applicable.

STATUTORY RIGHTS OF ACTION

Securities legislation in each of the Atlantic Provinces provides subscribers with a remedy for rescission or damages where an offering memorandum and any amendment to it contain a misrepresentation. The securities legislation of each of the Atlantic Provinces provides that if this Offering Memorandum, together with any amendment thereto contains a misrepresentation and it was a misrepresentation at the time of subscription of Units, a subscriber of Units to whom this Offering Memorandum was sent or delivered, and who subscribes for Units, will have, subject to the defences and qualifications set out below and in the legislation, either a right of action for damages, or alternatively a right of rescission against the Fund, enforceable on notice being given to the Fund not later than one hundred and twenty (120) days after the date that the payment was made for the Units, provided that the Fund will not be liable: (a) if the subscriber purchased the Units with knowledge of the misrepresentation; (b) for all or any portion of damages that it proves do not represent the depreciation in value of such Units as a result of the misrepresentation relied upon; and (c) the amounts in excess of the price at which such Units were issued to the subscriber.

The right of action for damages or rescission conferred under applicable securities laws is in addition to and not in derogation from any other right or remedy available at law to the subscriber. Subscribers are advised to consult their own professional advisers for advice on the applicable statutory rights of action in the relevant Atlantic Province.

AUDITORS

The auditors of Atlantic Baptist Foundation are Grant Thornton, Chartered Accountants and Management Consultants.

REGISTRAR, TRANSFER AGENT AND CUSTODIAN OF FUND ASSETS

Concentra Trust will act as the Investment Manager, Trustee, Transfer Agent and Registrar of the Fund and Custodian of Fund Assets.

Concentra Trust has entered into an agency agreement with the Atlantic Baptist Foundation to provide that the Foundation may act as an agent of Concentra for the purposes of the administration of the Fund, however Concentra Trust is ultimately responsible for the investments and administration of the Fund. Concentra Trust will act as Trustee of the RRSPs and RRIFs under the *Income Tax Act* (Canada).

Subject to certain conditions set out in the *Income Tax Act* (Canada), the Units will be qualified investments for trusts governed by RRSPs and RRIFs under the *Income Tax Act* (Canada) as in effect on the date hereof. Prospective purchasers of Units should consult their own tax advisors with respect to their particular circumstances. Subscription Forms and, where applicable, RSP Application Forms and RIF Application Forms must be sent to the Atlantic Baptist Foundation, as agent of Concentra Trust, at its business office located at 10 Atlantic Baptist Avenue, Moncton, New Brunswick E1E 4N2, together with payment for the Units. A copy of the Subscription Form, the RSP Application Form and RIF Application Forms are attached hereto as Schedule B, Schedule C, and D respectively. Please review the Declaration of Trust on the reverse side of the RSP Application Form and RIF Application Form with respect to your responsibilities and the responsibilities of Concentra Trust in connection with the investments and administration of RRSP's and RRIF's.

ATLANTIC BAPTIST FOUNDATION

STATEMENT OF FINANCIAL CONDITION

The following is a summary of the Foundation's balance sheets for the fiscal years 2014 to 2016 compiled from audited financial statements, for comparative purposes.

DECEMBER 31	2016	2015	2014
Assets (000's)			
Current			
Cash and Securities	\$ 33,127,207	\$ 24,722,251	\$ 25,920,925
Receivables	440,913	443,946	553,077
Prepaid Expenditure	8,030	7,443	-
Cash Restricted	617,069	616,609	586,209
Mtgs. and Notes Receivable	56,294,370	56,986,607	51,862,403
Property	1,587,106	1,614,240	1,329,211
	<u>\$ 92,074,695</u>	<u>\$ 84,391,096</u>	<u>\$ 80,251,825</u>
Liabilities (000's)			
Current			
Payables and Accruals	\$ 412,825	\$ 402,241	\$ 478,285
Notes Payable, interest bearing, no set terms of repayment	80,484,247	76,496,889	70,799,241
Life Interest Contracts	41,400	41,400	41,400
	<u>\$ 80,938,472</u>	<u>\$ 76,940,530</u>	<u>\$ 71,318,926</u>
Net Assets (000's)			
Restricted Funds	\$ 617,069	\$ 616,609	\$ 586,209
Unrestricted Net Assets	9,963,154	6,819,787	7,298,072
Internally Restricted	556,000	14,170	1,048,618
	<u>\$ 11,136,223</u>	<u>\$ 7,450,566</u>	<u>\$ 8,932,899</u>
	<u>\$ 92,074,695</u>	<u>\$ 84,391,096</u>	<u>\$ 80,251,825</u>

ATLANTIC BAPTIST FOUNDATION

JEFFREY MACARTHUR
Chairman of the Board