

MAINSTREET EQUITY CORP.

ANNUAL INFORMATION FORM

For the Year Ended September 30, 2021

December 6, 2021

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained herein constitute “forward-looking statements” as such term is used in applicable Canadian securities laws. These statements relate to analysis and other information based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. In particular, statements concerning estimates related to the effect of the novel strain coronavirus (“COVID-19”) pandemic and governmental responses thereto on the Corporation and the economy, the effect of travel restrictions on the Corporation’s operations and financial performance and the timing of relaxation of the same, the effect of decreasing governmental financial support programs on the Corporation’s tenants and the effect that will have on the Corporation’s credit risk, the effect that COVID-19 will have on valuations of the Corporation’s properties, future acquisitions, dispositions and capital expenditures, future vacancy rates, increase of rental rates and rental revenue, future income and profitability, timing of refinancing of debt, access to low-cost long-term Canada Mortgage and Housing Corporation (“CMHC”) insured mortgage loans, completion timing and costs of renovations, benefits of renovations, funds to be expended on renovations in fiscal year 2022 and the sources thereof, increased funds from operations and cash flow, minimization of operating costs, the Corporation’s liquidity and financial capacity, improved rental conditions, potential increases in rental revenue if optimal operations achieved, the period of time required to stabilize a property, future environmental impact, the Corporation’s strategy and goals and the steps it will take to achieve them, the Corporation’s anticipated funding sources to meet various operating and capital obligations, key accounting estimates and assumptions used by the Corporation, the attraction and hiring of additional personnel, the effect of changes in legislation on the rental market, expected cyclical changes in cash flow, net operating income and operating margins, the effect of environmental regulations on financial results, the handling of any future conflicts of interests of directors or officers and other factors and events described in this document should be viewed as forward-looking statements to the extent that they involve estimates thereof. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions of future events or performance (often, but not always, using such words or phrases as “expects” or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “estimates” or “intends”, or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved) are not statements of historical fact and should be viewed as forward-looking statements.

Such forward-looking statements are not guarantees of future events or performance and by their nature involve known and unknown risks, uncertainties and other factors, including those risks described in this Annual Information Form under the heading “Risk Factors”, that may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and other factors include, among others, the length of time until the pandemic fully is contained and public health measures, including travel and post-secondary restrictions are relaxed or lifted, decreases in governmental financial assistance measures and the timing thereof, costs and timing of the development or renovation of existing properties, availability of capital to fund stabilization programs, other issues associated with the real estate industry including availability of labour and costs of renovations, supply chain issues, fluctuations in vacancy rates, general economic conditions, competition for tenants, unoccupied units during renovations, rent control, fluctuations in utility and energy costs, carbon tax increases, environmental and other liabilities, credit risks of tenants, fluctuations in interest rates, availability of capital and the continuing effects of the current pandemic thereon, changes in legislation and regulatory regime applicable to the corporation, loss of key personnel, a failure to realise the benefit of acquisitions and/or renovations, environmental exposure, cyber-attacks, climate change, uninsured losses, fluctuations in the capital markets and the trading price of the Common Shares, conflicts of interest of the Corporation’s directors and officers, and other such business risks as discussed herein. This is not an exhaustive list of the factors that may affect Mainstreet’s forward-looking statements. Other risks and uncertainties not presently known to the Corporation could also cause actual results or events to differ materially from those expressed in its forward-looking statements.

Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements include, among others, the impact of economic conditions in Canada and globally including as a result of the COVID-19 pandemic, the Corporation’s future growth potential,

prospects and opportunities, the rental environment compared to several years ago, relatively stable interest costs, access to equity and debt capital markets to fund (at acceptable costs), the future growth program to enable the Corporation to refinance debts as they mature, changes in tax laws, mortgage rules and other temporary legislative changes in light of the COVID-19 pandemic or otherwise, and the availability of purchase opportunities for growth in Canada.

Forward-looking statements are based on management's beliefs, estimates and opinions on the date the statements are made, and the Corporation undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions should change except as required by applicable securities laws.

Management closely monitors factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and will update those forward-looking statements where appropriate in its annual and quarterly financial reports.

Certain information set out herein may be considered as "financial outlook" within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding the Corporation's reasonable expectations as to the anticipated results of its proposed business activities for the periods indicated. Readers are cautioned that the financial outlook may not be appropriate for other purposes.

CORPORATE STRUCTURE

Mainstreet Equity Corp. ("Mainstreet" or the "Corporation") was incorporated as 740741 Alberta Ltd. by Certificate of Incorporation pursuant to the Business Corporations Act (Alberta) (the "ABCA") on May 21, 1997. On June 26, 1997, Mainstreet filed Articles of Amendment to change its name to Mainstreet Equity Corp. On April 1, 1999, Mainstreet filed Articles of Amalgamation pursuant to an amalgamation with 620118 Alberta Ltd. On November 1, 2002, Mainstreet filed Articles of Amalgamation pursuant to an amalgamation with 396249 Alberta Ltd. 620118 Alberta Ltd. was incorporated pursuant to the ABCA on August 4, 1994 and 396249 Alberta Ltd. was incorporated pursuant to the ABCA on January 16, 1998.

Mainstreet's head office is located at Suite 100, 305 – 10 Avenue S.E., Calgary, Alberta, T2G 0W2 and its registered office is located at 1413 – 2nd Street S.W., Calgary, Alberta, T2P 0W7.

The common shares of Mainstreet (the "Common Shares") are listed for trading on the Toronto Stock Exchange ("TSX") under the symbol "MEQ". Mainstreet is a reporting issuer in Alberta, British Columbia and Ontario.

Mainstreet does not have any subsidiaries whose assets exceed 10% of the consolidated assets of Mainstreet or whose revenue exceed 10% of the consolidated revenue of Mainstreet or which in the aggregate exceed 20% of the consolidated assets of Mainstreet or 20% of the consolidated revenue of Mainstreet.

GENERAL DEVELOPMENT OF THE BUSINESS

General

Mainstreet is involved in the acquisition, divestiture, value-enhancement and management of multi-family residential properties in Western Canada.

The Corporation owns a diversified portfolio of multi-family residential properties for revenue producing purposes in six geographic markets: British Columbia (including Vancouver Lower Mainland, Vancouver Island, and Okanagan), Calgary and Southern Alberta (including the City of Lethbridge, the Town of Cochrane and the City of Airdrie), Edmonton (including the City of Fort Saskatchewan), Saskatoon, Regina and Winnipeg. As of September 30, 2021, the total portfolio of the Corporation included 15,071 revenue producing units, consisting of townhouses, garden-style apartments, and mid-rise and high-rise apartments, 3 freestanding commercial houses. Of these units, as at September 31, 2021, 93% were rented, 5% were

being renovated and the remainder 2% were vacant because of market conditions. The Corporation also has one office building which serves as the head office of Mainstreet and one property consisting 134 units, held for sale, in Calgary, Alberta.

Since 1997, the Corporation's portfolio has increased from 10 buildings to 401 buildings as of December 6, 2021 (386 buildings as of September 30, 2021), while the value of this portfolio has grown from approximately \$17 million to \$2.6 billion as of September 30, 2021. Fair value is determined based on a combination of internal and external valuation processes. Gains and losses arising from differences between current period fair value and the sum of previous measured fair value and capitalized costs as described above are recorded in profit and loss in the period in which they arise. For the Corporation's annual and interim financial reporting, external valuations are obtained from independent qualified real estate appraisers who are members of the Appraisal Institute of Canada and have appropriate qualifications and experience in the valuation of the Corporation's investment properties in the relevant locations. In addition, the Corporation has established an internal valuation model, which is based on the same assumptions and valuation techniques used by the external valuation professionals. The Corporation groups its investment properties in each city by their types and geographic locations. Samples are selected in each group for independent appraisal. The appraised values of the samples selected are compared with their carrying values. The percentage changes in values of those samples selected were applied to the whole population of each group in determination of the fair value of investment properties of the Corporation as of period end. Properties are selected on a rotational basis, approximately 40% of the Corporation's portfolio is externally valued annually.

Three Years History – 2019 to 2021

Acquisitions and Dispositions

In the past three years, Mainstreet has expanded its property portfolio through the purchase of 1,119 units in the year ended September 30, 2019, 681 units in the year ended September 30, 2020 and 1,489 units in the year ended September 30, 2021. In addition, the Corporation created 6 additional units in 2019, 1 additional unit in 2020 and 2 additional units in 2021 from existing space in existing properties. The Corporation also acquired a warehouse in Edmonton, Alberta for \$1.04 million in 2019 and a property consisting 136 units held for sale of which 2 units were disposed in 2021, in Calgary, Alberta in 2021.

From inception to September 30, 2021, Mainstreet has acquired a total of 15,074 revenue producing units in Calgary (including Cochrane and Airdrie), Lethbridge and Edmonton (including Fort Saskatchewan), Alberta; Abbotsford, Chilliwack, Courtenay, Kamloops, New Westminster, Penticton, Surrey and Vernon, British Columbia; Saskatoon and Regina, Saskatchewan; Winnipeg, Manitoba; a warehouse in Edmonton, Alberta and an office building in Calgary, Alberta. The aggregate consideration paid for the properties was \$1,362 million.

In the year ended September 30, 2021, Mainstreet purchased 39 properties (1,489 units) in Calgary and Edmonton, Alberta; Saskatoon and Regina, Saskatchewan; Chilliwack, Courtenay, Kamloops, Penticton and Vernon, British Columbia; and Winnipeg, Manitoba.

In the year ended September 30, 2020, Mainstreet purchased 13 properties (681 units) in Calgary, Cochrane and Edmonton, Alberta; Saskatoon, Saskatchewan; and Kamloops, British Columbia.

In the year ended September 30, 2019, Mainstreet purchased 33 properties (1,119 units) in Airdrie, Calgary and Edmonton, Alberta; and Saskatoon and Regina, Saskatchewan.

Financing

Equity

In 2021, the Corporation purchased and cancelled 4,612 (2020-31,900, 2019-Nil) common shares at an average price of \$68.10 (2020-55.37 and 2019-Nil) per common shares pursuant to the Normal Corse Issuer Bid made in accordance with the policies of the Toronto Stock Exchange for a total consideration of \$0.3 million.

In 2020, the Corporation purchased and cancelled 31,900 (2019-Nil, 2018-3,659) at an average price of \$55.37 (2019-Nil and 2018-\$37.02) per common shares pursuant to the Normal Corse Issuer Bid made in accordance with the policies of the Toronto Stock Exchange for a total consideration of \$1.8 million.

During the financial year ended September 30, 2019, four officers and directors of the Corporation exercised options to purchase 272,575 common shares on a cash settlement alternative basis whereby the Corporation paid to these officers and directors an amount of \$7.9 million representing the in-the-money value of the options on the dates of exercise (being the difference between the weighted average closing price of the common shares of the Corporation on the dates of exercise and the exercise prices of the options multiplied by the number of common shares exercised on such basis) and cancelled the stock options. The amounts paid to the officers and directors were recognized as a stock option settlement change in the statement of changes in equity. As a result of the foregoing, the Corporation has no issued and outstanding stock options. In addition, two directors and officers exercised an aggregate of 549,425 stock options with a weighted average exercise price of \$5.51 per Common Share for aggregate gross proceeds to the Corporation of \$3.0 million.

Debt

Mainstreet's long-term debt consists mainly of low-rate, fixed-term mortgage financing. All individual mortgages are secured against the appropriate real estate assets and are based largely on the appraised value of properties. The maturity dates for this debt are staggered to lower the overall interest rate risk.

As of September 30, 2021, amounts owing under mortgages were \$1,357 million, compared with \$1,180 million as at September 30, 2020 and \$1,020 million as at September 30, 2019. Amounts owing under mortgage increased as a result of new debt and the refinancing of existing debt. At financial year-end, approximately \$1,375 million of debt (99% of the amounts owing under the Corporation's mortgages) was insured by the CMHC, providing Mainstreet with interest rates lower than those conventionally available.

To take advantage of current low interest rate, Mainstreet financed 25 maturing mortgages and 15 clear title assets for \$291.8 million 10-year, CMHC-insured mortgages at an average interest rate of 2.07%. These refinancings raised approximately \$226.2 million additional funds for the Corporation in fiscal year 2021.

Renovations

Renovations are a core part of Mainstreet's Value Chain business model (described under the heading "Corporate Strategy" below). These activities enable Mainstreet to improve the attractiveness of its properties to tenants, increase rental income, reduce operating costs and enhance property values in the long term.

To keep pace with the many rental properties acquired during the financial year ended September 30, 2021, Mainstreet carried out a large renovation program in the financial year, spending approximately \$24.4 million on renovations and property improvements compared to \$16.7 million in the financial year ended September 30, 2020 and \$18.8 million in the financial year ended September 30, 2019. These improvements consisted of exterior upgrades such as new roofs, windows, balconies, siding and insulation,

and mechanical and interior upgrades such as new boilers, flooring, paint, appliances and energy-efficiency measures.

As at September 30, 2021, approximately 1,822 units in Mainstreet's portfolio require renovations. The Corporation plans to spend approximately \$24 million on renovations for these units. The renovations are expected to be completed within the next 12 to 24 months.

The amount spent each year on renovations varies depending on the number of units purchased during the year and capital improvements required for the existing properties. Mainstreet continually monitors and adapts the pace of its renovations program to make sure it is consistent with changing market demand.

Trends

Persistently oil market volatility and an uncertain political climate remain biggest obstacles of the Alberta and Saskatchewan overall regional economies, which comprise 79% of the Corporation's portfolio. The result has been a continued hesitancy among investors, particularly in the U.S., to invest in the Canadian energy sector. Although the economic downturn has caused a lower GDP growth, the demand for rental property continue to increase due to steady population increases in core markets, contributed in part by higher national immigration numbers and compounded with growing levels of foreign students.

The rental market in British Columbia which comprises 21% of the Corporation's rental properties was very strong in 2021 and is expected to remain strong in 2022 due to strong economic growth in British Columbia.

The federal government has recently implemented stricter requirements on CMHC-insured mortgages which the Corporation believes may impact the home buying market in Canada. The new legislation will likely deter first-time homebuyers in particular, who will be more exposed to higher interest rates and down payment therefore more likely to remain in the rental space and thus may create a new demand for rental market.

SIGNIFICANT ACQUISITIONS

The Corporation did not complete any significant acquisitions (as defined in National Instrument 51-102-Continuous Disclosure Obligations) during the financial year ended September 30, 2021.

DESCRIPTION OF THE BUSINESS

Corporate Strategy

Mainstreet's goal is to be one of the leading providers of affordable mid-market rental apartments in Canada, and its properties typically have less than 100 units. The Corporation achieves this through its Value Chain business model, which involves the following six steps:

1. **Acquisitions.** Identify and purchase underperforming rental units at prices well below replacement costs;
2. **Capital improvements.** Increase the asset value of Mainstreet's portfolio by renovating acquired properties'
3. **Operational efficiencies.** Minimize operating costs through professional management, efficient technology and energy-saving equipment;
4. **Value enhancement.** Reposition renovated properties in the market as a Mainstreet branded product, for higher rents, and build and sustain customer loyalty through high levels of service;
5. **Financing.** Maintain a sound capital structure with access to low-cost, long-term Canada Mortgage and Housing Corporation ("CMHC") insured mortgage loans; and

6. **Divestitures.** Occasionally sell mature real estate properties to redirect capital into newer, higher potential properties.

There was no change in the nature of the Corporation's business or its corporate strategy in 2021.

Revenues

The vacancy rate increased to 8.9% in 2021 from 7.3% in 2020 and the average monthly rental rate increased to \$943 per unit in 2021 from \$942 per unit in 2020, resulting in the overall rental revenue and ancillary revenue increasing by 7% to \$159.9 million in 2021 as compared to \$149.8 million in 2020. This was mainly due to the continued growth of the Corporation's portfolio.

Property Portfolio

As of December 6, 2021, Mainstreet owned and managed a total of 402 revenue producing buildings, warehouses in Edmonton, Regina, Calgary and an office building which Mainstreet uses as its head office.

Mainstreet's total portfolio is valued at \$2.6 billion at September 30, 2021. The following is the breakdown of market value by city and average capitalization rates used in determining the fair value of investment properties at September 30, 2021.

As at September 30, 2021	Number of properties	Number of units	Market value (\$million)	Average value per unit (\$000)	Average capitalization rate As at September 30, 2021
Surrey, British Columbia (Note 1)	12	1,939	\$ 579	\$ 299	3.29%
Abbotsford, British Columbia (Note 2)	24	1,311	280	214	3.68%
Calgary, Alberta (Note 3)	93	3,388	651	192	4.87%
Edmonton, Alberta (Note 4)	137	5,081	679	134	5.46%
Saskatoon, Saskatchewan	59	2,330	301	129	5.84%
Regina, Saskatchewan	60	938	119	127	5.57%
Winnipeg, Manitoba	1	87	7	80	5.79%
Total investment properties	386	15,074	\$ 2,616	\$ 174	4.69%

Note (1) - includes the City of New Westminster and the City of Courtenay

Note (2) - includes the City of Chilliwack, the City of Kamloops, the City of Penticton and the City of Vernon

Note (3) - includes the City of Lethbridge, the Town of Cochrane and the City of Airdrie

Note (4) - includes the City of Fort Saskatchewan

Competition

Mainstreet competes with other investors and owners of properties for the purchase of desirable real estate properties and rental of residential apartments in each of the geographical areas where it operates. The level of competition generally fluctuates according to the rate of development, supply and demand rental properties and economic activity in the applicable area. Mainstreet views its competitive position as being equivalent to that of other participants of a similar size and at a similar stage of development. See "Risk Factors" below.

Cyclical Business

The Corporation's operation expenses are much higher during the winter period due to the increase on heating cost and other weather-related expenses. As a result, the net operating income, operating margin and cash flow during the period from October to March are expected to be lower than the summer period from April to September.

Environmental Regulation

The current or previous owners of real property may be subject to liability for environmental hazards or damage under various environmental laws, ordinances and regulations. The need to address environmental risks requires certain expenditures by Mainstreet, including those associated with the commissioning of environmental audits prior to the purchase of properties. See “Risk Factors” below.

Mainstreet is not aware of any material non-compliance with environmental laws at any of its properties or any claims in connection with the breach of environmental laws involving its properties. Compliance with environmental regulations did not have any material adverse impact on Mainstreet’s financial results or competitive position in the 2021 financial year. Mainstreet does not anticipate that compliance with environmental regulations will have any material adverse impact on its financial results or competitive position in the 2021 financial year.

Personnel

As of December 6, 2021, Mainstreet had 448 employees (449 employees as of September 30, 2021). Mainstreet believes that its senior staff all have considerable in-depth knowledge in regards to acquisitions and repositioning of real estate and operations of rental properties.

Foreign Operations

The Corporation has no operations outside of Canada.

Lending

Mainstreet lending operations consist mainly of arranging mortgage loans on properties acquired. The amount of mortgaging financing required is determined by the value of the prospective acquisition.

Mainstreet has a revolving banking facility for a maximum of \$85 million with a syndicate of Canadian chartered financial institutions (“Credit Facility”). The facility is secured by a floating charge against the Corporation’s assets and carries an interest rate of prime plus 1.15%. The facility requires monthly interest payments and is renewable every three years subject to the mutual agreement of the lenders and the Corporation. The Corporation has obtained an extension of the maturity date to December 5, 2022. As of September 30, 2021, the Corporation has drawn \$Nil (September 30, 2020 - \$Nil) against this credit facility.

Additionally, in 2021, the Corporation entered into a \$15 million revolving credit facility with a third-party financial institution, which carries an interest rate equal to the prime rate. As at September 30, 2021, the Corporation has drawn \$Nil against this credit facility.

Both facilities contain financial covenants to maintain an overall funded debt to gross book value ratio of not more than 65% and debt service ratio of not less than 1.2. As of September 30, 2021, the Corporation’s overall funded debt to gross book value ratio and debt service coverage ratio are 51% and 1.49, respectively.

RISK FACTORS

The following section describes specific and general risks that could affect the Corporation. As it is difficult to predict whether any risk will occur or what its related consequences might be, the actual effect of any risk on the business of the Corporation could be materially different than anticipated. The following discussion of risk does not include all possible risks as there may be other risks of which the Corporation is currently unaware. This section should be read in conjunction with the Corporation’s management discussion and analysis of financial condition and results of operations for the year ended September 30, 2021. See “Additional Information”.

Pandemic Risk

Beginning in 2020, the COVID-19 pandemic has had a substantial impact on the economy. Although these impacts appear to be slowly lessening over time, there still remains uncertainty associated with unprecedented nature of the pandemic. Uncertain economic conditions resulting from the COVID-19 pandemic may, in the short or long term, have a materially adverse impact on the Corporation's tenants and/or debt and equity markets, both of which could materially adversely affect the Corporation's operations and financial performance. Although significant progress has been made in vaccinating the Canadian population and many restrictions have been lifted in certain provinces of Canada, barriers to travel still remain in effect and it remains difficult to reliably estimate the impact on the financial results and condition of the Corporation in future periods.

The Corporation saw a material decrease in new rentals during the fourth quarter of its 2020 fiscal year, a period that usually is one of the Corporation's busiest rental seasons. This decrease continued into the Corporation's 2021 fiscal year, and has resulted in a decrease in the Corporation's operations and financial performance as fewer new tenants are moving into the Corporation's properties resulting in an increase in vacancy rates. The Corporation believes that this decrease has resulted from the government's implementation of travel bans in response to the pandemic, and post-secondary institutions limiting in person classes, which vastly decreased the number of foreign students and other immigrants arriving in Canada. Historically, such foreign students and immigrants have comprised a material portion of the Corporation's renters. Although certain travel bans have been lifted in recent months, there still remain significant impediments to international travel and limitations on class rooms. In the event that these impediments and limitations remain in effect through the Corporation's 2021 fourth quarter, the Corporation anticipates that it will suffer continued material decreases in its operations and financial performance.

To date the Corporation has not suffered a material increase in bad debt expense and higher credit risk for the Corporation as a result of increased difficulty in the collection of rent, a requirement to defer the eviction of tenants who do not pay their rent, and an inability by the Corporation to increase rent in certain of its markets. However, as government financial supports, which have assisted the Corporation's tenants with their essential needs such as rental payments throughout the pandemic, begin to be reduced or eliminated, the Corporation anticipates that it may see an increase in its bad debt expense and be exposed to an increased credit risk.

The Corporation's properties are measured at fair value based on assumptions influenced by market conditions. Given the uncertainty which has existed, some of which still remains, the full long-term impact of COVID-19 on the valuation of the Corporation's properties, may not be completely known at this time. Further, due to the previous high uncertainty associated with the pandemic, lower weight can be applied to previous market evidence to inform fairness of opinions.

There is also continuing risk that the Corporation could be adversely affected due to market changes particularly in supply, interest rates and regional rent controls. Further, as social distancing practices are maintained, and labour and material shortages persist, the expected onset of new supply of rental housing may take longer as construction completion times are extended. There has also been significant disruptions to the global supply chain in recent months. All of this increases the supply risk to the Corporation.

To date, the Corporation has seen the mortgage interest rate for a 10-year fixed CHMC mortgage remain at a low level which has provided an opportunity for the Corporation to obtain financing at lower interest rates when mortgages mature and need to be renewed.

To date, governments have responded quickly to ensure capital remains available, and currently, Mainstreet still remains able to access capital.

The Corporation, in coordination with its Board of Directors, continues to monitor the situation and has taken and may take additional actions that alter its business operations as may be required by federal, provincial or local authorities or that the Corporation determines are in the best interests of its tenants, employees, suppliers, shareholders and other stakeholders. Such alterations or modifications have caused

and may continue to cause interruption to the Corporation's business and include increased administration, maintenance and repair expenses, related to property modifications, increased cleaning and maintenance of the property, increased communication and technology costs and increased costs related to obtaining personal protection equipment for team members, temporary closures of the Corporation's administrative offices and moves to remote working, temporary or long-term adverse impacts on the Corporation's supply chain and labour and the potential of increased network vulnerability and risk of data loss resulting from increased use of remote access and removal of data from the Corporation's facilities. Management of the Company enacted its COVID-19 business continuity plan in March 2020 and to date has experienced only minimal disruptions to its business operations as a result.

Vacancy Risk

The Corporation is subject to tenant vacancy risk when, in some markets and under certain economic conditions, housing/condominiums are affordable, financing is readily available and interest rates are low, making it easier for renters to become homebuyers. This increases vacancy rates and decreases rental revenue cash flow.

Vacancy rates can also be affected negatively by increased supply of multi-family units in the Corporation's core markets. Numerous other residential developers and apartment owners compete for potential tenants. Although it is Mainstreet's strategy to own multi-family residential properties in premier locations in each market in which it operates, some of the apartments or its competitors may be newer, better located or offer lower rents. In addition, an increase in alternative housing could have a material adverse effect on the Corporation's ability to lease units and in the rents charged and could adversely affect the Corporation's revenues and ability to meet its obligations.

Accordingly, the Corporation's performance will always be affected by the supply and demand for multi-family rental real estate in Western Canada. The potential for reduced rental revenue exists in the event that Mainstreet is not able to maintain its properties at a high level of occupancy, or in the event of a downturn in the economy, which could result in lower rents or higher vacancy rates. Mainstreet has minimized these risks by:

- attempting to increase customer satisfaction;
- diversifying its portfolio across Western Canada, thus lowering its exposure to regional economic swings;
- acquiring properties only in desirable locations, where vacancy rates for properties are higher than city-wide averages but can be reduced by repositioning the properties through better management and selective upgrades;
- holding a balanced portfolio which includes a variety of multi-family building types including high-rise, townhouse, garden and walk-ups, each with its own market niche;
- maintaining a wide variety of suites, including bachelor suites, one, two and three bedroom units;
- building a broad and varied customer base, thereby avoiding economic dependence on larger-scale tenants;
- focusing on affordable multi-family housing, which is considered a stable commodity;
- advertising and offering competitive market pricing to attract new tenants;
- developing a specific rental program characterized by rental adjustments that are the result of enhanced services and superior product; and

- developing regional management teams with significant experience in the local marketplace, and combining this experience with its existing operations and management expertise.

The pandemic and the government's response thereto, including travel restrictions and limitations on class rooms for post-secondary institutions, has also increased the vacancy risk for the Corporation. See "Pandemic Risk" above.

Economic Uncertainty

Any worldwide or regional economic slowdown, stock market uncertainty and international political credit crisis or uncertainty could adversely impact the business and the future profitability of the Corporation. During any period of economic uncertainty tenants may experience financial difficulty and may default in payment of rent or possibly look for less expensive accommodations thereby having a corresponding longer-term impact on rental and vacancy rates. In addition, Mainstreet's ability to obtain financing or renegotiate line of credit financing may be negatively affected.

In addition to the COVID-19 pandemic discussed above, the slowing of Western Canada's economic growth rate has filtered through to weaker employment prospects in the prairie provinces, a tempering of housing and rental demand and a decline in net migration with a corresponding impact on the Corporation's rental and occupancy levels. Still unknown is the impact of various recently enacted or pending government initiatives, including increases to operating costs resulting from carbon tax legislation and the implementation of new climate change plans at both the provincial and federal government levels. However, the prairie provinces have seen some economic growth in recent months, with increased oil prices and a diversification of their economy.

Still unknown is the impact of various recently enacted or pending government initiatives, including increases to operating costs resulting from carbon tax legislation and the implementation of new climate change plans at both the provincial and federal government levels.

Interest Risk

Mainstreet is exposed to interest rate risk to the extent of any upward or downward revision in prime lending rates. Increases in the interest rate have the potential to adversely affect the profitability of the Corporation. However, the Corporation attempts to mitigate this risk by staggering the maturity dates for its mortgages. The majority of Mainstreet's mortgages and fixed-rate mortgage financings are insured by Canada Mortgage and Housing Corporation ("CMHC") under the National Housing Association ("NHA") mortgage program. This added level of insurance offered to lenders allows the Corporation to receive the best possible financing and interest rates and significantly reduces the potential for a lender to call a loan prematurely.

Utilities and Tax Risk

Mainstreet's business is exposed to fluctuating utility and energy costs such as electricity and natural gas (heating) prices as well as exposure to significant increases in property taxes. Utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. In recent years, water and sewer costs have increased significantly, as have other forms of direct and indirect "taxes" imposed by various municipalities. Any significant increase in these costs that cannot be passed on to the tenant / customer may have a significant impact on the operations of the Corporation.

Management continues to monitor all these costs very closely. In order to mitigate these risks, the Corporation has implemented the following steps:

- where possible, electrical sub-metering devices have been installed, passing on the responsibility for electrical charges to the end tenant / customer;
- where possible, direct metering conversion programs have been implemented which effectively introduced a volume-based consumption system rather than a flat rate, in turn lowering operating costs for the Corporation;
- in other cases, rents have been, or will be adjusted upward to cover increased costs; and
- where possible, the Corporation enters into long term supply contracts at a fixed price.

For example, Mainstreet has entered into a fixed rate natural gas contract at \$2.66 per GJ in Alberta with a maturity date of February 1, 2024, and in Surrey, British Columbia, Mainstreet has completed a water meter conversion program for all its properties.

In addition, over the past few years, municipal property taxes have increased as a result of revaluations of municipal properties and their inherent tax rates. These revaluations may result in significant increases in some property assessments due to enhancements, which often are not represented on the Corporation's balance sheet as such representations are contrary to existing IFRS reporting standards. To address these risks, the Corporation has a team of property reviewers who, with the assistance of outside consultants, constantly review property tax assessments and, if warranted, appeal them. While it is not unusual for the Corporation to receive property tax refunds and / or adjustments, due to uncertainty of the timing and the amount of the refunds or adjustments, these amounts are only reported when they are actually received.

It is uncertain if municipal property tax rates will increase in certain markets to address municipal revenue losses resulting from the COVID-19 pandemic.

Risks of Real Estate Property Ownership

Real estate investments and projects are, generally, subject to numerous risks depending on the nature and location of the property that can affect attractiveness and sale ability of real estate assets to potential purchasers or other investors, or the owner's use of such real estate assets, all of which are beyond the control of the Corporation. Such risks include:

- the highly competitive nature of the real estate industry;
- changes in general economic conditions (such as the availability and cost of the property or widespread fluctuations in adjacent property values), including as a result of COVID-19;
- changes in general or local conditions (such as the supply of competing real estate assets or the possibility of competitive overbuilding or the inability to obtain full occupancy or other usage of any real estate assets);
- governmental regulation, rules or policies (such as increased taxation on the sale of or profits from real estate property, environmental legislation or municipal approvals for usage, development or subdivision); and
- changes in costs or operating expenses anticipated for real estate assets.

Each segment in the real estate industry is capital intensive and is typically sensitive to interest rates. Any proceeds generated by the sale of real estate assets depend upon general economic conditions and, accordingly, the ability to repay its financing may be affected by changes in those conditions. The Corporation will be required to make certain significant expenditures in respect of its business including, but not limited to, the payment of property taxes, mortgage payments, property management costs, insurance costs and related charges which must be made regardless of whether real estate assets are

producing sufficient income to service such expenses. If the Corporation is unable or unwilling to meet the payment obligations on such loans, losses could be sustained as a result of the exercise by the lenders of their rights of foreclosure or sale. As a result, the Corporation's ability to make interest payments or distributions of cash could be adversely affected.

In addition, real estate property investments are relatively illiquid. This illiquidity will tend to limit the ability of the Corporation to vary its property portfolio promptly in response to changes in economic or investment conditions. If the Corporation were required to quickly liquidate its assets, there is risk that the Corporation would realize sale proceeds of less than the stated value of the properties of the Corporation. The Corporation's property portfolio is concentrated in British Columbia, Alberta and Saskatchewan. As a result, economic and real estate conditions in Western Canada will significantly affect the Corporation's revenues and the value of its properties.

Renovation Risks

The Corporation is subject to the financial risk of having unoccupied units during extended periods of renovations. During renovations, these properties are unavailable for occupancy and do not generate income. Certain significant expenditures, including property taxes, maintenance costs, interest payments, insurance costs and related charges must be made throughout the period of ownership of real estate property regardless of whether the property is producing revenue. Delays in the renovation of a building or individual apartment units as a result of labour and material shortages and similar risks, could delay the renting of such building or units resulting in an increased period of time where the building is not producing revenue or produces less revenue than a fully tenanted building. As the Corporation intends to source labour from other countries and renovation supplies directly from manufacturers in China and elsewhere, the Corporation will be subject to related immigration expenses, possible changes in laws related to the use of migrant or immigrant labour, shipping risks and delays, and currency fluctuations, all of which may result in unexpected or higher costs or possible delays. The Corporation intends to address these risks by acquiring financing to fund renovations, staggering renovations and by carrying out a detailed capital expenditures budget to monitor its cash position on a monthly basis. However, recent and possible new changes in federal immigration laws related to migrant or immigrant labour may have a negative impact regarding mitigating an increase in labour costs and expenses. In addition, COVID-19 has and will likely continue to affect the Corporation's ability to source labour and supplies from other countries.

In addition, high commodity prices and global supply chain constraints have pushed inflation up, with the consumer price index (CPI) hitting 4.7% in November, 2021, and it is unclear how long this upward pressure will continue. This may result in higher costs in respect of renovations.

Credit Risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in a financial loss for the Corporation. The Corporation is exposed to credit risk as some tenants may experience financial difficulty and may default in payment of rent in the current economic environment. However, the Corporation attempts to minimize possible risks by conducting in-depth credit assessments of all tenants and collecting security deposits from tenants. The Corporation's tenants are numerous, which also reduces the concentration of credit risk. As tenants' rent is due at the beginning of the month, all amounts in accounts receivable are considered overdue by the Corporation. As of September 30, 2021, rents due from current tenants amounted to \$854,000 (September 30, 2020 - \$574,000). The possibility of not receiving payment of rent due from current tenants was covered by security deposits of \$5.4 million (September 30, 2020 - \$4.8 million) and provisions for expected credit losses of \$160,000 (September 30, 2020 - \$200,000). In addition, please see "Pandemic Risk" above.

The aging bands of rents due from current tenants as at September 30, 2021 and September 30, 2020 are outlined in the table below:

(000's of dollars)	Sep. 30, 2021	Sep. 30, 2020
0-30 days	\$ 610	\$ 420
31-60 days	142	81
61-90 days	22	7
Over 90 days	80	66
Total rents due from current tenants	\$ 854	\$ 574

In relation to cash, cash equivalents and restricted cash, the Corporation believes that its exposure to credit risk is low. The Corporation places its cash, cash equivalents and restricted cash only with reputable Canadian financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulties in meeting its financial obligations. The Corporation manages its liquidity risk by monitoring forecast cash flows on a regular basis to meet expected operating expenses, by maintaining adequate banking facilities, by managing mortgage debt secured by its investment properties and by matching the maturity profiles of assets and liabilities. Please see “*Liquidity and Capital Resources*” above.

An investment in real estate is relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may limit the Corporation’s ability to divest itself of certain of its properties promptly in response to changing economic, investment or other conditions. If the Corporation was to be required to quickly liquidate its real property, the proceeds to the Corporation might be significantly less than the aggregate carrying or net asset value of its properties or less than what would be expected to be received under normal circumstances, which could have an adverse effect on the Corporation’s financial condition and financial performance. Illiquidity may also result from legal or contractual restrictions on the resale of properties. In addition, in recessionary times, it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and, during an economic recession, the Corporation may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for the Corporation to dispose of properties at lower prices in order to generate sufficient cash for operations. There can be no assurance that the fair market value of any properties held by the Corporation will not decrease in the future.

Financing Risk

Mainstreet anticipates that it will make substantial capital expenditures for the acquisition of properties in the future. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Mainstreet. Moreover, future activities may require Mainstreet to alter its capitalization significantly. The inability of Mainstreet to access sufficient capital for its operations could have a material adverse effect on Mainstreet’s financial condition, the result of its operations or its overall prospects. Please see “*Pandemic Risk*” above.

Disclosure Controls & Procedures on Internal Control over Financial Reporting Risk

Mainstreet’s business could be adversely impacted if it has deficiencies in its disclosure controls and procedures or internal control over financial reporting. The design and effectiveness of Mainstreet’s disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. While Management continues to review the design and effectiveness of Mainstreet’s disclosure controls and procedures and internal control over financial reporting, Mainstreet provides no assurance that its disclosure controls and procedures or internal control over financial reporting will be effective in accomplishing all control objectives all of the time. Deficiencies, particularly material weaknesses, in internal control over financial reporting which may occur in the future could result in

misstatements of Mainstreet's results of operations, restatements of its financial statements, a decline in the share price, or otherwise materially adversely affect Mainstreet's business, reputation, results of operation, financial condition or liquidity.

Reliance on Key Employees

Mainstreet's success depends in large measure on certain key executive personnel. The loss of the services of such key personnel could have a material adverse effect on the Corporation. Mainstreet does not have key person insurance in effect for management. The contributions of these individuals to the immediate operations are likely to be of central importance. In addition, competition for qualified personnel in the industry is intense, and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of Mainstreet.

Income Tax Risk

Mainstreet intends to file all required income tax returns and believes that it will be in full compliance with the provisions of the Income Tax Act (Canada) and all applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of Mainstreet, whether by re-characterization and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

Market Risks

The economic performance and value of the Corporation's investments in real estate assets will be subject to all of the risks associated with investing in real estate, including, but not limited to:

- changes in the national, regional, provincial and local economic climates, including as a result of the COVID-19 pandemic;
- local conditions, including an oversupply of properties or a reduction in demand for properties;
- the attractiveness of all or parts of real estate assets to renters or purchasers;
- competition from other available real estate assets and
- changes in laws and governmental regulations, including those governing usage, zoning, the environment and taxes.

The Corporation's performance will be affected by the supply and demand for property in its geographic area(s) of ownership. Key drivers of demand include employment levels, population growth, demographic rents and consumer confidence. The potential for reduced rental revenue exists in the event that demand diminishes or supply becomes overabundant thereby driving down prices for real estate assets.

Acquisitions Risks

Mainstreet's growth depends in large part on identifying suitable acquisition opportunities, pursuing such opportunities and consummating acquisitions. It is not possible to manage all risks associated with such acquisitions in the terms and conditions contained in commercial agreements pertaining to such acquisitions. The real estate assets may be subject to unknown, unexpected or undisclosed liabilities that may materially and adversely affect the Corporation's operations, financial condition and results. The representations and warranties, if any, given by arm's length third parties to the Corporation may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. Moreover, real estate assets acquired by the Corporation may not meet expectations of operational or financial performance due to unexpected costs associated with developing an acquired property, as well as the general investment risks inherent in any real estate investment.

Appraisals of Properties

An appraisal is an estimate of market value and caution should be used in evaluating data with respect to appraisals. It is a measure of value based on information gathered in the investigation, appraisal techniques employed and quantitative and qualitative reasoning, leading to an opinion of value. The analysis, opinions and conclusions in an appraisal are typically developed based on and in conformity with, interpretations of the guidelines and recommendations set forth in the Canadian Uniform Standards of Professional Appraisal Practice. Appraisals are based on various assumptions of future expectations of property performance and while the appraiser's internal forecast of net income for the properties appraised are considered to be reasonable at that time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

The Corporation's properties are measured at fair value based on assumptions influenced by market conditions. Given the continuing uncertainty of the longer-term impacts of the COVID-19 pandemic on valuation assumptions, uncertainty continues to exist with respect to the valuation of the Corporation's properties.

Environmental, Health and Safety Risks

Under various environmental, health and safety laws, ordinances and regulations, the current or previous owner or operator of properties acquired or refinanced by the Corporation, may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in such properties. These costs could be substantial. Such laws could impose liability whether or not the Corporation knew of, or was responsible for, the presence of such hazardous or toxic substances when it acquired a property.

The presence of hazardous or toxic substances, or the failure to remove or remediate such substances, if any, or restrictions imposed by environmental, health and safety laws on the manner in which such properties may be operated or developed could adversely affect the Corporation's ability to sell such properties and could potentially also result in claims against the Corporation.

Environmental, health and safety laws provide for sanctions for non-compliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental, health and safety laws and common law principles could be used to impose liability for release of and exposure to hazardous substances into the air. Third parties may seek recovery from real property owners or operators for personal injury or property damage associated with exposure to released hazardous substances. In addition, third parties may seek recovery from the Corporation in the event of an outbreak of COVID-19 in a property owned by the Corporation. The cost of defending against claims of liability, of complying with environmental, health and safety regulatory requirements, of remediating any contaminated property or of paying personal injury claims could be substantial.

The Corporation may be subject to liability for undetected pollution or other environmental hazards against which it cannot insure, or against which it may elect not to insure where premium costs are disproportionate to the Corporation's perception of relative risk. Such factors may have an adverse impact on the Corporation.

Mainstreet has policies and procedures to review and monitor environmental exposure, including the completion of environmental audits in connection with the Corporation's due diligence procedures when looking at potential acquisitions when the Corporation deems it advisable.

Cyber Security Risk

Cyber security has become an increasingly issue for corporations and businesses. A cyber-attack is an intentional attack which can include gaining unauthorized access to information systems to disrupt business operations, corrupt data or steal confidential information. Such an attack could compromise Mainstreet, its

employees and tenants' confidential information, and third parties with whom Mainstreet interacts and may result in negative consequences, including remediation costs, loss of revenue, data corruption, additional regulatory scrutiny, litigation and reputational damages. As a result, Mainstreet has implemented processes, procedures and controls to help mitigate these cyber-security risks, but these measures do not guarantee that cyber-attack can be totally avoided due to ever increasing sophistication of all forms of cyber-attacks.

Climate Change Risk

There is growing risk that an increase in global average temperatures due to emissions of greenhouse gases and other human activities have or will cause significant changes in weather patterns and increase the frequency and severity of climate stress events. Climate change, including the impact of global warming, creates physical and financial risk. Physical risks from climate change include an increase in sea level and changes in weather conditions, such as an increase in intense precipitation and extreme heat events, as well as tropical and non-tropical storms.

Mainstreet owns buildings in locations that may be susceptible to climate stress events or adverse localized effects of climate change, such as sea-level rise and increased storm frequency or intensity. The occurrence of one or more natural disasters, such as hurricanes, fires, floods, and earthquakes (whether or not caused by climate change), could cause considerable damage to its properties, disrupt operations and negatively impact Mainstreet's financial performance. To the extent these events result in significant damage to or closure of one or more of Mainstreet's buildings, its operations and financial performance could be adversely affected through lost tenants and an inability to lease or re-lease the space. In addition, these events could result in significant expenses to restore or remediate a property, increases in fuel (or other energy) prices or a fuel shortage, increases in the costs of insurance if they result in significant loss of property or other insurable damage, and the introduction of or increases in climate change taxes such as provincial or federal carbon taxes or cap and trade taxes.

No History of Dividends

Mainstreet has not declared or paid any dividends on its common shares since its incorporation. Any decision to pay dividends on the shares will be made by the board of directors on the basis of the Mainstreet's earnings, financial requirements and other conditions existing at such future time. The dividend policy of Mainstreet is established by the directors and is subject to change at the discretion of the directors. The recourse of shareholders who disagree with the dividend policy or any change in policy is limited and could require such shareholders to seek to replace the directors. Other than pursuant to corporate law and compliance with the provisions of its banking facility, there is no restriction that could prevent Mainstreet from paying dividends or another form of distribution in respect of the common shares.

Workforce Availability

Mainstreet's ability to provide services to its existing tenants is somewhat dependent on the availability of well-trained employees and contractors to service such tenants as well as complete required maintenance and capital upgrades on its buildings. The Corporation must also balance requirements to maintain adequate staffing levels while balancing the overall cost to the Corporation.

Within Mainstreet, its most experienced employees are employed full-time; this full-time force is supplemented by, seasonal and full-time immigrant labour, additional part-time employees, and specific contract services needed by the Corporation. Mainstreet constantly reviews existing overall market factors to ensure that its compensation program is in line with existing levels of responsibility and, if warranted, adjusts the program accordingly. Mainstreet also encourages employees' feedback in these areas to ensure existing programs are meeting their personal needs.

Uninsured Losses

The Corporation carries comprehensive general liability, fire, flood, earthquake, tornado, natural disaster, extended coverage, rental loss and vacancy insurance with policy specifications, limits and deductibles customarily carried for similar properties. However, there are certain types of risks, generally of a catastrophic nature, such as wars, terrorist attacks or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or underinsured loss occur, the Corporation could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, but would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

From time to time the Corporation may be subject to lawsuits as a result of the nature of its business. The Corporation intends to maintain business and property insurance policies in amounts and with such coverage and deductibles as are deemed appropriate, based on the nature and risks of the businesses, historical experience and industry standards. However, there can be no assurance that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against the Corporation that is not covered by, or in excess of, the Corporation's insurance could materially affect the Corporation's operating results and financial condition, which would have an adverse effect on the Corporation. Claims against the Corporation, regardless of their merit or eventual outcome, will require the Corporation's management to devote time to matters unrelated to the operation of the business.

Substitutions for Residential Rental Units

Demand for residential rental properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. Recently, interest rates offered by financial institutions for financing home ownership have been at low levels. If the interest rates offered by financial institutions for home ownership financing remain low, demand for rental properties may be adversely affected. A reduction in the demand for rental properties may have a material adverse effect on the Corporation's ability to lease suites and on the rents charged. This, in turn, may have a material adverse effect on the Corporation's business, cash flows, financial condition and results from operations.

Litigation Risks

In the normal course of the Corporation's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries or illness, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the Corporation and as a result, could have a material adverse effect on the Corporation's assets, liabilities, business, financial condition and results from operations. Even if the Corporation prevails in any such legal proceeding, the proceedings could be costly and time consuming and may divert the attention of management and key personnel from the Corporation's business operations, which could have a material adverse effect on the Corporation's business, cash flows, financial condition and results of operations and ability to make dividends to shareholders.

Regulatory Risks and Adverse Changes in Law

The Corporation is subject to laws and regulations governing the ownership and leasing of real property, zoning, building standards, landlord/tenant relationships, employment standards, environmental matters, taxes and other matters. It is possible that future changes in applicable federal, provincial, municipal or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the Corporation (including with retroactive effect). Any changes in the laws to which the Corporation is subject could materially affect its rights and title to its assets. It is not possible to predict whether there will be any further changes in the regulatory regimes to which the Corporation is subject or the effect of any such changes on its business.

Increases in real estate taxes and income, service and transfer taxes, or introductions of new taxes such as previously or to be enacted carbon taxes, cannot always be passed through to residents or users in the form of higher rents, and may adversely affect the Corporation's operating expenses and to pay amounts due on its debt. Similarly, changes or interpretations of existing laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions, as well as changes in laws affecting development, construction and safety requirements, may result in significant unanticipated expenditures, which could have a material adverse effect on the Corporation. Further, residential landlord/tenant laws in certain provinces may provide tenants with the right to bring certain claims to the applicable judicial or administrative body seeking an order to, among other things, compel landlords to comply with health, safety, housing and maintenance standards. As a result, the Corporation may, in the future, incur capital expenditures, which may not be fully recoverable from tenants.

Rent Control

The Corporation may be subject to legislation that exists or is enacted in certain jurisdictions, which restricts the right of landlords to increase rents charged to tenants. As a result, the inability to adjust rents to address higher operating costs or to improve margins on certain properties may have an adverse effect on the returns available from such properties.

Currently, the Corporation operates in Canada in the Provinces of Alberta, British Columbia and Saskatchewan. Neither Alberta nor Saskatchewan is subject to rent control legislation; however, under Alberta rent legislation, a landlord is only entitled to increase rents once every twelve months.

Under British Columbia's rent control legislation, a landlord is entitled to increase the rent for existing tenants once every twelve months by no more than the "guideline amount" established by regulations. During COVID-pandemic, the current guideline amount is to freeze rent increase until December 31, 2021. When a unit is vacant, however, the landlord is entitled to lease the unit to a new tenant at market rental amount, after which annual increases are limited to the applicable guideline amount. The landlord may also be entitled to a greater increase in rent for a unit under certain circumstances, including, for example, where extra expenses have been incurred as a result of a renovation of that unit.

Under Manitoba's rent control legislation, a landlord is entitled to increase the rent for existing and new tenants once every twelve months at the set anniversary date of the particular unit, by no more than the "guideline limit" established by the provincial government. During COVID-pandemic, the rent amounts were frozen with the rent increase guideline limit set at 0% until December 31, 2023.

To manage this risk, prior to entering a market where rent controls are in place, extensive time is spent researching existing rules, and, where possible, the Corporation will ensure it utilizes employees who are experienced in working in these controlled environments. In addition, the Corporation adjusts forecast assumptions on new acquisitions to ensure they are reasonable given the rent control environment.

Operational Risks

Operational risk is the risk that a direct or indirect loss may result from an inadequate or failed infrastructure, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal or regulatory proceedings. Mainstreet endeavours to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls are constantly reviewed and, if deemed necessary, improvements are implemented.

Public Market Risk

It is not possible to predict the price at which Mainstreet's common shares will trade and there can be no assurance that an active trading market for the common shares will be sustained. The common shares will not necessarily trade at values determined solely by reference to the value of the properties of the

Corporation. Accordingly, the common shares may trade at a premium or a discount to the value implied by the value of the Corporation's properties. The market price for common shares may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the Corporation.

Potential Conflicts of Interest

Mainstreet may be subject to various conflicts of interest because of the fact that directors and officers of the Corporation are engaged in other real estate-related business activities. The Corporation may become involved in transactions which conflict with the interests of the foregoing. Directors may from time to time deal with persons, firms, institutions or corporations with which the Corporation may be dealing, or which may be seeking investments similar to those desired by the Corporation. The interests of these persons could conflict with those of the Corporation. In addition, from time to time, these persons may compete with Mainstreet for available investment opportunities. Directors and officers of the Corporation are required to disclose material interests in material contracts and transactions and to refrain from voting thereon. See also "Transactions with Related Parties" above and "Interests of Management and Others in Material Transaction" in Mainstreet's AIF.

DIVIDENDS

Mainstreet has not declared or paid any dividends on the Common Shares of the Corporation since its incorporation. Any decision to pay dividends on the Common Shares will be made by the board of directors on the basis of the Mainstreet's earnings, financial requirements and other conditions existing at such future time. Other than pursuant to corporate law and compliance with the provisions of the Credit Facility, there is no restriction that could prevent the Corporation from paying dividends or another form of distribution in respect of the Common Shares of the Corporation.

DESCRIPTION OF CAPITAL STRUCTURE

Mainstreet is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares issuable in series. As of December 6, 2021 and September 30, 2021 Mainstreet had 9,345,218 Common Shares issued and outstanding, and no preferred shares issued and outstanding. There are no stock options or other securities outstanding.

Common Shares

The holders of Common Shares are entitled to notice of, and to attend and vote at, all meetings of shareholders, to receive any dividend declared by the Corporation, to receive the remaining property of the Corporation upon dissolution of the Corporation, subject to prior right of holders of preferred shares, if any, and to the rights, privileges and restrictions normally attached to Common Shares.

Preferred Shares

Preferred shares may from time to time be issued in one or more series and the directors may fix from time to time, before each such series is issued, the number of preferred shares which are to comprise each series and the designation, rights, privileges, restrictions and conditions attaching to each series including any voting rights attached thereto, the rate or amount of dividends, the terms and conditions of redemption, purchase or conversion and any sinking fund or other provisions. The preferred shares shall rank in priority to all voting and non-voting Common Shares with respect to a distribution of assets upon the liquidation, dissolution or winding-up of the Corporation. The preferred shares shall share rateably in all cumulative dividends or returns on capital which are not paid in full.

Escrowed Securities

To the best of the Corporation's knowledge, none of the Corporation's securities are held in escrow or subject to any contractual restriction on their transfer.

Purchase of Common Shares for Cancellation

On May 28, 2021 the Corporation obtained approval from the Toronto Stock Exchange (“TSX”) to repurchase up to 476,008 common shares of the Corporation under a Normal Course Issuer Bid (“NCIB”) commencing June 1, 2021. The current NCIB expires on May 31, 2022. The Corporation’s previous NCIB expired on May 31, 2021. In 2021 and 2020, the Corporation purchased and cancelled 4,612 (2020-31,900) common shares at an average price of \$68.10 (2020-55.37) per common share.

Given the discount between its current trading share price and net asset value (“NAV”), management believes that the re-purchase of its common shares is returning capital to shareholders in a tax-efficient manner that is accretive to NAV. Mainstreet will continue to assess on an ongoing basis as to whether increased purchases of its common shares is warranted.

Shareholder Rights Plan

Effective February 21, 2013, the Board of Directors of the Corporation approved the adoption of a shareholder rights plan agreement (the “Rights Plan”) dated February 21, 2013 between the Corporation and Computershare Trust Company of Canada. The Rights Plan was ratified and approved by holders of Common Shares on March 21, 2013 and subsequently amended and renewed by the holders of Common Shares on March 18, 2016 and March 29, 2019. The Right Plan was amended to extend the time for a take-over bid to be taken up from 120 days to 105 days to coincide with changes to securities law related to take-over bids, expand the definition of “Convertible Securities” to include any securities issued by the corporation carrying an exercise, conversion or exchange right pursuant to which the holder thereof may acquire Common Shares, amend the definition of “Expiration Time” from 2019 to 2022, amend the definition of “Permitted Lock Up Agreement” to reflect best practices and institutional shareholder services recommendations in respect of shareholder rights plans, amend the definition of “Acting Jointly or in Concert” to better align the same with current securities legislation and make certain amendments relating to the right’s agent duties and procedures to change the Right to Agent. The Rights Plan will expire at the termination of the annual general meeting of shareholders of the Corporation, scheduled 2022 unless otherwise renewed at or prior to that time.

Immediately upon the Rights Plan coming into effect, one right (“Right”) was issued and attached to each Common Share outstanding and will continue to attach to each common share subsequently issued.

The Rights will separate from the Common Shares and will be exercisable on the close of business on the 10th trading day after the earlier of the date on which a person has acquired 20% or more of, or a person commences or announces a take-over bid for the Common Shares, other than an acquisition pursuant to a Permitted Bid or a Competing Permitted Bid as such terms are defined under the Rights Plan.

The acquisition by a person of 20% or more of the Common Shares is referred to as a “Flip-In Event”. When a Flip-In Event occurs, each Right (except for Rights beneficially owned by an Acquiring Person or certain transferees of an Acquiring Person, which Right will be void pursuant to the Rights Plan) becomes a right to purchase from the Corporation, upon exercise thereof, in accordance with the terms of the Rights Plan, that number of Common Shares having an aggregate market price on the date of consummation or occurrence of such Flip-In Event equal to twice the Exercise Price for an amount in cash equal to the Exercise Price. The Exercise Price for the Rights provided in the Rights Plan is \$100. As an example, if at the time of the Flip-in Event the Common Shares have a market price of \$25, the holder of each Right would be entitled to receive \$200 (twice the Exercise Price) in market value of the Common Shares (8 Common Shares) for \$100, i.e.: at a 50% discount.

Certain exemptions exist under the Rights Plans for Portfolio Managers and Grandfathered Persons as such terms are defined in the Rights Plan.

A complete copy of the Rights Plan as amended and renewed, including the specific provisions thereof, is available under the Corporation's profile filed on SEDAR.

MARKET FOR SECURITIES

The Common Shares of the Corporation trade on The Toronto Stock Exchange ("TSX") under the symbol "MEQ". The following table sets out the high and low trading prices and volumes of trading for the Common Shares of the Corporation as traded on the TSX for the periods indicated.

	High	Low	Volume
Oct-20	72.30	62.98	233,700
Nov-20	72.85	62.98	33,800
Dec-20	81.50	70.50	30,400
Jan-21	79.07	74.43	69,900
Feb-21	83.00	75.77	35,200
Mar-21	87.00	77.52	32,400
Apr-21	84.60	80.46	18,300
May-21	90.55	81.55	8,200
Jun-21	104.16	88.50	15,000
Jul-21	110.84	101.00	23,600
Aug-21	119.84	110.50	28,900
Sep-21	111.30	102.84	14,500
Oct-21	111.00	103.09	17,300
Nov-21	118.30	110.53	16,200

PRIOR SALES

During the 2021 financial year, the Corporation purchased and cancelled 4,612 common shares at an average price of \$68.10 per common share.

During the 2020 financial year, the Corporation purchased and cancelled 31,900 common shares at an average price of \$55.37 per common share pursuant to the NCIB for total consideration of \$1.8 million.

No other securities of the Corporation were issued during 2021 and 2020 financial year.

DIRECTORS AND OFFICERS

The name, municipality, province or state and country of residence and principal occupation during the last five years of each of the directors and executive officers of Mainstreet are set forth below.

Name, Province or State and County of Residence	Position with the Corporation	Date of Appointment as Director	Principal Occupation During Last Five Years
Navjeet S. (Bob) Dhillon Calgary, Alberta Canada	President, Chief Executive Officer and Director	June 24, 1997	President and Chief Executive Officer of Mainstreet.
John Irwin London, Ontario Canada	Director	April 24, 2007	Former Chief Financial Officer and Chief Information Officer and Director of Facilities for the Richard Ivey School of Business. Retired as of January 1, 2017.
Richard Grimaldi Westport, Connecticut U.S.A.	Director	January 27, 2005	Former Managing Director of Institutional Accounts for GE Capital – Commercial Real Estate until April 2004. Currently Real Estate Developer.
Joseph B. Amantea Calgary, Alberta Canada	Secretary, Treasurer, and Director	March 31, 2000	Senior Associate - Counsel, WBA Law LLP, Barristers and Solicitors.
Karanveer V. Dhillon San Francisco, California U.S.A.	Director	April 24, 2007	Chief Executive Officer and Managing Director of Guggenheim Capital Management (Asia) Private Limited, a private company providing asset management, investment banking and capital market services, insurance services, institutional finance and investment advisory services.
Ron Anderson Vancouver, British Columbia Canada	Director	May 6, 2011	President of Tallinn Capital Partners Corp., a private lender managing a Western Canada based commercial mortgage fund.
Trina Cui Calgary, Alberta Canada	Chief Financial Officer	N/A	Since March 1, 2017, Chief Financial Officer, and prior thereto, Vice President, Corporate Finance, Manager-Accounting and Finance of Mainstreet.
Sheena J. Keslick Calgary, Alberta Canada	Vice President, Operations	N/A	Since October 1, 2012, Vice President, Operations of Mainstreet, and prior thereto, Senior Operations Manager of Mainstreet.

The term of office of the directors expires annually at the time of the Corporation's annual meeting or when their successor is duly appointed or elected. The term of office of the Corporation's officers expires at the discretion of the Corporation's board of directors.

The board of directors of Mainstreet has an Audit Committee, a Human Resource Committee, an Executive Committee, a Risk Management Committee, a Safety Committee and a Cyber Security Committee. Messrs. Irwin, Grimaldi, and Anderson, all of whom are independent directors, make up the Audit Committee. Messrs. Anderson and Amantea make up the Human Resource Committee. Messrs. Bob Dhillon and Amantea make up the Executive Committee. Messrs. Anderson and Grimaldi make up the Risk Management Committee. Messrs. Irwin and Amantea make up the Safety Committee. Messrs. KV Dhillon and Grimaldi make up the Cyber Security Committee. Information regarding the composition of the Audit Committee and the Audit Committee charter is set forth in Schedule A – Form 52-110F1, attached hereto.

As of December 6, 2021, the directors and executive officers of Mainstreet as a group beneficially owned, directly or indirectly, or exercised control or direction 4,569,228 Common Shares. This represents approximately 49% of the 9,345,218 outstanding Common Shares of the Corporation.

Cease Trade Orders or Bankruptcies

No director or executive officer of the Corporation, is at the date hereof, or within the ten years prior to the date hereof has been, a director, a chief executive officer or chief financial officer of any corporation (including the Corporation) that: (a) while that person was acting in that capacity, was subject to a cease trade or an order similar to a cease trade order or an order that denied such corporation access to any statutory exemptions under securities legislation, that was in effect for a period of more than 30 consecutive days; or (b) was subject to a cease trade an order or similar to a cease trade order or an order that denied such corporation access to any statutory exemptions under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued after that person ceased to act in such capacity and which resulted from an event that occurred while that person was acting in such capacity.

No existing director or executive officer of the Corporation, or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation: (a) is, as at the date hereof, or has been within the past 10 years from the date hereof, a director or executive officer of any Corporation (including the Corporation) that while the person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the past 10 years before the date of this hereof become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

Penalties and Sanctions

On May 13, 2020, the Law Society of Alberta (the "Law Society") order Mr. Amantea be suspended for one month, commencing May 16, 2020, as a result of Mr. Amantea admitting to having signed and sworn affidavits of execution attesting that he had witnessed an individual sign documents when he had not and acting in a conflict of interest.

CONFLICTS OF INTEREST

Certain directors of Mainstreet are also directors of other real estate companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the Business Corporations Act (Alberta). See "Interest of Management and Others in Material Transactions".

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Mainstreet is not aware of any material legal proceedings or regulatory actions, contemplated or actual, to which Mainstreet is a party or of which any of their property is the subject matter.

During the financial year ended September 30, 2021, there have been no: (a) penalties or sanctions imposed against Mainstreet by a court relating to securities legislation or by securities regulatory authority; (b) other penalties or sanctions imposed by a court or regulatory body against Mainstreet that would likely be considered important to a reasonable investor in making an investment decision; and (c) settlement agreements entered into by Mainstreet before a court relating to securities legislation or which a securities regulatory authority.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The President and Chief Executive Officer is paid a commission at commercial rates in his capacity as a licensed broker for certain property transactions conducted by the Corporation in its normal course of business. Commissions are determined on an exchange value basis. Except in very limited circumstances, these commissions are paid by the selling third party or third parties to the transaction. The commissions received during the year ended September 30, 2021 amounted to \$684,113 (2020 – \$221,756, 2019 – \$406,775) and formed part of the President and Chief Executive Officer's total remuneration for the year. Each year the Chief Executive Officer is entitled to receive an annual performance bonus based upon pre-determined performance goals and discretionary bonus amounts determined by the board of directors. In making such determination, the board of directors takes in consideration the amount of commission paid to the Chief Executive Officer during each year, such that once determined, that portion of the annual performance bonus paid by the Corporation amounts to the difference between the amount of annual performance bonus determined by the board of directors, if any, less the amount of commissions paid to the Chief Executive Officer during that year. As a result, the actual portion of the discretionary bonus, if any, paid by the Corporation each year to the Chief Executive Officer will vary, depending on how much commission was paid to the Chief Executive Officer during that year.

The Corporation paid legal and professional fees and reimbursements for the year ended September 30, 2021 amounting to \$373,389 (2020 – \$485,641, 2019 – \$374,077), respectively, to a law firm of which a director and officer of the Corporation is a partner. As at September 30, 2021, the amounts payable to the law firm was \$1,848 (2020 – \$Nil 2019 – \$5,623). These fees were incurred at amounts which in management's opinion approximate fair market value that would be incurred by a third party law firm.

Other than as disclosed above and elsewhere herein, there were no material direct or indirect interests of any director, executive officer, person or company that exercises control over more than 10% of the Common Shares or an associate or affiliate of the aforementioned persons or corporations in any transactions within the three (3) most recently completed financial years.

INTEREST OF EXPERTS

The Corporation's auditors are PWC LLP, Chartered Professional Accountants of Calgary, Alberta who are independent of the Corporation in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

The Corporation's portfolio value as of the financial year ended September 30, 2021 was determined by CBRE Limited. To the best of the Corporation's knowledge, no designated professional of CBRE Limited beneficially owns, directly or indirectly, greater than 1% of the issued and outstanding Common Shares of the Corporation.

TRANSFER AGENTS AND REGISTRARS

The registrar and transfer agent of the Corporation is Computershare Trust Company of Canada, #600, 530 – 8 Ave. S.W., Calgary, Alberta, Canada, T2P 3S8.

MATERIAL CONTRACTS

The Corporation has not entered into any material contract during the financial year ended September 30, 2021 or prior thereto that is still in effect other than the Credit Facility (see “Description of the Business – Lending”). A copy of the Credit Agreement can be found on SEDAR at www.sedar.com.

ADDITIONAL INFORMATION

Additional information, including directors', named executives' and officers' remuneration and indebtedness, principal holders of securities of Mainstreet, and securities authorized for issuance under equity compensation plans, where applicable, is contained in the management information circular of Mainstreet dated February 9, 2021 and filed on SEDAR on February 9, 2021 in respect of the annual meeting of the holders of Common Shares held on March 12, 2021. Additional financial information is provided in Mainstreet's financial statements and MD&A for the financial year ended September 30, 2021. Additional information relating to the Corporation may also be found on SEDAR at www.sedar.com.

SCHEDULE "A" – AUDIT COMMITTEE INFORMATION**1. The Audit Committee's Charter**

The text of the Audit Committee's charter is attached hereto as Exhibit "A".

2. Composition of the Audit Committee

The Audit Committee consists of John Irwin, Richard Grimaldi and Ron Anderson. All members of the Audit Committee are independent and financially literate (as those terms are defined in National Instrument 52-110 – Audit Committees).

3. Relevant Education and Experience*John Irwin*

Mr. Irwin is the retired Chief Financial Officer, Chief Information Officer and Director of Facilities for the Richard Ivey School of Business. He was also a member of the School's Executive Committee as well as a Director of RISB Ltd, Richard Ivey School of Business Asia Limited, and Richard Ivey School of Business Foundation. Mr. Irwin holds a BA from Western University and a CPA-CGA designation as a member of the Chartered Professional Accountants of Ontario.

Richard Grimaldi

Mr. Grimaldi, formerly the Managing Director of Institutional Accounts for GE Capital – Commercial Real Estate, is a seasoned real estate executive with more than 25 years of experience in the real estate industry.

Mr. Grimaldi holds an MBA from the University of Miami, and brings with him years of experience and knowledge of the real estate industry. He has held various positions in the Commercial Real Estate Division at GE Capital such as Managing Director of Institutional Accounts, Managing Director – Canadian Real Estate and Managing Director – Large Transaction Group. He has extensive experience in financing public and private companies and structuring debt, equity and joint-venture new business opportunities.

As the Managing Director of GE Real Estate National Accounts from 2001-2004 (in New York), he was responsible for all debt investments in North America covering a customer base that consisted of Opportunity Funds, REITs and public companies. National Accounts consisted of a \$4 billion portfolio and closed approximately \$3 billion of new business during that term.

Previously, Mr. Grimaldi was Managing Director of GE Capital Commercial Real Estate Financing and Services (CREFS) operations in Canada from 1997 to 2000. The Canadian Division of CREFS consisted of ownership interests in 189 properties and a combined base of loans and owned properties exceeding \$2 billion.

Prior to his appointment in Canada, Mr. Grimaldi was based in Stamford, Connecticut, as the Managing Director of CREFS Large Transaction Group (LTG). In his capacity as Managing Director, he spent four years valuing, acquiring and lending on more than 100 transactions worldwide totalling in excess of US \$28 billion.

Mr. Grimaldi was initially recruited by GE Capital for its Financial Management Program in 1980. From 1983 to 1988, he specialized in structuring joint venture transactions with GE Real Estate. In 1988 he joined CREFS where he focused on traditional core lending and portfolio acquisitions until his appointment as Managing Director of the LTG in 1993.

Ron Anderson

Mr. Anderson is the President of Tallinn Capital Partners Corp., a private financial services company with offices in Vancouver and Calgary. Tallinn Capital manages a high yield commercial real estate mortgage fund.

Mr. Anderson is a graduate of the University of British Columbia with a Bachelor of Commerce (Dean's List) and holds a CPA-CGA designation as a Member of the Chartered Professional Accountants of British Columbia. He is a Board member and the chair of Audit Committee of Adventus Realty Trust, and the past Chair of The Nature Trust of British Columbia, a past-Governor and past-Treasurer of Crofton House School and Shawnigan Lake School, and has been a director of a number of public and private companies

4. Reliance on Certain Exemptions

Not applicable.

5. Reliance on the Exemptions in Subsection 3.3(2) or Section 3.6

Not applicable.

6. Reliance on Section 3.8

Not applicable.

7. Audit Committee Oversight

Not applicable.

8. Pre-Approval Policies and Procedures

A recommendation is made from management to the Audit Committee for the engagement of all non-audit services. This recommendation must be approved by the Audit Committee prior to implementation.

9. External Auditor Service Fees (By Category)

Audit Related Fees, Tax Fees and All Other Fees

No fees, other than audit fees were paid to the Corporation's external auditor in the last two financial years. The audit fees incurred for the Corporation's external auditor for the last two financial years were \$ 190,000 for the year ended September 30, 2021 and \$189,500 for the year ended September 30, 2020.

EXHIBIT “A” - AUDIT COMMITTEE CHARTER

MAINSTREET EQUITY CORP.

AUDIT COMMITTEE CHARTER

I. PURPOSE

The Audit Committee (the “Committee”) is appointed by the Board of Directors of Mainstreet Equity Corp. (“the Corporation”) to assist the Board of Directors in fulfilling its oversight responsibilities.

The Committee’s primary duties and responsibilities are to:

- review and approve management’s identification of principal financial risks and monitor the process to manage such risks;
- oversee and monitor the Corporation’s compliance with legal and regulatory requirements;
- oversee and monitor the integrity of the Corporation’s accounting and financial reporting processes, financial statements and system of internal controls regarding accounting and financial reporting and accounting compliance;
- oversee audits of the Corporation’s financial statements;
- oversee and monitor the qualifications, independence and performance of the Corporation’s external auditors and internal auditing;
- provide an avenue of communication among the external auditors, management, the internal auditing personnel, and the Board of Directors; and
- Report to the Board of Directors regularly.

The Committee has the authority to conduct any review or investigation appropriate to fulfilling its responsibilities. The Committee shall have unrestricted access to personnel and information, and any resources necessary to carry out its responsibility. In this regard, the Committee may direct internal audit personnel to particular areas of examination.

II. AUTHORITY

Primary responsibility for the Corporation’s financial reporting; accounting systems and internal controls is vested in senior management and is overseen by the Board of Directors. The Committee is a standing committee of the Board of Directors established to assist the Board of Directors in fulfilling its responsibilities in this regard. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine the Corporation’s financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Management of the Corporation is responsible for preparing the Corporation’s financial statements and the external auditors are responsible for auditing those financial statements.

The Committee has the authority:

- (a) to engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) to set and pay the compensation for any advisors employed by the Committee; and
- (c) To communicate directly with the external auditors and with internal audit personnel.

III. COMPOSITION AND MEETINGS

Composition

The Committee shall consist of a minimum of three directors of the Corporation, as determined by the Board, all of whom shall be independent directors and financially literate. The duties and responsibilities of a member of the Committee are in addition to his or her duties and responsibilities as a director of the Corporation.

A member of the Committee is “independent” if the member is independent of management and has no direct or indirect material relationship with the Corporation where a “material relationship” is a relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of the member’s independent judgment. The following individuals are considered to have a material relationship with the Corporation and shall not be members of the Committee:

1. The following individuals are considered to have a material relationship with the Corporation and shall not be members of the Committee:
 - a) An individual who is, or has been within the last three years, an employee or executive officer of the Corporation;
 - b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Corporation;
 - c) An individual who:
 - (i) Is a partner of a firm that is the Corporation’s internal or external auditor?
 - (ii) Is an employee of that firm, or
 - (iii) Was within the last three years a partner or employee of that firm and personally worked on the Corporation’s audit within that time.
 - d) An individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
 - (i) Is a partner of a firm that is the Corporation’s internal or external auditor?
 - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the Corporation’s audit within that time;
 - e) an individual who, or whose immediate family member, is or has been within the last three years an executive officer of an entity, if any, on which the Corporation’s current executive officers serve or served at that same time on the entity’s compensation committee; and
 - f) an individual who received, or whose immediate family member who is employed as an executive officer of the Corporation received, more than \$75,000 in direct compensation from the Corporation during any 12-month period within the last three years.
2. Despite paragraph 1, an individual will not be considered to have a material relationship with the Corporation solely because:
 - a) He or she had a relationship identified in paragraph 1 if that relationship ended before March 30, 2004; or
 - b) He or she had a relationship identified in paragraph 1 by virtue of subsection (8) if that relationship ended before June 30, 2005.
3. For the purposes of clauses (1)(c) and (1)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
4. For the purposes of clause (1)(f), direct compensation does not include:

- a) Remuneration for acting as a member of the board of directors or of any board committee of the Corporation, and
 - b) The receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.
5. Despite paragraph 1, an individual will not be considered to have a material relationship with the Corporation solely because the individual or his or her immediate family member:
- a) Has previously acted as an interim chief executive officer of the Corporation, or
 - b) Acts, or has previously acted, as a chair or vice-chair of the Board of Directors or of any board committee of the Corporation on a part-time basis.
6. For the purpose of paragraphs 1 to 5, a Corporation includes a subsidiary entity of the Corporation and a parent of the Corporation.
7. Despite any determination made under paragraphs 1 to 6, an individual who is considered to have a material relationship with the Corporation:
- a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation or any subsidiary entity of the Corporation, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or
 - b) Is an affiliated entity of the Corporation or any of its subsidiary entities?
8. For the purposes of paragraph 7, the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by:
- a) An individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
 - b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the Corporation or any subsidiary entity of the Corporation.
9. For the purposes of paragraph 7, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.
10. For the purposes of the above, an individual is "financially literate" if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of accounting issues that can reasonably be expected to be raised by the Corporation's financial statements.

Appointment of Members

Committee members, including the Chairman of the Committee, shall be appointed at a meeting of the Board, effective after the election of Directors at the annual meeting of shareholders, provided that any member may be removed or replaced at any time by the Board and shall, in any event, cease to be a member of the Committee upon ceasing to be a member of the Board.

If the Chairman of the Committee is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen to preside by a majority of the members of the Committee present at such meeting.

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board.

Meetings

The Committee shall meet at least quarterly. The Chairman of the Committee may call additional meetings as required. In addition, a meeting may be called by the Board Chairman, the President & Chief Executive Officer, or any member of the Committee or by the external auditors.

Committee meetings may, by agreement of the Chairman of the Committee, be held in person, by video conference, by means of telephone or by a combination of any of the foregoing.

The Chairman shall, in consultation with management and the external auditors, establish the agenda for the meetings and ensure that properly prepared meeting materials are circulated to the members with sufficient time for study prior to the meeting. The Committee may employ a list of prepared questions and considerations as a portion of its review and assessment process.

The Committee shall have the right to determine who shall, and who shall not, be present at any time during a meeting of the Committee.

Directors, who are not members of the Committee, may attend Committee meetings, on an ad hoc basis, upon prior consultation and approval by the Committee Chairman or by a majority of the members of the Committee.

The Committee may, by specific invitation, have other resource persons in attendance.

The President & Chief Executive Officer, the Vice President & Chief Financial Officer and the head of internal audit are expected to be available to attend the Committee's meetings or portions thereof.

Notice of Meeting

Notice of the time and place of each Committee meeting may be given orally, in writing, by electronic communication, or by facsimile to each member of the Committee at least 48 hours prior to the time fixed for such meeting. Notice of each meeting shall also be given to the external auditors of the Corporation.

A member and the external auditors may, in any manner, waive notice of the Committee meeting. Attendance of a member at a meeting shall constitute waiver of notice of the meeting except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called.

Quorum

A majority of Committee members, present in person, by video conference, by telephone, or by a combination thereof, shall constitute a quorum.

Minutes

Minutes of each Committee meeting should be succinct yet comprehensive in describing substantive issues discussed by the Committee. However, they should clearly identify those items of responsibilities scheduled by the Committee for the meeting that have been discharged by the Committee and those items of responsibilities that are outstanding.

Minutes of Committee meetings shall be sent to all Committee members and to the external auditors.

The full Board of Directors shall be kept informed of the Committee's activities by a report following each Committee meeting.

IV. RESPONSIBILITIES

Annual Financial Statements

1. Review prior to any public disclosure and formally recommend for approval to the Board the Corporation's:
 - a) Annual audited financial statements and the notes thereto and any related documents. Such review shall include discussions with management and the external auditors as to:
 - (i) the accounting policies of the Corporation and the accounting principles used and any changes thereto,
 - (ii) the effect of significant judgments, accruals and estimates,
 - (iii) the manner of presentation of significant accounting items,
 - (iv) the consistency of disclosure,
 - (v) any major issues as to adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies,
 - (vi) the use of off-balance sheet financing including management's risk assessment and adequacy of disclosure,
 - (vii) the external auditors' audit examination of the financial statements and their report thereon,
 - (viii) any significant changes required in the external auditors' audit plan,
 - (ix) any serious difficulties or disputes with management encountered during the course of the audit, including any restrictions on the scope of the external auditors' work or access to required information, and
 - (x) other matters related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards;
 - b) Annual Management's Discussion and Analysis; and
 - c) Annual earnings press releases.

Quarterly Financial Statements

2. Review prior to any public disclosure and formally recommend for approval to the Board the Corporation's:
 - a) Quarterly unaudited financial statements and the notes thereto and any related documents. Such review shall include discussions with management and the external auditors as to any significant changes to the Corporation's accounting policies and principles and any other matter as the Committee sees fit.
 - b) Quarterly Management's Discussion and Analysis; and
 - c) Quarterly earnings press releases.

Other Financial Filings and Public Documents

3. Review and discuss with management financial information, including earnings press releases, the use of "pro forma" or non-IFRS financial information and earnings guidance, contained in any filings with the securities regulators or news releases related thereto (or provided to analysts or rating agencies) and consider whether the information is consistent with the information contained in the financial statements of the Corporation.
4. Review and be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assess the adequacy of those procedures.

Internal Control Environment

5. Ensure that management and the head of the internal audit provide to the Committee an annual report on the Corporation's control environment as it pertains to the Corporation's financial reporting process and controls.
6. Review and discuss significant financial risks or exposures and assess the steps management has taken to monitor, control, report and mitigate such risk to the Corporation.
7. Review significant findings prepared by the external auditors and the internal audit together with management's responses.
8. Review in consultation with the internal audit personnel and the external auditors the degree of coordination in the audit plans of the internal audit and the external auditors and enquire as to the extent the planned scope can be relied upon to detect weaknesses in internal controls, fraud, or other illegal acts. The Committee will assess the coordination of audit effort to assure completeness of coverage and the effective use of audit resources. Any significant recommendations made by the auditors for the strengthening of internal controls shall be reviewed and discussed with management.

Other Review Items

9. Review policies and procedures with respect to officers' and directors' expense accounts and prerequisites, including their use of corporate assets, and consider the results of any review of these areas by the internal audit or the external auditors.
10. Review all related party transactions between the Corporation and any officers or directors, including affiliations of any officers or directors.
11. Review legal and regulatory matters that may have a material impact on the interim or annual financial statements and compliance with financial continuous disclosure requirements of applicable laws and regulations.
12. Review policies and practices with respect to off-balance sheet transactions and trading and hedging activities, and consider the results of any review of these areas by the internal audit or the external auditors.
13. Review with the President & Chief Executive Officer, the Vice President & Chief Financial Officer of the Corporation and the external auditors: (i) all significant deficiencies and material weaknesses in the design or operation of the Corporation's internal controls and procedures for financial reporting which could adversely affect the Corporation's ability to record, process, summarize and report financial information required to be disclosed by the Corporation in the reports that it files under all applicable laws and regulations, and (ii) any fraud, whether or not material, that involves management of the Corporation or other employees who have a significant role in the Corporation's internal controls and procedures for financial reporting.

External Auditors

14. Be directly responsible, in the Committee's capacity as a committee of the Board and subject to the rights of shareholders and applicable law, for the appointment, compensation, retention and oversight of the work of the external auditors (including resolution of disagreements between management and the external auditors regarding financial reporting) for the purpose of preparing or issuing an audit report, or performing other audit, review or attest services for the Corporation. The external auditors shall report directly to the Committee.

15. Meet on a regular basis with the external auditors (without management present) and have the external auditors be available to attend Committee meetings or portions thereof at the request of the Chairman of the Committee or by a majority of the members of the Committee.
16. Review and discuss with the external auditors at least quarterly:
 - a) all critical accounting policies and practices to be used;
 - b) all alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with management, including the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors; and
 - c) Other material written communications between the external auditors and management, such as any management letter or schedule of unadjusted differences.
17. Review and discuss with the external auditors at least annually:
 - a) the external auditors' internal quality-control procedures;
 - b) any material issues raised by the most recent internal quality-control review, or peer review, of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with those issues; and
 - c) To the extent contemplated in the following paragraph, all relationships between the external auditors and the Corporation.
18. Review and discuss with the external auditors all relationships that the external auditors and their affiliates have with the Corporation and its affiliates in order to determine the external auditors' independence, including, without limitation: (i) receiving and reviewing a formal written statement from the external auditors delineating all relationships that may reasonably be thought to bear on the independence of the external auditors with respect to the Corporation and its affiliates, (ii) discussing with the external auditors any disclosed relationships or services that the external auditors believe may affect the objectivity and independence of the external auditors, and (iii) recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditors' independence.
19. Review and evaluate:
 - a) the performance of the external auditors and the lead partner of the external auditors' team, and make a recommendation to the Board of Directors regarding the reappointment of the external auditors at the annual meeting of the Corporation's shareholders or regarding the discharge of such external auditors;
 - b) the terms of engagement of the external auditors together with their proposed fees;
 - c) external audit plans and results;
 - d) any other related audit engagement matters; and
 - e) The engagement of the external auditors to perform non-audit services, together with the fees therefore, and the impact thereof, on the independence of the external auditors.
20. Upon reviewing and discussing the information provided to the Committee in accordance with paragraphs 16 through 19, evaluate the external auditors' qualifications, performance and independence, including whether or not the external auditors' quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining auditor independence, taking into account the opinions of management and the head of internal audit. The Committee shall present its conclusions with respect to the external auditors to the Board.
21. Review and approve the hiring policies for the Corporation's hiring of partners, employees and former partners and employees of the present and former external auditors.
22. Consider and review with the external auditors, management and the head of internal audit:
 - a) significant findings during the year and management's responses and follow-up thereto;

- b) any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information, and management's response;
- c) any significant disagreements between the external auditors or internal auditors and management;
- d) any changes required in the planned scope of their audit plan;
- e) the resources, budget, reporting relationships, responsibilities and planned activities of the internal auditors; and
- f) The internal audit department mandate.

Approval of Audit and Non-Audit Services

23. Review and approve the provision of all permitted non-audit services (including the fees and terms thereof) in advance of the provision of those services by the external auditors except that such pre-approval is not required if:
- a) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than 5% of the total amount of fees paid by the issuer and its subsidiary entities to the issuer's external auditor during the financial year in which the services are provided;
 - b) the issuer or the subsidiary entity of the issuer, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
 - c) The services are promptly brought to the attention of the Committee of the issuer and approved, prior to the completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee.
24. Review and, where appropriate and permitted, approve the provision of all audit services (including the fees and terms thereof) in advance of the provision of those services by the external auditors.
25. If the pre-approvals contemplated in paragraphs 26 and 27 are not obtained, approve, where appropriate and permitted, the provision of all audit and non-audit services promptly after the Committee or a member of the Committee to whom authority is delegated becomes aware of the provision of those services.
26. Delegate, if the Committee deems necessary or desirable, to subcommittees consisting of one or more independent members of the Committee, the authority to grant the pre-approvals described in paragraph 23. The decision of any such subcommittee to grant pre-approval shall be presented to the full Committee at the first scheduled meeting following such pre-approval.
27. The Committee may establish policies and procedures for the engagement of non-audit services in satisfaction of the pre-approvals described in paragraph 23, so long as such policies and procedures are detailed as to the particular service, the Committee is informed of each non-audit service and such policies and procedures do not include delegation of the Committee's responsibilities to management.

Other Matters

28. Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and including confidential, anonymous submissions by employees of the Corporation, regarding questionable accounting or auditing matters.

29. Meet on a periodic basis separately with management.
30. Review and concur in the appointment, replacement, reassignment, or dismissal of the Chief Financial Officer.
31. Upon a majority vote of the Committee outside resources may be engaged where and if deemed advisable.
32. Report Committee actions to the Board of Directors with such recommendations, as the Committee may deem appropriate.
33. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain, obtain advice or otherwise receive assistance from independent counsel, accountants, or others to assist it in the conduct of any investigation as it deems necessary and the carrying out of its duties.
34. The Corporation shall provide for appropriate funding, as determined by the Committee in its capacity as a committee of the Board, for payment: (i) of compensation to the external auditors for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation, (ii) of compensation to any advisors employed by the Committee and (iii) of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
35. Investigate allegations of fraud, illegal acts or conflicts of interest concerning the Corporation's financial information or disclosure.
36. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
37. The Committee's performance shall be evaluated annually by the Board of Directors.
38. Perform such other functions as required by law, the Corporation's mandate or bylaws, or the Board of Directors.
39. Consider any other matters referred to the Committee by the Board of Directors.