

# RALEIGH

MANAGEMENT & LEASING  
CAPITAL CORP.

Presented By  
Virtus Capital Management

As at  
December 6<sup>th</sup>, 2021



# Conflict of Interest Disclosure

Aurelio Baglione, the sole director and officer of Raleigh Management & Leasing Capital Corp. (the Corporation) will not be devoting all of his time to the affairs of the Corporation but will be devoting such time as required to effectively manage the Corporation. The director and officer of the Corporation is engaged and will continue to be engaged in the search for business prospects on his own behalf and on behalf of his companies and others.

In addition, Aurelio Baglione, is also the sole shareholder, director and officer of Raleigh Management and Leasing Corporation (RMLC). RMLC is wholly owned by Winchester Financial Corporation (WFC) which is wholly owned by Aurelio Baglione and, as such, may control the distribution of proceeds from the LP Investors if RMLC continues to hold the Notes in trust for the Corporation. As a result there may be an inherent conflict of interest with respect to the officer and director of the Corporation in the event of a default by RMLC in advancing the proceeds of the Note payments to the Corporation. There are additional potential conflicts of interest to which the director and officer of the Corporation will be subject in connection with the operations of the Corporation. Situations may arise where the director and officer will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies under the Business Corporations Act (Ontario).

There are potential conflicts of interest to which Aurelio Baglione, as a result of him controlling the General Partner, the Partnership, RMLC, Property Manager and/or other related parties, may be subject in connection with the obligations to LP Investors in connection with the Partnership, the operation and management of the Property and the provision of certain services to the Partnership and LP Investors in such capacities.

Virtus Capital Management Inc. (VCMI) is a “related issuer” for securities law purposes in relation to the Partnership due to the fact that the Promoter owns a controlling interest of VCMI.

The Promoter’s wife is a dealing representative of VCMI and is acting on behalf of the VCMI in connection with sale of LP Units by the Partnership.

Given that VCMI is a “related issuer” to the Partnership, the Promoter, who is also the principal and sole shareholder, director and officer of the General Partner, RMLC and other entities involved with the Partnership and the offering of LP Units by the Partnership, could be in a conflict of interest with respect to his obligations to the Partnership on the one hand and to RMLC on the other.



# Advisories & Disclaimers

## IMPORTANT INVESTOR INFORMATION

Please carefully read the following disclosure, which sets out important information, and terms and conditions (“Terms”) between Virtus Capital Management Inc. (“Virtus Capital Management”), the Issuer or affiliated companies or persons (collectively, the “Parties”) and you that you need to agree to in order to review this presentation (“Presentation”). By accessing and reviewing this Presentation, you agree to be bound by these Terms.

This Presentation is directed only to residents of Canada that are "accredited investors" as defined under Section 2.3 of National Instrument 45-106 Prospectus (the “Accredited Investor Exemption”) or that are “eligible investors” as defined under Section 2.9 of National Instrument 45-106 Prospectus (the “Offering Memorandum Exemption”) and Registration Exemptions ("NI 45-106") section 1.1 and that are resident in any of the provinces of Canada (hereinafter the "Offering Jurisdictions"). Therefore, only investors that satisfy these eligibility criteria may access this Presentation.

## DOES THIS PRESENTATION OFFER ADVICE?

Nothing in the Presentation should be construed as an offer to sell or a solicitation of an offer to buy any securities. Prospective investors who are not resident in Canada should consult their advisor to determine if the investments described herein may be lawfully sold in their jurisdiction. This Presentation on its own should not be construed as investment, insurance, securities, tax or legal advice, and you agree that this Presentation will not be used by you for these purposes. The Presentation does not contain any advice as to the value of securities or as to the advisability of investing in, purchasing, or selling securities. Decisions based on information contained in this Presentation are the sole responsibility of the user.

You must read any relevant offering document(s) for any investment for all the relevant risk factors pertaining to your investment. You are responsible for ensuring that you are independently informed about any securities, taxation or other legislation or law that impacts your situation and could affect your decision to invest in any fund or strategy described herein.

There are important income tax consequences to these securities. See Item 6 – Income Tax Consequences of the Corporation’s Offering Memorandum. (the “Offering Memorandum”)



# Forward Looking Statements & COVID-19 Pandemic

## FORWARD-LOOKING STATEMENTS

This Presentation contains forward-looking statements. These statements relate to future events or the future performance of the Corporation, Bo-Ka, RMLC, the Partnership and/or the Future Partnerships related to Notes acquired by the Corporation. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “continue” or the negative of these terms or other comparable terminology. These statements are only predictions. In addition, this Presentation may contain forward-looking statements attributed to third-party industry sources. Undue reliance should not be placed on these forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward looking statements will not occur and may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The forward-looking statements contained in this Presentation are expressly qualified by this cautionary statement. The Corporation is not under any duty to update any of the forward looking statements after the date of this Presentation to conform such statements to actual results or to changes in the Corporation’s expectations except as otherwise required by applicable legislation.

## COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization declared the Covid-19 outbreak to be a pandemic. Actions taken around the world to help mitigate the spread of Covid-19 have resulted in significant disruption to business operations and a significant increase in economic uncertainty, with more volatile commodity prices, currency exchange rates, and a market decline in long-term interest rates and instability within the commodity price environment. Government and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The Covid-19 pandemic may continue to or present new challenges to the Partnership. See Item 2.4 (In the Offering Memorandum) - Development of Business and Item 8 (In the Offering Memorandum) - Risk Factors herein for further disclosure with respect to the Covid-19 pandemic.



# Advisories

## COPYRIGHT.

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## WAIVER.

The Parties failure to insist upon or enforce strict performance of any provision of these Terms and Conditions shall not be construed as a waiver of any provision or rights contained in these Terms and Conditions.

## GOVERNING LAWS.

Virtus Capital Management Inc. is a registered Exempt Market Dealer in the provinces of Ontario, British Columbia, Alberta, Manitoba, Nova Scotia, New Brunswick & Prince Edward Island. These Terms shall be governed by the laws of the Province of Ontario and the federal laws of Canada, applicable therein, and you agree to be bound by the laws of these jurisdictions. You agree to attorn to the jurisdiction of your home jurisdiction.





# Why Virtus Financial Group of Companies?

Our past offerings include:



The Virtus REIT helps investors build a strong, stable, and diverse portfolio using income-producing properties in the United States and Canada



The Virtus Cannabis LP allows investors to invest into Canada's budding cannabis industry



The Ontario Retail/ Residential LP is a tax advantaged investment opportunity by investing in a diversified real estate portfolio



The Virtus Coco LP is a partnership used to raise funds for a local alcoholic beverage company, Coco Vodka to expand its operations locally and internationally



# Why invest in a Private Bond Fund?

- Private debt has been around for decades as an alternative source of capital to traditional lending offered by banks. The private debt market has since experienced a massive growth, in 2000 the private debt market was merely US\$43 billion. Since June 2019, it was estimated to be a US\$800 billion market and on track to achieve a market size of US\$1 trillion in the not-too-distant future. <sup>2</sup>
- Jérôme Marquis , Head of Corporate Credit at CDPQ, Canada's No. 2 pension fund, expects to hit C\$50 billion of private debt investments in the next four years, after nearly doubling them to C\$35 billion since 2016. <sup>1</sup>
- According to Deloitte, Private Debt issuers offer about a 10% yield while Canadian high-yield corporate bonds offers about a 5% yield. <sup>1</sup> (Risk factors may significantly differ for both debt vehicles)
- The most active investors in the private debt market are pension funds, foundations, endowments and insurance companies, followed by family offices, fund of fund managers and others. For example, in 2018 the Canada Pension Plan allocated 11% to the Private Debt Market.<sup>3</sup>



# About the Corporation's Bond Offering

(see Offering Memorandum)

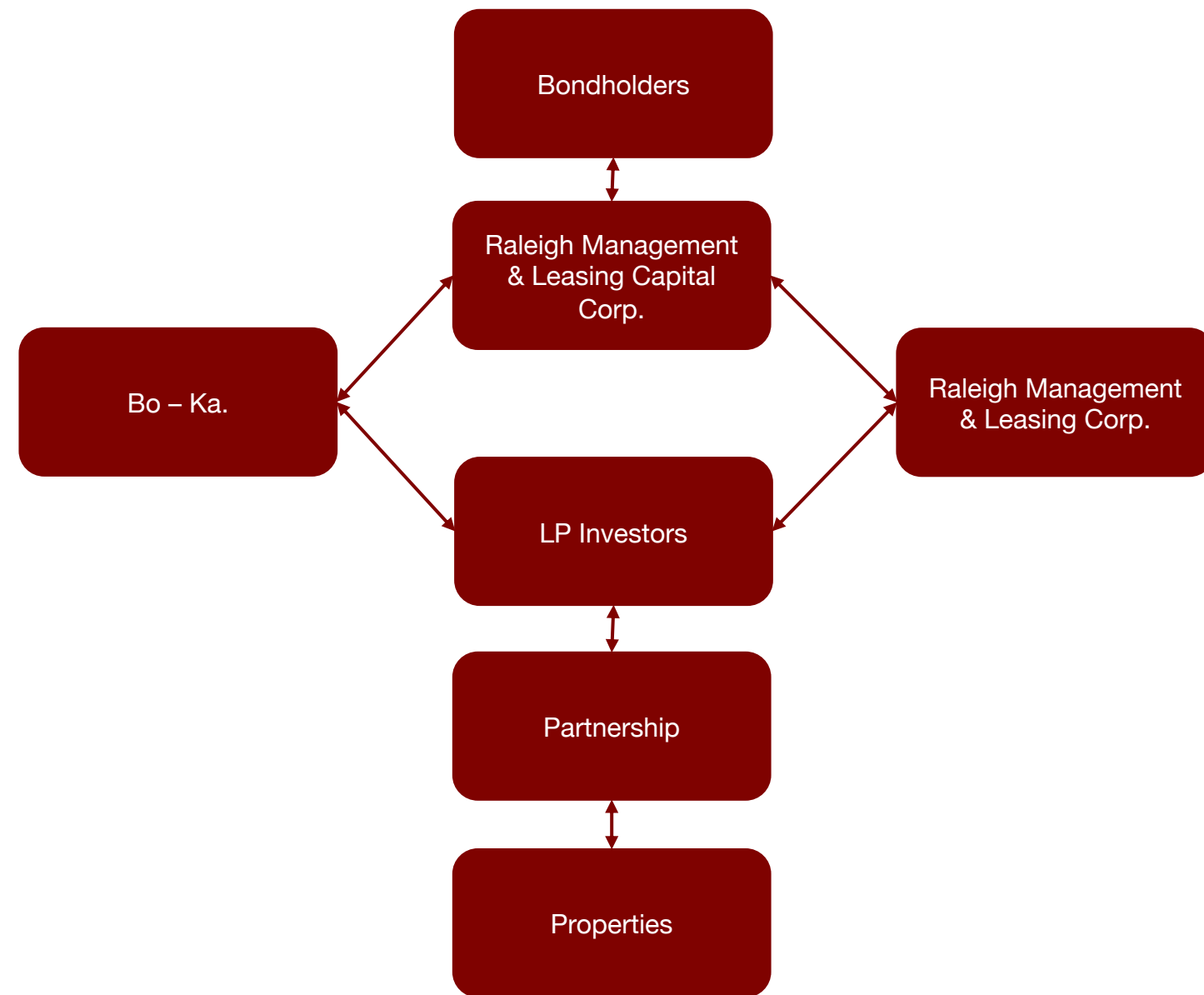
- 1 PRICE PER BOND:**  
\$100
- 2 INITIAL TARGET RAISE**  
\$30,000,000
- 3 MATURITY DATE:**  
The Bonds shall mature 5 years from the date of issuance.
- 4 SECURED BONDS:**  
Class B & C Bonds are entitled to simple interest of 8.25% & 7.50% respectively per annum.
- 5 CLOSINGS:**  
Periodically at discretion of the issuer
- 6 MINIMUM SUBSCRIPTION PER INVESTOR:**  
\$10,000 (100 bonds)
- 7 DISTRIBUTIONS:**  
Distributions paid in arrears, monthly on 15<sup>th</sup> day
- 8 TRUSTEE:**  
Trust Indenture agreement with Olympia Trust Company\*

\* Olympia Trust will issue the Bonds pursuant to this Offering and will enforce any default by RMLCC under the Bonds on behalf of Bondholders





# Lifecycle of The Corporation Bond



1. Bondholders acquire Bonds from The Corporation
2. The Corporation uses the Available Funds from the Offering to acquire Notes from Bo-Ka and to pay the RMLC Balance. <sup>1</sup>
3. LP Investors acquire LP Units from the Partnership and in doing so, obtain loans from RMLC (before the date of this Offering Memorandum) and Bo-Ka and in return provide Notes to RMLC and Bo-Ka.
4. The Partnership uses funds from the issuance of LP Units to LP Investors to acquire a beneficial interest in the Property. <sup>2</sup>
5. The Partnership receives income from the Property in accordance with its beneficial ownership interest and distributes it to its LP Investors.
6. LP Investors use distributions received in point 5 to pay some or all their obligations of principal and interest due and owing under the Notes to the Partnership, RMLC and Bo-Ka.
7. The Corporation uses the payment it receives in point 6 to make payments of principal and interest due and owing under the Bonds to its Bondholders.
8. Bondholders receive returns until maturity.



# Securities Offered

- **Securities:** The securities being offered pursuant to this Offering are fixed-rate Class B Bonds, Class C and Class F Bonds.
  
- **Interest:** Each Bond will entitle the holder thereof to simple interest as follows:
  - Class B Bonds: 8.25% interest per annum
  - Class C Bonds: 7.50% interest per annum
  - Class F Bonds: 9.45% interest per annum
  
- **Term and Maturity:** The Bonds shall mature five (5) years from the date of issuance of the Bonds (the “Maturity Date”).
  
- **Redemption:** Redemption terms vary for each Bond
  - Class C Bonds - Class C bonds are redeemable on the 15th day following the last day of the Calendar quarter from when the investor provides notice of redemption. The Corporation will redeem a maximum of 20% of the aggregate principal amount in a given calendar year.
  - Class B Bonds – Class B Bonds mature five (5) years from the date of issuance.
  - Class F Bonds – Class F Bonds mature five (5) years from the date of issuance.



# Investment Strategy

- The Corporation intends to make a profit from the interest differential between the interest earned from the Notes and the interest paid to Bondholders pursuant to the Bonds issued under this Offering as well as any differential if Notes are purchased by The Corporation at a discount from their face value principal amount.
- The effective annual interest rate (the “Effective Annual Interest Rate”) of the Notes will be equal to a minimum 13% per annum.
- The Corporation can purchase Notes at a discounted rate ( “Discounted Note”). The Effective Annual Interest Rate for Discounted Notes is the difference between the face value of the Note and the Purchase price of the Discounted Note.

- The following is an example on how the annual return on a Discounted Note is calculated

Principal Amount of  
Discounted Note: \$100,000

Purchase Price of  
Discounted Note: \$94,000

Stated Interest Rate: 8.75%

Term: 1 year

Effective Annual Interest Rate: 14.75% (8.75% stated interest  
+ 6% principal discount on acquisition by the Corporation)



# Investment Strategy (Continued)



Promissory notes purchased by The Corporation are personally guaranteed by borrowers



Borrowers are writing off equity loan interest payments being made with pre-tax dollars



Additional 50% of performing Promissory Notes on reserve with RMLC as further security and possible replacement RMLC Notes that become Non-Performing Notes held by the Corporation.



The Corporation's long-term goal is to manage the collection of interest and principal from the Notes it acquires and to provide a return to its Bondholders



# Associated Risks

Purchase of Bonds pursuant to the Offering should only be made after consulting with independent and qualified sources of investment and tax advice. Investment in the Bonds at this time is highly speculative due to the stage of the Corporation's development. An investment in Bonds is appropriate only for investors who are prepared to invest money for a long period of time and who have the capacity to absorb a loss of some or all of their investment. Investors must rely on the management of the Corporation. Any investment in the Corporation at this stage involves a high degree of risk. In addition to the risks of purchasing Bonds of the Corporation found elsewhere in this Offering Memorandum are the following additional risk factors which are inherent in an investment in the Bonds:

- Covid-19 Pandemic
- No Regulatory Review of Offering Memorandum
- No Guarantees or Insurance
- No Market for the Corporation's Securities and Resale Restrictions
- RMLCC will have a limited amount of Working Capital
- Tax consequences associated with an investment in Bonds may be subject to changes in federal & provincial law
- Performance of the Manager
- Reliance on Management and Board of Directors
- Credit worthiness of an LP Investor
- Risk(s) related to default
- Risk(s) related to replacement notes
- Risk(s) related to the indentured trustee, Olympia Trust
- Risks Factors relating to the Business of the Partnership
- Satisfaction of Services and RMLC Credit Facility
- Cash Flow
- Reliance Upon RMLC, the General Partner and the Property Manager
- Risk of Investment in Real Estate
- Credit Facilities
- Refinancing
- Income Tax Consequences
- Change of Tax Laws
- Conflicts
- Possible Failure to Realize Expected Returns on the Property and Concentration Risk
- Income from Property is at Risk
- No Insurance for Investment in LP Units
- Additional Payment Obligations of LP Investors
- Prospectus Exemption
- LP Units are Subject to Forfeiture
- Long-Term Time Horizon
- Succession Planning
- Corporate Governance
- Competition
- Changes in Government Regulations

Please see Item 8 of the Offering Memorandum for more information on associated risks with this investment





RALEIGH MANAGEMENT & LEASING  
CAPITAL CORP.

# Contact

**Raleigh Management & Leasing Capital**

**Corp. Bond Offering**

100 Arbors Lane, Unit D

Vaughan ON, L4L 7G4

(416) 222 - 5040

[aurelio@virtusfinancial.ca](mailto:aurelio@virtusfinancial.ca)