

September 9, 2024

**RE: RRSP and TFSA Eligibility of Redwood Community Housing Bonds**

To whom it may concern:

We have been engaged to provide a tax opinion with respect to whether the Redwood Community Housing Bonds (the “Bonds”) offered by Redwood Park Communities Inc. (“Redwood”) are “qualified investments” as defined in subsections 146(1) and 207.01(1) of the *Income Tax Act* (Canada) (the “ITA”) and section 4900 of the Regulations of the ITA (the “Regulations”).

Our comments take into account the current provisions and judicial and administrative interpretations of the ITA and Regulations on the date hereof. Our comments also reflect our understanding of any proposed legislation or regulations released by the Canadian Federal Department of Finance prior to the date of our advice, based on the assumption that these amendments will be enacted substantially as proposed. Each and all of these authorities are subject to change at any time. Any such change could be given retroactive effect and any such change to the ITA or the Regulations could have an effect on the validity and/or accuracy of our advice. Rumley Holmes LLP assumes no responsibility to update this opinion due to any such circumstances.

## FACTS AND ASSUMPTIONS

We understand the following facts and assumptions pertaining to Redwood and the Bonds. Our opinion relies on the accuracy and completeness of the facts and assumptions stated herein, as well as that of Management’s Representation as attached hereto as Schedule “A”.

- The Bonds fair market value is equivalent to their principal amount and they are debt obligations fully secured by means of a blanket mortgage against Redwood’s real or immovable property situated in Canada.
- Management has obtained an assessment of the fair market value of Redwood’s real or immovable property situated in Canada to be mortgaged in favour of the trustee for the benefit of the investors. Management represents that the aggregate fair market value of such property, less the balance outstanding on all unsubordinated debts registered against such property, exceeds the maximum value of the Bonds offering. Rumley Holmes LLP has not performed any procedures to verify the fair market values of real estate, nor have we verified the outstanding balance of the unsubordinated debts as represented by management. Rumley Holmes LLP takes no responsibility if these amounts are determined to be inaccurate.
- Redwood is not an annuitant, beneficiary, employer or subscriber under, or holder of, the governing plan of the plan trust and any person who does not deal at arm’s length with that person.

- No investor holding Bonds (or the right to acquire Bonds) issued by Redwood within a Tax Free Savings Account (“TFSA”) or Registered Retirement Savings Plan (“RRSP”), or a person or partnership not dealing at arm’s length with the investor, will hold an interest of 10% or more in Redwood.

## RELEVANT LEGISLATION

### Qualified Investments

Subsections 146(1) and 207.01(1) of the ITA define “qualified investments” for purposes of their eligibility to be held within an RRSP or TFSA respectively.

More particularly, paragraphs 146(1)(d) and 207.01(1)(c) of the ITA allow for investments prescribed by subsection 4900(1) of the Regulations. Particularly, paragraph 4900(1)(j) of the Regulations reads as follows:

**4900(1)** - For the purposes of paragraph (d) of the definition “qualified investment” in subsection 146(1) of the Act, paragraph (e) of the definition “qualified investment” in subsection 146.1(1) of the Act, paragraph (c) of the definition “qualified investment” in subsection 146.3(1) of the Act, paragraph (d) of the definition “qualified investment” in subsection 146.4(1) of the Act, paragraph (h) of the definition “qualified investment” in section 204 of the Act and paragraph (c) of the definition “qualified investment” in subsection 207.01(1) of the Act, each of the following investments is prescribed as a qualified investment for a plan trust at a particular time if at that time it is

**(j)** a debt obligation of a debtor, or an interest, or civil law a right, in that debt obligation, where

*(i) the debt obligation is fully secured by a mortgage, charge, hypothec or similar instrument in respect of real or immovable property situated in Canada, or would be fully secured were it not for a decline in the fair market value of the property after the debt obligation was issued, and*

*(ii) the debtor (and any partnership that does not deal at arm’s length with the debtor) is not a connected person under the governing plan of the plan trust;*

CRA’s administrative position as to what constitutes a “fully secured” debt obligation generally means that in the event of default of the debt repayments by the borrower, the fair market value of the real estate pledged to the lender is sufficient to cover the outstanding balance of the debt obligation.

“Connected person” for purposes of subparagraph 4900(1)(j)(ii) is defined in subsection 4901(2) of the Regulations as a person who is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the governing plan and any person who does not deal at arm’s length with that person.

Accordingly, provided the Bonds are fully secured by real property situated in Canada and Redwood is not a connected person with respect to a registered plan, the Bonds should meet the “qualified investment” requirements to be held in an investor’s RRSP or TFSA plan.

## Prohibited Investments

Adverse tax consequences may arise if an investor holds a “prohibited investment” in their RRSP or TFSA. Particularly, paragraph (b) of the subsection 207.01(1) ITA definition of a “prohibited investment” includes a share of the capital stock of, an interest in, or a debt of:

- i) a corporation in which the annuitant of the RRSP or holder of the TFSA has a “significant interest” or,
- ii) a person or partnership that does not deal at arm’s length with the annuitant of the RRSP or holder of the TFSA;

Paragraph 207.01(4)(a) of the ITA defines “significant interest” in the case of a corporation, if the individual is a “specified shareholder” of the corporation.

Subsection 248(1) of the ITA defines “specified shareholder” as a taxpayer who owns, directly or indirectly, at any time in the year, not less than 10% of the issued shares of any class of the capital stock of the corporation or any other related corporation. The taxpayer is also deemed to own each share of the capital stock of a corporation owned by a person who does not deal at arm’s length with the taxpayer.

Determination of whether the Bonds are a prohibited investment is dependent on the factual matters of each individual investor and Rumley Holmes LLP has not been engaged to provide an opinion on whether any particular investor’s Bonds are a “prohibited investment”. Investors will be responsible for conducting their own due diligence in this regard.

## OPINION

It is our opinion that the Bonds are a “qualified investment”, as defined in the ITA, for purposes of an investor’s RRSP and TFSA plan, provided that at a particular time, they are fully secured by real property situated in Canada and Redwood is not a connected person under the governing plan of the plan trust. Management has represented that these requirements are met at the date hereof as described in Schedule “A” attached hereto.

This opinion is valid as of the date hereof. We wish to reiterate that we have not provided an opinion as to whether the Bonds held by a particular investor are a “prohibited investment” as defined in subsection 207.01(1) of the ITA.

Sincerely,

Rumley Holmes LLP



Drew Calanchie, CPA, CA  
Partner

**SCHEDULE "A"**  
**MANAGEMENT REPRESENTATION LETTER**  
**Redwood Park Communities Inc.**

To: Rumley Holmes LLP

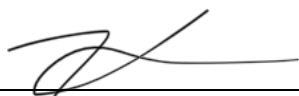
We have engaged your firm to opine on whether the Redwood Community Housing Bonds (the "Bonds") issued by Redwood Park Communities Inc. ("Redwood") will be considered a qualified investment to be held within a registered retirement savings plan ("RRSP") or a tax-free savings account ("TFSA") as defined in subsections 146(1) and 207.01(1) of the *Income Tax Act* (Canada) (the "ITA").

We understand that you must rely on our representations to provide this opinion and that your opinion is subject to certain qualifications.

The undersigned hereby certify in our capacity as Officers of Redwood, and not in our personal capacity, that the following conditions are met as of the date hereof:

1. The Bonds are fully secured by a mortgage, charge, hypothec or similar instrument in respect of real or immoveable property situated in Canada.
2. Redwood is not an annuitant, beneficiary, employer, or subscriber under, or holder of, the governing plan of the plan trust and any person who does not deal at arm's length with that person.
3. No investor holding Bonds (or the right to acquire bonds) issued by Redwood within a deferred plan or a person or partnership not dealing at arm's length with the investor will hold an interest of 10% or greater in Redwood.

Dated at the City of Barrie in the Province of Ontario on this 9th day of September, in the year 2024.



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**Timothy Kent, Co-Founder & CEO**



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**Amanda Smith, CPA, CA, Treasurer & Secretary**