OFFERING MEMORANDUM for Non-Qualifying Issuers (Form 45-106F2)

This Offering is available ONLY to residents of British Columbia.

Dated as at:	December 1, 2019
The Issuer:	**New City / Safety Mortgage Fund** (the "Fund")
Head office:	Unit 208 – 3855 Henning Drive Burnaby, B.C. V5C 6N3 Phone #: 604-734-7777 E-mail Address: newcitysafetymortgagefund@gmail.com Fax #: 604-738-5428
Currently listed or quoted?	These securities do not trade on any exchange or market.
Reporting Issuer?	No SEDAR Filer? No
The Offering:	
Securities offered:	Units. Each Unit represents an equal, undivided beneficial interest in the Fund. Each Unit has the attributes and characteristics described in this Offering Memorandum.
Price per security:	$1.01 per Unit
Minimum / maximum offering:	**There is no minimum. You may be the only purchaser.** The Fund expects to distribute a maximum of 4,000,000 Units ($4,040,000) over the next 12 months. Funds available under this Offering may not be sufficient to achieve all our proposed objectives.
Minimum subscription amount:	$1,000
Payment terms:	Bank draft, cheque or wire transfer on closing. See "*Item 5.2: Subscription Procedure*" for payment details.
Proposed closing dates:	This is a Continuous Offering. Closings may occur from time to time as subscriptions are received.
Income tax consequences:	There are important tax consequences to these securities. See "*Item 6: Income Tax Consequences and Certain Tax-Deferred Plan Eligibility*"
Selling agent:	There is no Selling Agent. The sale of Units will be conducted directly with the Fund's Investment Manager.
Resale Restrictions	You will be restricted from selling your securities for an indefinite period. However, you may redeem any number of Units at any time, subject to certain restrictions. See "*Item 11: Resale Restrictions*".
Purchaser's Rights	You have two Business Days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See "*Item 12: Purchasers' Rights*".

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See "*Item 9: Risk Factors*".

GLOSSARY OF TERMS

Capitalized terms not otherwise defined herein shall have the meanings provided in this Glossary. Words in the singular include the plural and vice-versa, and words in one gender include all genders. Care should be taken to read each term in the context of the particular provision of this Offering Memorandum in which such term is used.

1) "Associate" has the same meaning as in the B.C. Securities Act;
2) "Audit Committee" means the audit committee of the Board of Trustees;
3) "Authorized Interim Investments" means investments that are "qualified investments" for a trust governed by a "registered retirement savings plan", "registered education savings plan", "tax-free savings account" or "registered retirement income fund" as those terms are defined in subsection 146(1) of the Income Tax Act, and may include shares, bonds, debentures, income trust units, notes, marketable securities and cash, among other things;
4) "B.C. Mortgage Brokers Act" means the Mortgage Brokers Act (British Columbia);
5) "Board of Trustees" means the board named as such and established pursuant to the Declaration of Trust;
6) "Business Day" means a day other than a Saturday, Sunday or any day on which the principal office of the Fund's bankers located in Vancouver, British Columbia is not open for business during normal banking hours;
7) "Closing" means a closing of the sale of Units as the Investment Manager may determine from time to time;
8) "Dealer" means a securities dealer registered in the Province of British Columbia or an exempt market dealer registered in the Province of British Columbia;
9) "Declaration of Trust" means the Declaration of Trust dated September 25, 2014, as amended and restated on August 6, 2015 creating the Fund under the laws of the Province of British Columbia;
10) "Deferred Plan" means any registered retirement savings plans, registered retirement income funds, registered education savings plans and tax-free savings accounts;
11) "Distributable Cash Flow" means the cash flow of the Fund which is available for distribution to Unitholders, as determined per the Trust Declaration;
12) "Distribution Period" means the 12 months leading up to the end of the Fund's fiscal year, being the calendar year ending December 31 each year;
13) "Fund" means New City / Safety Mortgage Fund, a mutual fund trust created pursuant to the Declaration of Trust;
14) "Fund Property" means:
    a) all monies, securities, property, assets and investments paid or transferred to and accepted by or in any manner acquired by the Fund and held by the Trustee,
    b) all income which may hereafter be accumulated under the powers herein contained, and
    c) all monies, securities, property, assets or investments substituted for or representing all or any part of the foregoing, less any monies, securities, property, assets or investments distributed, expended, sold, transferred or otherwise disposed of in accordance with the provisions hereof;

15) "Investment Committee" means the investment committee of the Board of Trustees;

16) "Investment Manager" means Resurgo Management Limited, a company incorporated under the laws of the Province of British Columbia;

17) "Investment Manager Services Contract" means the agreement dated February 1, 2015, as amended January 1, 2016, between the Investment Manager and the Fund, pursuant to which the Investment Manager will provide its services to the Fund;

18) "Lender" means the Royal Bank of Canada and its successors and assigns;

19) "Lender's Loan" means the revolving operating line of credit established by the Lender pursuant to the Loan Agreement in favour of the Trust in the amount of $8,000,000 for the purpose of financing the day to day operations of the Fund's business;

20) "Loan Agreement" means the line of credit lending agreement dated January 4, 2016 between the Lender and the Fund pursuant to which the Lender established the Lender's Loan;

21) "Loan to Value Ratio" or "LTV" is a critical component of risk assessment in mortgage underwriting, and is calculated by dividing the amount borrowed by the value of the property, expressed as a percentage.

22) "Managers" means the Investment Manager and the Mortgage Manager;

23) "Mortgage" means a mortgage, a mortgage of a mortgage or a mortgage of a leasehold interest (or other like instrument, including an assignment of or an acknowledgement of an interest in a mortgage), hypothecation, deed of trust, charge or other security interest of or in Real Property used to secure obligations to repay money by a charge upon the underlying Real Property;

24) "Mortgage Manager" means New City Financial Corp., a company validly existing under the laws of the Province of British Columbia;

25) "Mortgage Services Contract" means the agreement dated February 1, 2015 as amended January 1, 2016 between the Mortgage Manager and the Fund, pursuant to which the Mortgage Manager will provide its services to the Fund;

26) "Net Asset Value" of the Fund is equal to the aggregate value of the Fund Property on the Valuation Date, less the aggregate value of the Fund's liabilities on the Valuation Date, as described in the Declaration of Trust for the Fund.

27) "Net Asset Value per Unit" is determined by dividing the Net Asset Value on any particular Valuation Date by the number of outstanding Units of the Trust (determined before giving effect to any reinvestment of net income, or any redemptions or issuances of Units to be implemented as of the Valuation Date.

28) "Offering" means the sale of Units to raise maximum gross subscription proceeds of $10,000,000;

29) "Prime Lending Rate" means the rate of interest established from time to time as the Royal Bank of Canada's prime lending rate for loans denominated in Canadian dollars, adjusted automatically upon any change by the Lender;

30) "Real Property" means land, rights or interest in land (including without limitation leaseholds, air rights and rights in condominiums, but excluding Mortgages) used for residential or commercial purposes and any buildings, structures, improvements and fixtures located thereon;

31) "Redemption Request" means a letter of direction from a Unitholder to the Fund requesting a redemption of all or any number of their units.

32) "Subscriber" means a subscriber for Units;
33) "Subscription Agreement Form" means the agreement document to subscribe for Units;
34) "Tax Act" means the Income Tax Act (Canada), R.S.C. 1985 (5th Supp.), as amended from time to time;
35) "Unit" means a unit of beneficial interest in the Fund;
36) "Unitholders" means those persons entered in the register of the Fund as holders of Units (the singular form means one such registered holder); and
37) "Valuation Date" means a particular date chosen by the Investment Manager for the purpose of calculating the Net Asset Value of the Fund or the Net Asset Value per Unit of the Fund as at that date.

Canadian Currency

All dollar amounts in this Offering Memorandum, unless otherwise indicated, are expressed in Canadian currency.

Marketing Materials

In addition to and apart from this Offering Memorandum, the Fund may utilize certain marketing materials in connection with the Offering, including an executive summary of certain of the material set forth in this Offering Memorandum. This material may include fact sheets and investor sales promotion brochures, question and answer booklets, and presentations. Any statement contained in the marketing materials will be deemed to be modified or superseded for the purposes of this Offering to the extent that any statement in this Offering Memorandum document modifies or supersedes any statement made in the marketing materials. All marketing materials will be made reasonably available to prospective purchasers of Units.

Forward-looking Statements

Prospective Subscribers should be aware that certain statements used in this Offering Memorandum constitute forward-looking information. Forward-looking information often, but not always, is identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved or other similar expressions. Forward-looking information includes, but is not limited to, use of proceeds, regulatory environment and appetite for borrowing, long and short term objectives, renewal of Mortgage portfolio, additional issuance of Units, acceptance of subscriptions, investment of proceeds, payment of compensation to dealers, geographic diversification of Mortgage portfolio and payment of returns. The forward-looking information that is contained in this Offering Memorandum involves a number of risks and uncertainties. Should one or more of the risks materialize or should assumptions underlying the forward-looking statements prove incorrect, actual events or results might differ materially from events or results projected or suggested in this forward-looking information. Some of these risks and uncertainties are identified under *"Item 9: Risk Factors"*. Additional information regarding these factors and other important factors that could cause actual events or results to differ materially may be referred to as part of the particular forward-looking information.

Neither the Fund nor the Investment Manager intends, and does not assume any obligations, to update the forward-looking information.

Item 1: USE OF AVAILABLE FUNDS

1.1: Funds

The Fund will sell Units on a continuous basis with Closings of this Offering occurring at such times as the Investment Manager may determine. From the proceeds of each Unit sold under this Offering, $0.01 will be used to pay administrative and other costs incurred by the Fund associated with this Offering. The remaining funds ($1.00 for each Unit sold under this Offering) will be used in our mortgage lending operations.

The first priority for the net proceeds of this Offering will be to repay any amounts that may be owing to the Lender under the Loan Agreement at the time of each Closing. The Lender's loan is an operating line of credit, used primarily to fund new Mortgages. When there is no balance owing to the Lender, the net proceeds of this Offering will be invested in Mortgages as set out in "*Item 2.5 Short Term Objectives and How the Fund Intends to Achieve Them – Investment Policies*" or in Authorized Interim Investments until suitable opportunities are found to invest the available funds of this Offering in Mortgages. After each Closing, the Investment Manager may establish one or more interest-bearing accounts for the purpose of holding the cash of the Fund until so invested.

		Assuming min. Offering	Assuming max. Offering
A	Amount to be raised by this Offering	$0	$4,040,000[1]
B	Selling commissions and fees	$0	$0
C	Estimated Offering costs (e.g., legal, accounting and audit)	$15,000	$40,000
D	Available Funds: D = A – (B+C)	($15,000)	$4,000,000
E	Additional sources of funding required	$0	$0
F.	Working Capital Deficiency[2]	$0	$4,000,000
G	Total: G = (D+E) – F	($15,000)	$0

(1) The Fund anticipates raising a maximum of $4,040,000 over the next 12 months.

(2) As at Nov 30, 2019, the balance owing on the Lender's Loan is $2,730,000. The Lender's Loan is an operating line of credit used primarily to fund Mortgage investments.

1.2: Use of Available Funds

Description of intended use of available funds listed in order of priority	Assuming min. Offering	Assuming max. Offering
Repayment of any balance owing on the Lender's Loan as at a given Closing Date(1)	$0	$4,000,000
Investment in Mortgages and working capital (equal to G above)	$(15,000)	$0

(1) The Lender's Loan is an operating line of credit, used primarily to make Mortgage loans, and the balance owing on the Lender's Loan fluctuates regularly. The first priority for the net proceeds of this Offering is the repayment of any outstanding balance on the Lender's Loan.

1.3: Reallocation

The Fund intends to spend the available funds as stated. Funds will be reallocated only for sound business reasons.

1.4: Working Capital Deficiency

The balance owing on the Lender's Loan to the Fund is $2,730,000 as at November 30, 2019. The Lender's Loan has been used to fund Mortgage loans that exceed the Fund's working capital (investors' equity).

Item 2: BUSINESS OF NEW CITY / SAFETY MORTGAGE FUND

2.1: Structure

The Fund is an open-ended, investment trust created under the laws of the Province of British Columbia pursuant to a Declaration of Trust dated September 25, 2014.

Although the Fund is qualified as a "mutual fund trust" as defined by the Tax Act, the Fund is not a "mutual fund" as defined by applicable securities legislation because the Units are not "redeemable on demand". Units may only be redeemed by a Unitholder with the approval of the Board of Trustees, at the Net Asset Value per Unit, not including any undeclared earnings or distributions.

The principal place of business of the Fund is located at Unit 208, 3855 Henning Drive, Burnaby, British Columbia, V5C 6N3. The Fund is governed by a Board of Trustees which is elected by the Unitholders to oversee all operations and direct the activities of the Investment Manager and the Mortgage Manager. Resurgo Management Limited is contracted by the Board of Trustees to fulfill the duties of Investment Manager, and New City Financial Corp. is contracted by the Board of Trustees as Mortgage Manager. Key terms of these contracts are set out in *Item 2.7 Material Agreements*.

2.2: Business of the Fund

The Fund is a mutual fund trust as that term is defined in the Tax Act. The Fund is in the business of investing in Mortgages, which are the common form of financing within the real estate industry. The Fund typically invests in first and second Mortgages on income-producing, multi-unit, residential and commercial properties in British Columbia and Alberta. The Fund may from time to time invest in Mortgages secured by more than one property, which are owned by the same borrower, or different borrowers. In certain circumstances, the Fund may also take alternate or additional security for a Mortgage, such as collateral security on other properties held by the borrower.

With the goals of capital security, yield and investor satisfaction, the Fund provides its Unitholders with a stable and relatively liquid investment that is eligible for inclusion in deferred taxation plans including: registered retirement savings plans (RRSPs), registered retirement income funds (RRIFs) and tax-free savings accounts (TFSAs). The Fund provides Unitholders the opportunity to benefit from a professionally selected and managed portfolio of residential and commercial Mortgages, secured mainly by income-producing properties located in British Columbia and Alberta.

Most current Unitholders have been investors with the Fund from its inception in 2015 – having previously been investors in one of the three MICs whose assets the Fund acquired. As new potential Unitholders are attracted to invest in the Fund, they are interviewed personally by the Investment Manager and their individual identity documentation is reviewed and verified. These procedures are in place to reduce the likelihood of fraud or misrepresentation, and to otherwise comply with regulations.

The assets of the Fund are Mortgages and cash. All potential loans and security properties are evaluated on the basis of location, quality and marketability. In addition, the credit of the borrower and their stated income are also reviewed and, in most cases, personal covenants are obtained from the principals of corporate borrowers. Mortgages are initially recorded in the financial statements as the amount of the funds advanced to the borrower (the 'historical' cost). If subsequent circumstances indicate that an increase or decrease in the fair value of the Mortgage is other than temporary, the value of the Mortgage is adjusted to reflect its fair value. The assessment of the fair value of any Mortgage is based on the performance of the particular Mortgage and other economic factors affecting the value of the underlying property. The Fund performs a quarterly review and assessment of the portfolio and subsequently makes changes to the value of specific Mortgages, as required.

The ongoing expenses of the Fund are primarily payments to the Mortgage Manager under the Mortgage Services Contract, payments to the Investment Manager under the Investment Management Services Contract, legal and accounting expenses for normal operations and in connection with this Offering, interest and fees payable to the Lender with respect to the Lender's Loan, and other general and administrative expenses.

In 2015, the Fund finalized a lending agreement (the Loan Agreement) with Royal Bank of Canada for a maximum of $8,000,000 to be secured by Mortgage receivables. The Lender's Loan is an operating line of credit which the Fund uses to make new Mortgage investments and to pay operating expenses as required. The Lender's Loan allows the Fund to invest, at any given time, more than the aggregate contributed capital of our Unitholders, and thereby improve the returns distributed to Unitholders. To the extent that the Lender's Loan adds leverage to the portfolio, the Fund attempts to prudently manage the Lender's Loan so as not to expose the Mortgage portfolio to undue risk.

The Fund is an active lender in the non-bank real estate lending industry in British Columbia and Alberta. The rate of interest the Fund earns from its Mortgage investments varies with their relative risk and security as well as the prevailing market rates for short-term Mortgage financing. In most cases the Fund's Mortgage investments do not meet the financing criteria for conventional Mortgages from institutional sources and, as a result, these investments generally earn a higher rate of return than that normally attainable from conventional Mortgage investments from institutional sources. The Fund manages lending risk by being prudent in its credit decisions and in assessing the value of the underlying real estate property offered as security.

The Fund competes with a variety of lenders including individuals, mortgage investment corporations, trusts and institutions. Many of our competitors have greater resources than the Fund and they may operate with more flexibility in Mortgage financing. Most potential borrowers simultaneously seek funds from one or several other lenders in our sector and this provides us with some information regarding the nature of their competitive offers. The Fund is able to monitor and adjust our competitive positioning relative to other lenders, with respect to rates and other terms, based on our experience and success in finalizing loan arrangements with borrowers.

The Fund's Mortgages

Most Mortgages held by the Fund are for a one-year term but may be renewed for additional one-year terms if they are in good standing, and at the discretion of the Mortgage Manager. Most of the Mortgages earn interest at the Prime Lending Rate (adjusted quarterly) plus 4% per annum, and with a minimum stated annual interest rate in the range of 6.00% to 12.00%. There are no, or only nominal, principal repayments required during the term of the Mortgages.

Each of the Fund's Mortgages is registered on title against the underlying Real Property securing such Mortgage. Legal title to each Mortgage is usually held by the Fund and registered in the name of New City / Safety Mortgage Fund Inc. - a limited-liability corporation that is a wholly-owned subsidiary of the Fund. Where legal title to a Mortgage is held by and registered in the name of the subsidiary company, it may hold legal title to the Mortgage on behalf of the other beneficial owners of the Mortgage when the Fund co-lends with associated lenders.

The Fund's Mortgage documentation provides that, in the event of a failure by the borrower to pay any amount owing under the Mortgage, the Fund is entitled to enforce the Mortgage in accordance with applicable law. If a borrower fails to make a monthly interest payment, the Mortgage Manager immediately communicates with the borrower to rectify the situation. The Mortgage Manager may issue notice of the Fund's intent to exercise any remedy or remedies that are available to the Fund, and which the Mortgage Manager considers appropriate. All legal and other costs associated with the Fund's efforts required to recover agreed but unpaid interest and principal, as allowed by law, are the responsibility of the borrower.

Mortgage Portfolio Schedule – as at Sept 30, 2019

Type[1]	City	Prov.	Position[2]	Rate	Funded	Principal	LTV %
R	West Vancouver	BC	2nd	8.00%	27-Apr-06	$300,000.00	70%
M	Duncan	BC	Blkt, 1st & 2nd	8.00%	13-Jan-12	$632,806.36	62%
R	Sylvan Lake	AB	Blkt, 2nd	9.00%	4-Jul-12	$500,000.00	47%
M	Vancouver	BC	Blkt, 1st	7.95%	29-Aug-13	$850,000.00	34%
M	Vancouver	BC	Blkt, 2nd	8.50%	29-Nov-13	$250,000.00	39%
R	Vancouver	BC	2nd	8.00%	6-Mar-14	$1,500,000.00	68%
R	Calgary	AB	Blkt, 1st & 2nd	8.00%	19-Dec-14	$1,400,000.00	69%
M	Surrey	BC	Blkt, 1st & 2nd	8.45%	31-Aug-15	$2,350,000.00	58%
R	Duncan	BC	1st	7.95%	23-Mar-16	$2,100,000.00	45%
R	North Vancouver	BC	1st	7.95%	1-Dec-16	$1,300,000.00	70%
R	Vancouver	BC	2nd	8.00%	1-Feb-17	$200,000.00	29%
R	Duncan	BC	2nd	8.50%	28-Feb-17	$1,000,000.00	59%
R	West Vancouver	BC	1st	7.95%	17-Mar-17	$1,400,000.00	39%
R	Richmond	BC	1st	6.99%	15-Mar-17	$408,867.00	70%
C	Sidney	BC	1st	7.95%	31-Mar-17	$750,000.00	75%
C	Langley	BC	1st	7.95%	12-Apr-17	$1,100,000.00	64%
R	Vancouver	BC	2nd	8.75%	24-Apr-17	$3,600,000.00	44%
R	Mission	BC	1st	9.00%	28-Sep-17	$605,000.00	55%
R	Invermere	BC	1st	10.00%	13-Dec-17	$1,033,308.11	95%
R	Windermere	BC	Blkt, 1st	12.00%	7-Dec-17	$799,999.12	43%
C	Vancouver	BC	2nd	8.75%	13-Apr-18	$225,000.00	55%
C	Richmond	BC	2nd	9.25%	13-Jun-18	$538,500.00	65%
C	Surrey	BC	2nd	9.50%	16-Jul-18	$335,000.00	68%
R	Whistler	BC	1st	8.25%	17-Aug-18	$750,000.00	49%
R	Invermere	BC	1st	6.00%	21-Aug-18	$537,000.00	90%
C	Nanaimo	BC	1st	7.95%	31-Oct-18	$1,000,000.00	62%
C	New Westminster	BC	2nd	9.45%	20-Dec-18	$1,900,000.00	38%
R	Vancouver	BC	1st	8.00%	18-Jan-19	$3,700,000.00	23%
C	Penticton	BC	1st	8.00%	31-Jan-19	$800,000.00	67%
R	West Vancouver	BC	Blkt, 1st & 2nd	8.50%	28-Feb-19	$5,000,000.00	31%
R	Invermere[3]	BC	1st	10.00%	1-Jan-19	$3,839,992.67	71%
R	Chilliwack	BC	2nd	8.75%	2-April-19	$550,000.00	63%

Type(1)	City	Prov.	Position(2)	Rate	Funded	Principal	LTV %
R	Vancouver & Burnaby	BC	Blkt, 1st	7.90%	3-May-19	$5,000,000.00	61%
C	Port Coquitlam	BC	1st	8.25%	26-July-19	$475,000.00	70%
C	Richmond	BC	1st	8.50%	31-July-19	$2,651,000.00	55%

(1) C = commercial property; R = residential property; M = mixed use property

(2) Blkt = Blanket security

(3) A non-performing loan that was originally three separate loans on the same properties, which the Fund acquired via foreclosure and transferred to a purpose-incorporated company, and on which no interest is accrued. The three loans were consolidated as of Jan 1, 2019. See Note 9 to the Interim Financial Statements dated September 30, 2019 and also Note 11 to the 2018 Year End Financial Statements, both of which are appended to this offering document.

Mortgage Portfolio by Type – as at Sept 30, 2019

Type	Number of Loans	Principal Total	Percentage of Portfolio
Commercial	10	$9,774,500.00	19.79%
Residential	21	$35,524,166.90	71.94%
Mixed Use	4	$4,082,806.36	8.27%
TOTALS	35	$49,381,473.26	100.00%

Mortgage Portfolio by Location – as at Sept 30, 2019

Province	Number of Loans	Principal Total	Percentage of Portfolio
British Columbia	33	$47,481,473.26	96.15%
Alberta	2	$1,900,000.00	3.85%
TOTALS	35	$49,381,473.26	100.00%

Investment Policies

The Fund adheres to the following investment policies, and the Trustees will acquire and dispose of Fund Property in accordance with these policies:

(a) the Fund invests in Mortgages which may be first or subsequent charges on the security of the Real Property;

(b) the Fund invests only in Mortgages on the security of commercial or residential Real Property;

(c) the Fund does not invest in any property which is not itself a qualified investment under Deferred Plans, provided that the Fund may hold Real Property acquired as a result of foreclosure where the foreclosure was necessary to protect the interests of the Fund as a result of a default by the mortgagor. The Fund will use its reasonable best efforts to dispose of any Real Property acquired via a foreclosure;

(d) the Fund may invest in Mortgages secured by Real Property situated outside of Canada as well as in Real Property situated in Canada and in any other investments which are approved by the Investment Committee, provided that the Fund will not make or hold any investment or conduct any activity that would result in the Fund failing to qualify as a “unit trust” or a “mutual fund trust” within the meaning of the Tax Act;

(e) the Fund does not make loans to members of the Board of Trustees nor to any entities of which they may be an owner, director, officer or principal;

(f) the Fund does not make unsecured loans to, nor invest in securities issued by the Investment Manager, the Mortgage Manager or their affiliates, nor make unsecured loans to their directors or officers;

(g) the Fund may enter into co-lending arrangements with certain other lenders with respect to one or more Mortgages;

(h) all loans are secured by Mortgages;

(i) all proposed mortgage properties and any collateral properties are visited and inspected by a qualified staff person of the Mortgage Manager prior to approval of any loan;

(j) all individual borrowers or principals of corporate borrowers are required to provide government-issued photo identification as evidence of their identity;

(k) individual borrowers must provide evidence of their stated income for at least the past two years, typically in the form of documentation from the Canada Revenue Agency;

(l) corporate borrowers must provide evidence of their stated revenues and expenses for at least the past two years, typically in the form of verified corporate financial statements;

(m) unless otherwise approved by a majority of the Trustees, no more than 10% of the Fund Property will be invested in any single loan or single Real Property, nor with any individual borrower;

(n) unless otherwise approved by the majority of the Trustees, the Loan to Value ratio of Mortgages, calculated on a portfolio basis, will not exceed 75% of the aggregate appraised values of the Real Property that is mortgaged; and

(o) in the discretion of the Investment Committee, the Fund will require ancillary security from the borrower in the form of personal guarantees or collateral mortgages on other properties.

2.3: Development of the Fund

The Fund was created in September 2014 and entered into an Asset Acquisition Agreement to purchase substantially all the assets of three Mortgage Investment Corporations (MICs). The transfer of assets from the three MICs to the Fund took place on February 1, 2015. Units of the Fund (valued at $1.00 each) were distributed to the MICs in exchange for the assets, based on asset valuations determined and agreed to between the MICs and the Fund. As a result, the Fund issued 44,227,367 Units (as detailed below) and assumed ownership of the Mortgages and other assets of the MICs.

- 19,406,361 Units were issued to Invan Mortgage Corp. on June 10, 2015;
- 9,254,926 Units were issued to East London Mortgage Corp. on June 17, 2015; and
- 15,566,080 Units were issued to Safety First Savings & Mortgage Corp. on July 29, 2015.

Included in the assets acquired from the three MICs were three non-performing loans (appropriately valued as such) secured by the same development property – a 22-lot residential development site in Invermere B.C. In 2016, the Fund took control of the properties through Terralago Properties Inc. - a BC company that was specifically incorporated to facilitate the recovery of funds and whose shares are held by a relative of a Trustee of the Fund. The three loans were consolidated into a single first-position loan as of January 1, 2019. Terralago is effectively controlled by the Fund via trust and share pledge agreements.

Beginning in 2016 and continuing to date, the Fund had stopped accruing interest on the three loans and had made a series of progressive specific reservations against the risk of recovering less than our invested capital on these properties. As at September 30, 2019; the total of these provisions was $1,762,748 – which is now tied to the consolidated loan. The Fund is not currently accruing interest for this loan.

The Fund, through its relationship with Terralago, plans to maximize its potential for recovery of capital invested in the foreclosed properties. In 2017, the Fund entered into a progressive-draw construction loan with Terralago to develop and market the properties. During 2018, Terralago completed construction of two houses on the property. One of these houses and three of the vacant lots were sold in fiscal year 2018 and the net proceeds were applied to reduce the net interest receivable. In 2019, the second house was sold and work commenced on two further houses. All net proceeds from their eventual sale will be recovered by the Fund.

As of September 30, 2019, the Fund has two loans in Alberta (totaling $1,900,000) which have been in our portfolio for longer than the typical one-year term. One is a loan ($500,000) to a long-term borrower who in in the process of actively marketing the mortgaged property. The other loan ($1,400,000) is the subject of an active work-out agreement and the borrower has been cooperating with the Fund in its recovery efforts. The Fund is not currently accruing interest for this loan.

As of September 30, 2019, the Fund's Mortgage portfolio consisted of 35 Mortgage investments with a combined net balance of $49,381,473. The Mortgages in the portfolio on September 30, 2019 bear interest at a weighted average rate of 7.71%. As of September 30, 2019, the weighted average loan to value ratio (LTV) of the Mortgages was 51% LTV. The Fund intends to continue to invest in similar Mortgages on Real Property in areas of British Columbia and Alberta where prevailing economic conditions are favourable.

The following table illustrates the dollar value of Mortgages held by the Fund as of December 31 for each of the last three completed financial years:

	2016	2017	2018
Mortgages	$35,103,139	$40,739,991	$38,667,928

The following table shows the Fund's distributions to Unitholders and returns during the last three completed financial years:

	2016	2017	2018
Distribution	$2,107,667	$2,257,902	$2,685,708
Return per Unit	5.08%	5.34%	6.34%

Since 2016, the Fund has raised a limited amount of capital through private placements using various prospectus exemptions, as detailed in *Item 4.3 Prior Sales*.

2.4: Long Term Objectives

The investment goal of the Fund is to make prudent investments in Mortgages, secured by Real Property situated in British Columbia and Alberta, and to create stable returns for Unitholders.

The Fund will continue to provide a simple and effective way for individual investors to participate in the Mortgage industry, traditionally dominated by the major Canadian banks. The Fund offers Unitholders a viable addition or alternative to other vehicles for the secure, liquid component of a balanced portfolio. Even though this type of investment has outperformed many other vehicles in terms of capital preservation and returns, 'pooled mortgage investments' like the Fund are less widely known than other income producing vehicles. The Fund's long-term objective is to attract investment capital and to grow our capacity to profit from lending in this segment of the Mortgage market.

The Fund's first long term objective is to maintain the current level of equity and our competitive economies of scale by replacing capital that is withdrawn by Unitholders in the normal course of their investment planning. The Fund's Unitholders are predominantly longer-term investors who acquired Units as a part of the Fund's purchase of the assets of the three MICs in 2015.

Since the Fund's creation in 2015, redemptions of Units by Unitholders have averaged approximately 5% of total Units per Fiscal Year (see Table below).

	2015	2016	2017	2018
Units Redeemed	905,122	5,298,850	1,712,900	2,165,065
% of Total Equity	2.05%	12.23%	4.13%	5.12%

Unitholders aged 70 years or older hold approximately 30% of the Units issued. As these Unitholders age further, they will necessarily request or require the return of some or all of their invested capital from the Fund. To maintain our capital, the Fund needs to attract additional investment from a new generation of investors.

The Fund's Mortgage Manager has identified that British Columbia and Alberta present significant opportunities for near-prime lenders. The Fund's second long term objective is to grow in our capacity to service this market by attracting additional capital. The Fund projects that growth in capital by the maximum of $4,040,000 anticipated under this Offering will have two significant benefits for the Fund.

- Conservative lending policies limit the Fund to lending a maximum of 10% of the portfolio to any one borrower without the approval of the Board. With a larger capital base, the Fund will consider funding larger Mortgages - a market niche with fewer competitors and potentially higher interest rates.
- With a larger capital base, the Fund is better able to manage the risks inherent in our type of Mortgage lending, thereby improving the security and stability of Unitholders' investments.

2.5: Short Term Objectives and How the Fund Intends to Achieve Them

The Fund's objectives over the next 12 months are to raise $4,040,000 via this Offering, reduce any outstanding balance of the Lender's Loan and invest the remaining Offering proceeds in Mortgages and loan securities.

What the Fund must do and how	Target completion date	Our cost to complete
Raise $4,040,000 via this Offering	December, 2020	$40,000
Pay down the Line of Credit	December, 2020	$0
Invest further proceeds of this Offering in Mortgages	December, 2020	$0

2.6: Insufficient Funds

If the funding objectives of this Offering Memorandum are not met, either in the short or long term, the business of the Fund will not be immediately be materially affected. The Fund will continue to lend its available funds and to maintain capital based on the re-investment of distributed income by our existing Unitholders.

2.7: Material Agreements

The following is a list of agreements which are material to this Offering and to the Fund:

(a) the Declaration of Trust, dated September 25, 2014, creating the Fund under the laws of the Province of British Columbia;

(b) the Loan Agreement, dated January 4, 2016, between the Lender and the Fund pursuant to which the Lender established a revolving operating line of credit in favour of the Fund (in the amount of $8,000,000) for the purpose of financing operations of the Fund's business. The line of credit is secured by a General Security Agreement registered under the Personal Property Security Act of British Columbia, creating a floating charge on all assets of the Fund. Under the Loan Agreement, the Fund is required to comply with certain affirmative and negative covenants in respect of mortgage amounts, margin requirements and appraisals. Interest on any outstanding balance of the line of credit is charged at the Bank's Prime Lending Rate plus 1.00% per annum. The line of credit loan is repayable on demand with no fixed repayment schedule;

(c) the Mortgage Services Contract, dated February 1, 2015 as amended January 1, 2016, between the Mortgage Manager and the Fund with respect to the provision of services by the Mortgage Manager to the Fund (see *Item 3.2 The Mortgage Manager* for further details re services and payment terms). Mike Giuliani is the President of the Mortgage Manager and a Trustee of the Fund; and

(d) the Investment Management Services Contract, dated February 1, 2015 as amended January 1, 2016, between the Investment Manager and the Fund pursuant to which the Investment Manager provides services as the registrar and transfer agent for the Fund as well as day-to-day administration of the Fund and the Fund Property (see *Item 3.2 The Investment Manager* for further details re services and payment terms). Dan McFaull is the sole executive officer of the Investment Manager and a Trustee of the Fund.

Item 3: INTERESTS OF TRUSTEES AND MANAGEMENT

3.1: Compensation and Securities Held – as at Nov 30, 2019

Name and municipality of principal residence	Positions held and date of obtaining that position	Compensation paid by the issuer or related party in the most recently completed Fiscal Year and the compensation anticipated to be paid in the current Fiscal Year	Number, type and percentage of securities of the issuer held after completion of the minimum offering	Number, type and percentage of securities of the issuer held after completion of the maximum offering
Yiu Wai (Charles) Chang Surrey, BC, Canada	Trustee (2015)	2018: $0.00 2019: $0.00	159,125 Units, 0.34%	159,125 Units, 0.31%
Michael Thomas Kelly Giuliani, Abbotsford, BC, Canada (1)	Trustee (2014)	2018: $0.00 2019: $0.00	1,605,401 Units, 3.44%	1,605,401 Units, 3.17%
Larry Henry Koop, Abbotsford, BC, Canada	Trustee (2014)	2018: $0.00 2019: $0.00	1,108,854 Units 2.38%	1,108,854 Units 2.19%
Daniel Morrison McFaull, Vancouver, BC, Canada (2)	Trustee (2016)	2018: $0.00 2019: $0.00	349,889 Units 0.75%	349,889 Units 0.69%
George Conrad Reifel, Vancouver, BC, Canada	Trustee (2014)	2018: $0.00 2019: $0.00	583,421 Units 1.25%	583,421 Units 1.15%
David Lynn Scott, North Vancouver, BC, Canada	Trustee (2014)	2018: $0.00 2019: $0.00	108,043 Units 0.23%	108,043 Units 0.21%
Deryk Bruce Smith, W. Vancouver, BC, Canada	Trustee (2014)	2018: $0.00 2019: $0.00	457,057 Units 0.98%	457,057 Units 0.90%
Gijsbert (Bernie) van Maren, Chilliwack, BC, Canada	Trustee (2014)	2018: $0.00 2019: $0.00	788,920 Units 1.69%	788,920 Units 1.56%
Resurgo Management Limited	Investment Manager (2015)	2018: $219,485 2019: $230,000	0 Units 0%	0 Units 0%
New City Financial Corp.	Mortgage Manager (2015)	2018: $522,272 2019: $548,000	0 Units 0%	0 Units 0%

(1) Mike Giuliani is the President of New City Financial Corp., which provides services to the Fund under the Mortgage Services Contract as described in *Item 2.7 Material Agreements*. Compensation paid to him by New City Financial Corp. was $124,350 in 2018 and is anticipated to be $131,000 in 2019.
(2) Dan McFaull is the sole shareholder, director and officer of Resurgo Management Ltd., which provides services to the Fund pursuant to the Investment Management Services Contract as described in *Item 2.7 Material Agreements*. Compensation paid to him by Resurgo Management Ltd. was $128,000 in 2018 and is anticipated to be $135,000 in 2019.

3.2: Management Experience

The Mortgage Manager

Since inception, the Fund has retained the services of New City Financial Corp. ("NCFC") as Mortgage Manager, pursuant to the Mortgage Services Contract, to identify lending opportunities and make loans secured by Mortgages for the Fund. NCFC is responsible for carrying out all the lending transactions of the Fund, as approved by the Investment Committee of the Board of Trustees, and for administering the Mortgage portfolio of the Fund. The Investment Committee members are Larry Henry Koop, Gjisbert Van Maren, Daniel Morrison McFaull, George Conrad Reifel, David Lynn Scott and Deryk Bruce Smith.

NCFC was incorporated in 2005 as a mortgage management services provider and as a subsidiary to New City Realty Corp. (incorporated in 1979). The directors and officers of NCFC are Michael Giuliani, Brad Harris and Christina Giuliani. NCFC provides mortgage management services for near-prime mortgage lenders and assists borrowers that do not meet the strict lending criteria of traditional lenders and require flexible, common sense mortgage solutions. NCFC is active in the non-bank real estate lending industry in British Columbia and Alberta. Currently, they directly administer approximately $55 million in Mortgages on behalf of numerous investor clients and financial institutions, including the Fund.

NCFC specializes in multi-unit, residential and commercial Mortgages on properties that produce a positive cash flow, for borrowers that require a customized mortgage solution. NCFC recognizes that each application is unique and takes a pragmatic approach when assessing applications and designing mortgage solutions.

Activities of mortgage brokers in Canada are regulated by provincial legislation. NCFC is currently registered or licensed under the B.C. Mortgage Brokers Act in order to permit it to carry on the activities contemplated in the Mortgage Services Contract.

On behalf of the Fund, NCFC identifies potential transactions principally through their reputation, repeat borrowers and via a network of independent mortgage brokers. They seek out, review and present (for approval by the Investment Committee) Mortgage investment opportunities which are consistent with the investment and operating policies and objectives of the Fund. They also review, monitor and administer to completion all funded Mortgages on behalf of the Fund.

NCFC works to reduce the risks associated with Mortgages through extensive initial due diligence and careful monitoring of the Fund's portfolio of Mortgages. They emphasize a strict, disciplined approach in assessing credit risk and set a fair mortgage rate that reflects the risks involved. Credit risks are mitigated through clear underwriting guidelines, geographic diversity, and effective arrears management. NCFC maintains active communication with borrowers and implements systematic enforcement procedures on defaulting Mortgages. They monitor the performance of each of the Fund's Mortgages, including tracking the status of outstanding payments due, grace periods and due dates, as well as the calculation and assessment of other applicable charges. Each member of the NCFC team has extensive knowledge and experience related to the Mortgage and real estate industry, enabling them to identify and evaluate sound investment opportunities.

Services Provided by the Mortgage Manager

The Mortgage Services Contract between the Fund and NCFC identifies the following as services to be provided by the Mortgage Manager:

1. Actively pursue opportunities to invest the Fund's capital in Mortgages secured by Real Property within the lending guidelines set forth by the Fund's Board of Trustees.
2. Determine the suitability of any proposed Mortgage investment by:
    - (a) evaluating the adequacy of the security and the ability of the borrower to meet the payment obligations of the proposed Mortgage;
    - (b) liaising with the Lender and ensuring compliance with its requirements. Where specific Mortgages do not meet the Lender's requirements, the Mortgage Manager shall identify the reasons to the Investment Committee;
    - (c) inspecting the security (physical property) prior to the funding of the Mortgage; and
    - (d) obtaining the approval of the Investment Committee for each proposed Mortgage.
3. It shall also be the responsibility of the Mortgage Manager to:
    - (a) issue commitment letters for each proposed Mortgage;
    - (b) coordinate required documentation and complete the registration of the Mortgage security and, in the event of principal repayment, execute any required releases of the Mortgage security;
    - (c) take such action (including legal action) as required to realize against any default of the security;
    - (d) collect and deposit to the Fund's bank account all payments relating to Mortgage transactions;
    - (e) provide a monthly report to the Fund recording detailed information on the status of each Mortgage held, including any deficiencies;
    - (f) hold all documents relating to all Mortgage transactions on behalf of the Fund;
    - (g) forward to the Fund, when requested, a true copy of the Mortgage and other security documents, title reports, surveys, insurance policies, appraisals and any other documents relating to Mortgage transactions; and
    - (h) generally perform such other duties as a Mortgage administrator would be expected to perform.

Compensation Paid to the Mortgage Manager

At the end of each month, the Mortgage Manager is entitled to receive an administration fee equal to 1/12 of 1% of the value of the Mortgage portfolio. New Mortgages may be charged a commitment fee of 1% or greater, with any amount greater than 1% being retained by the Mortgage Manager upon being disclosed and approved by the Investment Committee. Renewal mortgages may be charged a renewal fee, with 50% of the fee being retained by the Mortgage Manager. The Mortgage Manager has the discretion to reduce or waive any administration fees, commitment fees or renewal fees as it sees fit.

The Fund reimburses the Mortgage Manager for any reasonable expenses incurred on behalf of the Fund and approved by the Board of Trustees.

The Investment Manager

Since inception, the Fund has retained the services of Resurgo Management Limited (“RML”) as Investment Manager, pursuant to the Investment Management Services Contract, to provide management and administration services to the Fund with respect to regulatory compliance and disclosure, operational management as well as investor-facing services and reporting. The Investment Manager also acts as the registrar and transfer agent for the securities issued by the Fund. The Investment Manager is responsible for maintaining all accounting and financial records of the Fund, interfacing with the Fund’s auditors and legal advisors to ensure all transactions and records are accurate, complete and meet the standards of various regulators and jurisdictions. The Investment Manager also prepares and presents various reports and information, including financial statements, to the Board of Trustees and to Unitholders.

RML was incorporated in February 1989 as a corporate management and administration service provider. Dan McFaull is the sole director and executive officer of RML. The Investment Management team includes Dan McFaull as Manager and Trina Bennett as Executive Administrator. Dan and Trina have provided investment, fund administration and reporting services to the Fund and Unitholders since the Fund’s inception in 2014. Previously they provided the compliance, administration, reporting and management services for Safety First Savings & Mortgage Corp. (Safety First), a mortgage investment corporation with approximately 280 investors, whose assets were acquired by the Fund in 2015, as described in *“Item 2.3 Development of the Fund”*.

Dan McFaull holds an MBA from IMD in Lausanne Switzerland and has extensive experience as a director, manager and administrator for public and private sector organizations. He served as a Director of Safety First Savings & Mortgage Corp. from 1991 to 2015, and as Chair of the Board from 2000 to 2006. He also held senior executive positions of Chief Executive Officer, Chief Financial Officer and Chief Compliance Officer for Safety First Savings & Mortgage Corp. between 2005 and 2015.

Trina Bennett has a background in customer service and business administration, as well as experience as a client service and underwriting manager in the insurance industry. When she joined Safety First as Office Manager in 2010, she brought experience in client administration of both mutual and segregated funds.

Services Provided by the Investment Manager

The Investment Manager Services Contract between the Fund and RML identifies the following as services to be provided by the Investment Manager:

1. Provide, or cause to be provided, the day-to-day administration of the Fund and the Fund Property, including:
   (a) to provide the Board of Trustees with all information and reports they require to carry out their duties;

   (b) to maintain, or cause to be maintained, accounting and financial records and to provide, or cause to be provided, bookkeeping and other accounting services required by the Fund (excepting audit related services);

   (c) to prepare and file, or cause to be prepared and filed, any tax returns required to be made or filed with any governmental authority;

   (d) to effect the payment of properly incurred expenses out of Fund Property;

   (e) to deposit monies from time to time forming part of the Fund Property in interest-bearing accounts or certificates;

   (f) where reasonably required, to engage, employ, contract with or retain on behalf of the Fund any persons as agents, representatives, employees or independent contractors in one or more capacities (excepting the Auditor);

   (g) to provide the office accommodation and associated equipment and facilities, including computer software and hardware required for administration of the Fund; and

   (h) to keep proper records relating to the performance of the duties of the Investment Manager hereunder, which records will be accessible for inspection by the Board of Trustees or their agents at any time, upon reasonable notice, during ordinary business hours.

2. Act as the Registrar and Transfer Agent for the Trust, including:
   (a) to process, or arrange for the processing of redemptions and internal trading of Units, and the calculation of the Net Asset Value, Net Asset Value Per Unit, income and any capital gains of the Fund;

   (b) to effect distributions (as cash or Units) to Unitholders, as directed by the Board of Trustees;

   (c) to ensure compliance with applicable securities legislation;

   (d) to prepare and file, or cause to be prepared and filed all requisite returns, reports and filings;

   (e) to provide account statements to Unitholders and, as applicable, to their trustees or account managers, on request; and

   (f) to prepare and file any applications or other documents on behalf of the Fund required to be made or filed with any regulatory authority or governmental agency.

3. Ensure that all investments of Fund Property are made in such a way as to comply with the requirements of all appropriate Canadian legislation and regulations as they relate to the Fund Property and any statement made in any Offering Memorandum as to the investment policies, strategy and restrictions applicable to the Fund, including:
   (a) to monitor compliance of the Fund and advise the Board of Trustees with respect to compliance with all regulatory requirements and applicable securities, taxation and all other applicable laws, regulations and requirements;
   (b) to assist in establishing the investment policies, practices and objectives applicable to the Fund including any restrictions on investments which are deemed advisable and to implement such policies, practices and objectives;
   (c) to prepare, approve and arrange for the delivery of all reports and information, including financial statements, to Unitholders as required by applicable law, or the Declaration of Trust, or the direction of the Board of Trustees; and
   (d) to prepare, sign and file with the appropriate Canadian securities regulatory authorities and financial institutions, and to commission any documents that are required under any relevant Canadian securities legislation and regulations in respect of the Fund.
4. To do all other such acts and things as are incidental to the foregoing, including negotiating and executing agreements on behalf of the Fund with third parties.

Compensation Paid to the Investment Manager

At the end of each month, the Investment Manager is entitled to receive an administration fee equal to 1/12 of 0.45% of the value of the Mortgage portfolio.

The Fund reimburses the Investment Manager for any reasonable expenses incurred on behalf of the Fund and approved by the Board of Trustees.

The Board of Trustees

Name	Principal occupation and related experience
Yiu Wai (Charles) Chang	Charles is a Member of the Board of Trustees and serves as Chair of the Audit Committee. Charles is a Chartered Professional Accountant, holding CPA and CMA designations. He has more than 30 years of experience in business, finance and operational management in a variety of industries, including manufacturing, wholesale distribution and high technology. For the past 13 years, Charles has been Chief Financial Officer for a national clothing and accessories distributor in the imprintable apparel industry, responsible for all financial, accounting, control, and budgeting decisions; including planning and reporting. Charles is a former Director of Safety First Savings & Mortgage Corp (one of the three MICs whose assets were acquired by the Fund in 2015). Charles was Chair of their Audit Committee from 2010 to 2016.

Michael (Mike) Thomas Kelly Giuliani	Mike is Chair of the Board of Trustees and Chair of the Executive Committee. Mike originally graduated with a specialty in financial management from BCIT in 1973 and subsequently worked for the Laurentide Financial Corp. real estate lending division where his duties included appraisal, loan underwriting and presentation. Since 1977, Mike has been a self-employed mortgage broker and real estate investor. Over this same period Mike has also actively invested in multifamily properties, having bought and sold over 60 apartment buildings in Canada. The New City lending group he created and now manages is a group of private secondary mortgage lenders, with approximately 650 investors and loans ranging in size from $400,000 to $5,000,000. Mike is a principal of New City Financial which has provided mortgage brokerage and management services to the Fund since its inception.
Larry Henry Koop	Larry is a Member of the Board of Trustees and serves on the Investment and Audit Committees. Since 1986, together with a variety of partners, Larry has started and managed a number of businesses in a variety of industry sectors including: building construction, development of multi-residential and commercial projects, commercial property holdings, manufacture and supply of construction materials, construction equipment manufacturing, equipment finance as well as the establishment and management of a Mortgage Investment Corporation. Larry is currently a Director and CEO of ProAll International Mfg. Inc., a company that manufactures and distributes truck and trailer mounted specialty mixing equipment to a variety of construction markets in more than 30 countries. Larry is a former Director of Invan Mortgage Corporation (one of the three MICs whose assets were acquired by the Fund in 2015).

Gijsbert (Bernie) van Maren	Bernie is a Member of the Board of Trustees and serves on the Investment Committee. Since 1993, Bernie has been the Managing Partner of the Van Maren Group of Companies, active since 1973 in building and developing more than 20,000 residential units in BC, Washington State and California. Bernie manages the lending and investing for the Van Maren Group's real estate properties and projects across Canada and the US. In addition, Bernie has been responsible for managing joint venture investments in land development projects for the Van Maren Group in Dallas, Denver, Calgary, Edmonton and Greater Toronto. Bernie is a former Director of East London Mortgage Corporation (one of the three MICs whose assets were acquired by the Fund in 2015) and of Langley Mortgage Corporation.
Daniel (Dan) Morrison McFaull	Dan is a Member of the Board of Trustees and serves on the Investment Committee. Dan holds a BA in Social Psychology (1973) and a PGD in Adult Education (1977) from the University of Saskatchewan. He also earned an MBA (1982) from IMD in Lausanne, Switzerland. Over the period from 2003 to 2015, Dan filled the management roles of Chief Executive, Chief Financial and Chief Compliance Officers for Safety First Savings & Mortgage Corp., managing the daily business activities of the publically-reporting mortgage investment corporation and overseeing the Company's investments in income-producing residential and commercial mortgages. Since 2015, Dan has provided investment, compliance and administrative management services to the Fund. Dan was also a Director of Safety First Savings & Mortgage Corp. from 1991 to 2015, serving as Chair of the Board from 2000 to 2006. Dan is the manager and sole director of Resurgo Management Ltd., which has provided Investment Management services to the Fund since its inception.

George Conrad Reifel	George is a Member of the Board of Trustees and serves on the Executive and Investment Committees. George holds a Bachelor of Commerce from UBC (1974), and an MBA from the University of Western Ontario (1976). Upon graduation, George joined Daon Development Corporation and served on the senior executive team with responsibility for project and corporate finance in Canada and the US. George is co-founder and principal of the Reifel Cooke Group. Since 1985, he has been engaged in the development, investment and brokerage of real estate in BC and Alberta. He has been a Director of British Pacific Properties Limited since 2000, and has served as Chair of the Board since 2007. He was formerly a Director of Granville Savings & Mortgage Corporation from 2000 until it was acquired by Union Bank of Switzerland in 2007. George is currently a Director of a number of not-for-profit organizations including Ducks Unlimited Canada, The Nature Trust of BC, Pacific Salmon Foundation, and the British Columbia Waterfowl Society that has managed the Reifel Migratory Bird Sanctuary since 1963. George is a former Director of Invan Mortgage Corp. (one of the three MICs whose assets were acquired by the Fund in 2015).
David Lynn Scott	David is a Member of the Board of Trustees and serves on the Investment Committee. David retired in 2014 from the real estate appraisal profession. David held the Accredited Appraiser, Canadian Institute (A.A.C.I., P. App.) designation with the Appraisal Institute of Canada. For 38 years leading to his retirement, David was involved in the appraisal of a multitude of different types of properties, primarily commercial, industrial and multifamily in nature. David is a former Director of Safety First Savings & Mortgage Corp. (one of the three MICs whose assets were acquired by the Fund in 2015).

Deryk Bruce Smith	Bruce has worked as a commercial mortgage broker for over 30 consecutive years. For the last 27 years, he has held the position of President of Argent Financial Corp., a Vancouver based boutique mortgage brokerage and private mortgage lending company. Bruce holds a Bachelor of Commerce Degree from the University of British Columbia, where he majored in Urban Land Economics and Finance. Bruce has experience in financing all types of real estate properties in both Western Canada and the Western United States. He has arranged first and second mortgages, construction financing, mezzanine loans and equity participation loans. Bruce has provided or arranged several billion dollars of mortgage loans over his career. In addition to real estate lending, Bruce has owned industrial, commercial and apartment properties. Bruce is a former Director of Invan Mortgage Corp (one of the three MICs whose assets were acquired by the Fund in 2015).

3.3: Penalties, Sanctions and Bankruptcy

In the past ten years, none of the Trustees has had any penalty or sanction in effect against them, nor has any other issuer of which any of the Trustees or Managers was a director, trustee, executive officer or control person.

In the past ten years, none of the Trustees has had any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets; nor has any other issuer of which any of the Trustees or Managers was a director, trustee, executive officer or control person.

Item 4: CAPITAL STRUCTURE

4.1: Capital

Description of security	Number authorized to be issued	NAV per security	Number outstanding as at November 30, 2019	Number outstanding after minimum offering	Number outstanding after maximum offering
Units	Unlimited	$1.00	46,610,372	46,610,372	50,610,372

4.2: Long Term Debt

As at the date of this Offering document, the Fund carries no long-term debt.

4.3: Prior Sales

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
10-Jun-15	Units	19,406,361 (1)	$1.00	$19,406,361.00
17-Jun-15	Units	9,254,926 (1)	$1.00	$9,254,926.00
29-Jul-15	Units	15,566,080 (1)	$1.00	$15,566,080.00
8-Apr-16	Units	299,012	$1.00	$299,012.00
13-Apr-16	Units	1,490,087	$1.00	$1,490,087.00
15-Apr-16	Units	275,530	$1.00	$275,530.00
21-Sep-16	Units	136,770	$1.00	$136,770.00
9-Nov-16	Units	75,000	$1.00	$75,000.00
28-Jun-17	Units	575,000	$1.00	$575,000.00
5-Jul-17	Units	164,780	$1.00	$164,780.00
6-Dec-17	Units	405,000	$1.00	$405,000.00
22-Jan-18	Units	52,145	$1.00	$52,145.00
21-Mar-18	Units	53,320	$1.00	$53,320.00
6-Jun-18	Units	67,967	$1.00	$67,967.00
18-Jul-18	Units	330,000	$1.00	$330,000.00
8-Aug-18	Units	56,806	$1.00	$56,806.00
15-Feb-19	Units	273,772	$1.01	$276,509.72
30-Jun-19	Units	1,865,647	$1.01	$1,884,303.47
3-Jul-19	Units	25,000	$1.01	$25,250.00
7-Jul-19	Units	87,832	$1.01	$88,710.00
15-Jul-19	Units	84,761	$1.01	$85,608.61
19-Jul-19	Units	10,000	$1.01	$10,100.00
14-Aug-19	Units	121,653	$1.01	$122,869.53
28-Aug-19	Units	2,000,000	$1.01	$2,020,000.00
30-Aug-19	Units	400,000	$1.01	$404,000.00
27-Nov-19	Units	93,384	$1.01	$94,317.84
29-Nov-19	Units	59,404	$1.01	$59,998.04
30-Nov-19	Units	19,800	$1.01	$19,998.00

(1) These Units were issued to shareholders of the three MICs when the Fund assumed ownership of their Mortgages and other assets.

4.4: Unit Redemption History

Requests for Unit Redemptions	2016	2017	2018	2019 (to Nov 30)
Outstanding Requests (start of period)	0	0	0	0
Requests Received During Period	5,298,850	1,712,900	2,165,065	2,442,466
Units Redeemed During Period	5,298,850	1,712,900	2,165,065	2,442,466
Outstanding Requests (end of period)	0	0	0	0

Item 5: SECURITIES OFFERED

5.1: Terms of Securities

The following is a summary of key provisions from the Declaration of Trust, not a comprehensive description of all aspects of the Fund. Potential Subscribers are encouraged to review the full text of the Declaration of Trust, which is available on request from the Investment Manager.

Powers and Duties of Trustees

Subject to the terms and conditions of the Declaration of Trust, the Trustees have, without other or further authorization, continuing, full, absolute and exclusive power, control, and authority and discretion over the Fund Property and over the affairs and undertaking of the Fund, to the same extent as would the sole and absolute legal and beneficial owner of the Fund Property, and may, in respect of the Fund Property, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof without the necessity of applying to any court for leave to do so. Without restricting or limiting the generality of the foregoing, such powers of the Trustees will include the powers enumerated in the Declaration of Trust.

Redemption of Units

Units will be redeemable at the option of either the Fund or the Unitholder in accordance with the following provisions.

(a) The Fund may redeem at any time or from time to time the whole or any part of the then outstanding Units. In case a part only of the then outstanding Units is at any time to be redeemed, the Units so to be redeemed shall be selected in such manner as the Trustees, in their absolute discretion, determine and need not be selected in proportion to the number of Units registered in the name of each Unitholder nor from every or any particular holder of Units. The Fund shall give ten (10) days' written notice of such redemption to the registered holders of the Units to be redeemed, specifying the date and place or places of redemption and, if not all the Units registered in the name of each such holder are to be redeemed, the number to be redeemed;

(b) Any Unitholder may request the Fund to redeem at any time or from time to time the whole or any part of the Units held by such Unitholder by delivering a Redemption

Request to the Investment Manager at the Fund's office, specifying the number of Units to be redeemed. Within ten (10) Business Days after receipt of such Redemption Request from any holder of Units, the Fund shall pay to the Unitholder the Net Asset Value per Unit for each Unit specified in the Redemption Request and tendered for redemption together with any declared but unpaid distributions. If a part only of the Units represented by any certificate is redeemed, a new certificate for the balance shall be issued at the expense of the Fund. Notwithstanding the provisions above, the Investment Manager shall not be obligated to redeem all or any part of the Units requested to be redeemed if the Trustees in their absolute discretion determine that such redemption is likely to cause the Fund undue financial hardship.

The obligation of the Fund to redeem Units will be subject to the following:

(a) the Trustees or Investment Manager determining in their sole discretion that sufficient funds are available to the Fund for the purposes of redemption;

(b) no Units are redeemable if the Fund is insolvent or if the redemption of such Units would render the Fund insolvent;

(c) Redemption Requests will be handled in the chronological order that they have been received by the Investment Manager; and

(d) redemptions of Units of the Fund need not be made on a pro rata basis among every investor redeeming Units.

Transfers of Units

Other than for transfers permitted or accomplished by operation of law, Units may not be transferred.

There are circumstances, such as the settlement of an estate, wherein Units may be transferred with the consent of the Trustees, which consent may be withheld for any reason or for no reason, and the Trustees will have no obligation to advise a Unitholder requesting a transfer of its reason for refusing to consent to the transfer.

Net Asset Value

The Net Asset Value of the Fund and the Net Asset Value per Unit are computed by the Investment Manager as at the close of business on any Valuation Date. The number of Units, the carrying value of the Fund Property and the amount of any allowances for impairment losses recorded against investments in Mortgages of the Fund are calculated by the Investment Manager. The Net Asset Value of the Fund is equal to the aggregate value of the Fund Property on the Valuation Date, less the aggregate value of the Fund's liabilities on the Valuation Date.

To ascertain the Net Asset Value Per Unit as of the Valuation Date, the Net Asset Value of the Fund is divided by the number of outstanding Units of the Fund (determined before giving effect to any reinvestment of net income or other distributions then payable to Unitholders and before giving effect to any redemptions or issuances of Units to be implemented as of the Valuation Date).

The following rules apply to the valuation of all Fund Property:

(a) the fair market value of any cash on hand, on deposit or on call, and prepaid expenses will be deemed to be the face amount thereof, unless the Trustees determine that any deposit, call loan or prepaid expense has a fair market value less than the face amount thereof, in which event the fair market value thereof will be deemed to be such value as the Trustees determine to be the reasonable value thereof;

(b) the fair market value of any money market instruments will be deemed to be cost plus accrued unpaid interest;

(c) the fair market value of the Mortgages will be deemed to be the aggregate principal amount thereof plus accrued unpaid interest, unless the Trustees determine that any such Mortgage has a fair market value different than the principal amount thereof, in which event the fair market value thereof will be deemed to be such value as the Trustees determine to be the reasonable value thereof;

(d) the fair market value of any interest accrued and not yet received will be deemed to be the face amount thereof, unless the Trustees determine that any accrued interest has a fair market value less than the face amount thereof, in which event the fair market value thereof will be deemed to be such value as the Trustees determine to be the reasonable value thereof;

(e) the fair market value of any direct or indirect interests in Real Property will be deemed to be the cost thereof, unless the Trustees determine that any such interest has a fair market value less than the cost thereof, in which event the fair market value thereof will be deemed to be such value as the Trustees determine to be the reasonable value thereof;

(f) if any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Trustees to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Trustees will make such valuation as they consider fair and reasonable; and

(g) the amount of any undistributed net income or net realized capital gains allocated to Units but not yet distributed on the Valuation Date will not be included in the assets of the Fund.

Distributions

The Distributable Cash Flow for any Distribution Period (typically the Fund's Fiscal Year ending December 31) will be equal to the earned income for such Distribution Period less any amount that the Trustees may reasonably consider to be necessary to provide for the payment of any costs or expenses, including any tax liability of the Trust, that have been or are reasonably expected to be incurred in the activities and operations of the Trust (to the extent that such costs or expenses have not otherwise been taken into account in the calculation of the earned income of the Trust) and less such reserves or amounts as are, in the opinion of the Investment Manager, necessary or desirable.

The Trustees may declare payable to the Unitholders of record at the close of business on each Distribution Record Date (typically December 31 - the last day of each Fiscal Year) all or any part of the Distributable Cash Flow for the Fiscal Year. Any decision to declare a distribution of Distributable Cash Flow will be made by the Trustees in their sole discretion. Any such distribution will be payable to each Unitholder of record on such Distribution Record Date pro rata in proportion to the number of days the Units have been held by such Unitholder on such Distribution Record Date. Any Distributable Cash Flow that has been declared to be payable to Unitholders in respect of a Distribution Period will be reinvested as Units on the Distribution Payment Date in respect of such Distribution Period, unless a full or partial cash payment is requested by the individual Unitholder in advance of the Distribution Payment Date.

Withholding Taxes

The Investment Manager may deduct or withhold from distributions payable to any Unitholder all amounts required by law to be withheld from such distributions. In the event of a distribution in the form of additional Units, the Investment Manager may sell Units of such Unitholder to pay such withholding taxes and to pay all of the Investment Manager's reasonable expenses with regard thereto and the Investment Manager shall have the power of attorney of such Unitholder to do so. Upon such sale, the affected Unitholder shall cease to be the holder of such Units.

Meetings of Unitholders

Meetings of Unitholders may be called at any time by the Trustees and must be called by the Trustees upon a written request of Unitholders holding in the aggregate not less than 15% of the Units then outstanding, such request specifying the purpose or purposes for which such meeting is to be called. Meetings of Unitholders will be held in Metro Vancouver.

At any meeting of the Unitholders, subject as hereinafter provided, a quorum will consist of two or more Unitholders entitled to vote at the meeting who are present in person or by proxy holding not less than 10% of the Units then outstanding. Only Unitholders of record will be entitled to vote and each Unit will entitle the holder or holders thereof to one vote on a poll. The Investment Manager and the Trustees may solicit proxies from Unitholders in any matter requiring or permitting the Unitholders' approval or consent.

The Trustees may fix a record date or dates for the purpose of determining the Unitholders entitled to notice of any meeting of Unitholders or to determine the Unitholders entitled to vote at such meeting and may establish rules governing the procedures to be followed in connection with the conduct of such meeting, including with respect to voting by proxy at the meeting.

5.2: Subscription Procedure

The Fund is offering Units for sale only to residents of the Province of British Columbia.

Subscribers may purchase Units directly from the Fund. Subscribers who would like to subscribe for Units must complete and sign the Subscription Agreement Form (including the required Risk Acknowledgement Form) and follow the instructions as specified in the document. The Subscription Agreement Form is available from the Investment Manager at the Fund's office.

If you are purchasing Units for your RRSP, RRIF or TFSA, your Trustee will buy the Units from the Fund using cash that is in your plan account with your Trustee. Please contact the Fund's office for assistance with this type of transaction.

If you are purchasing Units to be held by you directly (outside an RRSP, RRIF or TFSA plan), and you are paying for your subscription with funds drawn from a Canadian chartered bank, you may pay by cheque or by a bank draft from your bank or by a wire transfer. Please send your cheque or bank draft to the Fund's office together with your completed Subscription Agreement. Payment will be made out to New City / Safety Mortgage Fund. To use a wire transfer, please contact the Fund's office for wiring instructions.

If you are purchasing Units to be held by you directly (outside an RRSP, RRIF or TFSA plan), and you are paying for your subscription with funds drawn on any source <u>other than</u> a Canadian chartered bank, you may <u>only</u> pay by wire transfer. Please contact the Fund's office for wiring instructions.

The Fund expects to have multiple Closings of the Offering on several dates and your subscription funds may be held in trust by the Fund if the date of Closing is not immediate. In any event, the Fund will hold your subscription funds in trust until midnight on the second Business Day after the date on which your funds and your signed Subscription Agreement Form are received.

The Fund reserves the right to accept or reject any Subscription Agreement Form in whole or in part and to close the Offering at any time, without notice. If the Fund rejects any Subscription Agreement Form, the subscription funds will be returned to the Subscriber, without deduction or interest.

Item 6: INCOME TAX CONSEQUENCES AND CERTAIN TAX-DEREFFED PLAN ELIGIBILITY

Information for Item 6 has been provided by the Fund's auditors, Galloway Botteselle & Co.

6.1: Seek Advice

You should consult your own professional advisers to obtain advice on the income tax consequences that apply to you.

6.2: Tax Consequences

The following is a fair summary of the principal Canadian federal income tax considerations generally relevant to individual investors who, for purposes of the Tax Act, are resident in Canada, deal at arm's length with the Fund and beneficially hold their Units as capital property.

This summary is based on the assumption that the Fund will continue to qualify as a "unit trust". To maintain qualification as a unit trust the Fund must satisfy each of the following conditions:

(i) it must be an *inter vivos* trust (i.e.: not a testamentary trust) where the interest of each Unitholder is described with reference to Units of the Fund, and:

a) the Units must have conditions requiring the Fund to accept, at the demand of a Unitholder (and at prices determined and payable in accordance with the conditions) the surrender of the Units, or fractions or parts thereof, that are fully paid; or

b) the Units must be qualified in accordance with prescribed conditions relating to the redemption of the Units by the Fund at not less than 95% of the fair market value of all the issued Units of the Fund (without regard to any voting rights attached to the Units);

(ii) throughout the period or periods that are in the current year the only undertaking of the Fund was:

a) the investing of its funds in property (other than Real Property or an interest in Real Property),

b) the acquiring, holding, maintaining, improving, leasing or managing of any Real Property or an interest in Real Property, that is capital property of the Trust, or

c) any combination of the activities described in clauses (a) and (b);

(iii) throughout the relevant periods at least 80% of the Trust's property consisted of any combination of:

a) cash,

b) bonds, debentures, Mortgages, hypothecary claims, notes and other similar obligations,

c) marketable securities, or

d) Real Property situated in Canada and interests in Real Property situated in Canada;

(iv) either

a) not less than 95% of the Trust's income for the current year was derived from, or from the disposition of, investments described in paragraph (iii), or

b) not less than 95% of the Trust's income for each of its relevant periods was derived from, or from the disposition of, investments described in subparagraph (iii); and

(v) throughout the relevant periods, not more than 10% of the Trust's property consisted of bonds, securities or shares in the capital stock of any one corporation or debtor.

This summary is based on the current provisions of the Tax Act and the regulations under it, all publicly announced proposals to amend the Tax Act and its regulations, and the published administrative practices of the Canada Revenue Agency.

This summary is of a general nature and is not intended to be exhaustive. It does not take into account provincial, territorial or foreign tax laws. Subscribers should consult their own tax advisers with respect to the tax consequences in their particular circumstances. No application has been made nor is it intended that any application be made for an advanced income tax ruling with respect to the tax consequences of acquiring or holding Units in the Fund.

Taxation of the Fund

The Fund must pay tax on its net income for a year, except to the extent such amounts are distributed to Unitholders. Losses incurred by the Fund cannot be allocated to Unitholders but may be deducted by the Fund in future years in accordance with the Tax Act. The Fund distributes to Unitholders substantially all of its Net Income each year and makes every prudent effort to pay no (or minimal) tax under the Tax Act.

The Trust, which is treated as an individual for the purposes of the Tax Act, is required to pay tax equal to the greater of tax otherwise determined and “alternative minimum tax”. Alternative minimum tax will generally equal 15% of the Trust's “adjusted taxable income”. The Trust will not be entitled to the $40,000 basic exemption. The adjusted taxable income of the Trust for the purposes of the alternative minimum tax will generally be reduced by the amount of its Net Income distributed to Unitholders. As the Trust distributes substantially all of its Net Income each year to Unitholders so that it will not pay any tax under Part I of the Tax Act, it should not have an alternative minimum tax liability in such years. However, if the Trust does not distribute all of its Net Income to Unitholders in a year because, for instance, its taxable income has been reduced by the application of a prior year's loss, the Trust may be liable for alternative minimum tax.

The Fund will not be a specified investment flow-through trust, or SIFT trust, provided units of the Fund are not listed or traded on a stock exchange or other public market. For these purposes the term “public market” is defined in the Tax Act to include any trading system or other organized facility on which securities that are qualified for public distribution are listed or traded, but does not include a facility that is operated solely to carry out the issuance of a security or its redemption, acquisition or cancellation by its issuer. As such the units of the Fund are not currently listed or traded on a stock exchange or other public market.

Taxation of Unitholders

Each Unitholder will be required to include in computing his or her income for a particular year the portion of the Net Income of the Fund for the year paid or made payable to the Unitholder. Each year the Fund will advise each Unitholder of the share of the Net Income of the Fund distributed to that Unitholder.

As the Trust will generate its income principally from interest on Mortgages on Canadian real estate, it is unlikely that the Trust will receive dividends, foreign income or realize capital gains. However, if such income or capital gains are received, the Trust intends to make designations under the Tax Act so that taxable dividends received from taxable Canadian corporations, income from foreign sources and net realized capital gains distributed to Unitholders, if any, will retain their character in the hands of Unitholders. Distributed amounts that retain their character as taxable dividends on shares of taxable Canadian corporations will be subject to the normal gross-up and tax credit rules in the Tax Act applicable to individuals. Each taxable Unitholder will generally be entitled to a tax credit for any foreign taxes paid by the Trust in respect of his or her share of income from foreign sources.

6.3: Eligibility for Tax-deferred Plans

The Trust qualifies as a "mutual fund trust" as defined by the Tax Act. The Units of the Trust are therefore a qualified investment under the Tax Act for registered retirement savings plans ("RRSP"), registered retirement income funds ("RRIF"), registered education savings plans ("RESP"), and tax-free savings accounts ("TFSA") (collectively, "Deferred Plans").

If the Trust ceases to be a mutual fund trust, the Units may not constitute a qualified investment for Deferred Plans.

A Deferred Plan that holds a non-qualified investment will pay regular tax on income from the nonqualified investment and in respect of a non-qualified investment or a prohibited investment is liable to a penalty tax of 50% calculated on the fair market value of the property at the later of:

(i) the time the property was acquired by the RRSP, RRIF or TFSA; and

(ii) the time the property became a non-qualified investment or a prohibited investment of the RRSP, RRIF or TFSA.

The Units will be a prohibited investment for a Deferred Plan where the holder of the RRSP, RRIF or TFSA has a "significant interest" in the Trust. An individual will have a significant interest in the Fund if that individual together with persons with which the individual does not deal at arm's length holds at that time interests as a beneficiary under the Fund that have a fair market value of 10% or more of the fair market value of the interests of all the beneficiaries under the Fund. Income attributable to a prohibited investment is subject to a penalty tax of 100%.

Item 7: COMPENSATION PAID TO SELLERS AND FINDERS

No person will receive any compensation (e.g.: commission, corporate finance fee or finder's fee) in connection with this Offering.

Item 8: OTHER MATERIAL FACTS

The Office of the Registrar of Mortgage Brokers at the Financial Institutions Commission (FICOMM) regulates the mortgage brokering and lending activities of Mortgage Investment Entities (MIEs) under the *Mortgage Brokers Act*.

The Registrar and the *Mortgage Brokers Act* do not regulate the capital raising and investment marketing activities of MIEs which are subject to securities legislation and regulation. You can find further information at FICOMM's website: www.fic.gov.bc.ca

There are no other material facts that should reasonably be disclosed in this Offering Memorandum.

Item 9: RISK FACTORS

The Fund advises that prospective investors should consult with their own independent professional legal, tax, investment and financial advisors before purchasing Units in order to determine the appropriateness of this investment in relation to their investment objectives and in relation to the tax consequences of any such investment.

In addition to the factors set forth elsewhere in this Offering Memorandum, prospective investors should consider the following risks before purchasing Units. Any or all these risks, or other as yet unidentified risks, may have a material adverse effect on the Fund's business and / or the return to investors.

(a) Investment Risks

Speculative Investment

This is a speculative offering. The purchase of Units involves a number of risk factors and is suitable only for investors who are aware of the risks inherent in the real estate industry and who have the ability and willingness to accept the risk of loss of their invested capital. There is no assurance of any return on your investment.

Borrowing

The Fund may borrow up to $8,000,000 by way of the Lender's Loan which could increase the risk of the Fund's insolvency and the risk of Unitholder liability. There can be no assurance that such a strategy will enhance returns and in fact the strategy may reduce returns. The security which the Fund is required to furnish for the Lender's Loan includes an assignment of its Mortgages to the Lender. If the Fund is unable to service its debt to such Lender, a loss could result if the Lender exercises its rights of foreclosure and sale.

Subordinate Financing

As at the date of this Offering document, approximately half the value of the Fund's Mortgage portfolio is invested in second Mortgages (subordinate financing instruments). Second mortgages are generally considered a higher risk than first Mortgages (primary financing instruments).

All the Fund's Mortgages are secured by a charge on the title of the underlying Real Property. When a charge on Real Property is the first Mortgage (in a first-ranking position), the holder of that charge has priority in recovering assets if the borrower is in default under the terms of its obligations to such holder. To make such a recovery, the first Mortgage holder has the right to take a number of possible actions against the borrower and ultimately against the Real Property pledged as the security given for that loan. Such actions may include a foreclosure action, or an action forcing the Real Property to be sold. A foreclosure action may have the ultimate effect of depriving any second (or subsequent) Mortgage holder of the security of the Real Property. If an action is taken to sell the Real Property and sufficient proceeds are not realized from such sale to pay off all the first Mortgage charges, the holder of any subsequent charge may lose its investment or part thereof.

Marketability of Units

There is currently no market for Units of the Fund and it is not anticipated that any market will develop. Units are not transferable. Consequently, Unitholders will not be able to resell their Units. To recover their invested capital, Unitholders must request a redemption of their Units (all or partial) by the Fund. Such a request is subject to the approval of the Investment Manager and the Trustees.

Return on Investment

There is no assurance that sufficient revenue will be generated by the Fund from which an income distribution can be declared by the Trustees and paid to the investors. Distributions of income in which investors are entitled to participate are not cumulative and will not be paid unless such distribution has been declared by the Trustees. The Trustees have the sole discretion as to whether or not any such distributions are declared. Therefore, there is no guarantee that income will be distributed to investors.

Review by Regulatory Authorities

This Offering Memorandum constitutes a private offering of the Units by the Fund, only in those jurisdictions where and to those persons to whom they may be lawfully offered for sale under exemptions in applicable securities legislation. This Offering Memorandum is not, and under no circumstances is to be construed as a prospectus, advertisement or public offering of these Units. Subscribers to this Offering memorandum will not have the benefit of a review of the material by any regulatory authority.

Separate Legal Counsel

The investors, as a group, have not been represented by separate counsel. Counsel for the Fund does not purport to have acted for the investors nor to have conducted any investigation or review on their behalf.

(b) Issuer Risks

Reliance on Management

In assessing the risk of an investment in the Units offered hereby, Subscribers should be aware that they will be relying on the good faith, experience and judgment of the Trustees and Managers of the Fund to manage the business and affairs of the Fund. There is no guarantee that the Trustees and Managers will remain unchanged. The Trustees and Managers of the Fund devote such time as may be reasonably necessary to conduct the business affairs of the Fund. Although investments made by the Fund will be carefully analyzed by the Mortgage Manager and approved by the Investment Committee, there is no representation made by the Fund that such investments will have a guaranteed return to Unitholders nor that losses will not be suffered by the Fund from such investments.

The operations of the Fund are highly dependent upon the continued support and participation of key personnel. The loss of their services may materially affect the timing or the ability of the Fund to implement its business plans.

Financial Risk

Asset risk is the possibility of devaluation of the Fund's securities (its assets - real estate and otherwise). This is a market condition variable that cannot be controlled by the Fund.

Interest rate risk is the possibility of an adverse mismatch between the Fund's cost of borrowing and the amount of interest it receives on its Mortgages. The Fund borrows funds as required and as available under the terms of the Lender's Loan, provided it is economical and prudent to do so. These borrowings are secured by a charge against the assets and equity of the Fund and, in the event of liquidation or wind-up, will rank in priority ahead of the outstanding Units of the Fund. The Lender may force the Fund to repay borrowings on short notice, perhaps having to use cash reserves or sell assets to effect such repayment.

Proceeds of Crime and Terrorist Financing

In order to support regulatory authorities in combatting the laundering of proceeds of crime and the financing of terrorist activities, the Fund has established procedures to review and verify the individual identification of each new investor to the Fund. New investors are personally interviewed by the Investment Manager and their government-issued photo identity documentation is reviewed and verified.

The Fund maintains individual records of identification for each new investor and reports any suspicious financial transactions or cross-border movements of funds and monetary instruments to appropriate regulatory authorities.

Conflicts of Interest

The Fund may be subject to various conflicts of interest arising from its relationship with the Mortgage Manager and the Investment Manager and their respective officers and directors. The risk exists that such conflicts may not be resolved in the best interests of the Fund and the Unitholders.

Transactions between the Fund, the Mortgage Manager and the Investment Manager or the officers and directors thereof may be entered into without the protections of arm's length bargaining. Therefore, situations may arise in which the Mortgage Manager or the Investment Manager may be making determinations which could benefit itself or its officers or directors to the detriment of the Fund or the Unitholders. Unitholders must rely on the standard of care owed by the Mortgage Manager and the Investment Manager to all Unitholders as set out in the Declaration of Trust to resolve conflicts of interest in transactions with the Fund.

Reduction of Annual Income Distribution

The Fund currently has non-performing loans which have caused a reduction in the income distributions otherwise payable to investors. See *"Item 2.2 Mortgage Portfolio Schedule"*and *"Item 2.3 Development of the Fund"*

Higher Risk Loans

The Fund will undertake higher risk loans than many conventional lenders such as banks and, as a result, there is a greater risk of default. Although the Fund performs due diligence with respect to each loan and attempts to reduce the risk by portfolio diversification, defaults on significant loans may affect the distributions payable to investors.

Unitholder Liability

The Declaration of Trust provides that no Unitholder shall be held to have any personal liability as such, and no resort shall be had to a Unitholder's private property, for satisfaction of any obligation in respect of or claim arising out of or in connection with any contract or obligation of the Fund or any obligation in respect of which a Unitholder would otherwise have to indemnify the Fund for any liability incurred by the Fund, but rather only the Fund Property is intended to be liable and subject to levy or execution for satisfaction of any obligation or claim.

Because of uncertainties in the law relating to investment trusts such as the Fund, there is a risk that a Unitholder could be held personally liable, notwithstanding the foregoing statement in the Declaration of Trust, for obligations in connection with the Fund (to the extent that claims are not satisfied by the Fund itself). The Fund's operations are conducted in such a way as to minimize any such risk.

In any event, the Trustees consider that the risk of any personal liability of Unitholders is minimal in view of the size of the existing equity of the Fund and the nature of its activities. In the event that a Unitholder should be required to satisfy any obligation of the Trust, such Unitholder will be entitled to reimbursement from any available assets of the Trust.

Tax Matters

The income distributed to Unitholders by the Fund is subject to changes in Canadian federal and provincial tax laws, tax proposals, other governmental policies or regulations and governmental, administrative or judicial interpretation of the same. There can be no assurance that tax laws, tax proposals, policies or regulations, or the interpretation thereof, will not be changed in a manner which will fundamentally alter the tax consequences to Unitholders acquiring, holding or disposing of Units.

If the Fund ceases to meet the requirements for a registered investment as a mutual fund trust, registration of the Trust may be revoked. In such a case, Units will cease to be qualified investments for Deferred Plans. This could result in Deferred Plans which continue to hold Units becoming liable for a penalty tax.

Remedies in the Event of Restructuring or Third Party Claims

The Fund is a mutual fund trust as defined by the Tax Act. However, a mutual fund trust is not a legally recognized entity within the relevant definitions of the *Bankruptcy and Insolvency Act* (Canada), and the *Companies' Creditors Arrangement Act* (Canada) or in some cases, the *Winding Up and Restructuring Act* (Canada) and therefore would not be able to access the remedies available thereunder in the event that a restructuring is necessary. As a result, Unitholders may not avail themselves of the remedies typically available to a shareholder of a corporate entity. As a result, distributions otherwise payable may be subordinate to third party debt such as Mortgages, bank facilities and other borrowing arrangements.

Cyber Security Risks

The Fund’s use of the internet technology and information systems may expose the Fund to potential risks linked to cyber security breaches of those systems. A cyber security breach could, among other things, allow an unauthorized party to gain access to proprietary information, investor data, or borrower information and / or to cause data corruption or loss of functionality.

(c) Industry Risks

Economic Risk

The Fund cannot predict the real estate market’s future values, which may include declines in value. It is not possible for the Fund to predict with any accuracy influences such as world affairs, global and local politics or economies, labour markets and environmental impacts. These are unknown and the Fund makes no representations or warranties as to being an authority on these causes and effects. Real estate markets and certain economies may result in declining real estate values and lower interest rates, either or both of which may result in lower returns to the Fund and lower distributions to investors.

Default

If there is a default of a Mortgage it may be necessary for the Fund, in order to protect its investment, to engage in foreclosure or sale proceedings and to maintain prior encumbrances in good standing. In such cases it is possible that the total amount recovered by the Fund may be less than the total investment, resulting in a loss to the Fund.

To mitigate this risk, all mortgage properties and any collateral properties are visited and inspected by a qualified staff person of the Mortgage Manager prior to approval of any loan. All individual borrowers or principals of corporate borrowers are required to provide government-issued photo identification as evidence of their identity and evidence of their stated income for at least the past two years, typically in the form of documentation from the Canada Revenue Agency and / or in the form of verified corporate financial statements.

Insurance

The Fund’s Mortgage loans will not be insured in whole or in part by default insurers such as Canadian Mortgage and Housing Corporation.

The Fund requires that property insurance be carried by the borrower on all properties securing the Fund’s Mortgage. There is a risk that the borrower may not obtain adequate insurance coverage or the right type of coverage or may not maintain the insurance in good standing, letting it lapse. To mitigate this risk, the Fund retains the right to maintain adequate insurance and to add the cost of such premiums to the Mortgage. To protect against the risk of title fraud, the Fund also requires all new or unfamiliar borrowers to obtain title insurance.

Availability of Investments

The ability of the Fund to make investments in accordance with the objectives of the Fund will depend upon the availability of suitable investments and the number of Mortgage opportunities available. At present, the near-prime Mortgage market in B.C. and Alberta is underserviced. However, if new lenders enter the market, the yields which are now available may decrease and the risk / reward ratio may become less favourable to the Fund than it is currently.

Diversification of Mortgage Portfolio

The composition of the Fund's Mortgage portfolio may vary widely from time to time and may be concentrated by type of security, industry or geography, resulting in the Mortgage portfolio being less diversified than anticipated. A lack of diversification may result in the Fund being exposed to economic downturns or other events that have an adverse and disproportionate effect on particular types of security, industry or geography.

Nature of the Investments

Investments in Mortgages are affected by general economic conditions, local real estate markets, demand for residential and commercial rentals, fluctuation in occupancy rates and various other factors. Investments in Mortgages are relatively illiquid. This will tend to limit the Fund's ability to vary its Mortgage portfolio promptly in response to changing economic conditions.

The Fund's investment in Mortgage loans will be secured by Real Property. All Real Property investments are subject to elements of risk. While independent appraisals may be obtained before the Fund makes any Mortgage investment, the appraised values provided therein, even where reported on an "as is" basis are not necessarily reflective of the market value of the underlying Real Property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain conditions, including the completion or rehabilitation of the Real Property providing security for the investment. There can be no guarantee that these conditions will be satisfied and if, and to the extent, they are not satisfied, the appraised value may not necessarily reflect the market value of the Real Property at the time the conditions are satisfied.

The Fund's income and funds available for distribution to Unitholders would be adversely affected if a significant number of borrowers were unable to pay their obligations to the Fund or if the Fund were unable to invest its funds in Mortgages on economically favourable terms. On default by a borrower, the Fund may experience delays in enforcing its rights as lender and may incur substantial cost in protecting its business.

Recovery Costs

There are many costs associated with default action and recovery against a borrower, including legal and court costs, receiver costs, payment of property taxes and arrears, insurance, strata fees and assessments, property upkeep, valuation and appraisal costs, marketing and other costs. These recovery-related costs can often be high and, particularly in a declining real estate market requiring a long hold and marketing period, could result in the property being sold for less than the Fund's mortgage balance, resulting in a loss.

Environmental Protection Liability

Environmental protection legislation has become increasingly important and challenging, and the number of penalties and regulations for non-compliance has been multiplying. This represents a risk to the Fund as it is possible for environmental liability for non-compliance to pass to the lender when a property owner defaults in terms of environmental requirements. Under various regulations, it is possible that the Fund could become liable for the costs of removal of toxic or hazardous materials and for remediation of the property as well as affected neighbouring properties. Where the Fund suspects possible environmental issues, the Fund will complete environmental diligence including obtaining necessary professional environmental reports and clearances.

Item 10: REPORTING OBLIGATIONS

10.1: Reporting to Unitholders

The audited year-end financial statements and a management report of fund performance are sent to all Unitholders within ninety days of the end of the Fiscal Year.

The unaudited interim financial statements for the second quarter of each Fiscal Year and an interim management report of fund performance are sent to Unitholders, on request, within ninety days of the end of the second quarter.

Unaudited interim financial statements for the first and third quarters of each Fiscal Year are made available to all Unitholders on request.

10.2: Other Sources of Information

This Offering Memorandum and certain other documents including information about the Fund's securities and distributions are available on the website of the British Columbia Securities Commission (www.bcsc.bc.ca).

Item 11: RESALE RESTRICTIONS

11.1: General Statement

These securities will be subject to a number of resale restrictions, including a restriction on trading. Unless the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

11.2: Trading Restriction

The Fund is not a reporting issuer in any jurisdiction.

Unless permitted under securities legislation, you cannot trade these securities before the date that would be four months and a day after the date that the Fund becomes a reporting issuer in any province or territory in Canada.

The Fund has no plan to become a reporting issuer.

Item 12: PURCHASERS' RIGHTS

If you purchase these securities you will have certain rights, some of which are described below. For further information about your rights you should consult a lawyer.

12.1: Two Day Cancellation Right

You can cancel your agreement to purchase these securities. To do so, you must phone or otherwise notify our office by midnight on the second Business Day after your subscription funds and signed Subscription Agreement Form are received by the Fund.

12.2: Statutory Rights of Action in the Event of a Misrepresentation

If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

(a) the Fund to cancel your agreement to buy these securities, or

(b) for damages against the Fund and every Trustee and Manager at the date of the Offering Memorandum and every person who signs the Offering Memorandum or any amendment thereto, in the event that the Offering Memorandum or any amendment thereto contains a misrepresentation.

Purchasers should refer to the applicable provisions of the British Columbia securities legislation for particulars of those rights or consult with a lawyer.

For these purposes, a "misrepresentation" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated, or necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made. A "material fact" means any fact that would reasonably be expected to significantly affect the market price or the value of the Units.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they will have a defense if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) to (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days from the day of the transaction. You must commence your action for damages within the earlier of 180 days of learning of the misrepresentation and three years from the date of the transaction.

Item 13: FINANCIAL STATEMENTS

The Fund's audited financial statements for the Fiscal Year ending December 31, 2018 and 2017 are attached, as are the Fund's interim third quarter financial statements (unaudited) for September 30, 2019 (including 2018 comparative figures).

NEW CITY / SAFETY MORTGAGE FUND

FINANCIAL STATEMENTS

December 31, 2018 and 2017

INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Unit holders of New City / Safety Mortgage Fund

Opinion

In our opinion, these statements present fairly, in all material respects, the financial position of New City / Safety Mortgage Fund, as at December 31, 2018 and 2017, its investment portfolio as at December 31, 2018, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted an audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the management in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the management's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis for accounting unless management either intends to liquidate the management or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the management's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and asses the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsible to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may case significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to case to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit finding, including any significant deficiencies in internal control that we identify during our audit.

Galloway Botteselle & Company

Chartered Professional Accountants
Vancouver, BC
March 8, 2019

NEW CITY / SAFETY MORTGAGE FUND

STATEMENT OF FINANCIAL POSITION
As at December 31

	2018	2017
ASSETS		
Cash (Note 15)	$ **5,610,208**	2,581,237
Mortgage investments (Note 5, 6, 11)	**38,667,928**	40,739,991
Accrued interest receivable (Note 6)	**688,406**	1,278,193
Other receivables (Note 6)	**261,774**	307,067
	$ 45,228,316	$ 44,906,488
LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	$ **58,248**	71,960
Distributions payable to unit holders	**2,686,062**	2,257,902
Deferred revenue (Note 9)	**295,478**	303,633
	3,039,788	2,633,495
Net assets attributable to holders of redeemable units	**$ 42,188,528**	$ 42,272,992
Number of redeemable units outstanding (Note 10)	**42,233,394**	42,320,188
Net assets attributable to holders of redeemable units per unit	$ **0.999**	0.999

See accompanying notes

Nature of operations (Note 1)
Subsequent events (Note 15)

Approved on behalf of the Board:

Mike Giuliani - Chairman of the Board

Charles Chang - Chair of the Audit Committee

NEW CITY / SAFETY MORTGAGE FUND

STATEMENT OF COMPREHENSIVE INCOME
For the years ended December 31

	2018	2017
Revenue (Note 3(c))		
Mortgage interest	**$ 3,570,033**	2,840,722
Mortgage commitment fees	**227,235**	230,599
Other interest and fees	**104,749**	54,876
	3,902,017	3,126,197
Provision for mortgage losses	**282,518**	200,000
Net revenue after provision for mortgage losses	**3,619,499**	2,926,197
Expenses		
Accounting and auditing	**33,540**	27,300
Bank charges and interest	**170,750**	16,237
Legal	**17,693**	13,761
Licenses and filings	**100**	511
Management fees (Note 11)	**219,485**	187,899
Meeting expenses	**2,181**	3,082
Mortgage administration fees (Note 11)	**487,712**	417,289
	931,461	666,079
Net income / increase in net assets from operations	**$ 2,688,038**	2,260,118
Weighted average number of redeemable units outstanding	**42,504,055**	42,319,469
Increase in net assets attributable to holders of redeemable units, per unit	**$ 0.063**	0.053

See accompanying notes

NEW CITY / SAFETY MORTGAGE FUND

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS
For the years ended December 31

	2018	2017
Net assets available to holders of redeemable units, beginning of year	**$ 42,272,992**	41,467,512
Redeemable units redeemed	**(2,165,065)**	(1,712,900)
Redeemable units issued	**2,078,271**	2,515,930
Net income / increase in net assets from operations	**2,688,038**	2,260,118
Distributions to unit holders	**(2,685,708)**	(2,257,668)
Net assets available to holders of redeemable units, end of year	**$ 42,188,528**	42,272,992

See accompanying notes

NEW CITY / SAFETY MORTGAGE FUND

STATEMENT OF CASH FLOWS
For the years ended December 31

	2018	2017
CASH PROVIDED FROM (USED IN):		
Operating activities		
Net income / increase in net assets from operations	**$ 2,688,038**	2,260,118
Non-cash item:		
Provision for loan losses	**282,518**	200,000
Changes in non-cash working capital:		
Accrued interest receivable	**589,786**	(99,534)
Other receivables	**(37,225)**	(68,934)
Accounts payable and accrued liabilities	**(13,710)**	15,652
Deferred revenue	**(8,156)**	253,925
	3,501,251	2,561,227
Financing activities		
Redeemable units issued	**560,238**	1,144,780
Redeemable units redeemed	**(2,165,065)**	(1,712,900)
Distributions to unitholders	**(739,516)**	(736,401)
	(2,344,343)	(1,304,521)
Investing activities		
Mortgage advances	**(19,038,611)**	(26,367,259)
Mortgage repayments	**20,910,674**	20,530,407
	1,872,063	(5,836,852)
Increase in cash	**3,028,971**	(4,580,147)
Cash, beginning of year	**2,581,237**	7,161,384
Cash, end of year	**$ 5,610,208**	2,581,237

See accompanying notes

Supplemental information:

Redeemable units issued for reinvestment of distributions	**1,518,033**	1,371,150

NEW CITY / SAFETY MORTGAGE FUND

STATEMENT OF INVESTMENT PORTFOLIO
December 31, 2018

	%	Amortized cost	Fair Value	Carrying value
Investment in mortgages (Note 5)	85.49	$38,667,928	38,667,928	38,667,928
Other net assets	14.51			6,560,388
NET ASSETS	100.00			$45,228,316

Mortgage portfolio summary

Interest rate*	Number of mortgage investments	Amortized cost and fair value
4.00% to 4.24%	1	527,000
6.75% to 6.99%	1	408,867
7.50% to 7.74%	5	7,350,000
7.75% to 7.99%	4	4,574,250
8.00% to 8.24%	8	6,311,893
8.25% to 8.49%	2	3,100,000
8.50% to 8.74%	3	2,250,000
8.75% to 8.99%	3	5,725,000
9.00% to 9.24%	5	3,092,130
9.25% to 9.49%	1	538,500
9.50% to 9.99%	1	335,000
10.00% to 10.24%**	2	761,165
12.00%***	4	3,694,123
Investments in mortgages	40	$38,667,928

*The interest rates stated are the minimum rates stipulated in the mortgage agreements. Most mortgages bear a minimum interest rate and a floating interest rate at prime plus 4%.

All mortgages are conventional uninsured mortgages and contain a prepayment option, whereby the borrower may repay the principal at any time after the date of the first advance of funds. Some mortgages require the borrower to deliver written notice 30 days prior to any such prepayment and payment of an additional one month's interest on the sum prepaid by way of penalty.

** Included in mortgages bearing a 10% rate is a non-performing loan of $74,059 upon which no interest was accrued during the 2018 year (Note 11).

*** Included in mortgages bearing a 12% rate are three non-performing loans with a total of $3,009,556 upon which no interest was accrued during the 2018 year (Note 11).

Note 1 Nature of operations

New City / Safety Mortgage Fund (the "Fund") is a unit trust established under the laws of British Columbia for the benefit of unit holders pursuant to a Trust Declaration dated September 25, 2014. The address of the Fund's registered office is 208 - 3855 Henning Drive, Burnaby BC. Resurgo Management Ltd. is the Fund Manager. New City Financial Group, as the Mortgage Manager, sources and services the mortgage portfolio and provides mortgage consulting services to the Fund Manager. The Fund commenced active operations on February 1, 2015. The fiscal year-end of the Fund is December 31.

The Fund invests in commercial and residential mortgages secured by real estate properties in Canada.

The Fund may also provide interim construction financing to fund development, redevelopment and construction of commercial and residential buildings located in Canada.

Note 2 Basis of presentation

(a) Basis of presentation
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board (IASB) using the same accounting policies as disclosed in our annual financial statements for the year ended December 31, 2017, with the exception of the adoption of IFRS 9 Financial Instruments discussed below. These financial statements were approved and authorized for issue by the Board of Trustees on March 8, 2019.

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are recorded at amortized cost. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(b) Functional and presentation currency
These financial statements are presented in Canadian dollars, which is the Fund's functional currency.

(c) Accounting estimates and judgments
The preparation of financial statements in conformity with International IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. Actual results may differ from those estimates.

The most significant estimates the Fund is required to make relate to the fair value of mortgage investments. These estimates may include judgments and assumptions regarding local real estate conditions, interest rates and availability of credit, cost and terms of financing, the impact of future legislation and regulations, prior encumbrances and other factors affecting the mortgage and underlying security of the mortgage investments.

The assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events. Liquid credit markets and volatile equity markets have increased the uncertainty inherent in such estimates and assumptions. As such, by their nature, estimates of impairment are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated allowance for impairment losses could vary by a material amount.

Note 3 Summary of significant accounting policies

(a) Measurement of financial instruments
Financial assets consist of cash, mortgage investments, accrued interest receivable and other receivables. Financial liabilities consists of accounts payable and accrued liabilities.

The Fund determines the classification of its financial assets and liabilities at initial recognition. Financial instruments are recognized initially at fair value and in the case of financial assets and liabilities carried at amortized costs, adjusted for directly attributable transaction costs.

Mortgage investments are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

The Fund has classified its other financial assets and liabilities as follows:

(i) Accrued interest receivable and other receivables are classified as loans and receivables, which are measured at amortized cost, less impairment losses.

(ii) Accounts payable and accrued liabilities are classified as financial liabilities and are measured at amortized cost.

(b) Impairment of mortgage investments
A mortgage investment is considered impaired when there is objective evidence at the end of the reporting period that there has been a deterioration of credit quality subsequent to its initial recognition to the extent that the company no longer has reasonable assurance as to the timely collection of the full amount of principal and interest. The company assesses mortgages receivable for objective evidence of impairment at each reporting period. The provision for mortgage losses is determined by taking into account the following factors:

- Delays in the collection of interest and principal

- Other known factors specific to the property, the borrower or the guarantor

- Economic and other real estate market conditions in the geographic area in which a borrower's project is located

- Management's judgment as to whether current economic and credit conditions are such that the inchoate or potential losses at the reporting date are likely to be higher or lower than the amount suggested by historical experience.

- Any other factors that apply to a particular mortgage or group of mortgages

Several of these factors involve estimates and judgments on the part of management in determining provisions for mortgage losses. The other key estimates used for quantifying the provision for mortgage losses are:

- The period of time expected to elapse between the contractual maturity or interest and principal repayment dates and the date at which recovery is estimated

Note 3 Summary of significant accounting policies (continued)

- The amount expected to be ultimately recovered on impaired loans, taking into account the likelihood of different outcomes

- The value of underlying security, and whether the company expects to take possession of the property

- The amount of any legal and other third party costs estimated to be incurred

An impairment loss is calculated at the difference between the carrying amount of the mortgage investment and the present value of the estimated future cash flows. Losses are charged to the statement of income and comprehensive income and are reflected in the provision for mortgage losses.

(c) Revenue recognition
Interest on mortgages receivable is recognized using the effective interest rate method to the extent it is probable the Fund will receive the interest revenue.

The Fund charges an up-front commitment fee of 1% for most mortgages written. Mortgage commitment fees received and any discounts or premiums on mortgages purchased are amortized to income over the mortgage term which is typically over twelve months.

(d) Deferred revenue
Deferred revenue is comprised of unearned commitment fees and mortgage interest received in advance from borrowers. Commitment fees are amortized to income over the contractual terms of the underlying mortgage. Prepaid mortgage interest is amortized to income when interest is earned.

(e) Trust units
The Fund is authorized to issue an unlimited number of transferable units of a single class, each of which represents an equal, undivided beneficial interest in the net assets of the Fund. Each unit will entitle the holder thereof to request the Fund to redeem the unit at the Net Asset Value per unit. Such redemption is subject to approval by the Board of Trustees.

(f) Income taxes
The Fund qualifies as a unit trust and is deemed a financial institution under the Income Tax Act. The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, less the portion thereof that it claims in respect of the amount paid or payable to unit holders in the year. The intent of the Fund's Manager is to make distributions to unit holders and to deduct, in computing the Fund's income in each taxation year, such amount as will be sufficient to ensure that the Fund will not be liable for income tax under Part I of the Tax Act.

Note 4 Changes in accounting policies

IFRS 9, Financial Instruments ("IFRS 9")
Effective January 1, 2018, the Fund adopted IFRS 9, replacing IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") and all previous versions of IFRS 9, which has been applied retrospectively without restatement of comparative financial information. IFRS 9 addresses the classification and measurement of all financial assets and financial liabilities within the scope of IAS 39 and a new expected loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed model for hedge accounting. Under IFRS 9, all financial assets are measured at initial recognition at fair value, and are classified and subsequently measured at fair value through profit or loss, fair value through other comprehensive income or amortized cost based on business model for managing the financial instruments and the contractual cash flow characteristics of the instrument.

As at December 31, 2017, the Fund had financial instruments which included cash, accounts payable and accruals which were classified as fair value through profit and loss and mortgage investments, accrued interest receivable and other receivables which all fell under the classification of loans and receivables. Subsequent to the adoption of IFRS 9, all the financial instruments are classified as measured subsequent to initial recognition at amortized cost. The carrying value of all financial instruments remains unchanged upon adoption of IFRS 9.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")
Effective January 1, 2018 the Fund adopted IFRS 15 Revenue from Contracts with Customers. IFRS 15 supersedes IAS18 Revenue, IAS11, Construction Contracts and all prior guidance, and provides a more structured approach to measuring and recognizing revenue. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange of transferring goods or services. Adoption of IFRS 15 did not result in adjustments to the Fund's financial statements.

Note 5 Mortgage investments - segment disclosures

The following tables show the portfolio by type of mortgage and geographic location.

	2018		2017	
Type of mortgage	%	**Carrying value**	%	Carrying value
Commercial	**34.06**	**$13,170,336**	20.30	$ 8,276,314
Residential	**53.29**	**20,606,156**	65.57	26,713,841
Mixed use	**12.65**	**4,891,436**	14.13	5,749,836
	100.00	**$38,667,928**	100.00	$40,739,991

	2018		2017	
Province	%	**Carrying value**	%	Carrying value
Alberta	**5.07**	**$ 1,960,000**	5.06	$ 2,060,000
British Columbia	**94.93**	**36,707,928**	94.94	38,679,991
	100.00	**$38,667,928**	100.00	$40,739,991

Note 6 Mortgages, accrued interest and other receivables

Mortgages written by the Fund are for a one year term and earn interest at approximately the greater of Royal Bank of Canada's prime rate, plus 4% per annum, and a minimum stated annual interest rate in the range of 4.00% to 12.00%. There are no, or nominal, principal repayments required during the terms of the mortgages.

Note 7 Credit facility

The Fund has available a maximum of $8,000,000 operating line of credit with the Royal Bank of Canada ("the Bank") which bears interest at prime plus 1.00% per annum. The line of credit is secured by a General Security Agreement registered under the Personal Property Security Act of British Columbia creating a floating charge on all assets of the Fund. Under the terms of the credit facilities with the Bank, the Fund is required to comply with certain affirmative and negative covenants including covenants in respect of mortgage amounts, margin requirements and appraisals.

The line of credit was not drawn on at the end of the year. At December 31, 2018 there was $NIL (2017 - $NIL). (Note 15).

Note 8 Accounts payable and accrued liabilities

	2018	2017
Accounts payable	$ **35,825**	52,535
Accrued liabilities	**22,423**	19,425
	$ **58,248**	71,960

Note 9 Deferred revenue

	2018	2017
Unearned mortgage commitment fees	$ **84,029**	139,962
Prepaid mortgage interest	**211,449**	163,671
	$ **295,478**	303,633

Mortgage commitment fees are non-refundable charges paid by borrowers to the Fund before mortgage funds are advanced. Commitment fees are amortized to income over the contractual terms of the underlying mortgage, typically over twelve months.

Prepaid mortgage interest is mortgage interest that has been paid in advance by certain borrowers and may be refunded if the mortgage is paid out before the prepaid interest is earned.

Note 10 Redeemable units of the Fund

Each redeemable unit of the Fund represents an equal, undivided interest in the Net Assets attributable to holders of redeemable units of the Fund. On termination of the Fund, unit holders are entitled to receive their pro rata share of the asset of the Fund.

	Number of units	
	2018	2017
Redeemable units, beginning of the year	**42,320,188**	41,517,158
Redeemable units issued	**2,078,271**	2,515,930
Redemption of redeemable units	**(2,165,065)**	(1,712,900)
Redeemable units, end of year	**42,233,394**	42,320,188

Note 11 Related party transactions

During the year ended December 31, 2018, $219,485 (2017 - $187,899) of management fees expensed in the statements of operations was paid or payable to the Fund Manager, and $487,712 (2017 - $417,289) of mortgage administration fees expensed in the statement of operations was paid or payable to the Mortgage Manager, New City Financial Corp., a company which is controlled by a member of the Board of Trustees.

As at December 31, 2018, accounts payable and accrued liabilities includes $NIL (2017 - $16,304) of management fees payable to the Fund Manager and $34,560 (2017 - $36,231) of mortgage administration fees payable to the Mortgage Manager.

As at year end, the following amounts are due from Terralago Properties Inc., a British Columbia company whose shares are held by a relative of a trustee. The company was incorporated to facilitate the recovery of funds subsequent to a foreclosure action against a delinquent borrower. The company is effectively controlled by the Fund through trust and share pledge agreements.

The Fund has entered into a construction loan agreement with the company and two houses were built on the foreclosed property during the fiscal year. One of these houses, as well as three of the vacant lots were sold during the fiscal year. Net proceeds from the sales has been applied to reduce the accrued interest receivable. Construction is currently underway to build two further houses on the property. All funds from the eventual sale of the houses, minus construction and related costs, will be recovered by the Fund.

	2018	2017
Mortgage investments	**$ 3,696,673**	3,260,916
Accrued interest receivable	**11,191**	737,750
Other receivables	**82,261**	118,713
	$ 3,790,125	4,117,379

Note 11 Related party transactions (continued)

As at year end, the following amounts are due from Oak Creek Investments Ltd., a British Columbia company whose shares are held by a third party. The company was incorporated to facilitate the recovery of funds subsequent to a foreclosure action against a delinquent borrower. The company is effectively controlled by the Fund through trust and share pledge agreements. In February 2019 the property was sold with the fund receiving net proceeds of $104,362 as a final settlement of the amount receivable. The carrying value of the investment was written down to the recovered amount, as follows:

	2018	2017
Original loan, accrued interest and recoverable expenses	$ **271,880**	268,145
Provision for loss	**(167,518)**	(85,000)
Carrying value	$ **104,362**	183,145

Note 12 Fair values of financial instruments

The fair values of financial instruments, which include cash, term deposits, mortgages and accrued interest receivable and other receivables approximate their carrying values since they bear interest that approximates market rates for similar instruments.

The fair values of accounts payable and accrued liabilities approximate their carrying values given the short-term nature of these instruments.

The following table shows a hierarchy for disclosing fair value based on inputs used to value the Fund's investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 - quoted prices in active markets for identical assets and liabilities;

Level 2 - inputs other than quoted prices in active markets included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
Cash in bank	$ 5,610,208	-	-	$ 5,610,208
Mortgage investments	-	-	38,667,928	38,667,928
Interest receivable	6,945	-	681,461	688,406
Other receivable	-	-	261,774	261,774
	5,617,153	-	39,611,163	45,228,316

Note 13 Financial instruments risks

(a) Credit risk exposures
The Fund's exposures to credit risk are as indicated by the carrying amounts of its mortgages and accrued interest receivable and other receivables, in the event borrowers fail to fulfil their contractual commitments resulting in financial loss to the Fund.

The Fund manages this risk by having well established, conservative investment and due diligence policies and procedures in place to ensure the investments are well secured and appropriately monitored. The Fund's conservative investment policies also ensure there are no significant concentrations of risk.

(c) Interest rate risk exposures
The Fund manages its mortgage interest rate risk by having lending policies that set minimum interest rates for its mortgages. Most mortgages written by the Fund earn interest at the greater of Royal Bank of Canada's prime rate, plus 4% per annum, and a minimum stated annual interest rate in the range of 4.00% to 12.00%. The minimum rate mitigates the effect of a drop in short-term market interest rates, while the floating rate allows for increased interest earnings where short-term rates increase.

(d) Sensitivity analysis
At December 31, 2018, if interest rates at that date had been 1.0% lower or higher, with all other variables held constant, there would have been no effect on net income as all mortgages were subject to fixed rates of interest.

(e) Liquidity risk
The Fund manages its liquidity risk by continuously monitoring its forecast and actual cash flows. Liquidity risk is further managed through the Fund's ability to draw on an $8,000,000 credit facility it has arranged with the Royal Bank of Canada.

Note 14 Capital management

The Fund's objective when managing capital is to continue operations as a going concern so that it can provide its unit holders with a safe, liquid investment that qualifies as an eligible investment for Registered Retirement Savings Plans, Registered Retirement Income Funds, and Tax Free Savings Accounts. The Fund does not have any externally imposed capital requirements.

The Fund utilizes its credit facility to provide additional cash resources for mortgage investments when needed (Note 7).

Capital includes net assets attributable to holders of redeemable units.

The Fund's Board of Trustees is responsible for approving the capital management plan as part of its review of strategic initiatives and at least annually in connection with the financial budgeting process.

Note 15 Subsequent events

Subsequent to year end the Fund:

(a) Approved and funded mortgages totaling $9,500,000 and used $2,195,000 of the line of credit with RBC.

(b) Paid down mortgages totaling $1,866,900.

(c) Approved requests for unit redemptions for total redemption proceeds of $887,994.

(d) Received a final settlement from the sale of property held by Oak Creek Investments Ltd., as described in Note 11.

NEW CITY/ SAFETY MORTGAGE FUND
UNAUDITED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NEW CITY/ SAFETY MORTGAGE FUND
INDEX TO UNAUDITED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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AUDITOR'S INTERIM REVIEW REPORT

To the audit committee of New City / Safety Mortgage Fund

In accordance with our engagement letter dated October 1, 2019, we have performed interim reviews of the statement of financial position of New City / Safety Mortgage Fund as at September 30, 2019, the statements of comprehensive income and changes in net assets attributable to holders of redeemable units for the nine-month periods ended September 30, 2019 and 2018, and the statements of cash flows for the nine-month period then ended. These financial statements are the responsibility of the management.

We performed our interim reviews in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor.

An interim review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements. Accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our interim reviews, we are not aware of any material modification that needs to be made for these interim financial statements to be in accordance with the International Financial Reporting Standards.

We have previously audited, in accordance with Canadian generally accepted auditing standards, the statement of financial position of New City / Safety Mortgage Fund as at December 31, 2018, and the related statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the year then ended (not presented herein). In our report dated March 8, 2019, we expressed an unmodified audit opinion on those financial statements. In our opinion, the information set forth in the accompanying statement of financial position as at December 31, 2018, is fairly stated, in all material respects, in relation to the financial statements from which it has been derived.

This report is solely for the use of the Audit Committee of New City / Safety Mortgage Fund to assist it in discharging its regulatory obligation to review these financial statements, and should not be used for any other purpose.

Galloway Botteselle & Company

Chartered Professional Accountants
December 6, 2019

NEW CITY/ SAFETY MORTGAGE FUND
INTERIM STATEMENT OF FINANCIAL POSITION
As at September 30, 2019

Unaudited

		September 30		December 31
		2019	2018	2018
ASSETS				
Cash	$	36,414	20	5,610,208
Mortgage investments (Note 3, 4, 9)		48,449,387	49,940,302	38,667,928
Accrued interest receivable (Note 4)		1,088,556	852,617	688,406
Other receivables (Note 4)		256,482	310,630	261,774
		49,830,839	51,103,569	45,228,316
LIABILITIES				
Bank indebtedness (Note 5)		940,000	6,312,809	-
Accounts payable and accrued liabilities (Note 6)		78,752	52,306	58,248
Distribution payable to unitholders		465	354	2,686,062
Deferred revenue (Note 7)		382,350	375,523	295,478
		1,401,567	6,740,992	3,039,788
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	$	48,429,272	44,362,577	42,188,528
NUMBER OF REDEEMABLE UNITS OUTSTANDING (Note 8)		46,486,483	42,398,243	42,233,394
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, PER UNIT	$	1.042	1.046	0.999

See accompanying notes

Nature of operations (Note 1)

NEW CITY/ SAFETY MORTGAGE FUND

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the period ended September 30, 2019

Unaudited

	Year to date 2019	Year to date 2018	Three months ended September 30, 2019	Three months ended September 30 2018	Year ended December 31, 2018
REVENUE					
Mortgage interest	2,710,677	2,675,321	952,857	915,623	3,570,033
Mortgage commitment fees	185,706	182,256	67,028	61,956	227,235
Other interest and fees	8,652	30,797	-	-	104,749
	2,905,035	2,888,374	1,019,885	977,579	3,902,017
Provision for mortgage losses	150,000	150,000	50,000	50,000	282,518
Net revenue after provision for mortgage losses	2,755,035	2,738,374	969,885	927,579	3,619,499
EXPENSES					
Accounting and auditing	11,606	10,965	4,200	5,100	33,540
Bad debt - recoverable expenses	5,864	-	138	-	-
Bank charges	2,066	5,506	583	3,722	9,195
Legal	4,174	7,342	2,588	6,092	17,693
Line of credit and short term interest (Note 9)	172,047	148,517	57,654	57,468	161,555
Licences, taxes, and filings	5,254	100	1,927	100	100
Management fees (Note 9)	174,407	171,383	59,554	58,060	219,485
Net offering memorandum administrative costs (Note 9)	2,894	-	(5,505)	-	-
Meeting expenses	2,062	2,181	-	-	2,181
Mortgage administration fees (Note 9)	387,006	380,850	132,342	129,021	487,712
	767,380	726,844	280,773	259,563	931,461
NET INCOME / INCREASE IN NET ASSETS FROM OPERATIONS	**1,987,655**	**2,011,530**	**716,405**	**668,016**	**2,688,038**
WEIGHTED AVERAGE NUMBER OF REDEEMABLE UNITS	**43,535,103**	**42,558,007**	**46,715,516**	**42,373,447**	**42,504,055**
INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, PER UNIT	0.046	0.047	0.015	0.016	0.063

See accompanying notes

NEW CITY/ SAFETY MORTGAGE FUND

INTERIM STATEMENT OF CHANGES IN NET ASSETS
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS
For the period ended September 30, 2019

Unaudited

	Year to date 2019	Year to date 2018	Three months ended September 30 2019	Three months ended September 30 2018	December 31 2018
NET ASSETS, BEGINNING OF PERIOD	$ 42,188,528	$ 42,272,992	$ 45,135,153	$ 43,439,828	$ 42,272,992
Redeemable units redeemed	(2,393,767)	(2,000,216)	(151,532)	(132,073)	(2,165,065)
Redeemable units issued (Note 8)	6,646,856	2,078,271	2,729,246	386,806	2,078,271
Net income / increase in net assets from operations	1,987,655	2,011,530	716,405	668,016	2,688,038
Distributions to unitholders	-	-	-	-	(2,685,708)
NET ASSETS, END OF PERIOD	**$ 48,429,272**	**$ 44,362,577**	**$ 48,429,272**	**$ 44,362,577**	**$ 42,188,528**

See accompanying notes

NEW CITY/ SAFETY MORTGAGE FUND

INTERIM STATEMENT OF CASH FLOWS

For the period ended September 30, 2019

Unaudited

		Year to date 2019	Year to date 2018	December 31 2018
CASH WAS PROVIDED FROM (USED IN):				
Operating Activities:				
Net income / increase in net assets from operations	$	1,987,655	2,011,530	2,688,038
Items not affecting cash:				
Provision for loan losses		150,000	150,000	282,518
Changes in non-cash balances				
Accrued interest receivable		(400,150)	425,576	589,786
Other accounts receivable		5,292	(3,563)	(37,225)
Accounts payable and accrued liabilities		20,503	(19,655)	(13,710)
Deferred revenue		86,872	71,890	(8,156)
		1,850,172	2,635,778	3,501,251
Investing Activities:				
Mortgage advances		(19,155,287)	(13,851,452)	(19,038,611)
Mortgage repayments		9,223,829	4,501,141	20,910,674
		(9,931,458)	(9,350,311)	1,872,063
Financing Activities:				
Draw on line of credit (Note 5)		940,000	6,312,809	-
Redeemable units issued		4,868,665	560,238	560,238
Redeemable units redeemed		(2,393,767)	(2,000,216)	(2,165,065)
Distributions to unitholders		(907,406)	(739,515)	(739,516)
		2,507,492	4,133,316	(2,344,343)
Increase (decrease) in cash		(5,573,794)	(2,581,217)	3,028,971
CASH, BEGINNING OF PERIOD		5,610,208	2,581,237	2,581,237
CASH, END OF PERIOD	$	36,414	20	5,610,208

See accompanying notes

Supplemental information:

Redeemable units issued from reinvestment of distributions	$	1,778,191	1,518,033	1,518,033

NEW CITY/ SAFETY MORTGAGE FUND
INTERIM STATEMENT OF INVESTMENT PORTFOLIO
For the period ended September 30, 2019

Unaudited

	%	Amortized cost	Fair value	Carrying value
Investments in mortgages	97.23	$ 48,449,387	$ 48,449,387	$ 48,449,387
Other assets	2.77			1,381,452
TOTAL ASSETS	100.00			$ 49,830,839

Mortgage portfolio summary:

Interest rate*	Number of mortgage investments	Amortized cost and fair value
6.00% to 6.74%	1	537,000
6.75% to 6.99%	1	408,867
7.75% to 7.99%	8	13,500,000
8.00% to 8.24%**	7	8,532,806
8.25% to 8.99%	10	16,851,000
9.00% to 9.24%	2	1,105,000
9.25% to 9.50%	3	2,773,500
9.51% to 10.24%***	2	3,941,213
12.00%	1	800,000
Investments in mortgages	35	$ 48,449,387

* The interest rates stated are the minimum rates stipulated in the mortgage agreements. Most mortgages bear a minimum interest rate and a floating interest rate at prime plus 4%.

All mortgages are conventional uninsured mortgages and contain a prepayment option, whereby the borrower may repay the principal at any time after the date of the first advance of funds. Some mortgages require the borrower to deliver written notice 30 days prior to any such prepayment and payment of an additional one month's interest on the sum prepaid by way of penalty.

** Included in mortgages bearing a 8% rate is a non-performing loan of $1,400,000 upon which no interest has been accrued since January 1, 2019.

*** Included in mortgages bearing a 10% rate is a consolidated non-performing loan with a total of $2,907,905 upon which no interest has been accrued since January 1, 2016 (Note 9)

Note 1 Nature of operations

New City / Safety Mortgage Fund (the "Fund") is a unit trust established under the laws of British Columbia for the benefit of unit holders pursuant to a Trust Declaration dated September 25, 2014. The address of the Fund's registered office is 208 - 3855 Henning Drive, Burnaby BC. Resurgo Management Ltd. is the Fund Manager. New City Financial Group, as the Mortgage Manager, sources and services the mortgage portfolio and provides mortgage consulting services to the Fund Manager. The Fund commenced active operations on February 1, 2015. The fiscal year-end of the Fund is December 31.

The Fund invests in commercial and residential mortgages secured by real estate properties in Canada.

The Fund may also provide interim construction financing to fund development, redevelopment and construction of commercial and residential buildings located in Canada.

Note 2 Basis of presentation

(a) Statement of compliance and basis of presentation
These interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financing Reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board (IASB) using the same accounting policies as disclosed in our annual financial statements for the year ended December 31, 2018. These interim financial statements were approved and authorized for issue by the Board of Directors on December 6, 2019.

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are recorded at amortized cost. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The Company’s interim results are not necessarily indicative of its results for the full year.

(b) Functional and presentation currency
These interim financial statements are presented in Canadian dollars, which is the Fund's functional currency.

(c) Accounting estimates and judgments
The preparation of the interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the interim financial statements and revenues and expenses for the period reported. Actual results may differ from those estimates.

The most significant estimates the Fund is required to make relate to the fair value of mortgage investments. These estimates may include judgments and assumptions regarding local real estate conditions, interest rates and availability of credit, cost and terms of financing, the impact of future legislation and regulations, prior encumbrances and other factors affecting the mortgage and underlying security of the mortgage investments.

The assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events. Liquid credit markets and volatile equity markets have increased the uncertainty inherent in such estimates and assumptions.

Note 2 Basis of presentation (continued)

As such, by their nature, estimates of impairment are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated allowance for impairment losses could vary by a material amount.

Note 3 Mortgage investments - segment disclosures

The following tables show the portfolio by type of mortgage and geographic location.

	September 30, 2019		September 30, 2018	
Type of mortgage	%	**Carrying value**	%	Carrying value
Commercial	**20.17**	**$ 9,774,500**	21.94	$ 10,958,992
Residential	**71.40**	**34,592,081**	68.26	34,089,873
Mixed use	**8.43**	**4,082,806**	9.80	4,891,437
	100.00	**$ 48,449,387**	100.00	$ 49,940,302

	September 30, 2019		September 30, 2018	
Province	%	**Carrying value**	%	Carrying value
Alberta	**3.92**	**$ 1,900,000**	4.12	$ 2,060,000
British Columbia	**96.08**	**46,549,387**	95.88	47,880,302
	100.00	**$ 48,449,387**	100.00	$ 49,940,302

Note 4 Mortgages, accrued interest and other receivables

Mortgages written by the Fund are for a one year term and earn interest at approximately the greater of Royal Bank of Canada's prime rate, plus 4% per annum, and a minimum stated annual interest rate in the range of 6.00% to 12.00%. There are no, or nominal, principal repayments required during the terms of the mortgages.

Note 5 Credit facility

The Fund has available a maximum of $8,000,000 operating line of credit with the Royal Bank of Canada ("the Bank") which bears interest at prime plus 1.00% per annum. The line of credit is secured by a General Security Agreement registered under the Personal Property Security Act of British Columbia creating a floating charge on all assets of the Fund. Under the terms of the credit facilities with the Bank, the Fund is required to comply with certain affirmative and negative covenants including covenants in respect of mortgage amounts, margin requirements and appraisals.

At September 30, 2019 there was $940,000 (September 30, 2018 - $6,305,000) balance owing on the line of credit.

Note 6 Accounts payable and accrued liabilities

	September 30, 2019	September 30, 2018
Accounts payable	$ **44,514**	47,206
Accrued liabilities	**34,238**	5,100
	$ **78,752**	52,306

Note 7 Deferred revenue

	September 30, 2019	September 30, 2018
Unearned mortgage commitment fees	$ **104,584**	100,333
Prepaid mortgage interest	**277,766**	275,190
	$ **382,350**	375,523

Mortgage commitment fees are non-refundable charges paid by borrowers to the Fund before mortgage funds are advanced. Commitment fees are amortized to income over the contractual terms of the underlying mortgage, typically over twelve months.

Prepaid mortgage interest is mortgage interest that has been paid in advance by certain borrowers and may be refunded if the mortgage is paid out before the prepaid interest is earned.

Note 8 Redeemable units of the Fund

Each redeemable unit of the Fund represents an equal, undivided interest in the Net Assets attributable to holders of redeemable units of the Fund. On termination of the Fund, unit holders are entitled to receive their pro rata share of the assets of the Fund.

	Number of units	
	September 30, 2019	September 30, 2018
Redeemable units, beginning of the year	**42,233,394**	42,320,188
Redemption of redeemable units	**(2,393,767)**	(2,000,216)
Redeemable units issued at distributions	**1,778,191**	2,078,271
Offering memorandum units issued	**4,868,665**	-
Redeemable units, end of period	**46,486,483**	42,398,243

The fund issued 2,729,246 units through an offering memorandum during the three month ended September 30, 2019. (September 30, 2018 - $Nil)

Note 9 Related party transactions

During the period ended September 30, 2019 $174,407 (September 30, 2018 - $171,383) of management fees and $51,581 (September 30, 2018 - $Nil) of offering memorandum administrative fees expensed in the statements of operations was paid or payable to the Fund Manager. Premiums paid on offering memorandum units have been netted against offering memorandum administrative costs.

During the period ended September 30, 2019 $387,006 (September 30, 2018 - $380,850) of mortgage administration fees expensed in the statement of operations was paid or payable to the Mortgage Manager, New City Financial Corp., a company which is controlled by a member of the Board of Trustees.

As at September 30, 2019, accounts payable and accrued liabilities includes $19,688 (September 30, 2018 - $692) of management fees payable to the Fund Manager and $43,209 (September 30, 2018 - $44,413) of mortgage administration fees payable to the Mortgage Manager.

As at September 30, 2019, the following amounts are due from Terralago Properties Inc., a British Columbia company whose shares are held by a relative of a trustee. The company was incorporated to facilitate the recovery of funds subsequent to a foreclosure action against a delinquent borrower. The company is effectively controlled by the Fund through trust and share pledge agreements. The Fund has entered into a construction loan agreement with the company and two houses were built last year. One of these houses, as well as three of the vacant lots were sold in 2018. Net proceeds from the sales has been applied to reduce the accrued interest receivable. Construction is currently underway to build two further houses on the property. All funds from the eventual sale of the houses, minus construction and related costs, will be recovered by the Fund.

	September 30, 2019	September 30, 2018
Mortgage investments	**$ 3,941,212**	3,545,683
Accrued interest receivable	**76,901**	58,611
Other receivables	**144,262**	119,754
	$ 4,162,375	3,724,048

Oak Creek Investments Ltd. is a British Columbia company whose shares are held by a third party. The company was incorporated to facilitate the recovery of funds subsequent to a foreclosure action against a delinquent borrower. The company is effectively controlled by the Fund through trust and share pledge agreements. In February 2019, the property was sold with the fund receiving net proceeds of $104,362 as a final settlement of the amount receivable. As at September 30, 2019, the following amounts are due from Oak Creek Investments Ltd:

	September 30, 2019	September 30, 2018
Mortgage investments	**$ Nil**	74,059
Accrued interest receivable	**Nil**	24,577
Other receivables	**Nil**	85,348
	$ Nil	183,984

Note 10 Fair values of financial instruments

The fair values of financial instruments, which include cash, term deposits, mortgages, accrued interest receivable and other receivables, and short term loans approximate their carrying values since they bear interest that approximates market rates for similar instruments.

The fair values of accounts payable and accrued liabilities approximate their carrying values given the short-term nature of these instruments.

The following table shows a hierarchy for disclosing fair value based on inputs used to value the Fund's investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 - quoted prices in active markets for identical assets and liabilities;

Level 2 - inputs other than quoted prices in active markets included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
Cash in bank	$ 36,414	-	-	$ 36,414
Mortgage investments	-	-	48,449,387	48,449,387
Interest receivable	-	-	1,088,556	1,088,556
Other receivable	-	-	256,482	256,482
Bank indebtedness	940,000	-	-	940,000

Note 11 Financial instruments risks

(a) Credit risk exposures
The Fund's exposures to credit risk are as indicated by the carrying amounts of its mortgages and accrued interest receivable and other receivables, in the event borrowers fail to fulfil their contractual commitments resulting in financial loss to the Fund.

The Fund manages this risk by having well established, conservative investment and due diligence policies and procedures in place to ensure the investments are well secured and appropriately monitored. The Fund's conservative investment policies also ensure there are no significant concentrations of risk.

(c) Interest rate risk exposures
The Fund manages its mortgage interest rate risk by having lending policies that set minimum interest rates for its mortgages. Most mortgages written by the Fund earn interest at the greater of Royal Bank of Canada's prime rate, plus 4% per annum, and a minimum stated annual interest rate in the range of 6.00% to 12.00%. The minimum rate mitigates the effect of a drop in short-term market interest rates, while the floating rate allows for increased interest earnings where short-term rates increase.

(d) Sensitivity analysis
At September 30, 2019, if interest rates at that date had been 1.0% lower or higher, with all other variables held constant, there would have been no effect on net income as all mortgages were subject to fixed rates of interest.

(e) Liquidity risk
The Fund manages its liquidity risk by continuously monitoring its forecast and actual cash flows. Liquidity risk is further managed through the Fund's ability to draw on an $8,000,000 credit facility it has arranged with the Royal Bank of Canada.

Note 12 Capital management

The Fund's objective when managing capital is to continue operations as a going concern so that it can provide its unit holders with a safe, liquid investment that qualifies as an eligible investment for Registered Retirement Savings Plans, Registered Retirement Income Funds, and Tax Free Savings Accounts. The Fund does not have any externally imposed capital requirements.

The Fund utilizes its credit facility to provide additional cash resources for mortgage investments when needed (Note 5).

Capital includes net assets attributable to holders of redeemable units.

The Fund's Board of Trustees is responsible for approving the capital management plan as part of its review of strategic initiatives and at least annually in connection with the financial budgeting process.

Item 14: DATE AND CERTIFICATE

Dated: December 1, 2019

This offering memorandum does not contain a misrepresentation.

Signed by:

Dan McFaull

Dan McFaull, Trustee, Investment Manager

Mike Giuliani

Mike Giuliani, Board of Trustees Chair