OFFERING MEMORANDUM

This Offering Memorandum constitutes a private offering of securities only in those jurisdictions and to those persons where and to whom they may be lawfully sold and therein only by those entities permitted to sell such securities. This Offering Memorandum is not, and under no circumstances is it to be construed as a prospectus, advertisement or public offering of the securities referred to herein. ***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 "Risk Factors".*** *Persons who will be acquiring securities pursuant to this Offering Memorandum will not have the benefit of the review of the material by the securities commissions or similar authorities in Canada. The securities offered hereunder will be issued under exemptions from the registration and prospectus requirements of the applicable securities laws of the Province of British Columbia and the rules, regulations and policies thereunder and will be subject to certain resale restrictions. These securities will not be offered for sale in the United States of America.*

February 24, 2016

Continuous Offering

MORTEQ LENDING CORP.

Suite 216 – 5455 152nd Street
Surrey, British Columbia V3S 5A5
Email: parmpurewall@phlgroup.ca
Telephone: (604) 575-7408
Fax: (604) 575-7410

$1.00 per Class A Share

Minimum Subscription: $25,000

MortEq Lending Corp. (the "Company") is a private mortgage investment corporation incorporated under the *Business Corporations Act* (British Columbia) on November 16, 2006. The Company is managed by PHL Capital Corp. (the "Administrator" or "PHL").

The Company is offering on a private placement basis an unlimited number of class A redeemable, non-voting preferred shares (the "Class A Shares") in the capital of the Company at an initial price of $1.00 per Class A Share (the "Offering"). Each Class A Share represents a beneficial interest in the profits of the Company, which will principally be comprised of quarterly dividends paid in cash or in shares of the Company.

The Offering is being made with reliance on certain exemptions from the registration and prospectus filing requirements available under the securities laws of the Province of British Columbia. As a result, the Class A Shares offered herein will be subject to the applicable resale restrictions under these laws. You will be restricted from selling your securities for an indefinite period. See "Resale Restrictions".

There are certain risk factors inherent in an investment in the Class A Shares and in the activities of the Company. See "Risk Factors".

Subscriptions will be received if, as and when accepted, subject to prior sale and satisfaction of the conditions set forth under "Subscription Procedure" and to the right of the Company to close the subscription books at any time without notice. The Offering is continuous and Class A Shares will be available for sale. Purchasers will have two business days to cancel their agreement to purchase these securities. If there is a misrepresentation in this offering memorandum, purchasers will have the right to sue either for damages or to cancel their agreement to purchase these securities. See "Subscription Procedure" and "Purchasers' Rights".

DISCLAIMERS

This Offering Memorandum does not constitute, and may not be used for or in conjunction with, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized, or to any person to whom it is unlawful to make such an offer or solicitation. You are directed to inform yourself of and observe such restrictions and all legal requirements of your jurisdiction of residence in respect of the acquisition, holding and disposition of the securities offered hereby. Subscribers should thoroughly review this Offering Memorandum and are advised to consult with their professional advisors to assess the business, legal, income tax and other aspects of this investment. The securities offered hereby will be issued only on the basis of information contained in this Offering Memorandum and no other information or representation is authorized or may be relied upon as having been authorized by the Company. Any subscription for the securities offered hereby made by any person on the basis of statements or representations not contained in this Offering Memorandum or so provided, or inconsistent with the information contained herein or therein, will be solely at the risk of such person.

This Offering Memorandum is confidential. By their receipt hereof, prospective Subscribers agree that they will not transmit, reproduce or make available to anyone, other than their professional advisors, this Offering Memorandum or any information contained herein.

FORWARD LOOKING STATEMENTS

Certain statements in this Offering Memorandum as they relate to the Company and its operations are "forward-looking statements". Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects", "does not expect", "is expected", "anticipates", "does not anticipate", "plans", "estimates", "believes", "does not believe" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or achieved) are not statements of historical fact and may be forward-looking statements. These forward-looking statements include, but are not limited to, the risks relating to the activities of the Company, the Company's expectations of demand for private mortgage financing, the Company's investment objectives, that the Company's investments in mortgage loans will meet the criteria for mortgage investment corporations under the *Income Tax Act* (Canada) and will qualify for and receive special tax treatment, that a net return on investment in the range of 7% to 10% can be achieved, the Company's operating policy, and that the Company will invest in first, second and third mortgages on residential properties and commercial and industrial properties in British Columbia. Forward-looking statements are based on expectations, estimates and projections at the time the statements are made that involve a number of risks and uncertainties which would cause actual results or events to differ materially from those presently anticipated. For a description of these and other risks associated with an investment in the Class A Shares, see "Risk Factors". The Company does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Offering Memorandum

Date:	February 24, 2016
The Company	
Name:	MortEq Lending Corp. (the “Company”), a private mortgage investment company formed under the laws of the Province of British Columbia
Head office:	Suite 216-5455 152nd Street Surrey, British Columbia V3S 5A5
Phone #:	(604) 575-7408
E-mail address:	parmpurewall@phlgroup.ca
Fax #:	(604) 575-7410
Currently listed or quoted	No. **These securities do not trade on any exchange or market.**
Reporting issuer	No
SEDAR filer	No
The Offering	
Securities offered:	An unlimited number of Class A Non-Voting Preferred Shares (the “Class A Shares”). Each Class A Share represents a beneficial interest in the profits of the Company. Each Class A Share will have the attributes and characteristics as set out under the heading “Terms of Securities”.
Price per security:	$1.00 per Class A Share.
Minimum/Maximum offering:	**There is no minimum. The maximum is $50,000,000. You may be the only purchaser. Funds available under the Offering may not be sufficient to accomplish our proposed objectives.**
Minimum subscription amount:	The minimum number of Class A Shares that may be subscribed for by any one Subscriber is 25,000 Class A Shares at a subscription price of $1.00 per Class A Share for a total of $25,000. For subsequent investments by existing Class A Shareholders holding at least 25,000 Class A Shares, the minimum number of Class A Shares that may be subscribed for is 5,000 Class A Shares at a subscription price of $1.00 per Class A Share for a total of $5,000. The Company reserves the right to change the minimum amount at any time and from time to time.
Payment terms:	The full subscription price is payable upon subscription, by cheque, electronic transfer or by bank draft. No financing of the subscription price will be provided by the Company or the Administrator.
Proposed closing date(s):	The closing of the sale of Class A Shares offered hereunder will take place at such times as are chosen by the Company (each, a “Closing”). The Company reserves the right to close the Offering at any time as subscriptions are received.
Income tax consequences:	There are important tax consequences to these securities (see “Income Tax Consequences and Eligibility for Investment”).
Selling agent:	No specific agent has been retained by the Company in respect of the Offering. See “Compensation Paid to Dealers”.
Resale restrictions	As there is no market for Class A Shares, it may be difficult or even impossible to sell them. Class A Shares are subject to resale restrictions and you will be restricted from selling your Class A Shares for an indefinite period (see “Trading and Resale Restrictions”). However, you may elect to redeem any or all of your Class A Shares at certain times if you follow the procedures established (see “Terms of Securities”).
Purchaser’s rights	You have two business days to cancel your agreement to subscribe for Class A Shares. If there is a misrepresentation in this offering memorandum, you have the right to sue either for damages or to cancel the agreement. See “Purchasers’ Rights”.

No securities regulatory authority 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 “Risk Factors”).

DEFINITIONS

The following terms used in this Offering Memorandum have the meanings set out below:

"Administration Fee"	means the fees to be paid by the Company to the Administrator in respect of the mortgage servicing and administrative services provided by the Administrator in accordance with the Administrative and Services Agreement.
"Administrative and Services Agreement"	means the Administrative and Services Agreement between the Company and PHL Capital Corp. dated February 16, 2016 in respect of mortgage administration and other ancillary services provided by the Administrator to the Company.
"Administrator"	means PHL Capital Corp., a British Columbia company.
"Bank"	means Canadian Western Bank.
"BCI 32-517"	means British Columbia Instrument 32-517 *Exemption from Dealer Registration Requirement for Trades in Securities of Mortgage Investment Entities*
"Class A Shareholder"	means a person whose holds directly or indirectly a Class A Share.
"Class A Shares"	means a Class "A" redeemable, non-voting preferred share with a par value of $1.00 in the capital of the Company offered pursuant to this Offering Memorandum.
"Company"	means MortEq Lending Corp., a private mortgage investment company established under the laws of the Province of British Columbia.
"Credit Agreement"	means the credit agreement between the Company and the Bank dated November 30, 2015, in respect of the Line of Credit granted to the Company.
"Deferred Plan"	means a trust governed by a "registered retirement savings plan", "registered educations savings plan", "registered retirement income fund", "deferred profit sharing plan" or "tax free saving account", as those terms are defined in the Tax Act.
"Directors"	means the board of Directors of the Company.
"Invested Mortgage Portfolio"	means the Company's mortgage portfolio consisting of mainly investments in Mortgages, the composition of which varies over time.

"Line of Credit"	means the $40,000,000 secured line of credit the Bank has authorized for use by the Company subject to the terms and conditions of the Credit Agreement.
"LTV"	means the loan to value ratio.
"MIC"	means a "mortgage investment corporation" as defined in the Tax Act.
"Mortgage"	means any residential or commercial mortgage containing a fixed charge over Real Property located in Canada, primarily within British Columbia.
"Offering"	means the offering by the Company of Class A Shares pursuant to this Offering Memorandum or in any amendments hereto.
"Real Property"	means a fee simple or leasehold interest in real property located in Canada, primarily within British Columbia.
"Subscriber"	means a subscriber of Class A Shares pursuant to the Offering.
"Subscription Agreement"	means a subscription agreement for Class A Shares in such form as the Company or the Administrator will prescribe from time to time.
"Tax Act"	means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, as amended from time to time.

ITEM 1

USE OF NET PROCEEDS

Net Funds

1.1 The following table describes the net proceeds from the Offering:

		Assuming Minimum Offering	Assuming Maximum Offering
A	Amount to be raised by the Offering	$0[1]	$50,000,000
B	Selling commissions and fees	nil	nil
C	Estimated offering costs (e.g., legal, accounting, audit)	$20,000	$20,000
D	Net proceeds: D = A – (B+C)	($20,000)	$49,980,000
E	Additional sources of funding required	$20,000[2]	nil
F	Working capital deficiency	nil	nil
G	**Total: G = (D+E) – F**	**$0**	**$49,980,000**

Notes:

(1) There is no minimum Offering. The Company may raise only a portion of the maximum Offering.

(2) If necessary the Company will access the Line of Credit with the Bank to provide this additional funding. See "Material Agreements – Credit Agreement".

If necessary, the Administrator may lend and pay on behalf of the Company all costs incurred in connection with the preparation for and completion of the Offering, including legal and accounting fees which are estimated to be $20,000. All costs in connection with the Offering funded by the Administrator will be repaid, without interest from funds received by the Company from Subscribers or from income generated by the Company.

Use of Net Funds

1.2 The Company will invest the net proceeds of the Offering in Mortgages in accordance with its investment objectives and strategies set out herein.

Description of intended use of net proceeds – order of priority	Assuming Minimum Offering	Assuming Maximum Offering
Investment in Mortgages in compliance with the Tax Act (See "Our Business").	$0	$49,230,300
Yearly Administration Fees	$0	$749,700
Total	**$0**	**$49,980,000**

Reallocation

1.3 We intend to invest the net proceeds of the Offering as stated in accordance with §1.2 above. We will reallocate funds only for sound business reasons.

ITEM 2

BUSINESS OF MORTEQ LENDING CORP.

Structure

2.1 The Company was incorporated on November 16, 2006 under the laws of the Province of British Columbia. The Company qualifies as a “mortgage investment corporation” (“MIC”) (within the meaning of subsection 130.1(6) of the Tax Act).

Our Business

2.2 The Company currently qualifies as a MIC and anticipates that this should effectively enable the Company to operate as a tax-free “flow through” conduit of profit to its shareholders since it does not pay income taxes on net earnings from which dividends are paid.

The business of the Company is restricted by the Tax Act as follows:

(a) its activities are passive and of an investment nature;

(b) its only undertaking is the investing of funds;

(c) it does not invest its funds in real property or leasehold interests situated outside Canada;

(d) it does not invest its funds in debts of non-residents, except those secured on Canadian real property;

(e) it does not invest its funds in shares of non-resident corporations;

(f) at least 50% of the cost amount of all of its property consists of bank deposits or debts secured on Canadian homes or housing projects;

(g) no more than 25% of the cost amount of all of its properties consist of real property or leasehold interests herein unless acquired through foreclosure;

(h) it restricts its net leveraging to 3:1 unless more than two-thirds of its investments are in residential mortgages and bank deposits, in which case it is entitled to 5:1 leveraging;

(i) no one shareholder of the Company may own, directly or indirectly, at any time more than 25% of the issued and outstanding shares of any class of the Company; and

(j) there must be, at minimum, 20 non-related shareholders of the Company during each year of its continuance.

Investment Objective

The Company intends to provide its Class A Shareholders with the opportunity to participate in a professionally managed and diversified portfolio of residential and other mortgage loans secured by real property located within British Columbia. The Company distributes all of its profits to Class A Shareholders by way of quarterly dividends in cash or in shares of the Company and is not taxed on its earnings.

The investment policy of the Company is designed to allow it to qualify for the special tax treatment afforded to MICs under the Tax Act. The policy requires the Company to invest the majority of its assets in residential and commercial mortgages, cash on hand and deposits. The Company has arranged financing through the Line of Credit.

By leveraging the capital base of the Company, investing prudently and charging borrowers "user" fees, it is anticipated that a net return on investment (after payment of all expenses of the Company) in the range of 7% to 10% can be achieved. There can be no assurance or guarantees that such returns will be obtained.

The annual rates of return of the dividends paid to the Class A Shareholders since the Company's inception were as follows:

Year	**Annualized Rate of Return (Dividends Paid)**
2015	7.72%
2014	8.74%
2013	8.70%
2012	8.13%
2011	8.76%
2010	8.17%
2009	9.12%
2008	8.13%
2007	6.18%

The types of mortgage loans in which the Company has invested and will invest in, are consistent with the criteria for MICs and for so long as the Company meets these criteria, it will be accorded "flow through" tax treatment and not be taxed on any of its earnings so long as all profits after expenses are paid out in the form of dividends, either in shares or cash.

The relationship between the Company's cash flows from operating activities and profit or loss, and its historical distributed cash amounts can be summarized in further detail as follows:

	Cash Flow:	**For the three months ended August 31, 2015**	**Accumulated for the year ended August 31, 2015**	**Previously completed fiscal years**	
				(2014)	**(2013)**
A.	Cash flows from operating activities*	$1,194,781	$2,062,762	$1,415,480	$872,709
B.	Profit or loss	$893,124	$3,048,853	$1,982,161	$900,827
C.	Actual cash distributions paid or payable relating to the period**	$236,680	$839,537	$374,456	$138,369
D.	**Excess (shortfall) of cash flows from operating activities over cash distributions paid (A) – (C)*** **	**$958,101**	**$1,223,225**	**$1,041,024**	**$734,340**
E.	**Excess (shortfall) of cash flows from operating activities over cash distributions paid (B) – (C)*** **	**$656,444**	**$2,209,316**	**$1,607,705**	**$762,458**

* Takes into account changes in non-cash working capital balances and includes borrowing costs

** Includes distributions paid or payable on all classes of shares and any special distributions paid or payable during the period

*** MICs might choose to present the excess (shortfall) in lines D and/or E in the form of a ratio or percentage. In these instances, we expect this ratio or percentage to be determined based solely on amounts included in lines A, B, and C, as applicable, from the above table.

The Company's dividends are paid quarterly and not guaranteed. The returns will fluctuate from year to year mainly due to the Company's ability to deploy its capital and avoid losses on its mortgage portfolio. The Company's ability to deploy its capital is influenced by the state of the Greater Vancouver and Fraser Valley private mortgage market. The Greater Vancouver and Fraser Valley private mortgage market is influenced by factors such as the price of real estate, interest rates, lending competition for private mortgages, employment conditions and general economic activity. The Company's annualized return for 2015 was 7.72%.

The Company's annualized rate of return of the dividends paid to the holders of Preferred Shares for 2015 was 7.72%, which resulted in a distribution of dividends of $3,048,853 of which $839,537 was paid in cash from operating activities and the remaining $2,209,316 was reinvested in Preferred Shares through the reinvestment option.

Operating Policy

The Company invests in first, second, and in exceptional cases third mortgages on residential properties such as single family dwellings, duplexes, townhouses, condominium units, land or multiple family dwellings such as apartment buildings, including properties under construction, providing that in so doing the Company continues to qualify as a MIC. The Company also invests in mortgages on commercial and industrial properties including properties under construction. The Company invests in Mortgages primarily in the Greater Vancouver and Fraser Valley regions of British Columbia with terms of one year or less and attempts to stagger the maturities in order to produce an orderly turnover of assets and liabilities.

The Company generally requires a current appraisal, with every Mortgage application, prepared by a member of the Accredited Appraisal Canadian Institute or Canadian Residential Appraiser. Mortgage investments generally do not exceed 75% of the appraised value of the subject property at the date of advance. Mortgage investments are approved by the loan committee (the "Loan Committee") appointed by the Directors of the Company. Mortgage investments are only made where appraisals and all other relevant materials, including credit and financial reports are satisfactory to the Loan Committee. All Mortgages must be registered on title to the subject property in the name of the Company forthwith upon funding.

Temporary surplus cash funds not invested in Mortgages are invested in short term deposits, savings accounts or government guaranteed income certificates.

The Company does not hold as part of its property any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, beneficiary or an employer, as the case may be, under the governing plan of trust or of any other person who does not deal at arm's length with that person.

Mortgage Portfolio

The Company's assets consist of mortgages secured against real estate. The mortgage portfolio composition as of December 31, 2015 was as follows:

Mortgage Portfolio Composition Data

Total Mortgage Investments	$79,608,507	
First Mortgages	$59,224,007	74%
Second Mortgages	$20,384,500	26%
Residential Mortgages	$74,007,307	93%
Commercial Mortgages	$5,601,200	7%
Average Mortgage Investment	$5,601,200	
Average Loan to Value	58%	

Total mortgage investments of $79,608,507 are based on authorized mortgages; total mortgages funded as of December 31, 2015 were $72,806,206 with the balance to be funded as construction and/or interest payment draws.

The mortgage portfolio (based on total mortgages funded as of December 31, 2015) can be summarized in further detail as follows:

	Mortgage Type	**Mortgage Position**	**LTV**	**MortEq Mortgage LTV Range**	**MortEq Mortgage**	**Interest Rate**
1	Commercial	1st	66%	0-66%	$ 550,000	7.95%
2	Commercial	1st	50%	0-50%	$ 717,500	7.99%
3	Commercial	1st	55%	0-55%	$ 220,000	6.95%
4	Commercial	1st	65%	0-65%	$ 174,200	7.49%
5	Commercial	2nd	71%	54-71%	$ 480,000	10.00%
6	Commercial	2nd	58%	22-59%	$ 1,700,000	8.49%
7	Commercial	2nd	56%	18-56%	$ 1,350,000	6.79%
8	Residential	1st	27%	0-53%	$ 240,607	8.49%
9	Residential	1st	59%	0-59%	$ 1,829,476	8.49%
10	Residential	1st	47%	0-47%	$ 2,500,000	8.50%
11	Residential	1st	71%	0-71%	$ 800,000	7.45%
12	Residential	1st	65%	0-65%	$ 318,500	7.49%
13	Residential	1st	60%	0-67%	$ 295,591	7.95%
14	Residential	1st	61%	0-61%	$ 2,000,000	6.99%
15	Residential	1st	70%	0-70%	$ 2,446,361	6.75%
16	Residential	1st	30%	0-35%	$ 2,575,000	7.00%
17	Residential	1st	28%	0-28%	$ 406,253	7.49%
18	Residential	1st	71%	0-71%	$ 1,164,861	7.99%
19	Residential	1st	74%	0-75%	$ 1,913,870	7.95%
20	Residential	1st	70%	0-70%	$ 272,915	7.99%
21	Residential	1st	50%	0-50%	$ 918,438	6.49%

	Mortgage Type	Mortgage Position	LTV	MortEq Mortgage LTV Range	MortEq Mortgage	Interest Rate
22	Residential	1st	65%	0-65%	$ 409,500	7.75%
23	Residential	1st	74%	0-75%	$ 1,040,625	7.00%
24	Residential	1st	75%	0-75%	$ 1,087,000	6.95%
25	Residential	1st	67%	0-75%	$ 250,000	6.95%
26	Residential	1st	69%	0-67%	$ 759,039	7.49%
27	Residential	1st	34%	0-34%	$ 500,000	6.95%
28	Residential	1st	40%	0-40%	$ 180,000	6.49%
29	Residential	1st	58%	0-40%	$ 610,000	6.99%
30	Residential	1st	75%	0-75%	$ 675,000	6.95%
31	Residential	1st	65%	0-65%	$ 903,500	7.99%
32	Residential	1st	75%	0-75%	$ 2,161,500	7.49%
33	Residential	1st	74%	0-74%	$ 461,250	7.00%
34	Residential	1st	70%	0-70%	$ 1,525,000	7.49%
35	Residential	1st	75%	0-75%	$ 693,750	7.49%
36	Residential	1st	65%	0-65%	$ 715,000	6.79%
37	Residential	1st	75%	0-75%	$ 1,237,500	7.25%
38	Residential	1st	75%	0-75%	$ 543,750	6.60%
39	Residential	1st	58%	0-58%	$ 313,282	7.50%
40	Residential	1st	36%	0-36%	$ 217,740	8.50%
41	Residential	1st	70%	0-70%	$ 1,300,000	7.49%
42	Residential	1st	32%	0-32%	$ 1,530,000	6.95%
43	Residential	1st	65%	0-65%	$ 1,100,000	7.49%
44	Residential	1st	66%	0-75%	$ 1,871,125	7.25%

	Mortgage Type	Mortgage Position	LTV	MortEq Mortgage LTV Range	MortEq Mortgage	Interest Rate
45	Residential	1st	69%	0-71%	$ 1,525,000	7.25%
46	Residential	1st	32%	0-74%	$ 2,344,121	7.95%
47	Residential	1st	45%	0-45%	$ 300,000	6.95%
48	Residential	1st	65%	0-65%	$ 713,259	7.49%
49	Residential	1st	75%	0-75%	$ 686,250	6.99%
50	Residential	1st	75%	0-75%	$ 350,000	8.75%
51	Residential	1st	70%	0-70%	$ 875,534	7.49%
52	Residential	1st	75%	0-75%	$ 2,025,000	6.95%
53	Residential	1st	23%	0-23%	$ 170,000	7.25%
54	Residential	1st	65%	0-65%	$ 362,375	7.75%
55	Residential	1st	61%	0-61%	$ 731,250	6.95%
56	Residential	1st	39%	0-36%	$ 1,125,447	9.99%
57	Residential	1st	48%	0-48%	$ 1,500,000	7.00%
58	Residential	1st	39%	0-39%	$ 650,000	6.25%
59	Residential	2nd	51%	47-56%	$ 125,000	7.79%
60	Residential	2nd	74%	54-74%	$ 150,000	8.79%
61	Residential	2nd	60%	37-60%	$ 500,000	8.95%
62	Residential	2nd	59%	44-59%	$ 100,000	8.49%
63	Residential	2nd	60%	41-60%	$ 275,000	8.75%
64	Residential	2nd	73%	53-73%	$ 240,000	8.99%
65	Residential	2nd	74%	56-74%	$ 138,750	8.95%
66	Residential	2nd	75%	66-75%	$ 91,000	8.95%
67	Residential	2nd	75%	62-75%	$ 195,000	8.75%

	Mortgage Type	Mortgage Position	LTV	MortEq Mortgage LTV Range	MortEq Mortgage	Interest Rate
68	Residential	2nd	15%	9-15%	$ 125,000	7.50%
69	Residential	2nd	46%	40-46%	$ 110,000	7.29%
70	Residential	2nd	69%	64-69%	$ 50,000	8.99%
71	Residential	2nd	65%	53-75%	$ 105,000	7.50%
72	Residential	2nd	57%	52-57%	$ 85,000	8.99%
73	Residential	2nd	73%	45-73%	$ 377,266	8.49%
74	Residential	2nd	70%	34-70%	$ 364,071	8.95%
75	Residential	2nd	75%	62-75%	$ 243,750	9.75%
76	Residential	2nd	75%	35-75%	$ 550,000	8.49%
77	Residential	2nd	69%	29-69%	$ 493,000	8.49%
78	Residential	2nd	75%	68-75%	$ 85,500	9.49%
79	Residential	2nd	64%	28-64%	$ 250,000	7.45%
80	Residential	2nd	73%	66-73%	$ 50,000	8.95%
81	Residential	2nd	75%	68-75%	$ 58,000	9.99%
82	Residential	2nd	75%	59-75%	$ 126,000	9.99%
83	Residential	2nd	37%	33-42%	$ 70,000	7.99%
84	Residential	2nd	75%	47-75%	$ 425,500	7.99%
85	Residential	2nd	63%	50-63%	$ 270,000	8.25%
86	Residential	2nd	75%	56-75%	$ 88,000	8.49%
87	Residential	2nd	20%	13-20%	$ 300,000	6.99%
88	Residential	2nd	47%	37-47%	$ 200,000	7.00%
89	Residential	2nd	75%	54-75%	$ 350,000	8.49%
90	Residential	2nd	69%	43-69%	$ 600,000	7.99%

	Mortgage Type	Mortgage Position	LTV	MortEq Mortgage LTV Range	MortEq Mortgage	Interest Rate
91	Residential	2nd	26%	15-26%	$ 500,000	7.49%
92	Residential	2nd	75%	65-75%	$ 120,000	8.95%
93	Residential	2nd	59%	35-59%	$ 130,000	8.75%
94	Residential	2nd	75%	68-75%	$ 96,000	8.49%
95	Residential	2nd	75%	65-75%	$ 92,500	8.95%
96	Residential	2nd	70%	48-70%	$ 650,000	7.40%
97	Residential	2nd	75%	30-75%	$ 541,250	8.95%
98	Residential	2nd	75%	56-75%	$ 148,250	8.75%
99	Residential	2nd	31%	24-31%	$ 550,000	6.95%
100	Residential	2nd	74%	68-74%	$ 45,000	8.95%
101	Residential	2nd	58%	39-58%	$ 60,000	8.75%
102	Residential	2nd	58%	42-53%	$ 65,000	8.75%
103	Residential	2nd	58%	43-53%	$ 160,000	7.49%
104	Residential	2nd	50%	26-50%	$ 100,000	7.95%
105	Residential	2nd	73%	61-73%	$ 100,000	8.25%
106	Residential	2nd	74%	65-74%	$ 95,000	8.75%
107	Residential	2nd	72%	59-72%	$ 106,000	7.95%
108	Residential	2nd	75%	60-75%	$ 100,000	8.99%
109	Residential	2nd	70%	26-70%	$ 1,750,000	7.49%
110	Residential	2nd	70%	57-70%	$ 60,000	8.75%
111	Residential	2nd	72%	36-72%	$ 2,600,000	7.99%
112	Residential	2nd	57%	42-57%	$ 350,000	7.79%
113	Residential	2nd	50%	44-50%	$ 110,000	7.49%

	Mortgage Type	Mortgage Position	LTV	MortEq Mortgage LTV Range	MortEq Mortgage	Interest Rate
114	Residential	2nd	65%	41-65%	$ 770,000	7.25%
					$ 72,806,206	

Administrator

To achieve its objectives, the Company will benefit from the Administrator's expertise and experience with respect to residential and commercial real estate investments.

The Administrator provides all mortgage administration and other ancillary services required by the Company and is responsible for execution of the Company's investment strategy, including processing and administering of mortgage loans on behalf of the Company, providing day to day administrative services, providing monthly reports on the operation of the Company, communicating with shareholders of the Company, preparing accounting information for the auditors of the Company and providing marketing and business development assistance to the Company.

The Administrator was incorporated under the laws of the Province of British Columbia on July 22, 2011 under incorporation number BC0916179. The head office and principal business address of the Administrator is Suite 216 – 5455 152nd Street, Surrey, British Columbia. The registered office of the Administrator is 6345 – 197th Street, Langley, British Columbia, V2Y 1K8. The Administrator has two shareholders, PHL Management Corp. and Copper Island Investments Inc. Parminder Purewall and Steven Ponte are Directors of the Company and shareholders of PHL Management Corp. and Copper Island Investments Inc., respectively. Parminder Purewall and Kulvinder Purewall are the sole shareholders of PHL Management Corp. Steven Ponte is the sole shareholder of Copper Island Investments Inc.

Directors, officers and employees of the Administrator, either directly or indirectly, may, from time to time, own Class A Shares directly or indirectly through family members and/or associated entities.

Principals of the Administrator

Parminder Purewall **–** Mr. Purewall is the co-principal of the Administrator. Mr. Purewall established PHL Capital Corp. in 2008.

Mr. Purewall has spent over 15 years in the real estate development and financing field. Prior to working with the PHL Group, Mr. Purewall worked in various roles with TD Commercial Bank, specializing in real estate and commercial lending. Mr. Purewall has also worked with the Lanyard Group, a real estate investment banking and investment firm.

Mr. Purewall has been a licensed mortgage broker since 2004 and holds a Bachelors of Business Administration (BBA) from Simon Fraser University with a focus on Finance and Marketing. He has also obtained the Chartered Financial Analyst designation.

Steven Ponte **–** Mr. Ponte is the co-principal of the Administrator. Mr. Ponte joined PHL Capital Corp. in early 2010.

Mr. Ponte has over 15 years of combined financing, construction and development experience. Prior to joining PHL Capital Corp. he progressed through various senior roles with TD Commercial Bank, focusing on their large commercial business segment.

Mr. Ponte has been a licensed mortgage broker since early 2010 and holds a Bachelors of Business Administration (BBA) from Simon Fraser University with a focus on Finance and Marketing.

Development of Business

2.3 The Company was incorporated on November 16, 2006 and commenced operations in May 2007. Since that time the company has been qualified as a MIC under the Tax Act and has been solely engaged in raising capital for investment in Mortgages. The Administrator and its principals have significant experience in residential and commercial real estate, investment analysis and property management. See “Our Business – Administrator”.

The Company has developed its business steadily since 2007 and expects that demand for private mortgage financing should remain high as ‘traditional’ lenders such as banks, credit unions and trust companies continue to tighten up their lending policies. The result of this reduced lending capacity by the banks has been an increase in the amount and quality of mortgage applications made to the Company as borrowers are forced to seek financing from sources other than traditional lenders. Increased applications have allowed the Company to be very selective with regards to the loans that it approves. The Company continues to restrict its lending area only to those locations that exhibit long term stability, growth and liquidity.

Furthermore, due to the credit crisis and associated volatility in equity markets over the past several years many investors are looking for investments that offer stable returns from year to year with similar yields to traditional equities. The Company is positioned in the market as it has been able to offer and continues to offer an investment secured by real estate and has shown relatively low volatility in returns year over year while yielding returns similar to traditional equity investments.

The combination of increased mortgage applications and increased investor interest and participation has lead to solid growth in terms of new investor deposits and mortgage receivables over recent years. The Company expects tighter conditions in the credit markets to persist for several years into the future and thus expects steady growth in terms of new investor deposits and mortgage receivables.

Long Term Objectives

2.4 The long-term objectives of the Company are to provide Class A Shareholders with consistent returns while preserving capital by maintaining a diversified portfolio of mortgage investments. See “Our Business”.

Short Term Objectives and How We Intend to Achieve Them

2.5 (a) During the next 12 months, the Company intends to invest the proceeds of the Offering in the manner prescribed in this Offering Memorandum.

(b) It is the intention of the Company and the Administrator that the proceeds of the Offering will be invested as quickly as is reasonably possible pursuant to the mortgage investment criteria in the Tax Act to raise further equity capital and optimize returns (as described in “Our Business”), and continue paying quarterly dividends to the Class A

Shareholders. The Company intends to meet the following objectives for the next 12 months as follows:

What we must do and how we will do it	Target completion date or, if not known, number of months to complete	Our costs to complete
Invest net proceeds from Offering in compliance with the Tax Act.	Since the Company has an ongoing investment program, there is no target completion date for its business plan.	Our costs to carry out our investment program generally consist of administrative costs and Administration Fees. See "Use of Net Funds".

Insufficient Funds

2.6 The funds available as a result of the Offering may not be sufficient to accomplish all of the Company's proposed objectives and there is no assurance that alternative financing will be available.

Material Agreements

2.7 The following agreements are material to this Offering and to the Company:

Administrative and Services Agreement

The following is a summary of the material provisions of the Administrative and Services Agreement, which does not purport to be complete.

The Company does not have and does not expect to have any employees, and therefore, all mortgage administration and other ancillary services will be performed by the Administrator, which will provide ongoing mortgage administration and other ancillary services relating to the Company's business pursuant to an Administrative and Services Agreement between the Company and the Administrator, dated February 16, 2016. The Administrator is responsible for processing and administering mortgage loans on behalf of the Company and handling the day to day administrative services for the Company's operations. The Administrator is an affiliate of the Company.

Pursuant to the Administrative and Services Agreement, the Administrator will be paid an annual Administration Fee equal to 1.5% of the aggregate outstanding balance of the total assets of the Company, with such Administration Fee being calculated and payable monthly before the 15th day of the following month upon approval of the Directors of the Company.

The Administrator will provide mortgage administration and other ancillary services to the Company with such services to be rendered immediately and competently and with professional skill and acumen.

The Administrator is required to and shall:

(a) process and administer mortgage loans on behalf of the Company within parameters from time to time approved by the Directors;

(b) undertake and be responsible for the day to day administration of the Company;

(c) provide financial services to the Company including administering mortgages, general security agreements and other forms of security of the Company;

(d) provide monthly reports on the operation of the Company to the Directors;

(e) communicate regularly with shareholders of the Company and answer any such shareholder queries;

(f) communicate regularly with mortgage brokers engaged in business with the Company and answer any such mortgage broker queries;

(g) prepare accounting information for the auditors of the Company;

(h) undertake any accounting task which shall reduce the accounting fees of the auditor;

(i) maintain the business premises of the Company for the conduct of its business; and

(j) perform other assignments related to the business and affairs of the Company as directed by its Directors.

The Administrator shall furnish itself with all necessary administrative services including provision of office space, clerical staff and maintenance of books and records to the extent required to perform the duties and services set forth in the Administrative and Services Agreement.

In exercising its powers and discharging its duties under the Administrative and Services Agreement, the Administrator must carry out its duties fairly, honestly and in the best interests of the Company and must exercise the degree of care, diligence and skill that a reasonably prudent person experienced in the business of providing mortgage administration and ancillary services would exercise in comparable circumstances. The Administrator is not liable to the Company for any loss caused by the Administrator in carrying out its duties under the Administrative and Services Agreement unless the loss resulted from the gross negligence, willful misconduct or dishonesty of the Administrator, its officers, employees or agents in the performance of its duties. The Company has agreed, under the terms of the Administrative and Services Agreement, to indemnify and save the Administrator harmless in the event that the Administrator suffers a loss of any nature whatsoever in connection with the performance of its duties under the Administrative and Services Agreement, except where such loss resulted from the Administrator exceeding its authority pursuant to the Administrative and Services Agreement, or from the negligence, willful misconduct or dishonesty of the Administrator or its officers, employees or agents.

The Company will reimburse the Administrator for all reasonable and necessary out-of-pocket disbursements excluding wages, office space and maintenance of books and records incurred by the Administrator in connection with the administration of the business of the Company.

The appointment of the Administrator shall be for a five year period and shall renew automatically for consecutive five year periods unless the Administrative and Services Agreement is otherwise terminated.

The Company may terminate the Administrative and Services Agreement if:

(a) the Administrator makes an assignment for the benefit of creditors or commences any action of bankruptcy within the meaning of the Bankruptcy Act (Canada);

(b) the Administrator assigns or purports to assign the Administrative and Services Agreement or any rights accruing thereunder to any person who is not an affiliate, corporation or partnership which is directly or indirectly controlled by a shareholder or its trustees or directors of the Administrator without the prior written consent of the Company;

(c) the Administrator commits a breach or default under the Administrative and Services Agreement provided that such breach or default does not relate to any payment of monies to be paid by the Administrator to the Company, and the Administrator has not cured such breach or default within thirty (30) days after receiving written notice from the Company stipulating the breach or default;

(d) the Administrator commits a breach or default under the Administrative and Services Agreement related to the payment of monies to be paid by the Administrator to the Company, and the Administrator has not cured such breach or default within fifteen (15) days after receiving written notice from the Company stipulating the breach or default; or

(e) by mutual consent in writing of the Company and the Administrator.

The Administrator may terminate the Administrative and Services Agreement if:

(a) the Company makes an assignment for the benefit of creditors or commences any action of bankruptcy within the meaning of the *Bankruptcy Act* (Canada);

(b) the Company assigns or purports to assign the Administrative and Services Agreement or any rights accruing thereunder without the prior written consent of the Administrator;

(c) the Company commits a breach or default under the Administrative and Services Agreement provided that such breach or default does not relate to any payment of monies to be paid by the Company to the Administrator, and the Company has not cured such breach or default within thirty (30) days after receiving written notice from the Administrator stipulating the breach or default;

(d) the Company commits a breach or default under the Administrative and Services Agreement related to any payment of monies to be paid by the Company to the Administrator, and the Company has not cured such breach or default within fifteen (15) days after receiving written notice from the Administrator stipulating the breach or default;

(e) at any time during the term of the Administrative and Services Agreement if the Administrator gives the Company one year's prior written notice of its intention to terminate the Administrative and Services Agreement; or

(f) by mutual consent in writing of the Company and the Administrator.

In the event of termination of the Administrative and Services Agreement, the Administrative and Services Agreement and any agency created thereby shall terminate and be of no further force or effect and all rights or obligations of the Company and the Administrator shall cease. In addition, in the event of termination of the Administrative and Services Agreement, the Administrator shall return and deliver to the Company (or its authorized agent) all trust monies of the Company and all other funds held by it in respect of all mortgages serviced thereunder and all documents, records, tax receipts, insurance policies, appraisals, correspondence, files and other documents in its possession pertaining to the mortgages serviced thereunder.

Credit Agreement

The following is a summary of the material provisions of the Credit Agreement, which does not purport to be complete.

The Company entered into the Credit Agreement pursuant to which the Bank approved a $40,000,000 secured line of credit (the "Line of Credit") for the Company for the purpose of financing the day-to-day operations of the Company. The Line of Credit bears interest at a rate of 0.85% per year above the Bank's prime lending rate. The Line of Credit is repayable on demand.

The Company pays customary commitment, administration and annual review fees pursuant to the Credit Agreement, in accordance with industry practice.

The Line of Credit requires the Company to maintain certain minimum equity and debt/equity requirements. The Company must also report and provide financial statements to the Bank on a regular basis.

The Company cannot assign or encumber its rights and obligations under the Line of Credit or the Credit Agreement without the prior written consent of the Bank. The Credit Agreement will remain in effect and continue to apply as long as there are no changes to the Line of Credit or the Credit Agreement.

Copies of all contracts referred to above may be inspected during normal business hours at the principal office of the Administrator, Suite 216-5455 152nd Street, Surrey, British Columbia, V3S 5A5.

ITEM 3

DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

Compensation and Securities Held

3.1 The following table provides information about each director, officer and promoter of the Company and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Company:

Name and municipality of principal residence	**Positions Held and the date of obtaining that position**	**Compensation paid by the Company (i) in the most recently completed financial year and (ii) compensation anticipated to be paid in the current financial year**	**Number, type and percentage of securities of the Company held after completion of minimum Offering**	**Number, type and percentage of securities of the Company held after completion of maximum Offering[(1)]**
Parminder Purewall[(2)] Surrey, British Columbia	President & Director (since November 16, 2006)	(i) nil (ii) nil	1 Common Share (9.1%) 250,963 Class A Shares (0.41%)	1 Common Share (9.1%) 250,963 Class A Shares (0.23%)

Name and municipality of principal residence	Positions Held and the date of obtaining that position	Compensation paid by the Company (i) in the most recently completed financial year and (ii) compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the Company held after completion of minimum Offering	Number, type and percentage of securities of the Company held after completion of maximum Offering[(1)]
Harjit Grewal[(3)] Surrey, British Columbia	Director (since January 25, 2007)	(i) nil (ii) nil	1 Common Share (9.1%) 1,100,000 Class A Shares (1.80%)	1 Common Share (9.1%) 1,100,000 Class A Shares (0.99%)
Sunjeev Bath[(4)] Langley, British Columbia	Director (since January 25, 2007)	(i) nil (ii) nil	1 Common Share (9.1%) 2,389,780 Class A Shares (3.91%)	1 Common Share (9.1%) 2,389,780 Class A Shares (2.15%)
Steven Ponte[(5)] Langley, British Columbia	Corporate Secretary & Director (since January 25, 2007)	(i) nil (ii) nil	1 Common Share (9.1%) 226,223 Class A Shares (0.37%)	1 Common Share (9.1%) 207,349 Class A Shares (0.20%)
John Tilstra Langley, British Columbia	Director (since January 4, 2012)	(i) nil (ii) nil	1 Common Share (9.1%) 882,772 Class A Shares (1.45%)	1 Common Share (9.1%) 882,772 Class A Shares (0.79%)
PHL Capital Corp.[(6)] Surrey, British Columbia	Administrator (since August 8, 2011)	(i) $671,634 (ii) $1,200,000	nil	nil

Notes:

(1) Assuming that a maximum of 50,000,000 Class A Shares are issued under the Offering and that no additional Class A Shares are purchased by the Directors or officers of the Company under the Offering.

(2) Parminder Purewall is President and a director of the Administrator. Mr. Purewall is also a principal of PHL Management Corp. (a private company which is a shareholder of the Administrator) and of PHL Investments Ltd. PHL Investments Ltd. holds 73,895 Class A Shares in the Company.

(3) Harjit Grewal is a principal of Bobby G Investments Inc and Grewal Investments Ltd. Bobby G Investments Inc. holds 700,000 Class A Shares of the Company. Grewal Investments Ltd. holds 400,000 Class A Shares of the Company. The

Administrator paid $102,538 in consulting fees to Mr. Grewal for the financial year ended August 31, 2015. It is anticipated that the Administrator will pay approximately $200,000 in consulting fees to Mr. Grewal for the financial year ending August 31, 2016.

(4) Sunjeev Bath is a principal of Bath Investments Ltd. Bath Investments Ltd. holds 2,389,870 Class A Shares of the Company. The Administrator paid $102,538 in consulting fees to Mr. Bath for the financial year ended August 31, 2015. It is anticipated that the Administrator will pay approximately $200,000 in consulting fees to Mr. Bath for the financial year ending August 31, 2016.

(5) Steven Ponte is Corporate Secretary and a director of the Administrator. Mr. Ponte is also a principal of Copper Island Investments Inc. (a private company which is a shareholder of the Administrator).

(6) PHL Capital Corp. is controlled by Messrs. Purewall and Ponte.

The Company has granted an indemnity to each of the Directors for any claims made against him or her in their capacity as a Director of the Company, provided that such claims are not the result of negligence or wilful misconduct on the part of the Director.

Management Experience

3.2 The senior management of the Company have a broad background of investment and real estate experience which will be brought to bear on the activities undertaken by the Company. The following table discloses the principal occupations and related experience of the Directors and senior officers of the Company for the past five years.

Name	**Principal Occupation and Related Experience**
Parminder Purewall	*Mortgage Broker* Mr. Purewall has been a licensed mortgage broker since 2004 focusing on private mortgage brokering. Mr. Purewall established PHL Capital Corp. in 2008. Mr. Purewall is on the Lending Committee and also co-manages the Company. He has spent over 15 years working in the real estate development and financing field. Prior to working with the PHL Group, Mr. Purewall worked in various roles with TD Commercial Bank, specializing in real estate and commercial lending. He has also worked with the Lanyard Group, a real estate investment banking and investment firm. Mr. Purewall holds a Bachelors of Business Administration (BBA) from Simon Fraser University with a focus on Finance and Marketing. He has also obtained the Chartered Financial Analyst designation.
Steven Ponte	*Mortgage Broker* Mr. Ponte joined PHL Capital Corp. in early 2010 focusing on securing commercial mortgages, construction/development financing and operating credit. Mr. Ponte is on the Lending Committee and also co-manages the Company. He has over 15 years of combined financing, construction and development experience. Prior to joining PHL Capital Corp. he progressed through various senior roles with TD Commercial Bank, focusing on their large commercial business segment. Mr. Ponte holds a Bachelors of Business Administration (BBA) from Simon Fraser University with a focus on Finance and Marketing.

Name	Principal Occupation and Related Experience
Harjit Grewal	*Accountant* Mr. Grewal worked at PricewaterhouseCoopers for five years before launching his own accounting firm, Grewal & Co. Chartered Accountants, in 2003. Mr. Grewal is one of the owners and part of the management team of Allied Insurance Services, an insurance business with several locations in Metro Vancouver. He also has extensive experience in real estate investments. Mr. Grewal holds a Bachelors of Business Administration (BBA) from Simon Fraser University with a concentration in Accounting. He has also obtained the Chartered Accountant (CA) designation. Mr. Grewal is on the Lending Committee of the Company.
Sunjeev Bath	*Businessperson* Mr. Bath worked as a Financial Analyst before founding Western Rugged Tools, a Canadian based manufacturer and distributor of tools and related products in 2002. He is a Director and Principal of Surrey Cedar and is actively involved in real estate investment and management. Mr. Bath holds a Bachelors of Business Administration (BBA) from Simon Fraser University with a concentration in Finance and Marketing. He has also obtained the Chartered Financial Analyst designation. Mr. Bath is on the Lending Committee of the Company.
John Tilstra	*Businessperson* Mr. Tilstra is the Chairman and founder of Centra Construction Group Ltd. Centra Construction Group Ltd.'s operations include window manufacturing and installation, exterior siding installation and complete restoration services through-out the province of British Columbia. Mr. Tilstra was also awarded the 2011 Pacific Region Entrepreneur of the Year in real estate and construction by Earnest & Young. He is also an experienced real estate developer having been involved in numerous commercial industrial and residential projects.

Advisory Board

3.3 The Company has appointed an Advisory Board comprised of the existing Directors and six additional individuals from various professional backgrounds including, business management, residential and commercial real estate, banking and finance, construction and development, and real estate/commercial law.

3.4 The Advisory Board provides ongoing guidance to the Directors on issues of strategy, management, legal matters, processes, conflict resolution, and projections of real estate market conditions

Penalties, Sanctions and Bankruptcy

3.5 Other than as disclosed herein, there are no penalties, sanctions, declarations of bankruptcy, voluntary assignments in bankruptcy, proposals under any bankruptcy or insolvency legislation or proceedings, arrangements or compromises with creditors, appointments of a receiver, receiver manager or trustee to hold assets, that have been in effect during the last ten years, or any cease trade order that has been in effect for a period of more than 30 consecutive days during the last ten years against or in connection with any of the directors, senior officers or control persons of the Company or the Administrator or any issuer of which any director, senior officer or control person of the Company or the Administrator was a director, senior officer or control person.

Loans

3.6 The Company presently has no outstanding loans or debentures.

ITEM 4

CAPITAL STRUCTURE

Capitalization of the Company

4.1 The following table provides information about the capitalization of the Company:

Description of Security	**Number authorized to be issued**	**Price per security**	**Number outstanding as at February1, 2016**	**Number outstanding after minimum Offering**	**Number outstanding after maximum Offering**
Voting Common Shares(1)	Unlimited	$1.00	11	11	11
Class A Shares(2)	Unlimited	$1.00	61,044,937(3)	61,044,937(4)	111,044,937 (4)

Notes:

(1) The common shares are voting but non-participating. The issued common shares are not subject to calls, assessments, pre-emptive rights or conversion rights. There are no provisions attached to such shares for redemption, cancellation, surrender, sinking funds or purchase funds. There are 11 holders of the common shares of the Company which include Parminder Purewall, Harjit Grewal, Sunjeev Bath, Steven Ponte and John Tilstra who each hold one common share of the Company. Only the holders of common shares are entitled to vote in respect of each common share held at all meetings of the shareholders of the Company.

(2) Complete details of the attributes and characteristics of the Class A Shares are set forth under the heading "Terms of Securities".

(3) Class A Shares will be issued at a price of $1.00 per Class A Share.

(4) Assuming a minimum Offering of nil Class A Shares and a maximum Offering of 50,000,000 Class A Shares.

Long Term Debt

4.2 The Company presently has no long-term debt. The Company does have a Line of Credit with the Bank. See "Material Agreements – Credit Agreement".

Prior Sales

4.3 Within the last 12 months, the Company has issued the following Class A Shares or securities convertible or exchangeable into Class A Shares:

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
March 31, 2015	Class A Shares	520,263	$1.00	Nil(1)
March 31, 2015	Class A Shares	4,642,225	$1.00	$4,642,225
July 6, 2015	Class A Shares	606,962	$1.00	Nil(1)
July 6, 2015	Class A Shares	5,527,725	$1.00	$5,527,725
September 15, 2015	Class A Shares	630,452	$1.00	Nil(1)
September 15, 2015	Class A Shares	8,483,336	$1.00	$8,483,336
December 25, 2015	Class A Shares	691,655	$1.00	Nil(1)
December 25, 2015	Class A Shares	7,055,550	$1.00	$7,055,550

Notes:

(1) The Company issued 2,449,332 Class A Shares as a re-investment of $2,449,332 dividend funds.

4.4 Within the last two years, the Company has redeemed the following Class A Shares or securities convertible or exchangeable into Class A Shares:

Date of redemption	Type of security redeemed	Number of securities redeemed	Price per security	Total funds paid
March 1, 2014	Class A Shares	669,335	$1.00	$669,335
June 1, 2014	Class A Shares	51,179	$1.00	$51,179
September 1, 2014	Class A Shares	83,143	$1.00	$83,143
December 1, 2014	Class A Shares	29,411	$1.00	$29,411
March 1, 2015	Class A Shares	1,486,513	$1.00	$1,456,513
June 1, 2015	Class A Shares	1,698,880	$1.00	$1,698,880
September 1, 2015	Class A Shares	244,170	$1.00	$244,170
December 1, 2015	Class A Shares	2,092,956	$1.00	$2,092,956

During its most recently completed financial year ended August 31, 2015, the Company received requests to redeem a total of 3,297,947 Class A Shares, of which the Company honored and redeemed a total of 3,297,947 Class A Shares. The Company used funds available from funds raised from share issuances and the Company's Line of Credit to honor the redemptions.

For the financial year-ended August 31, 2014, the Company received requests to redeem a total of 908,824 Class A Shares, of which the Company honored and redeemed a total of 908,824 Class A Shares. The Company used funds available from funds raised from share issuances and the Company's Line of Credit to honor the redemptions.

ITEM 5

SECURITIES OFFERED

Terms of Securities

5.1 The rights and restrictions attaching to the Class A Shares are as follows:

Voting

Save in respect of such matter as are by law expressly required to be voted upon by the holders of preferred shares, the Class A Shares are non-voting preferred shares and only participate in the profits of the Company. Each Class A Share and fractions thereof will be issued only as fully paid and non-assessable with a par value of $1.00. There will be no limit to the number of Class A Shares that may be issued, subject to any determination to the contrary made by the Company.

Dividend Entitlement

Class A Shareholders will be entitled to receive dividends in respect of Class A Shares owned at the end of each fiscal quarter. Dividends will be paid within 30 days of each fiscal quarter end. The quarterly dividend at the Company's fiscal year end will be paid within 90 days of the fiscal year end. Dividends may be taken as cash or reinvested as additional Class A Shares. Dividends reinvested as additional Class A Shares will also qualify for future dividend entitlement.

Retraction

Class A Shares are retractable by a shareholder, subject to the provisions of the *Business Corporations Act* (British Columbia) provided that the Class A Shareholder provides the Company with written notice of such desired retraction 30 days before each quarter year end or 90 days before its fiscal year end in any calendar year, by registered mail or delivers notice to the registered office of the Company. The Company will, on or before the date which is 90 days from its receipt of such notice, then purchase the subject shares at the then book value plus any dividends declared but unpaid by the Company for the relevant period prior to the date of retraction; provided, however, that the Company will not be required to retract the Class A Shares of the Company if such retraction would cause the Company to cease being qualified as a MIC pursuant to the provisions of the Tax Act.

Subscription Procedure

5.2 The minimum initial investment in the Company is $25,000. The minimum subsequent investment in the Company for existing Class A Shareholders holding at least 25,000 Class A Shares is $5,000. The Company reserves the right to change the minimum amount at any time and from time to time.

Subscribers may purchase Class A Shares from the Company. Orders may be sent to the Administrator at its principal office or such other address as specified by the Administrator by courier or telecommunication facilities. The Company will schedule closings quarterly on March 1st, June 1st, September 1st and December 1st or such other times as decided by the Company.

The subscription price is payable upon subscription pursuant to the terms of the applicable subscription agreement(s), by cheque, bank draft or electronic transfer, payable to "MacCallum Law Group LLP In Trust". No financing of the subscription price will be provided by the Company or the Administrator.

Each prospective and qualified investor who desires to subscribe for Class A Shares must:

(a) complete and sign the form of subscription agreement prescribed by the Company from time to time (the "Subscription Agreement") specifying the number and class of Class A Shares being subscribed for (the Company reserves the right to use different forms of Subscription Agreements for different investors);

(b) complete and sign two copies of the Risk Acknowledgement under BCI 32-517 in the form attached to the Subscription Agreement;

(c) if the investor (i) is not an "accredited investor" as defined in National Instrument 45-106 – *Prospectus and Registration Exemptions* ("NI 45-106"), and (ii) is not purchasing Class A Shares with an acquisition cost to the investor of not less than $150,000 paid in cash, complete and sign two copies of the Form 45-106F4 — Risk Acknowledgement;

(d) if the investor is an "accredited investor" as defined in NI 45-106, complete and sign the accredited investor questionnaire attached to the Subscription Agreement;

(e) deliver payment of the subscription price for the Class A Shares subscribed for to the Company by certified cheque, bank draft or other electronic transfer satisfactory to the Company; and

(f) deliver to the Company the Subscription Agreement, Risk Acknowledgment and any other forms, declarations and documents as may be required by the Company to complete the subscription.

Subscriptions will be received subject to prior sale and acceptance of the investor's subscription, in whole or in part (subject to compliance with applicable securities laws), by the Company.

The aforementioned cash amounts, Subscription Agreements and other documents will be held in trust and released upon closing. The subscription amount will be held in trust until midnight on the second business day after the investor signs a Subscription Agreement. Closings will occur on a continuous basis.

Acceptance of Subscriptions

Subscriptions received are subject to rejection or allotment in whole or in part by the Company. The Company reserves the right to close the subscription books at any time without notice. Confirmation of the acceptance of a subscription will be forwarded by the Company to the investor. The Company is not obligated to accept any subscriptions, and will reject any subscription which the Company considers to be not in compliance with applicable securities laws and regulations. If any subscription is rejected, the Company will notify the investor and will return to the investor the subscription funds comprising such subscription, without interest.

An investor who subscribes for Class A Shares by executing and delivering a Subscription Agreement will become a Class A Shareholder after the Company accepts such subscription and the Company has received the subscription amount.

Qualified Investors

The Company is offering for sale an unlimited number of Class A Shares on a continuous basis in the Province of British Columbia by way of private placement.

The offering is being conducted in the Province of British Columbia pursuant to the exemptions from the prospectus requirements afforded by Sections 2.9, 2.3 and/or 2.10 of NI 45-106.

- The exemption pursuant to Section 2.9 of NI 45-106 is available for distributions to investors in British Columbia, purchasing as principals, who receive this Offering Memorandum prior to signing the Subscription Agreement and who sign a risk acknowledgement in the prescribed form.

- The exemption pursuant to Section 2.3 of NI 45-106 is available for distributions to investors in British Columbia purchasing as principal and who are "accredited investors" as defined in NI 45-106.

- The exemption pursuant to Section 2.10 of NI 45-106 is available for distributions to investors in British Columbia purchasing as principal, who are not individuals and who are acquiring Class A Shares with acquisition cost to the Subscriber of not less than $150,000 paid in cash at the time of Closing.

The foregoing exemptions relieve the Company from the provisions of the applicable securities laws of the Province of British Columbia which otherwise would require the Company to file and obtain a receipt for a prospectus. Accordingly, prospective investors for Class A Shares will not receive the benefits associated with a subscription for securities issued pursuant to a filed prospectus, including the review of material by securities regulatory authorities.

The exemptions from the registration requirements contained in the applicable securities laws of the Province of British Columbia allow the Company to offer the Class A Shares for sale directly to the investors.

Trading and Resale Restrictions

This offering of Class A Shares is made only on a private placement basis to investors who are eligible to purchase on an exempt basis under, and subject to compliance with, applicable securities laws. **There is no market for the Class A Shares. The transferability of the Class A Shares will also be subject to**

resale restrictions under applicable securities laws. The Company will be entitled to require and may require, as a condition of allowing any transfer of any Class A Share, the transferor or transferee, at their expense, to furnish to the Company evidence satisfactory to it in form and substance (which may include an opinion of counsel satisfactory to the Company) in order to establish that such transfer will not constitute a violation of the securities laws of any jurisdiction whose securities laws are applicable thereto.

The Company is not a reporting issuer in any of the Provinces of Canada and does not intend to become a reporting issuer in any Province of Canada. The Class A Shares will be subject to resale restrictions under applicable securities laws which restrict the transfer of Class A Shares. Notwithstanding such resale restrictions, and subject to approval by the Company, investors will be able to transfer Class A Shares to another person pursuant to another exemption from the prospectus and registration requirements of applicable securities laws, or pursuant to an order permitting such trade granted by applicable securities regulatory authorities.

This Offering Memorandum and all subscription documents should be reviewed by prospective Subscribers and their professional advisers prior to subscribing for Class A Shares.

ITEM 6

INCOME TAX CONSEQUENCES AND ELIGIBILITY FOR INVESTMENT

Caution

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

The following is a summary of the principal Canadian federal income tax consequences of acquiring, holding and disposing of the Class A Shares by a Subscriber who, at all relevant times and for purposes of the Tax Act, is a resident solely of Canada, deals with the Company at arm's length, is not affiliated with the Company, and acquires and holds the Class A Shares as capital property (a "Holder"). This summary only addresses Holders who meet all of the foregoing requirements. This summary is not applicable to any Holder of Class A Shares (i) that is a "financial institution" or a "specified financial institution" for the purposes of the Tax Act, (ii) an interest in which is a "tax shelter investment" for the purposes of the Tax Act, or (iii) that reports its Canadian tax results in a "functional currency" (which excludes Canadian dollars).

This summary is based upon the facts set out in this Offering Memorandum, the current provisions of the Tax Act and the regulations thereunder, all specific proposals (the "Tax Proposals") to amend the Tax Act or the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, and our understanding of the current published administrative practices of the Canada Revenue Agency. This summary assumes that the Tax Proposals will be enacted as currently proposed, although no assurance in this regard can be provided. The summary does not take into account or anticipate any other changes in law, whether by way of legislative, governmental or judicial action and does not take into account tax legislation or considerations of any province, territory or foreign jurisdiction.

The summary contained in this section is of a general nature only and is not exhaustive of all possible Canadian federal income tax consequences. It is not intended to be, and should not be interpreted as, legal or tax advice to any particular Subscriber. You should consult with your own tax advisor regarding the income tax consequences to you of acquiring, holding and disposing of the Class A Shares including the application and effect of the income and other tax laws of any country, province, state or local tax authority. The discussion below is qualified accordingly.

This summary is based on the assumption that the Company meets and will meet on a continuous basis certain conditions which are imposed by the Tax Act on the Company in order for the Company to qualify as a MIC thereunder. These conditions will generally be satisfied if all of the following conditions are met throughout a taxation year of the Company:

(a) the Company was a Canadian corporation as defined in the Tax Act,

(b) the Company's only undertaking was the investing of funds and it did not manage or develop any real property,

(c) none of the property of the Company consisted of debts owing to the Company secured on real or immovable property situated outside Canada, debts owing to the Company by non-resident persons unless such debts were secured on real or immovable property situated in Canada, shares of the capital stock of corporations not resident in Canada, or real or immovable property situated outside of Canada or any leasehold interest in such property,

(d) the Company had at least 20 shareholders, and no one shareholder (together with any related person) at any time in the year owned, directly or indirectly, more than 25% of the issued shares of any class of the Company or was otherwise a "specified shareholder" for purposes of the Tax Act, also taking into account certain applicable rules for the purposes of counting shareholders that are registered pension plans or deferred profit sharing plans for purposes of the Tax Act,

(e) all holders of preferred shares of the Company had the right, after payment to them of their preferred dividends and payment of dividends in a like amount per share to the holders of any common shares of the Company, to participate *pari passu* (equally) with the holders of the common shares in any further payment of dividends,

(f) the cost amount of the Company's property consisting of debts secured (whether by mortgages, hypothecs, or in any other manner) on houses or on property included within a housing project (as those terms are defined in the *National Housing Act*), together with cash on hand and deposits with a bank or any other corporation whose deposits are insured by the Canada Deposit Insurance Corporation, the Régie de l'assurance-dépots du Québec, or with a credit union (collectively, the "Qualifying Property"), was at least 50% of the cost amount to it of all of its property,

(g) the cost amount of real property (including leasehold interests therein but excluding real property acquired as a consequence of foreclosure or defaults on a mortgage, hypothec or agreement of sale of real property held by the Company) owned by the Company did not exceed 25% of the cost amount to it of all of its property,

(h) where at any time in the year the cost amount to the Company of its Qualifying Property as defined in (f) above was less than two-thirds of the cost amount to it of all of its property, the Company's liabilities did not exceed three times the amount by which the cost amount to it of all of its property exceeded its liabilities;

(i) where (h) above did not apply, in that the cost amount of its Qualifying Property equalled or was greater than two-thirds of the cost amount of all the Company's property, the Company's liabilities did not exceed five times the amount by which the cost amount to it of all its property exceeded its liabilities.

(j) It is intended, and this summary assumes, that these requirements will be satisfied on a continuous basis and that the Company will qualify as a MIC for purposes of the Tax Act at all relevant times. If the Company were not to qualify as a MIC at any relevant time, the income tax consequences would be materially different from (and generally adverse compared to) those described below. Tax considerations applicable where the Company does not so qualify as a MIC at any particular time are not discussed in this summary or elsewhere in the Offering Memorandum.

Taxation of the Company

6.2 Provided that the Company qualifies as a MIC throughout a taxation year, the Company will, in computing its taxable income, generally be entitled to deduct the full amount of all taxable dividends (other than capital gains dividends) which it pays during the year or within 90 days after the end of the year to the extent that such dividends were not deductible by the Company in computing its income for the preceding year. In addition, a corporation that qualifies as a MIC throughout a taxation year may declare a capital gains dividend in an amount equal to the gross amount of its capital gains and, by making an election in prescribed manner, is entitled to deduct one-half of such dividend from its taxable income.

The Company will be subject to tax at the highest corporate rates. However, at this time the Company believes that it qualifies and will continue to qualify as a MIC, and intends to declare dividends to the extent necessary to reduce its taxable income each year to nil so that it has no tax payable under Part I of the Tax Act, and intends to elect to have dividends to be capital dividends to the maximum extent allowable.

Taxation of the Holders of Class A Shares

6.3 Provided that the Company qualifies as a MIC, dividends (other than capital gains dividends) which are paid by the Company on the Class A Shares will be included in Holders' incomes as bond interest, and capital gains dividends will be treated as realized capital gains of Holders and will be subject to the general rules relating to the taxation of capital gains. **AS THE DIVIDENDS (OTHER THAN CAPITAL GAINS DIVIDENDS) ARE TAXED AS BOND INTEREST, THE NORMAL GROSS UP AND DIVIDEND TAX CREDIT RULES WILL NOT APPLY TO DIVIDENDS PAID BY THE COMPANY TO AN INDIVIDUAL AND TRUSTS ON CLASS A SHARES, AND HOLDERS THAT ARE CORPORATIONS WILL NOT BE ENTITLED TO DEDUCT THE AMOUNT OF DIVIDENDS PAID BY THE COMPANY IN COMPUTING TAXABLE INCOME.**

The cost to a Holder of Class A Shares acquired pursuant to this Offering will equal the purchase price of the Class A Shares plus the amount of any other reasonable costs incurred in connection therewith. This cost will be averaged with the cost of all other Class A Shares held by the Holder to determine the adjusted cost base of each Class A Share.

A disposition or a deemed disposition of Class A Shares (other than to the Company) will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition of the Class A Shares exceed (or are exceeded by) the adjusted cost base of the Class A Shares and the disposition costs. Amounts paid by the Company on the redemption or acquisition by it of a Class A Share, up to the paid-up capital thereof, will be treated as proceeds of disposition. Any amount paid by the Company on the redemption or acquisition of a Class A Share which is in excess of the paid-up capital of such Class A Share will be deemed to be a dividend and will be included in the income of a holder of Class A Shares, in accordance with the rules described above.

In general, one-half of any capital gain realized by a Holder (including capital gains deemed to be realized as a result of a receipt of a capital gains dividend) will be included in the Holder's income under the Tax Act as a taxable capital gain. Subject to certain specific rules in the Tax Act, one-half of any capital loss realized in a taxation year is to be deducted against any taxable capital gains realized by the Holder in such year and, to the extent not so deductible, may generally be carried back three years or forward indefinitely and deducted against taxable capital gains realized in such years.

The taxable capital gains realized by a Holder that is an individual may give rise to alternative minimum tax depending upon the Holder's circumstances. A Holder that is a "Canadian- controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional tax (refundable in certain circumstances) of 6⅔ % on certain investment income, including amounts in respect of interest and taxable capital gains.

Eligibility for Investment

The Class A Shares will be qualified investments under the Tax Act for a trust governed by a Registered Retirement Savings Plan ("RRSP"), Registered Educational Savings Plan ("RESP"), Deferred Profit Sharing Plan, Registered Retirement Income Fund ("RRIF") or a Tax Free Saving Account ("TFSA) (collectively, the "Plans") at a particular time provided that the Company qualifies as a MIC under the Tax Act at such particular time and further provided that throughout the relevant calendar year, the Company does not hold any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer, or a subscriber under the Plan, or of any other person who does not deal at arm's length with that person. Adverse tax consequences, not discussed herein, would generally result if the Company at any time fails to qualify as a MIC or its shares otherwise fail to constitute qualified investment for Plans.

Notwithstanding that the Class A Shares may be a qualified investment for a TFSA, an RRSP or a RRIF, the holder of a TFSA or the annuitant of an RRSP or RRIF, as the case may be, which acquires Class A Shares will be subject to a penalty tax under the Tax Act if such Class A Shares are a "prohibited investment" (within the meaning of the Tax Act) for the particular TFSA, RRSP or RRIF. The Class A Shares will generally be a prohibited investment for a TFSA, an RRSP or RRIF if the holder of the TFSA, or annuitant of the RRSP or RRIF, as applicable, (i) does not deal at arm's length with the Company for purposes of the Tax Act or (ii) has a "significant interest" (within the meaning of the Tax Act) in the Company. Generally, a holder or annuitant, as the case may be, will not have a significant interest in the Company unless the holder or annuitant, as the case may be, owns directly or indirectly, 10% or more of the issued shares of any class of the capital stock of the Company (or of any related corporation), either alone or together with persons with which the holder or annuitant, as the case may be, does not deal at arm's length. In addition, the Class A Shares will not be prohibited investments if they are "excluded property" as defined in the Tax Act.

Holders and annuitants should consult their own tax advisors to ensure that the Class A Shares would not be a prohibited investment for a trust governed by a TFSA, RRSP or RRIF in their particular circumstances.

ITEM 7

COMPENSATION PAID TO SELLERS AND FINDERS

The Administrator, the Company, their respective directors, officers and employees will sell the Class A Shares. No acquisition charge is payable to the Administrator in respect of orders to purchase Class A Shares of the Company.

Where lawfully permitted, the Company is prepared to pay compensation to finders or registered representatives, subject to negotiation. The Company has not engaged any such party at this time.

ITEM 8

RISK FACTORS

An investment in the Company involves significant risks. In addition to the other information presented in this Offering Memorandum, the following risk factors should be given special consideration when evaluating an investment in any of our securities. The purchase of Class A Shares involves a number of risk factors and is suitable only for Subscribers 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 and who have no immediate need for liquidity. There is no assurance of any return on a Subscriber's investment. The risk factors outlined below are not a definitive list of all risk factors associated with an investment in the Company.

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

Investment Risk

Risks that are specific to the Class A Shares being offered under this Offering include the following:

Speculative Investment

An investment in the Class A Shares is highly speculative. Investment in the Class A Shares should be considered only by investors who are able to make a long term investment and are aware of the risk factors involved in such an investment. You should only invest in the Class A Shares if you are able to bear the risk of the entire loss of your investment and have no need for immediate liquidity in such investment.

No Market for Class A Shares

There is no market through which the Class A Shares may be sold, and the Company does not expect that any market will develop pursuant to this Offering or in the future. Accordingly, an investment in Class A Shares should only be considered by Subscribers who do not require liquidity. The Class A Shares are subject to onerous resale restrictions under applicable securities legislation. See "Resale Restrictions", regarding resale restrictions applicable to the Class A Shares.

Return on Investment

There is no assurance that sufficient revenue will be generated by the Company from which dividends can be declared by the Directors and paid to the Class A Shareholders.

No Guaranteed Dividends

The dividends in which the Class A Shareholders are entitled to participate are not cumulative and will not be paid unless such dividends have been declared by the Directors. The Directors have the sole discretion as to whether or not any such dividends are declared. Therefore, there is no guarantee that dividends payable to Class A Shareholders will be declared.

Prospectus Exemption

The Offering is being made pursuant to exemptions from the prospectus and registration requirements of applicable securities legislation (the "Exemptions"). As a consequence of acquiring the Class A Shares offered hereby pursuant to such Exemptions and the fact that no prospectus has or is required to be filed with respect to any of the Class A Shares offered hereby under applicable securities legislation in Canada: (i) you will be restricted from using certain of the civil remedies available under applicable securities legislation; (ii) certain protections, rights and remedies provided in such legislation will not be available to you; (iii) you may not receive information that might otherwise be required to be provided to you under such legislation; and (iv) the Company is relieved from certain obligations that would otherwise apply under such legislation.

Retraction Liquidity

The Class A Shares are retractable, meaning that Subscribers have the right to require the Company to redeem them, upon appropriate advance notice from the Subscriber to the Company. If the Subscriber does not provide the Company with the appropriate notice of retraction, the right of retraction is suspended until an additional time period has elapsed. See "Terms of Securities".

The Company gives no assurance that any Subscriber will be able to retract any or all of their Class A Shares at any time. Retraction of the Class A Shares is subject to the Company having access to sufficient cash, or other liquid assets, and being in compliance with applicable corporate and securities legislation, and is subject to the terms in this Offering Memorandum, all as determined solely by the Company. Retraction of the Class A Shares is also subject to the discretion of the Directors to act in the best interests of the MIC under the Tax Act. Accordingly this investment is unsuitable for those prospective Subscribers who may require liquidity.

Absence of Voting Rights

The Class A Shares being sold under this Offering do not carry voting rights, and consequently a Subscriber's investment in Class A Shares does not carry with it any right to take part in the control or management of the Company's business, including the election of Directors.

In assessing the risks and rewards of an investment in Class A Shares, potential Subscribers should appreciate that they are relying solely on the good faith, judgment and ability of the directors, officers and employees of the Company and the Administrator to make appropriate decisions with respect to the management of the Company, and that they will be bound by the decisions of the Company's and the Administrator's directors, officers and employees. It would be inappropriate for Subscribers unwilling to rely on these individuals to this extent to purchase Class A Shares.

Lack of Separate Legal Counsel

The Subscribers, as a group, have not been represented by separate counsel. Neither counsel for the Company nor counsel for the Administrator purport to have acted for the Subscribers nor to have conducted any investigation or review on their behalf.

No Regulatory Review of Offering Memorandum

Subscribers under the Offering will not have the benefit of a review of this Offering Memorandum by any regulatory authorities.

Issuer Risk

Risks that are specific to the Company include the following:

Mortgage Investment Company Tax Designation

Under the Company's articles the Company's Directors are required to use their best efforts to ensure that the Company qualifies as a MIC pursuant to the Tax Act. As well, the Company's Articles of Incorporation grant the Directors the discretion to reject any applications for share dividends or share subscriptions, transfers, redemptions or retractions where, in the view of the Directors, such would not be in the Company's best interests as a mortgage investment under the Tax Act.

There can be no assurance, however, that the Company will be able to meet the Tax Act's mortgage investment qualifications at all material times.

As a company qualified as a MIC the Company may deduct taxable dividends it pays from its income, and the normal gross-up and dividend tax credit rules will not apply to dividends paid by the Company on the Class A Shares. Rather, the dividends will be taxable in the hands of shareholders as if they had received an interest payment. If for any reason the Company fails to maintain its MIC qualification in a particular year, the dividends paid by the Company on the Class A Shares would cease to be deductible from the income of the Company for that year and the dividends it pays on the Class A Shares would be subject to the normal gross-up and dividend tax credit rules. In addition, the Class A Shares might cease to be qualified investments for Deferred Plans, with adverse tax implications.

Reliance on BC Instrument 32-517

The Class A Shares may be sold pursuant to the dealer registration exemption contained in BCI 32-517 which provides limited relief from the requirements to register as an Exempt Market Dealer for trade in a security in connection with a prospectus-exempt distribution provided that the dealer meets the requirements of BCI 32-517. The unregistered dealer's ability to sell the Class A Shares without registering is dependent upon the dealer's continued ability to rely on BCI 32-517. Should the Canadian Securities Administrators or the British Columbia Securities Commission order that the unregistered dealer and/or its representatives cannot rely on BCI 32-517, the dealer and its representatives may be required to be registered to sell the Class A Shares and may be prohibited from continuing any sales of Class A Shares until registered.

Registration with the Financial Institutions Commission

The Company is registered with the Financial Institutions Commission (FICOM) as a MIC under the *Mortgage Brokers Act*. The Office of the Registrar of Mortgage Brokers at FICOM regulates the mortgage brokering and lending activities of MICs under the *Mortgage Brokers Act*. The Registrar and the *Mortgage Brokers Act* do not regulate the capital raising and investment marketing activities of MICs which are subject to securities legislation and regulation.

Dilution

The number of Class A Shares the Company is authorized to issue is unlimited and the Directors have the sole discretion to issue additional Class A Shares. The proceeds of this Offering may not be sufficient to accomplish all of the Company's proposed objectives. In addition to alternate financing sources, the Company may conduct future offerings of Class A Shares in order to raise the funds required which will result in a dilution of the interest of the Class A Shareholders in the Company and the income or loss from the Company.

Reliance on the Administrator

In accordance with the terms of the Administrative and Services Agreement between the Company and the Administrator, the Administrator has significant responsibility for assisting the Company to conduct its affairs. Any inability of the Administrator to perform competently or on a timely basis will negatively affect the Company.

Key Personnel

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

The Company's and the Administrator's management teams consist of several key personnel. In order to manage the Company and the Administrator successfully in the future it may be necessary to further strengthen their management teams. The competition for such key personnel is intense, and there can be no assurance of success in attracting, retaining, or motivating such individuals. Failure in this regard would likely have a material adverse effect on the Company's business, financial condition, and results of operations.

Conflict of Interest

Conflicts of interest exist, and others may arise, between Subscribers and the directors and officers of the Administrator and the Company and their associates and affiliates.

There is no assurance that any conflicts of interest that may arise will be resolved in a manner most favourable to Subscribers. Persons considering a purchase of Class A Shares pursuant to this Offering must rely on the judgment and good faith of the directors, officers and employees of the Administrator and the Company in resolving such conflicts of interest as may arise.

The Company and its shareholders are dependent in large part upon the experience and good faith of the Administrator. The Administrator is entitled to act in a similar capacity for other companies with investment criteria similar to those of the Company. As such, there is a risk the Administrator will not be able to originate sufficient suitable investment opportunities to keep the Company's funds fully invested.

Future Operations and Possible Need for Additional Funds

The Company requires significant funds to carry out its business plan. In the event the Company is unable to raise sufficient funds by this Offering and/or future offerings and/or other debt or equity financing the Company may have insufficient funds available to implement its business plan, and Subscribers may receive no return on their Class A Shares. Certain uninsurable or uninsured events may also occur which can substantially reduce the ability of the Company to carry on business in a profitable manner, including natural or man-made disasters.

The Company anticipates that a substantial portion of the net proceeds of this Offering will be expended by the Company in investing in residential mortgages, and also anticipates that the net proceeds of the Offering and anticipated cash flow from operating revenues will be sufficient to carry out the Company's business plan. There can be no assurances, however, that the Company will generate sufficient cash flow from operations or that it will not encounter unexpected costs in connection with implementing its business plan and, as a consequence, there can be no assurances that the Company will not require additional financing. The Company has no current arrangements with respect to any other additional financing, and there can be no assurance that any such additional financing can be obtained on terms acceptable to the Company, or at all. Failure to obtain additional financing would likely have a substantial material adverse effect on the Company. Moreover, in the event the Company were to obtain such additional financing, it could have a dilutive effect on Subscribers' participation in the revenues generated through the Company's operations.

Industry Risk

There are also risks faced by the Company because of the industry in which it operates. Real estate investment is subject to significant uncertainties due, among other factors, to uncertain costs of construction, development and financing, uncertainty as to the ability to obtain required licenses, permits and approvals, and fluctuating demand for developed real estate. The anticipated higher returns associated with the Company's mortgage loans reflect the greater risks involved in making these types of loans as compared to long term conventional mortgage loans. Inherent in these loans are completion risks as well as financing risks. In addition, prospective Subscribers should take note of the following:

Insurance

The Company's mortgage loans will not usually be insured in whole or in part. As well, there are certain inherent risks in the real estate industry, some of which the Company may not be able to insure against or which the Company may elect not to insure due to the cost of such insurance. The effect of these factors cannot be accurately predicted.

Priority

Financial charges for construction and other financing funded by conventional third party lenders may rank in priority to the Mortgages registered in favour of the Company. Any subordinate financing which may be carried on by the Company is generally considered a higher risk than primary financing. Mortgages will be secured by a charge which is in a first or subsequent-ranking position upon or in the underlying real estate. When a charge on a real property is in a position other than first-ranking on a real property, it is possible for the holder of a prior charge on the real property, if the borrower is in default under the terms of its obligations to such holder, to take a number of actions against the borrower and ultimately against the real property in order to realize the security given for his 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 person having other than a first-ranking charge 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 creditors who have prior charges on the property, the holder of a subsequent charge may lose his investment or part thereof to the extent of such deficiency, unless he can otherwise recover such deficiency from other property owned by the debtor. In the event of default by the mortgagor under any prior financial charge, the Company may not recover any or all of the monies advanced.

Default

If there is default on a Mortgage it may be necessary for the Company, in order to protect the investment, to engage in foreclosure or sale proceedings and to make further outlays to complete an unfinished project or to maintain prior encumbrances in good standing. In such cases it is possible that the total amount recovered by the Company may be less than the total investment, resulting in loss to the Company. Equity investments in real property may involve fixed costs in respect of mortgage payments, real estate taxes, and maintenance costs, which could adversely affect the Company's income.

No Guaranteed Returns

Although investments in Mortgages will be carefully chosen by the Company, there is no representation made by the Company that such investments will have a guaranteed return to Class A Shareholders, nor that losses will not be incurred by the Company in respect of such investments. This Offering is not suitable for investors who cannot afford to assume significant risks in connection with their investments.

Renewal of Mortgages

There can be no assurances that any of the Mortgages comprising the Company's Invested Mortgage Portfolio from time to time can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to each Mortgage comprising the Invested Mortgage Portfolio, it is possible that the mortgagor, the mortgagee or both, will not elect to renew such Mortgage. In addition, if the Mortgages in the Invested Mortgage Portfolio are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such Mortgages will be subject to negotiations between the mortgagors and the mortgagees at the time of renewal.

Nature of Mortgage Backed Investments

Investments in Mortgages are affected by general economic conditions, local real estate markets, demand for leased premises, fluctuation in occupancy rates and operating expenses, and various other factors. The value of a real estate property may ultimately depend on the credit and financial stability of the tenants. Investments in Mortgages are relatively illiquid. Such illiquidity will tend to limit the Company's ability to change its portfolio promptly in response to changing economic or investment conditions. Investments in Mortgages on residential real property projects under development may be riskier than investments in Mortgages on already constructed residential real property developments.

Composition of the Invested Mortgage Portfolio

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

Yield

The yields on real estate investments, including mortgages, depend on many factors including economic conditions and prevailing interest rates, the level of risk assumed, conditions in the real estate industry, opportunities for other types of investments, legislation, government regulation and tax laws. The Company cannot predict the effect that such factors will have on its operations.

Competition

The earnings of the Company depend on the Company's ability, with the assistance of the Administrator, to locate suitable opportunities for the investment and re-investment of the Company's funds and on the yields available from time to time on mortgages and other investments. The investment industry in which the Company operates is subject to a wide variety of competition from private businesses in Canada and the United States, many of whom have greater financial and technical resources than the Company. Such competition, as well as any future competition, may adversely affect the Company's success in the marketplace. There is no assurance that the Company will be able to successfully maintain its business plan or operate profitably.

Existing competitors may have greater financial, managerial and technical resources, and name recognition than the Company. Competitors may reduce the interest rates they charge, resulting in a reduction of the Company's share of the market, reduced interest rates on loans and reduced profit margins.

Potential Liability under Environmental Protection Legislation

Environmental and ecological legislation and policies have become increasingly important in recent years. Under various laws, as the owner of real estate properties the Company could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on, from or in one or more of the properties. The failure to remove or remediate such substances, if any, may adversely affect the Company's ability to sell such a property or to borrow using a property as collateral.

ITEM 9

REPORTING OBLIGATIONS

The Company is not a "reporting issuer" as that term is defined in applicable securities legislation, nor does it currently intend to become a reporting issuer and therefore obligations of the Company to publicly disclose documents is limited. However, Class A Shareholders will receive quarterly statements reflecting their investment in the Company and quarterly dividend cheques, if applicable, and will receive yearly T5 tax returns for cash investment income.

The Company's fiscal year commences September 1 in each year and ends August 31 of the following year. The Company will prepare financial statements for each fiscal year in connection with an annual general meeting to be held as required by the *Business Corporations Act* (British Columbia), and provide them to shareholders within 120 days of the Company's fiscal year end.

ITEM 10

RESALE RESTRICTIONS

Class A Shares will be subject to resale restrictions under applicable securities laws. You will not be able to trade Class A Shares unless you prepare and file a prospectus with applicable securities regulatory authorities or comply with an exemption from the prospectus and registration requirements under applicable securities legislation. Unless permitted under securities legislation, you cannot trade Class A Shares before the date that is four months and a day after the date the Company becomes a reporting issuer in any Province or territory of Canada. The Company has no intention or plan to proceed with becoming a reporting issuer. See "Trading and Resale Restrictions".

ITEM 11

PURCHASERS' RIGHTS

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

The following summary is subject to the express provisions of the securities legislation of each offering jurisdiction and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions. Subscribers should refer to those provisions for the particulars of these rights or consult with a legal adviser.

The rights of action described herein are in addition to and without derogation from any other right or remedy that the investor may have at law.

Two Day Cancellation Right for All Investors

You can cancel your agreement to purchase these securities. To do so, you must send a notice to the Company or the Administrator by midnight on the second business day after you sign the Subscription Agreement to buy the securities.

Statutory Rights of Action in the Event of a Misrepresentation

If there is a misrepresentation in this Offering Memorandum, investors resident in British Columbia will have a statutory right to sue:

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

(b) for damages against the Company, every Director of the Company at the date of the Offering Memorandum and every person who signs the Offering Memorandum or any amendment thereto.

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

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

ITEM 12

FINANCIAL STATEMENTS

12.1 Audited annual financial statements as at August 31, 2015 are attached.

12.2 Unaudited interim financial statements as at November 30, 2015 are attached.

Financial Statements of

MORTEQ LENDING CORP.

Year ended August 31, 2015

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of MortEq Lending Corp.

We have audited the accompanying financial statements of MortEq Lending Corp., which comprise the statement of financial position as at August 31, 2015, the statements of income and comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of MortEq Lending Corp. as at August 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The financial statements of MortEq Lending Corp. as at and for the year ended August 31, 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements on October 9, 2014.

KPMG LLP

Chartered Professional Accountants

October 26, 2015
Vancouver, Canada

MORTEQ LENDING CORP.
Statement of Financial Position

August 31, 2015, with comparative information for 2014

	Notes	2015	2014
Assets			
Current assets:			
Cash		$ -	$ -
Interest receivable		343,483	268,123
Mortgages receivable, current portion	4	49,781,620	28,097,965
Prepaid expenses and other assets		251,782	4,800
		50,376,885	28,370,888
Mortgages receivable, net of current portion	4	9,501,750	2,991,000
		$ 59,878,635	$ 31,361,888
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness	5	$ 11,640,454	$ 2,875,698
Accounts payable and accrued liabilities		174,206	65,632
Deposits		120,000	-
Unearned revenue		618,135	261,867
Dividends payable	6, 9	867,151	580,210
		13,419,946	3,783,407
Redeemable preferred shares	7	46,458,678	27,578,470
		59,878,624	31,361,877
Shareholders' equity:			
Common shares	8	11	11
Retained earnings		-	-
		11	11
		$ 59,878,635	$ 31,361,888

The accompanying notes form an integral part of these financial statements.

Approved on behalf of the Board:

Director

Director

MORTEQ LENDING CORP.

Statement of Income and Comprehensive Income

Year ended August 31, 2015, with comparative information for 2014

	Notes	2015	2014
Interest and other income		$ 3,932,905	$ 2,547,667
Expenses:			
Management fees	9	671,633	383,497
Bank charges and interest		140,570	151,493
Professional fees		65,011	28,916
Insurance		6,838	1,600
		884,052	565,506
Net income from operations		3,048,853	1,982,161
Dividends to preferred shareholders	6, 9	3,048,853	1,982,161
Net income and comprehensive income for the year		$ -	$ -

The accompanying notes form an integral part of these financial statements.

MORTEQ LENDING CORP.

Statement of Changes in Shareholders' Equity

Year ended August 31, 2015, with comparative information for 2014

	Common shares	Retained earnings	Total shareholders' equity
Balance, August 31, 2013	$ 11	$ -	$ 11
Net income and comprehensive income for the year	-	-	-
Balance, August 31, 2014	11	-	11
Net income and comprehensive income for the year	-	-	-
Balance, August 31, 2015	$ 11	$ -	$ 11

The accompanying notes form an integral part of these financial statements.

MORTEQ LENDING CORP.

Statement of Cash Flows

Year ended August 31, 2015, with comparative information for 2014

	2015	2014
Cash flows from operating activities:		
Net income and comprehensive income for the year	$ -	$ -
Items not involving cash and cash equivalents:		
Amortization of share issuance costs	15,553	1,385
Dividends reinvested in redeemable preferred shares	2,047,209	1,414,095
	2,062,762	1,415,480
Gross change in mortgages receivable	(28,194,405)	(16,280,853)
Change in interest receivable	(75,360)	(204,514)
Change in prepaid expenses and other assets	(246,982)	(1,612)
Change in accounts payable and accrued liabilities	108,574	41,677
Change in deposits	120,000	(200,000)
Change in unearned revenue	356,268	2,430
Change in dividends payable	286,941	252,083
	(25,582,202)	(14,975,309)
Cash flows from financing activities:		
Issuance of redeemable preferred shares	20,659,644	12,789,137
Redemption of redeemable preferred shares	(3,807,780)	(908,824)
Share issuance costs	(34,418)	(28,080)
	16,817,446	11,852,233
Net decrease in cash	(8,764,756)	(3,123,076)
Cash (bank indebtedness), beginning of year	(2,875,698)	247,378
Bank indebtedness, end of year	$ (11,640,454)	$ (2,875,698)

The accompanying notes form an integral part of these financial statements.

1. Reporting entity:

MortEq Lending Corp. (the "Company") was incorporated under the British Columbia Corporations Act on November 16, 2006. The address of the registered office is 216-5455 152 Street, Surrey, British Columbia V3S 5A5.

The Company makes investments and operates its business at all times in such a manner as to qualify as a mortgage investment corporation ("MIC") under the provisions of the Income Tax Act (Canada) and, as such, is able to make distributions to its shareholders on a pre-tax basis. The Company derives its earnings from the receipt of mortgage interest and fees associated with the setup, renewal and discharge of mortgages.

These financial statements were authorized for issuance by the Board of Directors of the Company on October 26, 2015.

2. Basis of presentation:

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The significant accounting policies applied in the preparation of the financial statements are set out in note 3.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency:

The financial statements are expressed in Canadian dollars, which is the Company’s functional currency.

(d) Use of estimates and judgments:

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. These estimates are reviewed periodically on a prospective basis, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

The most significant estimates that the Company is required to make relate to the impairment of mortgages receivable (notes 3(c)(*iii*) and 4).

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Cash and cash equivalents:

Cash and cash equivalents include components of cash that are readily available or convertible to known amounts of cash which are subject to an insignificant risk of changes in value. Cash consists of bank balances, including bank overdrafts with balances that fluctuate from being positive to overdrawn, cash on hand and short-term investments with an initial maturity of less than three months.

(b) Mortgages receivable:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

Mortgages receivable and the related interest receivable are classified as loans and receivables and are recognized on the date that they are originated. Such instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured on an amortized cost basis using the effective interest method, less any impairment losses.

Mortgages receivable are derecognized when the contractual rights to the cash flows from the instrument expire, or when it transfers the instrument in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. On derecognition, the difference between the carrying amount of the instrument (or the carrying amount allocated to the portion of the asset transferred), and the consideration received (including any new asset obtained less any new liability assumed) is recognized in net income.

(c) Financial liabilities:

The Company initially recognizes financial liabilities on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial liabilities, defined as bank indebtedness, accounts payable and accrued liabilities, deposits, dividends payable, and redeemable preferred stock have been classified as other financial liabilities which are accounted for on an amortized cost basis using the effective interest rate method. However, due to the short term nature of these financial liabilities, other than redeemable preferred shares (note 3(f)), their amortized cost is equivalent to amounts expected to be paid.

3. Significant accounting policies (continued):

(d) Impairment:

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of an amount due to the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Company considers evidence of impairment for mortgages receivable at both a specific mortgage and collective level. All individually significant mortgages receivable are assessed for specific impairment on a regular basis. All individually significant mortgages receivable found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Mortgages receivable that are not individually significant are collectively assessed for impairment by grouping together mortgages receivable with similar risk characteristics.

Mortgages receivable where interest or principal is contractually past due 90 days are automatically recognized as impaired, unless management determines that the loan is fully secured, or in the process of collection and the collection efforts are reasonably expected to result in either repayment of the loan or restoring it to current status.

In assessing collective impairment, the Company uses analysis of past performance and the level of allowance already in place, adjusted for management’s judgment as to whether current economic and credit conditions are such that actual losses are likely to be greater or less than suggested by past performance.

(e) Income taxes:

The Company qualifies as a MIC for Canadian income tax purposes. A MIC is a special purpose corporation defined under Section 130.1 of the Income Tax Act (Canada) and is generally able to deduct in computing its income for a taxation year, the amount of income for that year and amounts that within 90 days of year end are distributed to its shareholders. Accordingly, shareholders who receive any amounts as, or on account of, a taxable dividend, other than a capital gains dividend, will be subject to Canadian income or withholding tax.

The Company intends to make distributions to the extent necessary to reduce its taxable income each year to nil so that it has no income taxes payable under Part I of the Income Tax Act (Canada) and to elect to have distributions be capital gains dividends to the maximum extent allowable.

3. Significant accounting policies (continued):

(e) Income taxes (continued):

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(f) Redeemable preferred shares:

The Company classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. As such, Class A preferred shares, which are redeemable, are presented as a liability of the Company. These preferred shares are redeemable at a price equal to their original issue amounts plus the amount of dividends declared and unpaid and a pro-rata share of retained earnings at the time the redemption is paid out. Incremental costs directly attributable to the issuance of redeemable preferred shares are recognized as a deduction from the liability and amortized over 5 years.

(g) Common shares:

Common shares are classified as equity and presented at the value of the shares issued. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

(h) Revenue recognition:

Interest income on mortgage investments is recognized using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the mortgage receivable (or, where appropriate, a shorter period) to the carrying amount of the mortgage receivable. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the mortgage receivable, but not future credit losses.

3. Significant accounting policies (continued):

(h) Revenue recognition (continued):

The calculation of the effective interest method includes all fees and costs paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition of the mortgage receivable.

Interest income presented in the statement of income and comprehensive income represents interest on mortgages receivable measured at amortized cost, calculated on an effective interest basis.

Other revenue from administration fees relating to the mortgages receivable are recognized when the mortgage agreement is signed and funds are released.

(i) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(j) New standards and interpretations issued but not yet adopted:

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

IFRS 9, *Financial Instruments*, will replace the guidance in IAS 39, *Financial Instruments: Recognition and Measurement*, and consists of three separate phases, which include classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 15, *Revenue from Contracts with Customers*, provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

4. Mortgages receivable:

Mortgages receivable of $9,501,750 (2014 - $2,991,000) that have a due date of more than one year are classified as a long-term asset.

At year-end $53,775,870 (2014 - $25,289,965) of the total mortgages receivable are residential and $5,507,500 (2014 - $5,799,000) are commercial.

Total mortgages receivable are carried at the unpaid principal amount. On a periodic basis, management reviews the mortgage portfolio and the overall general real estate market to determine whether it is necessary to record an allowance for mortgage losses.

Conventional first mortgages are loans secured by a first priority mortgage charge with loan to values not exceeding 75% when issued. Conventional non-first mortgages are loans with specific charges not registered in first priority and with loan to values not exceeding 75%. The portfolio of mortgages receivable earn interest at a weighted average rate of 7.78% (2014 - 8.56%).

An allowance has not been recorded in these financial statements as management considers all amounts to be fully collectible.

As at August 31, 2015 nil (2014 - nil) mortgages were past due and impaired.

5. Bank indebtedness:

The Company has an operating line of credit available in the amount of $20,000,000 (2014 - $10,000,000) at a rate of prime plus 1.00% per annum. Balances outstanding are due on demand.

This loan is secured by a general security agreement on any current and future property of the Company, a general assignment of interest and principal payments due on mortgages receivable, a general assignment of mortgages receivable and an assignment of creditor and general insurance proceeds. The Company's cash flow coverage under the agreement may not exceed a ratio of less than 1.5:1 at the end of each fiscal year.

As at August 31, 2015, the balance outstanding on the line of credit was $11,640,454 (2014 - $2,875,698). The Company must also maintain a tangible net worth of no less than $20,000,000, a debt to equity ratio no greater than 1:1 and a current ratio no less than 2:1 measured monthly and at the end of each fiscal year.

6. Dividends:

The Company has declared dividends to the holders of Class A preferred shares, in accordance with the provisions for MICs in the Income Tax Act (Canada), where dividends paid within 90 days from the end of the fiscal period are deductible from the income of the Corporation. For the preferred shareholders, however, these dividends are taxed as interest income.

During the year, the Company declared dividends of $3,048,853 (2014 - $1,982,161) which represents a dividend of $0.08 per share (2014 - $0.09 per share) based on a time-weighted average number of shares issued and outstanding. Of these, $2,047,198 (2014 - $1,414,095) were reinvested in Class A preferred shares.

7. Redeemable preferred shares:

The Company has authorized unlimited Class A, non-voting, participating, redeemable preferred shares. At year-end the issued and outstanding shares were 46,520,964 and $46,458,678 (2014 - 27,621,910 - $27,578,470).

The Class A preferred shares are redeemable at the option of the holder or at the option of the Company at a redemption price equal to at $1 per share, their original issue amount, plus the amount of dividends declared and unpaid and a pro-rata share of retained earnings at the time notice of redemption is received. During the year the following share transactions occurred:

	2015	2014
Opening preferred share liability	$ 27,578,470	$ 14,310,757
Subscriptions - cash	20,659,644	12,789,137
Subscriptions - dividend reinvestments	2,047,209	1,414,095
Redemptions	(3,807,780)	(908,824)
Adjustment for share issuance costs	(18,865)	(26,695)
	$ 46,458,678	$ 27,578,470

As at August 31, 2015, 6,974,544 (2014 - 2,607,507) of the Class A preferred shares are held by related parties of the Company at a cost of $1 per share.

8. Common shares:

The Company's common shares consists of the following:

Authorized:

Unlimited common shares without par value

	2015	2014
Issued:		
11 common shares	$ 11	$ 11

9. Related party transactions:

The following transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

(a) During the year, the Company paid management fees of $671,633 (2014 - $383,497) to a company in which a director, who is also a common shareholder, holds a controlling interest. At August 31, 2015, $146,710 (2014 - $51,919) is due to this related company and is included in accounts payable and accrued liabilities.

(b) Directors, close-related family members and companies under common control with common shareholders, who own Class A preferred shares in the Company received $304,670 (2014 - $203,473) in dividend income during the year. These dividends were paid in the normal course of business consistent with all Class A preferred shares.

There are no commitments or guarantees attributed to the Company from the related parties at August 31, 2015.

10. Financial instruments:

(a) Fair value measurement:

The carrying values of cash, interest receivable, current portion of mortgages receivable, bank indebtedness, accounts payable and accrued liabilities, deposits and dividends payable approximate their fair values due to the short-term nature of these instruments. The fair value of long-term mortgages receivable are approximately equal to the carrying amounts.

The Company's financial instruments are measured at fair value on a recurring basis and in periods subsequent to initial recognition are measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Unadjusted market prices in active markets for identical assets and liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The level in the fair value hierarchy within which the fair value is categorized shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

As at August 31, 2015, the Company has no financial instruments measured at fair value (2014 - nil).

10. Financial instruments (continued):

(b) Financial risk management:

The Company is exposed to various risks of holding financial instruments. These risks have been categorized as interest rate risk, credit risk and liquidity risk. The following analysis enables users to evaluate the nature and extent of the risks as at August 31, 2015:

(i) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's earnings are subject to fluctuations in interest rate and the degree of volatility of these rates. The Company's interest rate risk exposure arises due to its available operating line of credit. The Company attempts to minimize and monitor its exposure to interest rate risk through quantitative analysis of its net positions of short term borrowings.

An increase of 100 basis points (1%) in interest rates, sustained throughout the year, would have an immaterial impact on the shareholders' equity of the Company at August 31, 2015.

Cash management is based on the Company's cash flow needs in order to optimize its interest income and reduce its interest expense. Mortgages receivable bear a fixed rate of interest until renewal and are held in a mix of long and short term maturities to enable the Company to respond to changes in market rates. The line of credit held by the Company bears a variable rate of interest based on the prime rate. Derivative instruments are not used to reduce exposure to interest rate risk.

(*ii*) Credit risk:

Credit risk is the risk that arises from the possibility that an entity to which the Company provides funding may not be able to repay their financial obligation. Credit risk arises from cash held with financial institutions, as well as credit exposures to clients, including outstanding interest and mortgages receivable. The maximum exposure is equal to the carrying value of the financial assets as at the statements of financial position date. The Company's cash is held with reputable financial institutions, and cash balances are insured by the Canada Deposit Insurance Corporation up to CDIC limits. Interest and mortgages receivable are collateralized by a claim against the title of the underlying properties.

(*iii*) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash. The Company's objective in managing liquidity risk is to maintain sufficient cash balances in order to meet its operational requirements at any point in time. Based on current assets, operating cash on hand, mortgages receivable within the next fiscal year and available operating line of credit, management believes that sufficient liquidity exists to satisfy current obligations.

11. Capital management:

The Company's objectives when managing capital are to:

(*i*) Maintain financial flexibility in order to preserve its ability to meet its financial commitments, including possible obligations;

(*ii*) Maintain a capital structure that allows it to finance its growth strategy with cash flows from its operations and its debt capacity; and

(*iii*) Optimize the use of its capital to provide an appropriate return on investment to its shareholders and to maintain sufficient liquidity in the company to distribute dividends to shareholders quarterly throughout the fiscal year and within 90 days thereafter to reduce its taxable income to a negligible amount.

The Company defines capital as the sum of its assets, net of its liabilities, which approximates shareholders' equity.

The Company's financial strategy is developed and adapted on the basis of market conditions to maintain a flexible capital structure consistent with the objectives stated above and to respond to the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may refinance an existing debt, take out new borrowings, repurchase preferred shares for cancellation pursuant to normal course issuer bids or issue new preferred shares.

The Company's financial strategy and objectives are reviewed annually. The Company believes that its current ratios are satisfactory, given its size, capital management objectives and growth strategy.

12. Comparative information:

Certain balances of the preceding year have been reclassified to conform with the current year's financial statement presentation.

MORTEQ LENDING CORP.

NOTES TO INTERNAL – INTERIM FINANCIAL STATEMENTS
November 30, 2015

MORTEQ LENDING CORP.
Balance Sheet
As of November 30, 2015

	Nov 30, 15	Nov 30, 14
ASSETS		
Current Assets		
Chequing/Savings	-13,386,213.24	1,507,383.06
Other Current Assets	337,626.52	190,525.69
Total Current Assets	-13,048,586.72	1,697,908.75
Other Assets		
Mortgages Receivable	70,107,483.23	30,093,435.10
Prepaid Expenses	251,782.00	3,200.00
Total Other Assets	70,359,265.23	30,096,635.10
TOTAL ASSETS	**57,310,678.51**	**31,794,543.85**
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable	200,170.95	28,459.00
Other Current Liabilities	1,494,705.43	794,613.22
Total Current Liabilities	1,694,876.38	823,072.22
Total Liabilities	**1,694,876.38**	**823,072.22**
Equity		
Capital Stock	11.00	11.00
Dividends Current	-3,048,872.86	-2,094,025.86
Share Capital	57,680,617.85	32,509,584.65
Share Issuance Costs	-67,318.87	-43,439.91
Net Income	1,051,365.01	599,341.75
Total Equity	55,615,802.13	30,971,471.63
TOTAL LIABILITIES & EQUITY	**57,310,678.51**	**31,794,543.85**

MORTEQ LENDING CORP.
Balance Sheet
As of November 30, 2015

	Nov 30, 15	Aug 30, 15
ASSETS		
Current Assets		
Chequing/Savings	-13,386,213.24	-11,640,454.28
Other Current Assets	337,626.52	343,483.09
Total Current Assets	-13,048,586.72	-11,296,971.19
Other Assets		
Mortgages Receivable	70,107,483.23	59,283,370.00
Prepaid Expenses	251,782.00	251,782.00
Total Other Assets	70,359,265.23	59,535,152.00
TOTAL ASSETS	**57,310,678.51**	**48,238,180.81**
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable	200,170.95	174,205.79
Other Current Liabilities	1,494,705.43	1,605,285.94
Total Current Liabilities	1,694,876.38	1,779,491.73
Total Liabilities	**1,694,876.38**	**1,779,491.73**
Equity		
Capital Stock	11.00	11.00
Dividends Current	-3,048,872.86	-3,048,872.86
Share Capital	57,680,617.85	46,521,002.89
SHARE ISSUANCE COSTS	-67,318.87	-62,304.91
Net Income	1,051,365.01	3,048,852.96
Total Equity	55,615,802.13	46,458,689.08
TOTAL LIABILITIES & EQUITY	**57,310,678.51**	**48,238,180.81**

MORTEQ LENDING CORP.
Profit & Loss
September through November 2015

	Sep - Nov 15	Sep - Nov 14
Ordinary Income/Expense		
Income		
Revenue	1,420,155.61	707,442.63
Total Income	1,420,155.61	707,442.63
Expense		
Bank Service Charges	3,302.67	1,573.52
Insurance Expense	0.00	1,600.00
Interest Expense	90,311.92	4,447.84
Management Fees	258,353.84	78,396.79
Professional Fees	16,822.17	22,082.73
Total Expense	368,790.60	108,100.88
Net Ordinary Income	1,051,365.01	599,341.75
Net Income	**1,051,365.01**	**599,341.75**

MORTEQ LENDING CORP.
Statement of Cash Flows Prev Year Comparison
September through November 2015

	Sep - Nov 15	Sep - Nov 14
OPERATING ACTIVITIES		
Net Income	1,051,365.01	599,341.75
Adjustments to reconcile Net Income		
to net cash provided by operations:		
Interest Receivable	5,856.57	61,618.30
Lender Fees Receivable	0.00	-1,077.50
Accounts Payable	25,965.16	-35,087.56
Deferred Interest Revenue	-110,580.51	-47,464.42
Deposits Received	0.00	-2,085.26
Net cash provided by Operating Activities	972,606.23	575,245.31
INVESTING ACTIVITIES		
Mortgages Receivable	-10,824,113.23	995,530.02
Prepaid Expenses	0.00	1,600.00
Net cash provided by Investing Activities	-10,824,113.23	997,130.02
FINANCING ACTIVITIES		
Dividends Current	0.00	-111,865.00
Share Capital	8,110,762.00	2,905,514.00
SHARE ISSUANCE COSTS	-5,013.96	0.00
Net cash provided by Financing Activities	8,105,748.04	2,793,649.00
Net cash increase for period	-1,745,758.96	4,366,024.33
Cash at beginning of period	-11,640,454.28	-2,858,641.27
Cash at end of period	-13,386,213.24	1,507,383.06

1. Nature of the business

MortEq Lending Corp. is a mortgage investment corporation pursuant to Section 130.1 of the Income Tax Act. It was incorporated under the Business Corporations Act on November 16, 2006.

2. Summary of significant accounting policies

(a) Income Taxes

No provision for income taxes has been made in these financial statements as the company is a Mortgage Investment Corporation in accordance with Section 130.1 of the Income Tax Act. No tax is payable providing all income earned is paid out as dividends within 90 days of the fiscal year end.

(b) Revenue Recognition

Interest is recognized on a straight-line basis over the mortgage term. Mortgage fees and administrative income are recognized when the mortgages are funded.

(c) Mortgages Receivable

Mortgages receivable are carried at cost.

(d) Dividends

Dividends on all issued shares are calculated on a pro-rated quarterly basis. Dividends are paid within thirty (30) days of each fiscal quarter end. The quarterly dividend at the Corporation's fiscal year end is paid within ninety (90) days of the fiscal year end.

(e) Financial Instruments

The company's financial instruments consist of cash, receivables, mortgages and accounts payable. Unless otherwise noted, it is management's opinion that the company is not exposed to significant currency risks arising from these financial instruments. However, there is exposure to interest and credit risks in its portfolio.

(f) Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the valuation of mortgages and accounts receivable, and provisions for impaired loans. Actual results could differ from those reported.

3. Management fees and related party transactions

The management fee is calculated as a percentage of the mortgage portfolio and is paid at a rate of 1.5% of the Invested Mortgage Portfolio.

The fee is paid to PHL Capital Corp., a company controlled by Mr. Parminder Purewall and Mr. Steven Ponte, who are also Directors of MortEq Lending Corp. All management fees are paid upon approval of the Board of Directors.

4. Mortgages receivable

The company has mortgages totaling $70,107,483 as at November 30, 2015 (2014 - $30,093,435). As of that date, there were two mortgages in collection totalling $1,493,750 (2014 - $NIL).

ITEM 13

DATE AND CERTIFICATE

Dated: February 24, 2016

This offering memorandum does not contain a misrepresentation.

MORTEQ LENDING CORP.

Per: *"Parminder Purewall"*
Parminder Purewall
President

Per: *"Steven Ponte"*
Steven Ponte
Corporate Secretary

Per: *"Harjit Grewal"*
Harjit Grewal
Director

Per: *"Sunjeev Bath"*
Sunjeev Bath
Director