OFFERING MEMORANDUM

Date: **December 10, 2015**

The Issuer

Name:	**PARADIGM MORTGAGE INVESTMENT CORPORATION** (the "Company", "we" or "us")
Head Office:	210 - 1980 Cooper Road, Kelowna, British Columbia V1Y 8K5
Phone:	250-979-2911
Fax:	250-762-3297
Email:	info@teamparadigm.ca
Website:	www.teamparadigm.ca

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:	5,000,000 (redeemable) Class B Voting Common shares, Series 1 2,000,000 (redeemable) Class C Voting Preferred shares, Series 1 2,000,000 (redeemable) Class C Voting Preferred shares, Series 2 (individually, a "Share" and collectively the "Shares")
Price per Security:	$0.77 per Class B Share, Series 1 (current net asset value per share) $1.00 per Class C Share, Series 1 $1.00 per Class C Share, Series 2 (the "Subscription Price")
Minimum Offering:	**There is no minimum. You may be the only purchaser. Funds available under the offering may not be sufficient to accomplish our proposed objectives.**
Maximum Offering:	$7,850,000 (9,000,000 Shares)
Minimum Subscription Amount:	There is no minimum subscription amount an investor must invest.
Payment terms:	The full Subscription Price will be payable by bank draft or certified cheque upon closing ("Closing").
Proposed closing date(s):	One or more Closings may occur on a date or dates established by the Company until the earlier of such date determined by the Company or the issuance of the Company's annual financial statements for its current financial year. All subscriptions are subject to rejection or acceptance in full or in part and the Company may terminate this offering of the Shares (the "Offering") at any time without notice.
Income tax consequences:	There are important tax consequences to these securities. See item 6 "Income Tax Consequences and Eligibility for Registered Investments".
Selling agent:	No. The Company has not appointed a selling agent for the Offering but may retain one or more selling agents during the course of the Offering. See Item 7 "Compensation Paid to Sellers and Finders".

Resale Restrictions:

You will be restricted from selling your Shares for an indefinite period. See item 10 "Resale Restrictions".

Purchaser's Rights:

You have two (2) business days to cancel your agreement to purchase these Securities. If there is a misrepresentation in this offering memorandum, you have the right to sue either for damages or to cancel this agreement. See item 11 "Purchaser's Rights".

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. See item 8 "Risk Factors".

TABLE OF CONTENTS

Forward-Looking Information

Certain statements herein may contain forward-looking information within the meaning of applicable securities laws. Forward-looking information appears in a number of places and can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “schedule”, “estimates”, “forecasts”, “intends”, ”anticipates” or “does not anticipate” or “believes” or variations of such words and phrases or statements that certain actions, events or results “may” , “could”, “would”, “might”, or “will” be taken, occur or be achieved. Forward-looking information includes statements regarding the offering, the proposed use of proceeds, working capital deficiency, proposed distributions and portfolio development. With respect to forward-looking information contained herein, we have made numerous assumptions including assumption about our ability to raise financing under the offering, status as a Mortgage Investment Corporation (“MIC”) under the Canada *Income Tax Act* (the “Tax Act”) and state of economic, competitive and lending conditions. Such forward-looking information is subject to risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Such risks includes our ability to maintain its status as a MIC under the Tax Act and to maintain a positive return on the investment, economic, competitive and lending conditions, conflict of interest and reliance on its manager. See item 8 “Risk Factors”.

There can be no assurance that forward-looking information referenced herein will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements or information. Also, many of the factors are beyond our control. Accordingly, readers should not place undue reliance on forward-looking information. We undertake no obligation to reissue or update any forward-looking information except as required by law.

All forward-looking information herein is qualified by this cautionary statement.

Item 1. Use of Available Funds

1.1 Funds

The net proceeds of the Offering and the funds which will be available to us from other sources are as follows:

		Assuming	
	Description	**Minimum Offering**	**Maximum Offering**
A	Amount to be raised by this Offering	$0	$7,850,000
B	Selling commissions and fees	$0	$0
C	Estimated offering costs (e.g. legal, accounting, audit, etc.)	$10,000	$15,000
D	Available funds: D = A - (B + C)	($10,000)	$7,835,000
E	Additional sources of funding required	$0	$0
F	Working capital deficiency	$0	$0
G	Total: G = (D + E) - F	($10,000)	$7,835,000

1.2 Use of Available Funds

We intend to use the funds available to us from the Offering, as estimated in Item 1.1 "Funds", as follows:

Description of intended use of available funds listed in order of priority.	Assuming	
	Minimum Offering	Maximum Offering
Invest in residential, commercial, construction and other mortgage loans in British Columbia, Alberta, Saskatchewan and Manitoba	$0	$7,150,000
Partial repayment of credit facility (1)	$0	$685,000
Totals	$0	$7,835,000

1. See Item 4.2 "Capital Structure – Long Term and Short Term Debt Securities".
2. Investor's funds may be used indirectly, by way of repayment of line of credit advances, to pay redemptions or distributions. However, distributions and redemptions are generally paid from our net income plus mortgage payouts, while investor funds will be used to fund new mortgages and partially repay the credit facility.

1.3 Reallocation

We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.

Item 2. Business of Paradigm Mortgage Investment Corporation

2.1 Structure

We are a company incorporated under the former British Columbia *Company Act* on July 8, 1994. We transitioned under its successor, the British Columba *Business Corporations Act* (the "BCA"), on September 7, 2006. We are extra-provincially registered to carry on business in Alberta, Saskatchewan and Manitoba.

We changed our name from Mission Creek Mortgage Ltd. to Paradigm Mortgage Investment Corporation on December 10, 2012. Our head office and registered and records offices are located at #210 - 1980 Cooper Road, Kelowna, British Columbia, V1Y 8K5.

2.2 Our Business

Overview

The Company currently qualifies, and under its Articles is required to remain qualified, as a MIC under Section 130.1 of the Tax Act. As a MIC, the Company operates as a "flow through" conduit of its net profit to its Shareholders by annually distributing all of its net profit to them. The Tax Act provides that by annually distributing all of its net profit, a MIC does not pay income taxes on such net profit and the only income tax on the net profit distributions is paid by the Shareholders (which distributions are taxed as income, not dividends).

Our business involves making loans secured by mortgages on real estate in Canada for the purpose of generating a return for Shareholders. It is our intention to invest in a portfolio of residential, commercial, construction and other mortgages in western Canada. There is an established need for real estate mortgage financing that is not readily provided by banks, trust companies, credit unions and other traditional lenders. Shorter term (generally one year) mortgage financing is a continuing need of individuals, builders, real estate developers and corporations (borrowers). Because of their need for flexibility and quick response times, these parties require the services of private lenders and organizations such as the Company. In most cases, mortgage loans are made to borrowers at higher interest rates and fees than generally charged by more traditional lenders because these loans do not meet the standard financing criteria for conventional bank mortgages.

The objective of the Company is to make prudent investments in mortgages commensurate with the higher yield, higher risk niche in which the Company competes, which mortgages provide financing for real property located only in Canada. Mortgages may be first, second or subsequent mortgages. Mortgages are generally sourced by licensed mortgage brokers operating throughout western Canada.

The mortgages granted to the Company will not generally meet the underwriting criteria of conventional lenders. As a result, the Company's investments are expected to be subject to greater risk while earning higher rates of interest than the rates generally obtainable through conventional mortgage lending activities. The Company's investment portfolio will vary from time to time depending on the Company's assessment of real property markets, and general economic conditions in specific regions and nationally within Canada in which the Company may invest. The investment activity of the Company is dependent on a high level of experience and expertise in assessing potential investments.

We are registered or licenced as a mortgage broker in British Columbia and Alberta. In Saskatchewan and Manitoba we are either exempt from registration or carry on business through registered or licenced mortgage brokers. In British Columbia, the Office of the Registrar of Mortgage Brokers at the Financial Institutions Commission regulates the mortgage brokering and lending activities of Mortgage Investment Corporations (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. We may change the provinces outside of British Columbia in which we are licenced as a mortgage broker and in which we make loans depending on financial results from each province.

The Company funds its investments primarily through the sale of Shares, dividend re-investment and borrowings. The Company may employ leverage, as permitted by the Tax Act and other applicable legislation, by issuing debt obligations up to a maximum of one times the net book value of its assets. The Company borrows to the extent that the Manager (as defined below under "Management") is satisfied that such borrowing and additional investments will increase the overall profitability of the Company. As a MIC under the Tax Act, the Company is allowed deductions from income in respect of dividends paid out to its Shareholders. The Company intends to pay out all of its net income and net realized capital gains as dividends (which dividends are taxed as income in the hands of the Shareholders, not as dividends) and, as a result, does not anticipate paying any income tax. See Item 6 "Income Tax Consequences and Eligibility for Registered Investments".

Residential Mortgages

The single-family conventional mortgage market in Canada is dominated by the Schedule I banks which are aggressive in underwriting single-family conventional mortgage loans under rigid underwriting criteria. However, in certain situations business opportunities exist for lenders such as the Company.

Schedule I Banks are less aggressive in pursuing single-family conventional mortgage loans where the borrower has damaged credit or is self-employed or compensated by commission income as opposed to a wage or salary, or has experienced difficulties as a result of a failed business venture, loss of employment or lack of long-term employment. Consequently, borrowers who do not meet the rigid underwriting criteria of the Schedule I Banks find it difficult to obtain financing from traditional financial institutions, regardless of loan-to-value ratios or the equity they possess in the property(s) offered as security for the mortgage. In short, MICs such as the Company are generally equity-based lenders, while conventional financial institutions tend to be income-based lenders as well as equity-based lenders.

As at November 30, 2015, the Company held 203 residential mortgages, which amount does not include any bare land component that totalled $38,151,209. This is 78% by number and 46% by dollar value of the Company's mortgages.

As at November 30, 2015, approximately 91% by number and 65% by dollar value of the Company's mortgages were secured against residential properties and bare land. This includes loans to real estate owners or developers that are secured by a fixed rate mortgage charging single, multi-unit and investment residential property, including interim construction financing on residential units.

For the purposes of the foregoing, “residential mortgages” include mortgages on undeveloped land intended for the development of residential dwellings (See “Mortgages on Raw (Un-Serviced) Land, Serviced Lots and Land Development” below). However, for the mortgage portfolio breakdown tables below, residential mortgages do not include loans to real estate developers or for vacant land Except in special circumstances, the Company no longer makes loans secured only by undeveloped lands although the Company may make loans on developed single family lots as part of its construction financing or if the borrower is able to pledge additional security as part of the loan.

Typically, the Company lends up to 75% of the property value (called “loan to value” or “LTV”) under mortgages with terms of one year, whereas loans by conventional financial institutions generally have terms of up to five years.

Commercial Mortgages

The Company defines a commercial mortgage as a loan that is secured by a fixed rate mortgage charging multi-unit, commercial, industrial or commercial investment property, including interim construction financing on commercial units. **For the purposes of the foregoing, “commercial mortgages” include undeveloped land intended for the development of commercial dwellings** (See “Mortgages on Raw (Un-Serviced) Land, Serviced Lots and Land Development” below).

As at the November 30, 2015, approximately 9% by number and 35% by dollar value of the Company’s mortgages are secured against commercial properties. The Company’s commercial mortgages generally have terms of one year, whereas loans by conventional financial institutions generally have terms of up to five years.

Borrowers are willing to pay higher rates of interest for shorter term commercial mortgages. Once the construction, renovation or need for interim funds is complete, borrowers typically refinance their debt with longer-term loans at lower interest rates with conventional financial institutions. The Company takes an approach to commercial lending that is cautious, with considerable emphasis placed on the integrity and management skills of the business principals. Typically, the Company lends up to 65% LTV on commercial mortgages.

Mortgages on Raw (Un-Serviced) Land, Serviced Lots and Land Development

As at November 30, 2015, approximately 34 mortgages totalling $30,198,652 (13% by number and 36% by dollar value) of the Company’s mortgages were secured against raw land for purposes of future development. The Company lends on raw land on a case by case basis and usually not for land speculation purposes. Prior to 2012, the Company did provide loans to large real estate developments as part of its regular business operations. In 2012, the Company reset its business focus back to the core business of lending on residential properties with homes located within 50 kilometres of those urban centres listed under “Investment Policies” and much smaller loan sizes. The Company may make loans on developed single family lots as part of construction financing or if the borrower is able to pledge additional security as part of the loan.

Typically, the Company lends up to 50% of raw land value although the amount is dependent upon the location and mortgage type. If the land is to be developed for construction, the Company may consider a construction mortgage as well. In all cases, the value of the raw land used for determining the maximum loan amount (50% of the value) is the value as the land currently exists, not what it may be valued at following completion of construction.

Second Mortgages

As at the November 30, 2015, second mortgages (where another lender has first priority mortgage position ahead of the Company) are approximately 17% by number and 8% by dollar value of the Company’s mortgage portfolio. Although infrequent, the Company may advance a loan secured by its own second mortgage behind its own first mortgage. Approximately 83% by number and 93% by dollar value of the Company’s mortgages are first mortgages (the first priority position as security on a property). Typically, the Company lends up to 75% of the property value including any first mortgages ahead of the Company’s second position.

Due Diligence

The Company identifies mortgage investment opportunities based on an economic analysis of various geographic markets and properties. The Company generally limits its mortgages to properties located in urban areas that demonstrate reasonable growth and economic stability.

Due diligence investigations on each proposed loan are undertaken by the Manager, on behalf of the Company. This due diligence process, based on the type of loan may include but is not limited to, borrower applications, credit bureau searches, appraisals, environmental reports and financial statements. The Manager's due diligence is tailored to each investment opportunity. Upon completion of due diligence, proposed loans follow an established approval process based on loan type and size.

The Manager, on behalf of the Company, monitors loans and mortgages, assesses status, risk, rate, and deals with mortgages that are not operating satisfactorily or are impaired in order to identify problems early, reverse potential problems, minimize eventual losses, and avoid overstating assets and revenue.

Workout Loan Agreements

Workout loans are entered into only in relation to the Company's existing mortgage loans where it can be demonstrated that the workout loan may result in an improved position for the Company. Any workout loans over $500,000 require approval by the Company's Board of Directors before being made. As at the date of this offering memorandum, there are four mortgage loans which total $4,954,517, that constitute workout loans.

Workout loan agreements are the result of a process where the Company works with a borrower to explore alternatives to foreclosure or bankruptcy after a default. This may involve the Company receiving additional collateral, lengthening the term of the loan, providing additional lending to make the repairs necessary to sell the property at its best price, rescheduling repayments, or any number of negotiated terms and conditions.

Work out loan agreements can also be structured to mitigate losses that may occur in the foreclosure process as a consequence to selling a distressed property. As an example, a new borrower may request the Company finance the purchase of the distressed property with flexible terms. The Company will consider such financing if the borrower can demonstrate that it has the ability to improve the value of the property over time and that the mortgage loan will be performing going forward.

Workout loans usually exceed the Company's LTV policy at mortgage origination for a specific type of mortgage loan (i.e. for residential first mortgages, the maximum LTV is 75%). In some cases, generally when mortgages are in default, the loan to value ratio may be in excess of the general operating policy limits because of unpaid interest and other costs incurred on behalf of the borrower such as property taxes, insurance, strata fees and legal fees. Any workout loan agreements are negotiated by senior management and, if over $500,000, must be approved by the Board of Directors.

Our Manager

The Company has entered into a Management Services Agreement effective November 1, 2012 (the "Management Agreement") with Paradigm Mortgage Corporation (the "Manager"), a British Columbia incorporated company and registered mortgage broker under the British Columbia *Mortgage Brokers Act*. The agreement expires on August 31, 2018 and is non-assignable. The agreement will be considered for renewal and approval in 2017 by our Board of Directors. The Manager has provided management and administration services to the Company since the Company's formation in 1994. If the Management Agreement is terminated, the Manager will not be entitled to any penalty or special compensation for its discontinued services as a result of such termination.

Pursuant to the agreement, the Manager is solely responsible for managing our day-to-day operations in accordance with our Articles and investment policies, including:

(a) originating, processing and administering mortgage loans secured by real property;

(b) advertising and marketing;

(c) providing administrative services for the operation of the Company including quarterly reports to our directors, shareholder communications and preparation of accounting information for our auditors; and

(c) providing employees, office space and administrative services required by us in carrying on business as a MIC under the Tax Act.

The agreement does not prohibit the Manager from engaging in similar management activities for other companies and institutions, including other MICs. The Manager is prohibited under the agreement from borrowing from the Company.

The Company pays the Manager a fee of 1½% per year for its services (the "Management Fee"). The Management Fee is calculated against the total outstanding mortgage balances and real estate holdings and is payable monthly. To help reverse the Company's current negative retained earnings, the Manager reduced its future management fees by $1,000,000, effective August 31, 2014. This reduction was allocated as to $400,000 in 2014 and $150,000 per year from 2015 through 2018. Management fees were further reduced due to the management company revising its contract such that fees are now payable on assets under management less any doubtful accounts and bad debt allowances. Previously, doubtful accounts and bad debt allowances were not excluded from the calculation of management fees. In addition to its 1½% fee, any loan origination or other fees charged to borrowers are split 50/50 between the Company and the Manager.

The expenses paid directly by the Company instead of the Manager include:

- the cost of acquisition of mortgages;
- appraisal fees;
- foreclosure costs;
- any commission or brokerage fees on the purchase and sale of the mortgage portfolio or any part thereof;
- taxes of all kinds to which the Company is subject;
- interest expenses;
- fees payable in respect of the issuance and administration of the Shares;
- the cost of submitting financial reports and providing other information to shareholders and regulators;
- photocopying;
- land title searches;
- printing costs;
- real estate commissions;
- commissions or fees to Exempt Market Dealers, if applicable;
- insurance premiums; and
- travel to borrowers' locations to help assess and administer the loans.

All expenses paid by the Company must be approved by the Manager.

The Company has also entered into a Registrar and Transfer Agent Agreement dated February 12, 2012 with the Manager pursuant to which the Manager acts as the Company's manager and transfer agent in respect of its shares and maintain the Company's Central Securities Register. The agreement can be terminated on 30 days notice by either party.

The Manager is owned by:

- Meier Enterprises Ltd. (owned by Rae Meier (our former President), Gail Meier and the Meier Family Trust, of which Rae Meier and Gail Meier are the trustees) – 28.25%;

- Kensington Enterprises Ltd. (owned by Donald Crompton (one of our directors) and Victoria Crompton and their adult children: Jackson Crompton, Benjamin Crompton, Daniel Crompton and Gregory Crompton) – 28.25%;

- R553 Enterprises Ltd. (owned by Leanne Wilson (our President) and Samuel Wesley Wilson) – 12.75%;

- Gramar Holdings Inc. (owned by Marylyn Needham (our CFO and Vice-President) and Needham Family Trust, of which Marylyn Needham is the trustee) – 10.25%;

- B&D Graham Enterprises Ltd. (owned by the Graham Family Trust, of which Bradley Graham (our Portfolio Manager) and Donna Graham are the trustees) – 10.25%;

- 1975 Lee Holdings Corp. (owned by Ryan Lee, (Broker and Capital Relations Manager) and Wendy Lee) – 10.25%

Investment Policies

The Company's investment policies have been determined by the Board of Directors and enable it to qualify for the special tax treatment afforded to MICs under the Tax Act.

The Company's investment policies provide that its business activities will be conducted in accordance with the following guidelines:

(a) the Company will invest primarily in mortgages with terms of 12 months, but may invest in mortgages with terms of up to 60 months;

(b) the maximum LTV guidelines at the time of mortgage origination or advancement are:
- 50% of value of raw land,
- 65% of value of commercial or non-residential real estate, and
- 75% of value of residential real estate.

In all cases, the value used for determining the maximum loan amount (based on the foregoing LTV percentages) is the value of the property as it exists at the time of the mortgage origination or advancement of the loan, not what it may be valued at following completion of any development or construction;

(c) investments of the Company will be made primarily in, or within 50 kilometres of, the following urban centres in British Columbia, Alberta, Saskatchewan and Manitoba:

British Columbia	Alberta	Saskatchewan	Manitoba
Greater Vancouver	Edmonton	Regina	Winnipeg
Fraser Valley	Calgary	Saskatoon	Brandon
Victoria	Red Deer	Moose Jaw	
Nanaimo	Grand Prairie	Weyburn	
Kamloops	Lethbridge	Estevan	
Kelowna	Medicine Hat	Swift Current	
Penticton		Yorkton	
Vernon		Prince Albert	
Prince George			

The Company may also invest in mortgages in smaller centres on an exception basis based upon the merits of the transaction;

(d) a current independent appraisal is required for most mortgage applications, such appraisals to be prepared by independent, qualified appraisers acceptable to the Company. To be acceptable, appraisers must have both the Certified Residential Appraiser (CRA) and Accredited Appraisal Canadian Institute (AACI) designations;

(e) mortgage applications under $500,000 must be approved by two senior loans officers of the Manager;

(f) mortgage applications over $500,000 must be approved by two senior loans officers of the Manager as well as by one Company director;

(g) the current maximum loan amount per property on any new mortgage will be limited to $1,000,000 unless the loan is for the re-finance of an existing loan and must be approved by the Board of Directors;

(h) the mortgage portfolio may be partially margined for a line of credit and promissory notes so that the Company can optimize earnings through reasonable leverage as well as meet the demand for new mortgage lending, operating expenses, dividend distributions and share redemptions;

(i) advances made for construction mortgages are determined based on the current value at the time of advance and further advances are made under such loans only when property values increase as a result of construction of improvements progressing; and

(j) generally the Company no longer makes loans on undeveloped lands except on building lots in conjunction with construction financing with funds advanced by way of advances on work completed.

Furthermore, such investments are subject to the following restrictions under the Tax Act:

(a) at least 50% of the cost amount of the assets of the Company must be invested in loans secured by houses or property included in a housing project, as those terms are defined in the *National Housing Act* (Canada) * or held in cash deposits with approved depositories;

(b) no more than 25% of the cost of all Company assets can consist of ownership of real estate unless acquired through foreclosure;

(c) the Company cannot invest its funds in:

  (i) real estate located outside of Canada or in leasehold interests in such real estate,

  (ii) debts of persons not resident in Canada unless the debt is secured by a mortgage on real estate located within Canada, and

  (iii) shares of corporations not resident in Canada;

** The National Housing Act (Canada) provides that "'house" means a building or movable structure intended for human habitation containing not more than two family housing units, together with the land, if any, on which the building or movable structure is situated;" and that "'housing project" means a project consisting of one or more houses, one or more multiple family dwellings, housing accommodation of the hostel or dormitory type, one or more condominium units or any combination thereof, together with any public space, recreational facilities, commercial space and other buildings appropriate to the project, but does not include a hotel."*

Revolving Demand Credit Facility

The Company has arranged a revolving demand credit facility (the "Line of Credit") with the Toronto-Dominion Bank ("TD Bank") for an authorized amount totalling $25,000,000 in order to achieve optimum earnings through reasonable leverage as well as meet the demand for new mortgage lending, operating expenses, dividend distributions and share redemptions. The Company arranged this financing to allow it to leverage assets provided that the capital base of the Company is sufficient to satisfy the lender. The Company may arrange additional or alternate financing through other appropriate lenders as authorized by the directors from time to time.

Under the facility agreement, the Company could either borrow by way of a demand loan at TD Bank's prime plus 1% or use Bankers Acceptances at a stamping fee of 2.4% per annum in addition to a stated interest rate. As security for the bank indebtedness, the Company has provided the TD Bank with a general security agreement and a general hypothecation of collaterals.

Operating Policy

The Company intends to invest its funds in residential and non-residential mortgage loans secured by first or second mortgages or, in rare instances, third mortgages. Loans will generally be limited to a maximum of 75% of the appraised value of the mortgaged property less the amount of any prior mortgages. The maximum term will be 60 months but generally loans will be made for 12 month terms only. The Company may also invest its funds in construction mortgage loans and interim mortgage loans providing for interest-only payments. In some cases, generally when mortgages are in default, the loan to value ratio may be in excess of the general operating policy limits because of unpaid interest and other costs incurred on behalf of the borrower such as property taxes, insurance, strata fees and legal fees.

No mortgage loan exceeding 20% of the cost amount of all the assets of the Company at the time of origination will be made to any one borrower or project.

Independent appraisals are required as a part of the approval process of most mortgage loans. Mortgage loans are only made where appraisals and all other relevant materials including, where appropriate, credit, financial, and economic reports are satisfactory to the Company.

Where warranted, the Company may agree to renew a mortgage loan for an additional term. Renewal decisions are made pursuant to a modified underwriting procedure. The Manager conducts a review of the loan file and an evaluation of the security and payment history of the borrower prior to determining whether a renewal term should be offered.

2.3 Development of the Company's Business

Since Incorporation in 1994, the Company has qualified as a MIC under the Tax Act and has been solely engaged in raising capital for investment in mortgages secured by real estate property located in western Canada. The Company has grown through its lending practices and establishing and maintaining important relationships with a large number of licensed mortgage brokers. The Company's mortgages are well diversified throughout British Columbia, Alberta, Saskatchewan and Manitoba.

Past Performance

The average return which our Shareholders receive on their investments is determined annually after the completion of our audit as at our August 31st financial year end. The effective annual dividend rate on Share capital for our Shareholders for the past five years is set out in the following table:

2015	2014	2013	2012	2011
1.98%	0.00%	4.72%	5.03%	6.10%

The Company's operating results are sensitive to changes in the value of the real estate collateralizing the Company's mortgage investments. That sensitivity necessitated the Company to re-assess the underlying realizable value of security for various specific mortgage loans in 2015 and 2014 resulting in principal loan losses of $18,485,000 in 2015 and $9,800,000 in 2014. This resulted in retained earnings deficits of $21,456,000 as at August 31, 2015 and $4,158,000 as at August 31, 2014.

The Company is committed by its Articles to redeem up to 10% of its total share capital each year, if requested. Redemptions are generally funded from cash on hand, however, due to the foregoing losses, redemptions in 2014 were substantially funded by drawing on the Company's line of credit.

Distributions were suspended in 2014 but reinstated for 2015 and the Directors plan to continue to declare dividends equal to 50% of its operating income each year until the retained earnings deficit is eliminated.

Other factors which affect the amount of such dividend rates of return are described in Item 8 'Risk Factors'. The rates of return are averages for all of our Shareholders and may not reflect the return received by any one Shareholder. There is no guarantee that such rates of return will continue or that investors will receive similar returns in future years.

Mortgage Portfolio

The Company's assets consist primarily of mortgage loans secured by first and second mortgage charges against freehold properties. The following table summarizes the types of assets owned by the Company as at November 30, 2015 and its financial year end of August 31, 2015:

	November 30, 2015			August 31, 2015		
By Ranking	**# of loans**	**Amount**	**%**	**# of loans**	**Amount**	**%**
1st Mortgages	215	$76,878,652	92%	211	$77,760,498	93%
2nd Mortgages	45	6,847,711	8%	44	5,943,873	7%
Totals	**260**	**$83,726,363**	**100%**	**255**	**$83,704,371**	**100%**
Average Balance		$322,024			$328,252	

	November 30, 2015			August 31, 2015		
By Type	**# of loans**	**Amount**	**%**	**# of loans**	**Amount**	**%**
Residential	203	$38,151,209	46%	191	$35,661,921	43%
Residential land	33	15,775,742	19%	35	16,695,002	20%
Total Residential	236	53,926,951	65%	226	52,356,923	63%
Commercial	23	15,376,502	18%	28	17,024,539	20%
Commercial land	1	14,422,910	17%	1	14,322,909	17%
Total Commercial	24	29,799,412	35%	29	31,347,448	37%
Totals	**260**	**$83,726,363**	**100%**	**255**	**$83,704,371**	**100%**
Average Balance		$322,024			$328,252	

	November 30, 2015		August 31, 2015	
By Interest Rate	**# of Loans**	**Amount**	**# of Loans**	**Amount**
< 7.00%	42	$34,889,438	38	$36,481,003
7.00% - 7.99%	28	6,579,001	24	6,306,410
8.00% - 8.99%	65	17,232,978	64	15,520,859
9.00% - 9.99%	69	15,859,583	68	15,206,514
10.00 – 10.99%	24	6,735,951	27	7,615,806
11.00 – 11.99%	22	1,564,972	24	1,815,308
12.00 – 12.99%	10	864,440	10	758,471
>12.99%	0	0	0	0
Totals	**260**	**$83,726,363**	**255**	**$83,704,371**

	November 30, 2015			August 31, 2015		
By Province	**# of Loans**	**Amount**	**%**	**# of Loans**	**Amount**	**%**
British Columbia	169	$64,407,227	77%	168	$64,047,910	77%
Alberta	25	6,986,117	8%	25	7,560,020	9%
Saskatchewan	60	10,512,406	13%	57	10,485,098	12%
Manitoba	6	1,820,613	2%	5	1,611,343	2%
Totals	**260**	**$83,726,363**	**100%**	**255**	**$83,704,371**	**100%**

	November 30, 2015	August 31, 2015
By Dollar Value	**# of Loans**	**# of Loans**
< $250,000	183	172
$250,000-$500,000	43	46
$500,000-$1,000,000	25	24
$1,000,000-$2,000,000	5	4
$2,000,000-$3,000,000	3	5
$3,000,000-$5,000,000	0	2
$5,000,000-$7,000,000	0	0

By Dollar Value	November 30, 2015	August 31, 2015
	# of Loans	# of Loans
$7,000,000-$9,000,000	0	1
> $14,000,000	1	1
Totals	**260**	**255**

None of the Company's directors, officers or employees holds a direct or indirect financial interest in any of the above-described mortgages.

Foreclosures and Impaired Loans

From time to time in the normal course of business, mortgage loans will go into arrears and the Company may demand the loans be repaid in full. In many cases, the borrower will either bring the loan current or satisfy the loan demand. In some cases, the Company will foreclose on the mortgage and this may result in the Company acquiring the security or having a court appointed receiver manage the property. The security is put up for sale and the net proceeds of sale are applied to satisfy the outstanding balance. In some cases, there may be a resulting shortfall.

It is the Company's policy to provide, on its financial statements a specific allowance for individual loans identified as impaired due to a reasonable doubt as to the collectability of principal and interest. As at the date of this offering memorandum, the Company believes any potential loan losses in respect of its present mortgage portfolio are adequately provided for with current allowances. The Company and the Manager work closely with delinquent borrowers and legal counsel in an effort to minimize such loan losses. It is also the Company's policy to commence foreclosure action with respect to mortgages which are in default more than 90 days unless there is a good indication of resolution of the default.

The Company made provision for loan losses in respect of its mortgage portfolio for the year ended August 31, 2015 of $27,703,597 (2014 – $7,198,686) representing approximately 25% of the Company's total mortgage portfolio. The actual loan losses incurred for the year ended August 31, 2015 was $23,161,726 (2014 – $12,903,686).

Our loan losses are principally due to a combination of the economic downturn of 2008 and its adverse effect on real estate developments as well as previous management's decision to invest in large real estate projects outside of urban areas or without prudent restrictions on the loans (and sometimes both).

Although development projects had been very profitable for a number of years prior to 2014, the few large loans that went into default created some significant problems for us to address. Faced with these problems, our management, together with some select borrowers, began working on turnaround plans which would require more capital be invested. To that end, management reset our business focus in late 2012 and made our core business the financing of mortgages on residential properties within 50 kilometres of those urban centres listed under "Investment Policies". As well, our lending policy was revised in 2015 to include a maximum loan amount per property of $1,000,000. Unfortunately, with no improvement in outlying development markets and economic conditions worsening, the problems with the remaining development loans worsened. As a result, our management, in consultation with its Directors, decided to abandon most of the turnaround plans and write down the loans during our 2014 financial year with the intention of moving them out of the portfolio. It should be noted that many of the problem development loans had been made prior to 2009.

Between the 2014 year end and the 2015 year end, proposed sales of two large properties subject to mortgages held in our mortgage portfolio collapsed. The first collapsed due to a shortage of water on Salt Spring Island. In the second case, the prospective purchasers failed to remove subjects and the property was put back on the market at a reduced list price. In addition, with respect to our largest mortgage on Shuswap Lake, lengthy delays in the developer obtaining approval for the development resulted in the developer not being able to sell the lots during the fiscal year. The approval was not granted until after the 2015 year end. Added to these factors was our concern about the economy, particularly that of Alberta and the impact (as yet unknown) of the collapse in oil prices.

Notwithstanding the possibility of some recoveries at a future time, the Company's management determined bad debt provisions based upon expected outcomes with input from real estate agents, appraisers, and other industry professionals. The strategy behind this portfolio evaluation was to ensure our shareholders maintained a level of liquidity while not adversely affecting shareholders that remained invested.

Values are determined as management's best estimates based on input from realtors, appraisers, other industry professionals and sometimes working directly with committed property owners, etc. Informed estimates can be determined but ultimately until the properties are actually liquidated, we cannot be certain of the liquidation value.

The Company generally determines the amount of the provision for loan losses in conjunction with the preparation of its quarterly financial statements. If the Company is successful in minimizing the eventual losses realized in respect of the loan losses provided for, the net benefit will be reflected in the Company's operating results for the ensuing fiscal year. Accordingly, Shareholders of record as of the dividend declaration date (if any) for the preceding fiscal year that subsequently redeem Shares prior to the dividend declaration date (if any) for the ensuing fiscal year will not participate in the net benefit of such minimized loan losses to the extent of such redemptions.

The table below outlines all impaired loans in the Company's mortgage portfolio as at November 30, 2015 (consisting of 20 loans representing 7.7% of 260 mortgages totalling $29,671,137 and 35% of the total portfolio balance of $83,726,363):

City	Province	Property type	Rank	Original Appraised Value	Balance outstanding before write-down	Current Net Realizable Value after write-down	Note # below
Residential:							
Kamloops	BC	Singe Family House	1st	$582,700	$268,071	$209,287	-
West Kelowna	BC	2 Single Family Condominiums	1st	$593,0000	$384,481	$247,999	-
Kelowna	BC	Single Family House	1st	$4,370,000	$2,396,968	$1,936,047	1
West Kelowna	BC	Singe Family Condominium unit	1st	$287,500	$245,687	$205,687	-
Spruce Grove	AB	Single Family house	2nd	$1,990,000	$603,120	$354,040	2
Salt Spring Island	BC	Single Family house	1st	$1,530,000	$633,049	$572,425	-
Regina	SK	Single Family house	1st	$300,000	$249,051	$228,051	-
Kamloops	BC	Single Family house	1st	$175,000	$159,139	$150,034	-
Lumby	BC	Single Family house / acreage	1st	$600,000	$568,143	$313,647	-
Regina	SK	Single Family house	1st	$300,000	$249,822	$194,165	-
Total Residential				**$10,728,200**	**$5,757,531**	**$4,211,382**	
Land:							
Shuswap	BC	Development land	1st	$2,550,000	$2,746,500	$610,927	3
Invermere	BC	Development land	1st	$2,425,000	$1,714,952	$530,809	4
Nelson	BC	Development land	1st	$4,210,000	$3,344,760	$1,516,098	5
Revelstoke	BC	18 fully serviced residential lots	1st	$8,274,000	$2,536,012	$1,561,037	6
Osoyoos	BC	6 residential lots	1st	$3,163,000	$864,691	$667,809	7
Salt Spring Island	BC	Development land	1st	$14,100,000	$8,214,896	$2,150,083	8
Shuswap	BC	Waterfront campground	1st	$25,000,000	$24,995,107	$14,422,909	9
Total Land				**$59.722.000**	**$44,416,918**	**$21,459,672**	
Commercial:							
Summerland	BC	Commercial Industrial Building	1st	$540,000	$457,115	$248,984	-

City	Province	Property type	Rank	Original Appraised Value	Balance outstanding before write-down	Current Net Realizable Value after write-down	Note # below
Sicamous	BC	Development land incl. Mobile Home Park / Storage units	1st	$10,970,000	$7,107,101	$3,478,313	10
Surrey	BC	Commercial strata unit	1st	$485,000	$374,261	$272,786	-
Total Commercial				**$11,995,000**	**$7,938,477**	**$4,000,083**	
Total Impaired Loans				**$82,445,200**	**$58,112,926**	**$29,671,137**	

The table below outlines the property held for resale as a result of foreclosure:

City	Province	Property type	Current Net Realizable Value	Note # below
Kaslo	BC	Six Residential fully serviced lots	$672,425	11
Total Properties held for resale			**$672,425**	

1. Kelowna home
Executive custom built 7,400 square foot home on 23 acre parcel. The Company has conduct of sale and property is currently listed for sale for $2,390,000. Loan has grown due to accrued interest, legal fees and property taxes. Unique offering due to location and type of home and property consequently length of sale period may be longer than average home.

2. Spruce Grove home
The Company is in second position behind a bank first mortgage. As of the date of this offering, the estimated amount owing on the first mortgage is $820,000. Sale of this property has now been approved in Court and completion date is scheduled for January 12, 2016.

3. Shuswap Development Land
A 155 acre development site zoned for 56 one hectare lots. Original development loan was funded in 2006-2008 with advances totaling $1,500,000. Mortgage balance has grown predominately as a result of accrued interest, legal fees, and property taxes. Since the downturn of 2008, there has been virtually no market for the sale of development property in the Shuswap. The Company continued to work with the borrower for resolution but he has been unable to move forward due to lack of funds and lack of market for end product. The property is now listed on MLS for $795,000. To date, the Company has incurred total impairment and interest losses of $2,111,000 from 2011 to October 2015.

4. Invermere Development Land
A 3.57 acre townhome development site located within the town limits. Loan originated in August of 2007 with first and only advance of 50% of the land value at the time. The Company has conduct of sale and the property is listed on MLS for $690,000. To date, the Company has incurred total impairment and interest losses of $1,176,000 from 2011 to October 2015.

5. Nelson Development Land
A 2.74 acre development property near waterfront in the City of Nelson. This was a development loan originally funded in September 2007. There has been a limited real estate market for Nelson development land since the downturn of 2008. Foreclosure of the property was also delayed by creditor protection for 19 months. Third parties have conducted research on the property and possibilities of different usage options were studied to address specific aspects of the property. The property has a conditional sale accepted which is expected to complete on March 4, 2016. To date, the Company has incurred total impairment and interest losses of $4,768,000 from 2010 to October 2015.

6. Revelstoke Subdivision of residential lots
Eighteen residential lots remaining in subdivision in the City of Revelstoke originally funded in September 2009. Originally 26 lots with a total appraised value of $9.32 million, an average of $350,000 per lot. Lots were 100% serviced and complete at the time of funding. Main challenge has been the absorption of residential lots in

Revelstoke. Five lots were sold in 2015 with four completed and one due to complete in December 2015. A number of the lots continue to be listed on Multiple Listing Service. To date, the Company has incurred total impairment and interest losses of $954,000 from 2013 to October 2015.

7. Osoyoos

Lots located in a large development of residential lots in Osoyoos. Original loan was against 12 lots, of which six lots remain. These lots are part of a large group of lots financed by multiple lenders. Borrower declared bankruptcy. Extensive time was required to address outstanding tax issues amongst the lenders which delayed foreclosure remedies. Lots are listed on Multiple Listing Service. for $1,023,600. One lot sold in October, 2015. To date, the Company has incurred total impairment and interest losses of $502,000 from October 2014 to October 2015.

8. Salt Spring Island

An 830 acre development property; first mortgage funded in August 2011 with alternate lender/investors behind in the amount of approximately $22 million. The property is a failed development by the borrower (group). Ernst & Young was appointed as receiver in April 2013. The property was extensively marketed with Colliers from May 2013 to June 2014. The property was sold to a buyer in September 2014 and court approved October 2014 with completion extended by agreement to March, 2015. Ultimately, the buyer did not complete on the sale as the Salt Spring Island Water District announced that it would not comply with the covenant on title to supply water connections to the property. The Company has launched a lawsuit against the Water District and other government agencies involved, the outcome of which is uncertain. To date, the Company has incurred estimated total impairment and interest losses of $8,435,000 from August 2014 to October 2015.

9. Resort and RV Park in Shuswap, B.C.

This is the largest mortgage in the Company with a value of $24.8 million. It is non-performing which results in a reduction of our mortgage portfolio's dividend income by $744,000 per year. The Company incurred specific impairment losses of $4.5 million from 2010 to 2012 and estimated $9.7 million in 2015.

This mortgage is secured by a campground RV Park development on Shuswap Lake. This property has been part of the portfolio since 2007. The Company holds a first mortgage over the 25 acre property. Loans were granted to a previous developer who failed to complete the project. The foreclosure process was delayed for 19 months by court ordered creditor protection. The current work-out loan was commenced in August of 2012 with a new borrower. The Company provided 100% financing to the present owner to support the purchase and completion of the development as a strategy to realize the most value out of the property. There is no personal guarantee attached to this mortgage.

The current borrower successfully obtained approval to rezone the property into 175 stratified RV sites as well as increase the size of the marina from 34 slips to 60. This was a three year process which required input and approval from three levels of government due to the environmentally sensitive nature of this property. This property is located approximately 1,000 feet from the mouth of the Adams River.

The borrower developer has received approval for bare land strata from the Ministry of Transportation and the subdivision disclosure documents have been submitted to the Superintendent of Real Estate. Sales and marketing teams are in place and the Company has been advised there will be a full scale sales launch commencing shortly. When the sales program launches, the Company will be offering financing on the sale of the RV lots.

Notwithstanding that, at the end of 2014, the Company did not expect a loss on the Shuswap loan, at the end of fiscal 2015, Ministry of Transportation approval was not yet granted, and time was required for preparation of the Disclosure Statement and associated documents as well as filing of same with Superintendent of Real Estate. As a result, the 2015 selling season was missed. It was expected that Albertans would comprise a significant portion of buyers of the project. Uncertainty in the Alberta economy due to plunging oil prices combined with an almost one year delay in completion resulted in a large allowance being made to account for the uncertainty.

10. Sicamous

Development property partially improved with strata storage units and mobile home park, originally funded in 2010 and 2011. This is a 32 acre site of which 11.1 acres is zoned for storage units and 21 acres for a combination of residential and industrial use. There were 93 storage units built in Phase 1 in 2010. In 2011, there were nine more units built bringing total to 102. Phase 1 of residential subdivision included a total of 22 lots. Phase 1 construction included full site servicing of all Phase 1 lands, including sewer lift station which services entire site. A total of 50 units have been sold to date (43 storage units and seven mobile lots). Current resolution plan is to work with the borrower to continue to get inventory sold. To date, the Company has incurred total impairment and interest losses of $3,578,000 from August 2014 to October 2015.

11. Kaslo Lots
Six remaining fully serviced residential lots in an 11 lot subdivision in Kaslo, B.C. Loan was originally funded in April 2008 to a borrower who had previous successful loans with the Company. The borrower developed an 11 lot subdivision, of which six lots remain in the Company's mortgage portfolio as "property held for resale". Application for Order Nisi and immediate conduct of sale was granted in December 2009. Listed for sale with local realtor in July 2011. One lot sold in December 2011. Order Absolute was granted May 2012 which improved the Company's ability to approve sales. In May 2013 the same buyer that purchased the first lot then purchased a 2nd lot. Two more lots were sold in October 2014 and one more in June of 2015. Properties remain listed on MLS. To date, the Company has incurred total impairment losses of $741,000 from 2011 to November 2015.

The lower returns and significant losses referred to above have affected the performance of the Company.

2.4 Long Term Objectives

Our long-term objectives are to provide our Shareholders with sustainable income and a competitive rate of return on investment while preserving capital and liquidity. This will be achieved by investing in mortgage loans meeting our Investment Policies. Utilizing the services of the Manager, the Company intends to continue to restructure its non-performing loans and develop its business and mortgage portfolio with the goal of realizing an orderly and consistent growth of our earnings and assets and operations in accordance with prudent lending practices over the foreseeable future.

2.5 Short Term Objectives and How We Intend to Achieve Them

Our business objectives for the next 12 months are the same as our long-term objectives set out in 2.4 'Long-term Objectives'. We intend to meet those objectives for the next 12 months as set out in the following table:

What we must do and how we will do it	Target Completion Date	Our Cost to Complete
Complete the sale of Shares as described in this offering memorandum	Ongoing	$15,000
Identify and pursue quality lending opportunities and effect loans pursuant thereto	Ongoing	$7,835,000

The business expenses of the Company for the year ended August 31, 2015 are set out in the audited financial statements. To a certain degree, such expenses increase with the return of capital invested in mortgage loans, however, expenses are expected to be similar for the current financial year. See Item 2.7(b) "Our Business – Material Contracts".

The proceeds of this Offering will be used to accomplish our business objectives for the next 12 months. There is no assurance that the maximum Offering or any proportion of the maximum Offering will be sold, however any funds raised will be used as set out in Item 1.2 and Item 2.2.4.

In 2013, we refocused our efforts on our core business of mortgage lending on existing homes in urban areas.

2.6 Insufficient Funds

The proceeds of this Offering together with the Company's on-going cash flows and access to its line of credit will be sufficient to accomplish all of our business objectives for the next 12 months. There is no assurance that (i) any of the Offering will be sold, (ii) the proceeds of the Offering, if any, will be sufficient to accomplish our proposed objectives, or (iii) alternative financing will be available. If none of the offering is sold, we will continue to use our existing capital and cash flows to carry on our current business.

2.7 Material Agreements

The Company is currently a party to the following contracts with related parties and material contracts:

(a) Management Agreement dated November 1, 2012 with the Manager. See Item 2.2 "Our Business – Our Manager";

(b) Registrar and Transfer Agent Agreement dated February 12, 2012 with the Manager. See Item 2.2 "Our Business – Our Manager"; and

(c) Demand Credit Facility agreement dated July 20, 2015 with the TD Bank in respect of our line of credit. See Item 2.2 "Our Business – Revolving Demand Credit Facility".

Item 3. Interests of Directors, Management, Promoters and Principal Holders

3.1 Compensation and Shares Held

The following table discloses the name, municipality of residence, positions held, compensation paid to, and Shares held by, each of the Company's directors and officers, and each person who directly or indirectly beneficially owns or controls 10% or more of any class of the Shares ("principal holders"):

Name and Municipality of Residence	Positions held and the date of obtaining that position	Compensation paid by the Company in the most recent completed financial year and the compensation anticipated in the current financial year	Number and percentage of Shares of the Company held (1) after completion of	
			minimum offering	maximum offering
Braam, Francis R. Kelowna, B.C.	Director Nov 5, 2014	Paid last year: $5,000 Anticipated this year: $5,000	1,765,103 / 1.9%	1,765,103 / 1.9%
Crompton, Donald J. Kelowna, B.C.	Director October 21, 1994	Paid last year: $ 0 Anticipated this year: $ 0 Indirect: Notes 2 & 6.	2,015,936 / 2.2%	2,015,936 / 2.2%
Ferdinands, John D. Kelowna, B.C.	Director November 5, 2014	Paid last year: $5,000 Anticipated this year: $5,000	497,575 / 0.5%	497,575 / 0.5%
Graham, Bradley D. Kelowna, B.C.	Senior Portfolio Manager March 1, 2011	Paid last year: $ 0 Anticipated this year: $ 0 Indirect: See Notes 3 & 6.	5,436 / 0.01%	5,436 / 0.01%
Kippan, Duncan R. Kelowna, B.C.	Director October 21, 1994	Paid last year: $5,000 Anticipated this year: $5,000	1,232,730 / 1.3%	1,232,730 / 1.3%
Needham, Marylyn W. West Kelowna, B.C.	Chief Financial Officer & Vice-President December 13, 2007	Paid last year: $ 0 Anticipated this year: $ 0 Indirect: Notes 4 & 6.	543,067 / 0.6%	543,067 / 0.6%
Pushor, Richard J. Kelowna, B.C.	Director November 5, 2014	Paid last year: $5,000 Anticipated this year: $5,000	3,104,156 / 3.3%	3,104,156 / 3.3%
Turik, Grant R. Kelowna, B.C.	Director November 1, 2011	Paid last year: $5,000 Anticipated this year: $5,000	86,589 / 0.1%	86,589 / 0.1%
Ungaro, Joseph F. Kelowna, B.C.	Director November 5, 2014	Paid last year: $5,000 Anticipated this year: $5,000	1,541,059 / 1.7%	1,541,059 / 1.7%
Wilson, Leanne P. Kelowna, B.C.	President October 1, 2011	Paid last year: $ 0 Anticipated this year: $ 0 Indirect: Notes 5 & 6.	904,343 / 1.0%	904,343 / 1.0%

1. Directors, officers and principal holders only own Class A Voting Common shares ("Class A shares"). The numbers and percentages shown will vary depending on the purchases and redemptions of Shares by and for the directors, officers or principal holders during the term of this Offering. Amounts shown are as at the date of this offering memorandum.

2. Donald Crompton is a salaried employee of the Manager and is a Shareholder of a family holding corporation that holds a 28.25% interest in the Manager.

3. Bradley Graham is a salaried employee of the Manager and is a trustee and beneficiary of a trust that indirectly holds a 10.25% interest in the Manager.

4: Marylyn Needham is a salaried employee of the Manager and is a trustee and beneficiary of a trust that indirectly holds a 10.25% interest in the Manager.

5: Leanne Wilson is a salaried employee of the Manager and is principal of a company that holds a 12.75% interest in the Manager.

6: **The Manager derives income from other business activities in addition to the income it receives from the Company under the Management Agreement. Since the Manager is paid only from our net income (based upon the outstanding balance of the Company's mortgage portfolio), none of the proceeds of the Offering will be used directly to pay the compensation of the Manager. The Manager also receives 50% of the brokerage fees from borrowers as a licensed mortgage broker for securing loans from the Company to such borrowers.**

3.2 Management Experience

The following discloses the principal occupations of the directors and executive officers of the Company over the past five years.

Name	Principal occupations and related experience
Francis R. Braam	Principal and Director of Royal LePage Kelowna (real estate agency) since 1997 Served on Okanagan Mainline Real Estate Board for 10 years ending in 2010 Past President of Kelowna Junior Chamber Director of UBC Junior Heat (basketball team) Previous Director of Paradigm Mortgage Investment Corporation from 2004 to 2009
Donald J. Crompton	Director of the Company Director and Principal of Paradigm Mortgage Corporation Former National Director of Young Life of Canada (2003-2012) Former Principal and President of Carruthers & Meikle Ltd. (real estate brokerage firm; 1972-2003) Past chair of the Real Estate Council of B.C. Past chair of Real Estate Errors & Omissions Corp Ltd.
John D. Ferdinands	Retired Senior Vice President of Interior Savings Credit Union Certified General Accountant Bachelor of Arts (Economics) Certificate in Mortgage Lending & Brokerage Past Directorships of Canadian Mental Health Association of Kelowna, Friends of Mission Creek Society, Okanagan Boys & Girls Club & School District #23 Business Corp.
Bradley D. Graham	Senior Portfolio Manager Director and Principal of Paradigm Mortgage Corporation Licensed Mortgage Broker Member of Mortgage Brokers Association of B.C Member of the Alberta Mortgage Brokers Association Former commercial banker with T.D. Canada Trust (1990-2009)
Duncan R. Kippan	Retired, Licensed Real Estate Agent from 1972 to 2015 Director of Paradigm Mortgage Investment Corporation since 1994
Marylyn W. Needham	Vice President of the Company CFO, Director and Principal of Paradigm Mortgage Corporation Associated with the Company since inception in 1994. Chartered Professional Accountant (CA and CGA) Director of B.C. MIC Managers Association Former CFO of Royal LePage Kelowna (real estate brokerage firm) (1998 to 2010)

Name	Principal occupations and related experience
Richard J. Pushor	Retired lawyer Founding partner of Pushor Mitchell LLP law firm Founding director of two Okanagan Rotary Clubs Served as director for the Central Okanagan Society for Community Living, The Central Okanagan Foundation, the Kelowna Bursary and Scholarship Society, Kelowna Curling Club and others
Grant R. Turik	Licensed Realtor with Royal LePage Kelowna (real estate agency) Director of Paradigm Mortgage Investment Corporation since 2011
Joseph E. Ungaro	Licensed Realtor, Royal LePage Kelowna (real estate agency) Bachelor of Commerce Former owner and manager of Hoover Realty Ltd. Served for six years on the Kelowna Catholic School Council in finance and chair positions
Leanne P. Wilson	President of the Company CEO, Director and Principal of Paradigm Mortgage Corporation Employed by Paradigm Group since February, 1995 Licensed Mortgage Broker Member of Canadian Association of Accredited Mortgage Professionals Member of Mortgage Brokers Association of B.C Member of the Alberta Mortgage Brokers Association

3.3 Penalties, Sanctions and Bankruptcy

There have been no penalties, sanctions, cease trade orders or bankruptcy against a director, executive, officer or control person of the Company or any other corporation of which the directors, executive officers or control persons acted as such.

3.4 Loans

The Company is not indebted to any of the directors, management, promoters or principal holders for any loans.

Item 4. Capital Structure

4.1 Share Capital

Our share capital is set out in the following table.

Description of Security	Number authorized to be issued	Price per Security	Number outstanding [(1)]		
			as at the date of this offering memorandum	after minimum offering	after maximum offering
Class A Voting Common shares, $1.00 Par Value	Unlimited	$1.00	92,773,791	92,773,791	92,773,791
Class B Voting Common shares, Series 1, No Par Value	5,000,000	$0.77	0	0	5,000,000
Class C Voting Preferred shares, Series 1, $1.00 Par Value	2,000,000	$1.00	0	0	2,000,000
Class C Voting Preferred shares, Series 2, $1.00 Par Value	2,000,000	$1.00	0	0	2,000,000

1. There are not any issued or outstanding options, warrants or other securities convertible into Shares.

4.2 Long Term and Short Term Debt Securities

The following table summarizes information about outstanding short term and long term debt of the Company.

Description of Debt & Whether Secured	Interest Rate	Repayment terms	Amount outstanding at the date of this offering memorandum
Short Term			
Credit Facility (1)	Prime plus 1.0%	Interest payable monthly and Principal repayable on demand	$ 9,651,901
Promissory Notes (2)	Prime less 0.50%	On demand	$ 217,482
Promissory Notes (2)	Prime	One year from date of note	$ 752,887
Long Term			
Term loans	-	-	$ 0

1. Secured as described under Item 2.2 “Our Business - Revolving Demand Credit Facility”.
2. The Board of Directors has authorized the Company to borrow short term working capital from current Shareholders, including directors, officers and principal holders, by way of promissory notes. The notes are unsecured and either due on demand with interest at prime less 0.5% or in one year with interest at prime.

4.3 Prior Sales

During the last 12 months the Company has issued the following Shares (and no securities convertible or exchangeable into Shares):

Date of Issuance	Type of Security Issued	Number of Securities Issued	Price per Security	Total funds Received
February 1, 2015	Class A Voting Common shares	140,822	$1.00	$ 140,822
March 1, 2015	Class A Voting Common shares	192	$1.00	$ 192
TOTALS		**141,014**		**$ 141,014**

4.4 Redemption history

During the last two financial years and subsequent period to the date of this offering memorandum, the Company has redeemed the following Shares:

Financial Year	Redemption Requests							
	Opening Outstanding Requests		Received during Financial Year		Paid Out during Financial Year		Ending Outstanding Requests	
2014	0	0	182	$19,853,390	182	$19,853,390	0	0
2015 (1)	0	0	70	$4,728,248	70	$4,728,248	0	0
2015 (2)	0	0	416	$10,037,344	416	$10,037,344	0	0
2016 (3)(4)	0	0	27	$2,241,569	0	0	27	$2,241,569

1. In October 2014 the Company and various investors rescinded the issuance of 4,700,000 Shares at $1.00 per Share that were purchased under the Company’s prior offering memorandum. The rescission was made as recent adverse changes to the Company’s mortgage portfolio valuations were not disclosed in the prior offering memorandum nor contemplated when the Company issued such shares. These shares have been returned to treasury and cancelled.

2. In February, 2015 the Company redeemed 10% of all Shareholders' shares at $1.00 per Share. This blanket redemption was done to help alleviate cash flow needs of the Shareholders prior to the Company adopting new Articles that contained improved provisions respecting share redemptions. Under the new Articles, redemptions of up to 2.5% of the outstanding share capital will be permitted upon written request every three months up to 10.0% of the outstanding share capital in any financial year.

3. Financial period from September 1, 2015 to the date of this offering memorandum.

4. The notice period for the first quarter of the Company's 2016 financial year ended on November 30, 2015. Redemption cheques will be issued by December 31, 2015.

Item 5. Securities Offered

5.1 Terms of Securities

The Shares offered for sale by this offering memorandum are Class B Voting Common shares, Series 1, with no par value ("Class B Voting Common shares" or "Class B shares") and Class C Voting Preferred shares, Series 1 and Series 2, with a par value of $1.00 each ("Class C Voting Preferred shares" or "Class C shares"). The principal differences between these three kinds of shares are set out in the following table.

Type of Share	Issue Price per Share	Annual Dividend Rate	Minimum Investment Period
Class B Voting Common shares, Series 1	$0.77	50% (1) of the Company's net operating income (after payment of dividends on Class C shares) will be distributed, *pro rata* with the outstanding Class A shares, until retained earnings deficit is eliminated (2)	None
Class C Voting Preferred shares, Series 1	$1.00	3% of issue price	3 years
Class C Voting Preferred shares, Series 2	$1.00	4% of issue price	5 years

1. The other 50% of the Company's net operating income (after payment of dividends on Class C Voting Preferred shares) will be applied to the Company's retained earnings deficit.

2. Once the Company's retained earnings deficit has been eliminated, 100% of the Company's net operating income (after payment of dividends on Class C Voting Preferred shares) will be distributed, *pro rata* with the outstanding Class A shares.

A description of the material terms of the Shares, as set out in the Company's Articles, follows:

(a) Voting Rights

Each holder of a Share is entitled to attend all meetings of Shareholders of the Company and, on a poll, is entitled to one vote in respect of each Share held.

(b) Dividends

The directors of the Company may, in their sole discretion, declare dividends on the Shares. However, to maintain its status as a MIC under the Tax Act, the Company must distribute all available profit and taxable capital gains by way of dividends to the holders of the Shares within 90 days of each financial year end. The payment of such dividends may be made by the Company by way of cash or by way of issuance of further Shares as elected by the Shareholder. **Such dividends are not entitled to the dividend tax credit under the Tax Act. See Item 6 "Income Tax Consequences and Eligibility for Registered Investments".**

The Company will distribute dividends among the different series of issued shares as follows:

(c) Redemption and Retraction Rights

Following each of the Company's financial quarters, the Company shall redeem, from Shareholders that give a written request therefor, up to 2.5% of the Company's total number of Shares outstanding as at the end of the preceding financial quarter, for a total of no more than 10% for the financial year. If more than 2.5% of the issued Shares are sought to be redeemed in any financial quarter, the directors may make such redemptions *pro rata* among those submitting written requisitions for redemption up to a maximum of 2.5% of the issued Shares. The excess redemptions shall not carry over nor have priority over Shares tendered for redemption during the next financial quarter or year.

The Class C shares are not redeemable until after the third anniversary (for Series 1) or fifth anniversary (for Series 2) of issuance. Early redemptions of Class C Preferred Shares may be permitted in the sole discretion of the Directors. If early redemption from Class C Preferred shares is approved by the Directors, a redemption fee and discounts may be applied.

The redemption price for each Class C share shall be $1.00 per Share, together with any accrued but unpaid dividends.

The redemption price for each Class A share and Class B share shall be calculated by dividing the Shareholders' equity by the number of outstanding Shares as at the end of the financial quarter (called the Net Realizable Value or NRV per share). The NRV as at the date of this offering memorandum is $0.77 per Share. The Company shall cause the NRV to be calculated quarterly and communicated quarterly to the holders of Class A and Class B shares.

The Company may, at any time and for any reason deemed good and reasonable by the directors, redeem or purchase any or all of the Shares held by any Shareholder. Upon the passing of a resolution by the directors to redeem or purchase a specified number of Shares from a Shareholder, the Company will give such Shareholder a written notice of the redemption or purchase specifying the number of Shares proposed to be redeemed or purchased, the proposed date of redemption or purchase and the name of the Shareholder or Shareholders who are the registered holders of the Shares to be redeemed or purchased. **The Shares will be redeemed or purchased at a per Share price not less than the NRV**.

If a planned redemption would result in the Company not meeting the requirements for a MIC under the Tax Act or the solvency requirements of the BCA, then the Company will only redeem such number of Shares as may be necessary for the Company to continue to meet such requirements.

(d) Entitlement on Liquidation, Dissolution or Winding Up

In the event of a liquidation of the Company, a liquidator must, after paying or providing for, in the manner contemplated by the BCA all of the Company's liabilities including the remuneration, if any, of the liquidator and all of the other costs, charges and expenses properly incurred and to be incurred in relation to the liquidation, distribute the Company's remaining assets, either in money or in kind, among the Company's Shareholders according to their rights and interests in the Company.

(e) Restrictions on Ownership

The Tax Act imposes significant penalties on investments by Registered Retirement Savings Plans (RRSP), Registered Retirement Income Funds (RRIF), Registered Education Savings Plans (RESP) and Tax Free Savings Accounts (TFSA and, collectively "Registered Funds") if the ownership through a Registered Fund by an investor and parties related to the investor equals 10% or more of the shares of a MIC. A "related party" includes the investor and anyone related to the investor by blood, marriage, "common law" partnership or adoption. **These Tax Act rules are complex and investors should seek advice from an accountant, investment advisor or other qualified person if the investor and the investor's related parties might jointly own 10% or more of our Shares.**

(f) Constraints on Transferability

No Shares may be transferred without the prior approval of the Company's Board of Directors. The directors intend to refuse registration of any transfer of Shares which would result in the Company ceasing to meet the qualifications of a MIC.

In addition to the foregoing provision in the Company's Articles, the subscription agreement which accompanies this offering memorandum (the "Subscription Agreement") imposes a voluntary restriction on transferability of the Shares. The Tax Act stipulates that a MIC must have 20 or more Shareholders and no one Shareholder may hold more than 25% of the issued shares of any class of the Company. For the purposes of calculating the percentage of issued Shares held by a Shareholder, the Tax Act provides that:

(i) a Shareholder is deemed to own each Share owned at that time by a person related to the Shareholder;

(ii) each beneficiary of a trust is deemed to own that proportion of all such Shares owned by the trust at that time that the fair market value at that time of the beneficial interest of the beneficiary in the trust is of the fair market value at that time of all beneficial interests in the trust, provided that where a beneficiary's share of the income or capital of the trust depends on the exercise by any person of, or the failure of any person to exercise, any discretionary power, the beneficiary shall be deemed to own each Share owned at that time by the trust; and

(iii) each member of a partnership is deemed to own that proportion of all the shares of any class of the capital stock of the Company that are property of the partnership at that time that the fair market value at that time of the member's interest in the partnership is of the fair market value at that time of the interests of all members in the partnership.

For the purposes of the foregoing, the Tax Act provides that a person is related to a Shareholder if they meet the definition of "related persons" in the Tax Act, except that for individuals, the following individuals are considered to be related:

(i) an individual and the individual's child (as defined in s. 70(10) of the Tax Act) who is under 18 years of age; or

(ii) an individual and the individual's spouse or common-law partner. The term "common-law partner" is defined in the Tax Act.

The Tax Act states that a trust governed by a registered pension plan or a deferred profit sharing plan is counted as four Shareholders for the purposes of determining the number of Shareholders and as one Shareholder for the purposes of determining if a Shareholder owns more than 25% of the issued Shares.

There is no one Shareholder of the Company that owns more than 25% of the issued Shares. However, the Company makes no representation as to whether the above deeming rules would result in any one Shareholder being deemed to hold more than 25% of the issued Shares.

Subscribers are required to affirm their knowledge that there are restrictions on transferability by executing the Subscription Agreement.

(g) Conversion and Exchange

Shares are not convertible into or exchangeable for any other form of share or security of the Company.

5.2 Subscription Procedure

Persons wishing to subscribe for Shares under this offering may do so by returning to the Company at #210 – 1980 Cooper Road, Kelowna, British Columbia V1Y 8K5, the following:

(a) a completed and signed Subscription Agreement with all applicable schedules; and

(b) a bank draft or certified cheque in the amount of your investment payable to “Paradigm Mortgage Investment Corporation”.

The Company will hold your subscription funds until midnight on the second business day after the day on which we received your signed Subscription Agreement.

The Company reserves the right to accept or reject subscriptions in whole or in part at its discretion and to close the subscription books at any time without notice. Any subscription funds for subscriptions that are not accepted will be returned promptly without interest after it has been determined to not accept the funds.

The Company may conduct several Closings as subscriptions are received and accepted and may without notice terminate the Offering on an earlier or later date as it may determine.

At each Closing, the Company will deliver to each Subscriber verification of certificates issued representing fully paid Shares, provided the Subscription Price has been paid in full.

5.3 Investor Qualifications

The Shares offered hereby are being distributed pursuant to exemptions from the prospectus requirements of British Columbia securities legislation (the "BC Securities Legislation") and as set out in Part 2.9 [*Offering Memorandum Exemption*] of National Instrument 45-106 *Prospectus Exemptions* (“NI 45-106”) of the Canadian Securities Administrators.

National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (“NI 31-103”) of the Canadian Securities Administrators requires registration of those persons and entities that trade in securities distributed by MICs as an exempt market dealer or securities dealer. The Shares hereby offered are being offered in British Columbia pursuant to BC Instrument 32-517 *Exemption from Dealer Registration Requirement for Trades in Securities of Mortgage Investment Entities* which provides temporary relief from the dealer registration requirements. This exemption is set to expire December 31, 2016. The British Columbia Securities Commission has not provided guidance on an extension of this exemption. However, the Company will take measures to comply should such be required.

Item 6. Income Tax Consequences and Eligibility for Registered Investments

6.1 Independent Tax Advice

The following is a general overview of the tax consequences that relate to this Offering. You should consult your own professional advisors to obtain advice on the tax consequences that apply to you.

No application has been made for an advance income tax ruling with respect to the investment described in this offering memorandum, nor is it intended that any application be made.

6.2 Summary of Income Tax Consequences

The Company has prepared the following commentary which it believes is a fair and adequate summary of the principal federal income tax consequences arising under the Tax Act to an Investor who is an individual resident in Canada who acquires Shares under this offering memorandum.

The income tax consequences will not be the same for all Investors, but may vary depending on a number of factors including the province or provinces in which the Investor resides or carries on business, whether Shares acquired by him will be characterized as capital property, and the amount his taxable income would be but for his participation in this Offering.

The following discussion of the Canadian income tax consequences is of a general and limited nature only, is not intended to constitute a complete analysis of the income tax consequences, and should not be interpreted as legal or tax advice to any particular Investor. This summary does not address provincial or territorial laws of Canada or any tax laws of any jurisdiction outside of

Canada. Each prospective Investor should obtain advice from the Investor's own independent tax advisor as to the federal and provincial income tax consequences of his or her acquisition of Shares, as such consequences can vary depending upon the particular circumstances of each Investor.

This summary is based on the Company's understanding of the current provisions of the Tax Act, the Regulations to the Tax Act, and the current administrative and assessing practices of Canada Revenue Agency, Taxation ("CRA").

This summary outlines the Canadian federal income tax consequences to an Investor based on important facts and assumptions as set out by the Company in this offering memorandum and particularly on additional facts and assumptions as follows:

(a) Investors are, and will not cease to be, individuals resident in Canada;

(b) Investors acquire Shares pursuant to this offering memorandum and hold the Shares as capital property;

(c) Investors hold Shares for the purpose of earning income and have a reasonable expectation of earning a profit from holding the Shares; and

(d) The Company will qualify at all material times as a MIC for the purposes of the Tax Act.

It is incumbent upon prospective Investors to fully investigate and substantiate the expectations above and, with respect to the assumption stated in (c) above, it is incumbent on an Investor to investigate and substantiate the investor's expectation of earning a profit from holding Shares, having regard to his expected financing costs and any projections the investors may wish to obtain from the Company.

There is no assurance that the Tax Act and related Regulations will not be amended in a manner that fundamentally alters the income tax consequences to Investors who acquire or dispose of Shares. This summary does not take into account any changes in law, whether by way of legislative or judicial action.

There has been no application for an Advance Income Tax Ruling from CRA on any aspect of the transactions proposed in this offering memorandum, nor is it intended that such an application will be made. No opinion from the Company's legal counsel or accountants has been given with respect to these income tax considerations. The analysis contained herein is not all-encompassing and should not be construed as specific advice to any particular Investor and is not a substitute for careful tax planning, particularly since certain of the income tax consequences of an investment will not be the same for all taxpayers. Regardless of tax consequences a decision to purchase the Shares offered should be based on the merits of the investment as such and on an Investor's ability to bear any loss that may be incurred.

To qualify as a MIC under subsection 130.1(6) of the Tax Act, a corporation will be a MIC **throughout a taxation year if, throughout the year:**

(a) it was a Canadian corporation;

(b) its only undertaking was the investing of funds of the corporation and it did not manage or develop any real or immovable property;

(c) none of the property of the corporation consisted of:

- (i) debts owing to the corporation that were secured on real or immovable property situated outside Canada;
- (ii) debts owing to the corporation by non-resident persons, except any such debts that were secured on real or immovable property situated in Canada,
- (iii) shares of the capital stock of corporations not resident In Canada, or

(iv) real or immovable property situated outside Canada, or any leasehold interest in such property;

(d) there were 20 or more shareholders of the corporation and no one shareholder held more than 25% of the issued shares of any class of the capital stock of the corporation at any time in the year. For the purposes of calculating the percentage of issued shares of any class held by a shareholder, see Item 5.1(e) "Constraints on Transferability";

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

(f) the cost amount to the corporation of such of its property as consisted of:

(i) debts owing to the corporation that were secured, whether by mortgages, hypothecs or in any other manner, on houses (as defined in section 2 of the National Housing Act) or on property included within a housing project (as defined in that section as it read on June 16, 1999), and

(ii) amounts of any deposits standing to the corporation's credit in the records of

(A) a bank or other corporation any of whose deposits are insured by the Canada Deposit Insurance Corporation or the Regie de Lassurance-depots du Quebec, or

(B) a credit union,

plus the amount of any money of the corporation was at least 50% of the cost amount to it of all of its property;

(g) the cost amount to the corporation of all real or immovable property of the corporation, including leasehold interests in such property (except real or immovable property acquired by the corporation by foreclosure or otherwise after default made on a mortgage, hypothec or agreement of sale of real or immovable property) did not exceed 25% of the cost amount of all of its property;

(h) its liabilities did not exceed 3 times the amount by which the cost amount to it of all of its property exceeded its liabilities, where at any time in the year the cost amount to it of such of its property as consisted of property described in subparagraphs f(i) and (ii) plus the amount of any money of the corporation was less than 2/3 of the cost amount to it of all of its property; and,

(i) its liabilities did not exceed five times the amount by which the cost amount of all of its property exceeds its liabilities, where paragraph 6.2(h) is not applicable.

It is assumed for the purposes of this summary that the Company is now and was and will at all material times continue to be a "mortgage investment corporation" as defined in the Tax Act. It is assumed that no change in the circumstances or investments of the Company, or in the composition or activities of its Shareholders, will occur that would cause the Company to cease to qualify as a MIC, although no assurances can be given in these respects. It is also assumed that the Company and the Manager will take whatever steps are necessary to ensure that the Company will continue to meet the requirements of a MIC in the Tax Act.

Income Tax Consequences for the Company

As a MIC, the Company is subject to special rules under the Tax Act that permit it to be operated, in effect, as a tax-free “flow through” conduit of its profit to its Shareholders. The income of the Company for purposes of the Tax Act includes interest earned and the taxable portion of any net realized capital gains. The Company is permitted to deduct from its net income all taxable dividends it pays to its Shareholders, other than capital gains dividends, and the taxable portion of its net realized capital gains distributed to Shareholders as capital gains dividends within the periods prescribed by the Tax Act. If and to the extent the Company has income after these and other applicable deductions, such income is subject to the prevailing tax rates applicable to a public corporation.

Income tax Consequences for Shareholders

A. Dividends

Shareholders will be required to include any taxable dividend (other than a capital gains dividend) received on Shares in a taxation year in income in the year as interest income, not as dividends. The normal rules applicable to taxable dividends received from Canadian corporations will not apply to any such dividend received on Shares.

B. Dispositions

The cost to a Shareholder of his Shares (plus or minus certain adjustments required under the Tax Act) will be the adjusted cost base of the Shares at any particular time, against which a capital gain or capital loss will be measured on a sale or other deemed disposition of the Shares.

A Shareholder will be considered to have disposed of his Shares when he assigns or sells his Shares, his Share is the subject of a gift, he dies, or where the Company is wound up or otherwise terminated. A Share which is the subject of a gift or which is held by a Shareholder when he dies is generally deemed to be disposed of for proceeds equal to fair market value at that time. However, in certain circumstances a capital gain or capital loss will be deferred where a gift or bequest transfers the Share to the Shareholder's spouse.

Generally a Shareholder will realize a capital gain (or sustain a capital loss) equal to the amount by which the proceeds received or deemed to have been received on the disposition of a Share exceed, or are exceeded by, the adjusted cost base of the Share.

Shareholders will include one-half of any capital gain in computing taxable income as a "taxable capital gain". Similar proportions of a capital loss will be "allowable capital loss" that may be used to offset taxable capital gain in the year that the capital loss is sustained. To the extent the allowable capital loss is not offset against taxable capital gain in that year it may be carried back three (3) years and forward indefinitely to offset taxable capital gain realized in those years.

C. Interest on Money Borrowed to Purchase Shares

An Investor will generally be entitled to deduct from his income reasonable interest paid or payable with respect to monies borrowed to acquire Shares, provided he has a reasonable expectation of profit from holding the Shares. Interest expense deducted by an Investor will be included in computing his cumulative net investment losses.

After the disposition of a Share by a taxpayer, reasonable interest expense on money borrowed for the purpose of acquiring that Share will generally continue to be deductible until the borrowing is repaid regardless of whether a gain or loss was realized on the disposition of the Share, except to the extent any proceeds of disposition attributable to that borrowed money are used to make personal expenditures by the taxpayer or are not otherwise used for the purpose of earning income.

6.3 Eligibility for Registered Investments (RRSPs, RRIFs, and Other Plans)

As long as the Company remains qualified as a MIC under the Tax Act, the Shares will be qualified investments for any trust governed by a registered retirement savings plan, registered education savings plan, registered retirement income fund, deferred profit sharing plan, registered disability savings plan or tax-free savings account (each a "Plan") as long as the investor, together with the investor's related parties, owns less than 10% of the Shares.

Not all securities are eligible for investment in a registered investment. You should consult your own professional advisers to obtain advice on the registered retirement savings plan/registered education savings plan/registered retirement income fund/deferred profit sharing plan/registered disability savings plan/tax-free savings account eligibility of these Shares.

Item 7. Compensation Paid to Sellers and Finders

For investors resident in British Columbia, the Shares will be sold by the Manager and the Company on a best effort basis. In its discretion, the Company may pay commissions or fees to persons and companies registered to sell securities under BC Securities Legislation (or exempt therefrom) to sell the Shares. Commissions and fees may be paid over time or immediately upon the Company accepting a subscription. Any commissions and fees paid may be paid by the Company from dividends declared from time to time and will not be deducted from the shareholder's capital contribution and will not result in a dilution of the shareholder's capital investment. If sold in other jurisdictions in Canada, the Shares will be sold by exempt market dealers or registered securities dealers authorized by the Company. To date, the Company has not paid any commissions to exempt market dealers or registered securities dealers.

None of the officers, directors and employees of the Company or the Manager receives a commission in respect of any Shares issued.

Item 8. Risk Factors

Prospective investors should consult with their own independent professional legal, tax, investment and financial advisors before purchasing 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.

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

8.1 Investment Risk

Speculative Nature of Investment – The purchase of Shares involves a number of significant risk factors and is suitable only for investors who are aware of the risks inherent in mortgage investments and the real estate industry, who have the ability and willingness to accept the risk of total loss of their invested capital and who have no immediate need for liquidity.

No Review by Regulatory Authorities – This offering memorandum constitutes a private offering of the Shares by the Company only in those jurisdictions where and to those persons to whom, they may be lawfully offered for sale under exemptions in the BC Securities Legislation. This offering memorandum is not, and under no circumstances is to be construed as a prospectus, advertisement or public offering of these Shares. Subscribers to this offering memorandum will not have the benefit of a review of the material by any regulatory authority.

No market for the Shares - As no market for these Shares exists or will exist after this Offering, it may be difficult or impossible for the Subscriber to sell them. Accordingly, an investment in Shares should only be considered by subscribers who do not require liquidity. See Item 10.2 "Restricted Period".

Return on Investment - There is no assurance that sufficient income will be generated by the Company from which dividends can be declared by the directors and paid to the investors.

No Guaranteed Dividends - The dividends which investors may be entitled to receive are not cumulative and the directors have the sole discretion as to whether or not any such dividends are paid. Therefore there is no guarantee that any dividends will be paid to the Shareholders.

Restriction on transfer or sale of securities – The Shares are not traded on any stock exchange, therefore, you cannot liquidate your investment through selling your Shares. The Shares cannot be transferred or assigned, unless such transfer or assignment is approved by the directors and is in compliance with BC Securities Legislation. The Shares are subject to onerous resale restrictions under BC Securities Legislation. See Item 10.2 "Restricted Period".

The Profitability of the Company's Mortgage Portfolio – Some of the factors that can affect the value of a MIC's investments and profit are:

- current economic conditions,
- changes in interest rates,
- events in financial markets, and
- financial conditions of the borrowers to which the Company has advanced funds

The Company may be unable to redeem your Shares – The Company may suspend your right to redeem your Shares for a number of reasons including, for example, if the redemption would render the Company insolvent or it would cause the Company to fail to meet the requirements for a MIC under the *Tax Act*. The Company has the right pursuant to its Articles to limit redemption of the Shares to 2.5% of the share capital quarterly. Accordingly, the holders of such Shares have no assurance of their ability to redeem all of their Shares and receive the redemption amount in any given quarter. See Item 5.1(c) "Redemption and Retraction Rights".

Change in Tax Legislation could adversely affect your investment – Many of our Subscribers hold their investment within registered plans such as RRSPs, RRIFs, TFSAs and RESPs ("Registered Plans"). While it is not anticipated the *Tax Act* as it pertains to such registered funds will change, there is always the possibility that it could be altered so the Shares would no longer be eligible investments for such funds. Such changes could have an adverse effect on your investment.

Risk of Dealing with Trustees – The Company will deal with trustees of Registered Plans as necessary, but the Company does not undertake any responsibility for the administration of any self-directed registered funds by such trustees. The trust company of your registered fund may impose conditions upon the Company with which they are unable or unwilling to comply. As a result, your trustee may refuse to allow the Shares to be an eligible investment for your registered fund.

8.2 Company Risk

Retained Earnings Deficit – As at the date of this offering memorandum, the Company had 20 impaired loans and six lots held as property for resale. Impaired loans and lots held for resale caused a reduction in dividends in 2015 and an elimination of dividends in 2014 and corresponding retained earnings deficit. As a result, a Shareholder that redeems Shares may not receive the full purchase price for Shares, and instead will receive the Net Realizable Value, which is the Company's shareholder equity divided by the number of outstanding Shares. There is no assurance that dividend payments will be maintained on a consistent basis during the coming year.

Higher Risk Loans – The Company will undertake higher risk loans than banks and as a result, there is greater risk of default. Although the Company performs due diligence with respect to each loan and attempts to reduce the risk by diversification of its portfolio, defaults on loans may affect the dividends payable to the investor.

Reliance on the Manager – According to the terms of the Management Agreement between the Company and the Manager, the Manager has significant responsibility for assisting the Company to conduct its affairs. The Company and its Shareholders are dependent in large part upon the experience, expertise and good faith of the Manager. Any inability of the Manager to perform competently or on a timely basis will negatively affect the Company. The operations of the Company and the Manager 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.

When assessing the risks and rewards of an Investment in Shares, you are relying on the Manager to make appropriate decisions with respect to the management of the Company's business. Subscribers have no right to take part in the management of the Company and the Company will be bound by the decisions of the Manager.

If the Manager makes any improper distributions of dividends, the Subscribers might be deemed to be holding such distributions in trust for creditors who could recover the amount of such distributions from the Subscribers. You should also know that if the Company defaults on secured indebtedness, the lender will be entitled to exercise available legal and equitable remedies against the Company which could result in the loss of the property of the Company secured by such creditors.

The Manager is not restricted from acting in a similar capacity for other MICs but with different investment policies to that of the Company. The Manager is contractually obligated pursuant to the terms of the Management Agreement to manage the affairs of the Company in a proper, prudent and adequate fashion.

MIC 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 grant the directors the discretion to reject any applications for Share dividends or Share subscriptions, transfers, redemptions or retractions if, in the view of the directors, such act would not be in the Company's best interests as a MIC under the Tax Act.

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

As a corporation carrying on business 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 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 Shares would cease to be deductible from the income of the Company for that year and the dividends it pays on the Shares would be subject to the normal gross-up and dividend tax credit rules. In addition, the Shares might cease to be qualified investments for trusts governed by Registered Plans, with the effect that a penalty tax would be payable by the Investor.

Bank Borrowing – The Company will borrow funds whenever funds are available provided it is economical and prudent to do so. These borrowings may take the form of lines of credit from banks and other lending institutions and promissory notes and other types of debt contracts with individuals and companies, as the case may be. It is probable that debt instruments will form part of a floating charge against the assets and equity of the Company, and in the event of a wind-up, will rank in priority to the outstanding Shares.

Conflict of Interest – Conflicts of interest exist, and others may arise, between Investors and the directors and officers of the Manager 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 investors. Persons considering a purchase of Shares pursuant to this Offering must rely on the judgment and good faith of the directors, officers and employees of the Manager and the Company in resolving such conflicts of interest as may arise.

The Manager is not in any way limited or affected in its ability to carry on business ventures for its own account and for the account of others and may be engaged in the ownership, acquisition and operation of businesses, which compete with the Company. In addition, the Manager may establish in the future other investment vehicles which have or may have investment objectives that are the same as or similar to those of the Company and may act as adviser or manager to such vehicles.

8.3 Industry Risk

Competition - The ability of the Company to achieve income is dependent upon the Manager being able to identify and assemble an adequate supply of mortgages. There is no assurance that this will occur. The investment industry in which the company operates is subject to a wide variety of competition, some 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.

Yield - The profitability of the Company will be dependent on both general and local economic conditions and will be affected by fluctuations in the rate of economic growth and the rate of expansion of the real estate market in the target areas. The yield on real estate investments, including mortgages, depends on many factors such as prevailing interest rates, the level of risk assumed, conditions in the real estate industry, legislation, government regulation and taxes. The Company cannot predict the effect that such factors will have on its operations.

Higher Risk Mortgage Loans - The potential higher returns associated with the mortgage loans reflect the greater risks associated with the mortgage loans as compared to long-term conventional mortgage loans. Such greater risks include the delay or non-completion of construction of the borrower's project, the inability of the borrower to obtain necessary additional financing, and adverse changes in interest rates and the financial markets. In the event of default by a borrower, it may be necessary for the Company to engage in foreclosure or other legal proceedings to sell the defaulting borrower's property or to make further payments to complete an unfinished project (including additional costs of a receiver), or to pay off or maintain prior mortgages in good standing. In such cases, it is possible that the total amount recovered by the Company may be less than the total amount of the loan granted by the Company to the defaulting borrower.

General Risks of Mortgage Investments -There are certain risks inherent in mortgage lending over which neither the Company nor the Manager has any control. These risks include abnormal fluctuations in interest rates, the general state of the economy, and falling real estate values. The Company's business is to provide loans to borrowers who may not qualify for financing from conventional lenders. Accordingly, the risk of late payment or default of these loans may be high.

High Loan Ratios - When the Company is granted a mortgage by the borrower, the ratio of the loan amount to the value of real property encumbered by the mortgage (that is, the LTV) may be higher than a traditional mortgage lender would approve.

High Recovery Costs - In the event of default by a borrower, it may be necessary for the Company to engage in foreclosure or other legal proceedings to sell the defaulting borrower's property or to make further payments to complete an unfinished project (including additional costs of a receiver), or to pay off or bring into good standing and maintain prior mortgages. In such cases, it is possible that the total amount recovered by the Company may be less than the total amount of the loan granted by the Company to the defaulting borrower.

Potential Liability under Environmental Protection Legislation - Environmental and ecological legislation and policies have become increasingly important in recent years. Under various laws, 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 in respect of which mortgage loans are made. Where the Company identifies a possible risk they will complete environmental due diligence in respect of each such property and, where circumstances require, obtains indemnities from the borrowers in respect of environmental matters.

Insurance – The structures located on properties securing the Company's mortgage loans will usually be insured, in whole or in part, by the borrower's household insurance. However, there are certain inherent risks in mortgage investment and 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. 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 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.

Fraudulent Activities – All MICs are subject to mortgage fraud from borrowers misrepresenting their financial position and earnings potential. We have controls such as title insurance, underwriting criteria, due diligence procedures, appraisals and the use of outside consultants in place to minimize such types of mortgage fraud. Notwithstanding such controls, there can be no guarantee that the Company will not be the victim of a mortgage fraud.

Item 9. Reporting Obligations

9.1 Corporate

The Company is not a "reporting issuer" under BC Securities Legislation, nor will it become a reporting issuer following the completion the Offering. As a result, **the Company will not be subject to the continuous disclosure requirements of BC Securities Legislation and is not required to send you any documents on an annual or ongoing basis**.

The Company is not required to send you any documents on an annual or ongoing basis; however the Company does provide to each Shareholder quarterly statements reflecting their investment in the Company showing Shares held as well as company information including total value of mortgages held by the Company and total Share capital. Shareholders will also be sent audited financial statements annually.

Shareholders holding their Shares outside of Registered Plans will also receive yearly T5 tax information slips for investment income.

All Shareholders are given notice of and entitled to attend general meetings of Shareholders.

9.2 Availability of Information

Corporate or securities information about the Company is generally not available from any government, regulatory authority, stock exchange or quotation and trade reporting system other than information contained in Reports of Exempt Distribution which is available from the British Columbia Securities Commission's website. As well, the website of the Financial Institutions Commission of the province of British Columbia (FICOM) contains relevant information.

Information is available about the Company on our website or from us at the phone and fax numbers and e-mail address which are set out on the front cover of this offering memorandum.

Item 10. Resale Restrictions

10.1 General

These securities [the Shares] will be subject to a number of resale restrictions including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities [the Shares] unless you comply with an exemption from the prospectus and registration requirements under BC Securities Legislation.

10.2 Restricted Period

Unless permitted under BC Securities Legislation, you cannot trade the Securities [the Shares] before the date that is four months and a day after the date we become a reporting issuer in any province or territory of Canada.

As it is not anticipated that the Company will become a reporting issuer, the hold period may never expire and you will not be able to trade or re-sell your Shares unless you comply with an exemption from the prospectus and registration requirements under BC Securities Legislation.

Item 11. Purchaser's Rights

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

11.1 Two Day Cancellation Right

You can cancel your agreement to purchase these securities [Shares]. To do so, you must send a notice to us by midnight on the second business day after you sign the agreement to buy the securities [Shares].

11.2 Statutory Rights of Action in the Event of a Misrepresentation

BC Securities Legislation provides that every purchaser of Shares pursuant to this offering memorandum shall have, in addition to any other rights they may have at law, a right of action for damages or rescission, or both, against the Company if this offering memorandum or any amendment thereto contains a misrepresentation.

If there is a misrepresentation in this offering memorandum, you have a statutory right to sue:

(a) the Company to cancel your agreement to purchase the securities [Shares]; or

(b) for damages against:

- (i) the Company;
- (ii) every director of the Company; and
- (iii) every person or company who signs this offering memorandum.

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 [Shares].

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 from the day of entering the agreement and you must bring an action for damages within the earlier of 180 days from the day that you first had knowledge of the facts giving rise to the cause of action and three years from the day of entering the agreement that gave rise to the cause of action.

If you sue for damages, the amount you may recover will not exceed the price that you paid for your securities and will not include any part of the damages that the Company proves does not represent the depreciation in value of the Shares resulting from the misrepresentation.

Item 12. Financial Statements

The following are our audited financial statements for our last completed financial year.

CERTIFICATE

Dated December 10, 2015

This offering memorandum does not contain a misrepresentation.

Paradigm Mortgage Investment Corporation

Leanne P. Wilson President	Marylyn W. Needham CFO and Vice-President
Donald J. Crompton Director	John D. Ferdinands Director

Grant Thornton

Financial Statements

Paradigm Mortgage Investment Corporation

August 31, 2015

Contents

Grant Thornton

Independent auditors' report

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To the shareholders of Paradigm Mortgage Investment Corporation

We have audited the accompanying financial statements of Paradigm Mortgage Investment Corporation ("the Company"), which comprise the statement of financial position as at August 31, 2015, and the statement of net loss and comprehensive loss, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and 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 the auditors' 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, the auditor considers internal control relevant to the Company'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 Company'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 Paradigm Mortgage Investment Corporation as at August 31, 2015, and its results of operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Kelowna, Canada
October 15, 2015

Chartered professional accountants

Paradigm Mortgage Investment Corporation
Statement of financial position

August 31	**2015**	2014
Assets		
Prepaid expenses	**$ 46,754**	$ 66,701
Receivables and other assets	**-**	1,304,491
Mortgages receivable (Note 5)	**83,704,371**	130,336,089
Property held for resale	**672,425**	1,363,129
	$ 84,423,550	$ 133,070,410
Liabilities		
Bank indebtedness (Note 7)	**$ 10,340,947**	$ 28,845,012
Payables and accruals	**202,769**	257,382
Promissory notes payable (Note 8)	**966,242**	-
Dividends payable	**1,595,580**	-
	13,105,538	29,102,394
Shareholders' equity		
Share capital (Note 9)	**92,773,791**	108,125,603
Deficit	**(21,455,779)**	(4,157,587)
	71,318,012	103,968,016
	$ 84,423,550	$ 133,070,410

Trust assets and liabilities (Note 10)
Commitment (Note 15)

On behalf of the Board

________________ Director ________________ Director

See accompanying notes to the financial statements

Paradigm Mortgage Investment Corporation
Statement of net loss and comprehensive loss

Year ended August 31	2015	2014
Revenue		
Mortgage interest	**$ 9,589,165**	$ 11,039,545
Recoveries	**460,407**	72,205
Lender fees and penalties	**194,834**	125,103
Banking interest	**12,241**	52,657
	10,256,647	11,289,510
Expenses		
Annual general meeting	**10,272**	2,600
Provision for credit losses	**23,161,726**	12,903,686
Director fees	**-**	140
Insurance	**19,250**	16,232
Interest	**747,938**	610,561
Management fees	**1,649,365**	1,778,588
Professional fees	**133,288**	135,290
	25,721,839	15,447,097
Net loss and comprehensive loss	**$ (15,465,192)**	$ (4,157,587)

See accompanying notes to the financial statements

Paradigm Mortgage Investment Corporation
Statement of changes in shareholders' equity
Year ended August 31

	Share capital	Deficit	Total
Balance on August 31, 2013	**$ 117,697,092**	$ -	**$ 117,697,092**
Net loss and comprehensive loss	-	(4,157,587)	**(4,157,587)**
Issuance of share capital	10,281,901	-	**10,281,901**
Redemption of share capital	(19,853,390)	-	**(19,853,390)**
Balance on August 31, 2014	**$ 108,125,603**	$ **(4,157,587)**	**$ 103,968,016**
Net loss and comprehensive loss	-	(15,465,192)	**(15,465,192)**
Dividends	-	(1,833,000)	**(1,833,000)**
Issuance of share capital	141,014	-	**141,014**
Redemption of share capital	(15,492,826)	-	**(15,492,826)**
Balance on August 31, 2015	**$ 92,773,791**	**$ (21,455,779)**	**$ 71,318,012**

See accompanying notes to the financial statements

Paradigm Mortgage Investment Corporation
Statement of cash flows

Year ended August 31	2015	2014
Increase (decrease) in cash		
Operating activities		
Net loss and comprehensive loss	**$ (15,465,192)**	$ (4,157,587)
Adjustments for non-cash items		
Provision for credit losses, net of recoveries	**22,701,319**	12,903,686
Interest income	**(9,589,165)**	(11,039,545)
Interest received	**9,450,079**	10,792,634
Changes in non-cash operating working capital		
Receivables and other assets	**474,985**	(1,304,491)
Payables and accruals	**(54,613)**	13,907
Prepaid expenses	**19,947**	(56,048)
	7,537,360	7,152,556
Financing activities		
Issuance of share capital	**141,014**	6,899,248
Redemption of share capital	**(14,391,739)**	(19,853,390)
Proceeds from notes payable	**457,242**	-
Dividends paid	**-**	(1,257,437)
	(13,793,483)	(14,211,579)
Investing activities		
Mortgages receivable, net	**24,271,402**	(29,329,190)
Proceeds on sale of property held for resale	**488,786**	231,650
	24,760,188	(29,097,540)
Net decrease (increase) in bank indebtedness	**18,504,065**	(36,156,563)
(Bank indebtedness) cash, beginning of year	**(28,845,012)**	7,311,551
Bank indebtedness, end of year	**$ (10,340,947)**	$ (28,845,012)

Non-cash investing and financing activities		
Shares issued in lieu of dividends	**$ -**	$ 3,382,653
Notes payable issued in lieu of share redemptions	**$ 509,000**	$ -
Dividend advances repaid through share redemptions	**$ 592,087**	$ -
Receivables and other assets settled in lieu of dividends	**$ 237,419**	$ -

See accompanying notes to the financial statements

1. Governing legislation and nature of operations

Paradigm Mortgage Investment Corporation ("the Company") is incorporated under the Companies Act of British Columbia and operates as a mortgage lender primarily in Western Canada. The Company is restricted to the guidelines of a Mortgage Investment Corporation, as defined by Section 130.1(6) of the Income Tax Act of Canada. The Company's head office is located at 210 - 1980 Cooper Road, Kelowna, Canada.

These financial statements have been approved and authorized for issue by the Board of Directors on October 15, 2015.

2. Summary of presentation and statement of compliance

Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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

The Company's functional and presentation currency is the Canadian dollar.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. Summary of significant accounting policies

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are initially measured at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are initially measured at fair value.

Subsequent measurement of financial assets and financial liabilities is as described below.

(continued)

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

- **Financial assets**

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held to maturity investments; and
- available-for-sale financial assets

The category determines subsequent measurement and whether any resulting income and expense is recognized in net earnings or in other comprehensive income.

At least at each reporting date, all financial assets, except for those at fair value through profit or loss, are subject to a review for impairment. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in net earnings are presented within revenue or expenses. Interest income from mortgages is recorded using the accrual method.

- **Loans and receivables**

Receivables and other assets and mortgages receivable that are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market have been designated as loans and receivables.

Receivables and other assets and mortgages receivable, inclusive of origination fees and transaction costs incurred, are initially measured at fair value.

Receivables and other assets and mortgages receivable are subsequently measured at amortized cost, using the effective interest rate method, less any impairment.

Receivables and other assets and mortgages receivable are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for credit losses, plus accrued interest.

If there is objective evidence that an impairment loss on receivables and other assets or mortgages receivable carried at amortized cost has incurred, the amount of the loss is measured as the difference between the receivable and other assets or mortgages receivable carrying amount and the present value of expected cash flows discounted at the receivable and other assets or mortgages receivable original effective interest rate. Short-term balances are not discounted.

(continued)

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

- **Loans and receivables** (continued)

The Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The expected future cash outflows for a group of financial assets with similar credit risk characteristics are estimated based on historical loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in net loss.

The accounting treatment for mortgage fees varies depending on the transaction. Significant fees that would result in an adjustment to the overall loan yield are capitalized and amortized using the effective interest method. All other fees are recognized in net loss. Penalties from mortgages are recorded when earned.

- **Financial liabilities**

The Company's financial liabilities include bank indebtedness, payables and accruals, promissory notes payable and dividends payable.

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognized in net loss.

Bad debts written off

Bad debts are written off from time to time as determined by management and approved by the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the allowance for impaired receivables and other assets or mortgages receivable, if an allowance for impaired receivables and other assets or mortgages receivable had previously been recognized. If no allowance had been recognized, the write offs are recognized as expenses in net loss.

Property held for resale

Property held for resale consists of real property collateral or security the Company has taken possession of through the foreclosure process and plans on selling within a reasonable time frame. The property is valued at the lower of cost, which is defined as cost plus applicable carrying costs, or estimated net realizable value. The Company does not use these assets in its operations.

(continued)

3. Summary of significant accounting policies (continued)

Impairment of non-financial assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Impairment charges are included in net loss.

Standards, amendments and interpretations not yet effective

Certain new standards, amendments and interpretations have been published that are mandatory for the Company's accounting periods beginning on or after January 1, 2015 or later periods that the Company has decided not to early adopt. The standards, amendments and interpretations that will be relevant to the Company are

- IFRS 9 *Financial Instruments* is part of the IASB's wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets, amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

- IFRS 15 *Revenue from Contracts with Customers* replaces IAS 18 *Revenue,* IAS 11 *Construction Contracts* and some revenue-related interpretations; establishes a new control-based revenue recognition model; changes the basis for deciding whether revenue is to be recognized over time or at a point in time; provides new and more detailed guidance on specific topics; and expands and improves disclosures about revenue. IFRS 15 applies to contracts with customers to provide goods or services, including construction contracts and licensing of intellectual property. It will not apply to certain contracts within the scope of other IFRSs such as lease contracts, insurance contracts, financing arrangements, financial instruments, guarantees other than product warranties, and non-monetary exchanges between entities in the same line of business to facilitate sales to third-party customers. The effective date for this standard is for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

4. Estimation uncertainty

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The effect of a change in an accounting estimate is recognized prospectively by including it in net earnings in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities.

In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make.

These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Mortgages receivable loss provision

See Note 5 and 6 for information regarding mortgages receivable loss provision.

5. Mortgages receivable

	2015	**#**	2014	#
Residential mortgages				
Residential 1st mortgages	**$ 61,952,731**	**183**	$ 85,328,039	254
Residential 2nd mortgages	**3,497,484**	**43**	7,726,420	65
Commercial mortgages				
Commercial 1st mortgages	**43,518,334**	**28**	41,656,269	29
Commercial 2nd mortgages	**2,446,390**	**1**	2,836,447	2
	111,414,939	**255**	137,547,175	350
Deferred lender bonuses	**(6,971)**		(12,400)	
Allowance for impaired loans (Note 6)	**(27,703,597)**		(7,198,686)	
	$ 83,704,371		$ 130,336,089	

(continued)

5. Mortgages receivable (continued)

Terms and conditions

Mortgages have a fixed rate of interest with maturity dates from one to two years with the exception of two mortgages that have maturity dates of five years.

The interest rate offered on fixed rate loans advanced at August 31, 2015 range from 0% to 12.45% (2014 – 0% to 18%).

Residential mortgages are mortgages secured by residential property and are generally repayable monthly with either blended payments of principal and interest or interest only.

Commercial mortgages consist of mortgages secured by commercial property and have various repayment terms.

Average yields to maturity

Mortgages bear interest at fixed rates with the following average yields at:

	2015		2014	
	Principal	**Yield**	Principal	Yield
Fixed rate due less than one year	**$ 77,988,572**	**9.14%**	$ 129,259,384	8.01%
Fixed rate due between one and five years	**33,426,367**	**3.70%**	8,287,791	7.35%
	$ 111,414,939		$ 137,547,175	

Credit quality of loans

It is not practical to value all collateral as at the balance sheet date due to the variety of assets and conditions. All mortgages within the mortgages receivable portfolio are secured by real property.

Fair value

The fair value of mortgages receivable at August 31, 2015 was $83,704,371 (2014 - $130,336,089).

The estimated fair value of the fixed rate mortgages is assumed to be equal to book value as the majority of the mortgages receivable mature within one year.

6. Allowance for impaired mortgages receivable

Change in individual specific provision for impairment:

				2015	2014
	Beginning balance	Provision	Write-offs	**Ending balance**	Ending balance
Residential mortgages	$ 5,059,518	$ 9,924,020	$ (1,890,245)	**$ 13,093,293**	$ 5,059,518
Commercial mortgages	2,139,168	12,777,299	(306,163)	**14,610,304**	2,139,168
Total provision	$ 7,198,686	$ 22,701,319	$ (2,196,408)	**$ 27,703,597**	$ 7,198,686
Percentage of total loans and accrued interest				**24.9%**	5.2%

Impaired loans and related allowances			**2015**	2014
	Loan balances	Specific allowance	**Carrying amount**	Carrying amount
Residential mortgages	$ 25,464,877	$ 13,093,293	**$ 12,371,584**	$ 15,171,373
Commercial mortgages	35,038,089	14,610,304	**20,427,785**	10,867,244
	$ 60,502,966	$ 27,703,597	**$ 32,799,369**	$ 26,038,617

Key assumptions in determining the allowance for impaired mortgages receivable

In determining the allowance for impaired mortgages receivable, management considers factors such as the composition and credit quality of the portfolio, current economic conditions and trends and historical loss experience.

7. Bank indebtedness

The Company has a demand credit facility with TD Bank for an authorized amount totalling $25,000,000 (2014 - $35,000,000). Under the facility agreement, the Company could either borrow demand loans at bank prime rate plus 1.00% (2014 - 0.85%) or use banker's acceptances at banker's acceptance rate plus a stamping fee of 2.40% (2014 - 2.25%) per annum. As at August 31, 2015, the outstanding bank loan balance is $2,228,461 (2014 - $4,947,190) excluding outstanding cheques and deposits in transit, at an effective interest rate of 3.70% (2014 - 3.85%) and outstanding banker acceptances of $8,000,000 (2014 - $23,000,000) excluding any discounts or premiums, at an effective interest rate of 2.81% (2014 - 3.30%).

As security for the bank indebtedness, the Company has provided the following:

- a general security agreement
- an assignment of certain mortgages

(continued)

7. Bank indebtedness (continued)

Under the Company's bank credit facilities, the Company is required to comply with certain financial covenants including a borrowing base condition, a quarterly debt to tangible net worth requirement and a quarterly interest coverage requirement. At August 31, 2015, the Company is not in compliance with the interest coverage financial covenant.

8. Promissory notes payable

Demand promissory notes payable are unsecured, payable on demand and bear interest at TD bank prime rate less 0.5%. Term promissory notes payable are unsecured, payable in one year and bear interest at the TD bank prime rate.

	2015	2014
Demand promissory notes	**$ 214,000**	$ -
Term promissory notes	**740,000**	-
Accrued interest	**12,242**	-
	$ 966,242	$ -

9. Share capital

	2015	2014
Authorized		
Unlimited voting common shares with a par value of $1		
Issued		
92,742,493 common shares (2014 - 108,125,603)	**$ 92,773,791**	$ 108,125,603

All shares are equally eligible to receive dividends and the repayment of capital and represents one vote at the shareholders meeting.

During the year, nil (2014 - 3,382,653) shares were issued in settlement of dividends payable in the amount of $nil (2014 - $3,382,653); 141,014 (2014 – 6,899,248) shares were issued for cash consideration of $141,014 (2014 - $6,899,248); 592,087 (2014 – nil) shares were redeemed by the Company in settlement of dividends receivable in the amount of $592,087 (2014 - $nil), 509,000 (2014 – nil) shares were redeemed by the Company in exchange for $509,000 (2014 - $nil) in notes payable and 14,423,037 (2014 – 19,853,390) shares were redeemed by the Company for cash consideration of $14,391,739 (2014 - $19,853,390).

10. Trust assets and liabilities

As at August 31, 2015, the Company held $1,870 (2014 - $70,221) in trust on behalf of borrowers, for future mortgage payments. These amounts are not included in the financial statements.

11. Related party transactions

The Company's related parties include key management, as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and management. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are unsecured and usually settled in cash.

The Company entered into the following transactions with key management personnel, which are defined by IAS 24 *Related Party Disclosures*.

The Company has entered into a management agreement to receive administrative services from another company under common management control. The management fee related to these services is based on the balance of the mortgages receivable. Management fees incurred during the year were $1,649,365 (2014 - $1,778,588) with management fees payable of $136,185 (2014 - $205,067) included in payables and accruals and management fees recoverable of $nil (2014 - $400,000) included in receivables and other assets.

As at August 31, 2015 key management personnel and directors held 15,231,700 (2014 - 17,589,742) shares of the Company. During the year, key management personnel and directors share transactions consisted of the following: 196,881 (2014 - 406,409) shares were redeemed by the Company in settlement of dividends receivable in the amount of $196,881 (2014 - $406,409), 2,219,161 (2014 - 842,516) shares were redeemed by the Company for cash consideration of $2,219,161 (2014 - $842,516) and 58,000 (2014 - nil) shares were acquired directly from non-related parties.

12. Financial instrument classification and fair values

The following provides an analysis of financial instruments that are measured, subsequent to initial recognition, at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level of input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of three levels.

As at August 31, 2015, there are no financial instruments carried at fair value and consequently, no financial instruments categorized into Level's 1, 2 or 3 or transfers between Level 1 and 2 for the year then ended.

13. Financial instrument risk management

General objectives, policies, and processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receives quarterly reports from the Company's Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower or counter party to honour its financial or contractual obligation to the Company. Credit risk primarily arises from mortgages receivable. Management and the Board of Directors reviews and updates the credit risk policy annually. The maximum exposure of the Company to credit risk before taking into account any collateral held is the carrying amount of the loans as disclosed on the statement of financial position.

Concentration of credit risk exists if a number of borrowers are engaged in similar economic activities or are located in the same geographic region, and indicate the relative sensitivity of the Company’s performance to developments affecting a particular segment of borrowers or geographic region. Geographic risk is mitigated in that the company lends to all provinces in Western Canada.

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Company takes into consideration the borrower's character, ability to pay, and value of collateral available to secure the loan.

The Company's credit risk management principles are guided by its overall risk management principles. The Board of Directors ensures that management has a framework, and policies, processes and procedures in place to manage credit risks and that the overall credit risk policies are complied with at the business and transaction level.

(continued)

13. Financial instrument risk management (continued)

Credit risk (continued)

The Company's credit risk policies set out the minimum requirements for management of credit risk in a variety of transactional and portfolio management contexts. Its credit risk policies comprise the following:

- General mortgage policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity, and loan administration;
- Mortgage lending limits including Board of Director limits, schedule of assigned limits and exemptions from aggregate indebtedness;
- Mortgage collateral security classifications which set loan classifications, advance ratios and amortization periods;
- Procedures outlining loan overdrafts, release or substitution of collateral, temporary suspension of payments and loan renegotiations;
- Mortgage delinquency controls regarding procedures followed for loans in arrears; and
- Audit procedures and processes for the Company's lending activities.

With respect to credit risk, the Board of Directors receives monthly reports summarizing new mortgages, delinquent loans and overdraft utilization. The Board of Directors also receives an analysis of bad debts and allowance for doubtful mortgages receivable quarterly.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company’s management oversees the Company’s liquidity risk to ensure the Company has access to enough readily available funds to cover its financial obligations as they come due. The Company’s business requires such capital for operating and regulatory purposes.

The assessment of the Company's liquidity position reflects management's estimates, assumptions and judgments pertaining to current and prospective Company specific and market conditions and the related behaviour of its shareholders and counterparties.

(continued)

13. Financial instrument risk management (continued)

Liquidity risk (continued)

The Company manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities;
- Monitoring the maturity profiles of financial assets and liabilities; and
- Monitoring the liquidity ratios monthly.

The Board of Directors receives monthly liquidity reports as well as information regarding cash and bank indebtedness balances in order for it to monitor the Company's liquidity framework.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. For purposes of this disclosure, the Company segregates market risk into two categories: fair value risk and interest rate risk. The Company is not significantly exposed to currency risk or other price risk.

- **Fair value risk**

Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. The Company incurs fair value risk on its mortgages receivable held and property held for resale. The Company does not hedge its fair value risk.

- **Interest rate risk**

Interest rate risk relates to 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 incurs interest rate risk on its mortgages receivable, bank indebtedness, promissory notes payable and other interest bearing financial instruments.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

14. Capital management

The Company defines capital as bank indebtedness, promissory notes payable and share capital. The capital management objectives of the Company are to retain adequate capital resources to support its working capital needs, business and growth strategy and build long term shareholder value.

The Company's credit facilities are reviewed annually to ensure sufficient funds are available to meet operational needs (see Note 7).

15. Commitment

In the normal course of business and as at August 31, 2015, the Company has committed to advance $545,000 (2014 - $nil) in mortgage funding. The funding is expected to be fully advanced subsequent to year end.