OFFERING MEMORANDUM

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

January 3, 2020 **Continuous Offering**

460 MORTGAGE INVESTMENT CORPORATION
Suite 202, 1551 Estevan Road
Nanaimo, British Columbia V9S 3Y3
Email: info@460mic.com
Telephone: (250) 591-4601
Fax: (250) 591-4602

$1.00 per Preferred Share

Minimum Subscription: $5,000 (5,000 Preferred Shares)

460 Mortgage Investment Corporation (the "**Company**") is a private mortgage investment corporation incorporated under the *Business Corporations Act* (British Columbia) on June 11, 2014.

The Company is offering on a private placement basis up to a maximum of $25,000,000 Preferred Non-Voting Shares (the "**Preferred Shares**") in the capital of the Company at an initial price of $1.00 per Preferred Share (the "**Offering**"). Each Preferred Share represents a beneficial interest in the profits of the Company, which will principally be comprised of annual dividends paid in cash or in shares of the Company.

The Offering is being made with reliance on certain exemptions from the registration and prospectus filing requirements available under the securities laws of the Province of British Columbia. As a result, the Preferred Shares offered herein will be subject to the applicable resale restrictions under these laws. You will be restricted from selling your securities for an indefinite period. See "Resale Restrictions". There are certain risk factors inherent in an investment in the Preferred Shares and in the activities of the Company. See "Risk Factors".

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

DISCLAIMERS

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

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

OFFERING MEMORANDUM
Dated January 3, 2020
for
460 MORTGAGE INVESTMENT CORPORATION
Offering of Preferred Non-Voting Shares up to a Maximum of $25,000,000

Date:	January 3, 2020
<u>The Issuer</u>	
Name:	**460 Mortgage Investment Corporation (**the **"Company")**
Head office:	Suite 202, 1551 Estevan Road Nanaimo, British Columbia V9S 3Y3 Phone No. 250.591.4601 E-mail address: info@460mic.com Fax No. 250.591.4602
Currently listed or quoted:	No. **These securities do not trade on any exchange or market**.
Reporting issuer:	No.
SEDAR filer:	No.
<u>The Offering</u>	
Securities offered:	Redeemable, non-voting Preferred Shares with a par value of $1.00 each (the "**Preferred Shares**")
Price per security:	$1.00 per Preferred Share (the "**Subscription Price**")
Minimum/Maximum offering:	There is no minimum. The maximum is $25,000,000. You may be the only purchaser. Funds available under the Offering may not be sufficient to accomplish the Company's proposed objectives.
Minimum Subscription Amount:	The minimum number of Preferred Shares that may be subscribed for by any one Subscriber is 5,000 Preferred Shares at a subscription price of $1.00 per Preferred Share for a total of $5,000. For subsequent investments by existing holders of Preferred Shares, the minimum number of Preferred Shares that may be subscribed for is 5,000 Preferred Shares at a subscription price of $1.00 per Preferred Share for a total of $5,000. The Company reserves the right to change the minimum amount at any time and from time to time.
Payment terms:	The full subscription price is payable upon subscription, by certified cheque, electronic transfer or bank draft payable as directed in the subscription agreement. See Item 5.2 "Subscription Procedure".
Proposed closing date(s):	The closing of the sale of the Preferred Shares offered hereunder will take place at such times as are chosen by the Company (each, a "Closing"). The Corporation reserves the right to close the Offering at any time as subscriptions are received.
Income Tax consequences:	There are important tax consequences to these securities (see Item 6 "Income Tax Consequences and RRSP Eligibility").
Selling agent:	On February 14, 2019, the Company engaged Belco Private Capital Inc. as its exempt market dealer for the distribution of the Company's Preferred Shares on a best efforts basis for a period of three years in consideration of an initial set up fee of $2,500, an annual fixed fee of $25,000 during the first year and $19,000 in each of the second and third years subject to an additional fee of 40 basis points on the amounts invested during the year over $5,000,000, plus reimbursement of out-of-pocket expenses including an annual compliance payment initially set at $10,000. The Company may pay a sales fee to registered securities dealers and exempt market dealers, or where permitted, non-registrants, subject to negotiation (see Item 7 "Compensation Paid to Seller's and Finder's").
Resale restrictions	As there is no market for the Preferred Shares, it may be difficult or even impossible to sell them. Preferred Shares are subject to resale restrictions and you will be restricted from selling your Preferred Shares for an indefinite period (see Item 10 "Resale Restrictions"). However, you may elect to redeem any or all of your Preferred Shares at certain times if you follow the procedures established (see Item 5 "Terms of Preferred Shares – Redemption Rights").
Purchaser's rights	You have 2 business days to cancel your agreement to subscribe for Preferred Shares. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 11 "Purchasers' Rights".
	No securities regulatory authority has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment (see Item 8 "Risk Factors").

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GLOSSARY

The following terms appear throughout this Offering Memorandum. Care should be taken to read each term in the context of the particular provision of this Offering Memorandum in which such term is used.

"**Affiliate**" or "**Affiliates**" has the same meaning as in the B.C. Securities Act;

"**B.C. Securities Act**" means the *Securities Act* (British Columbia), with all amendments thereto in force from time to time and any statutes that may be passed which have the effect of supplementing or superseding such statute;

"**Book Value**" of a Preferred Share shall mean a sum of money equal to the par value of that Preferred Share plus or minus an amount equal to the retained earnings or deficit of the Company computed at that time in accordance with generally accepted accounting principles, divided by the number of Preferred Shares issued and outstanding at that time;

"**Business Day**" means a day other than a Saturday, Sunday or any day on which the principal office of the Company's bankers located in Vancouver, British Columbia, is not open for business during normal banking hours;

"**Calculation Date**" means the last day of the Company's Fiscal Year;

"**Closing**" means a closing of the sale of Preferred Shares as the Company may determine from time to time;

"Common Share" means a common share in the capital of the Company;

"**Date of Closing**" means in respect of any Preferred Shares the date upon which the subscription for such Preferred Share is accepted by the Company;

"**Dividend Payment Date**" means a date, selected by the Directors of the Company in their sole discretion that falls within 90 days of the Calculation Date;

"**Eligible Owner**" means: (i) a Retirement Savings Plan (RSP) registered in accordance with the Tax Act held for the benefit of a person; (ii) a Retirement Savings Plan registered in accordance with the Tax Act held for the benefit of the spouse of a person; (iii) a trust governed by a Deferred Profit Sharing Plan (D.P.S.P.) held for the benefit of a person; (iv) a trust governed by a Registered Pension Plan (R.P.P.) held for the benefit of a person; (v) a Retirement Income Fund (R.I.F.) held for the benefit of a person; (vi) a Registered Education Savings Plan (RESP) held for the benefit of a person; (vii) a Tax Free Savings Account (TFSA) held for the benefit of a person; and (viii) any Savings Plan created by either the Government of Canada or a Provincial Government in Canada where the Plan is held for the benefit of a person;

"**Fiscal Year**" means each consecutive period of 12 months ending on August 31;

"**Loans**" means the portfolio of short to medium-term loans in which the Company will invest the net proceeds from the issuance of Preferred Shares pursuant to this Offering Memorandum;

"**MIC**" means a mortgage investment corporation as defined in subsection 130.1(6) of the Tax Act;

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

"**Mortgage Broker**" means a party licensed under the Mortgage Brokers Act.;

"**Mortgage Brokers Act**" means the *Mortgage Brokers Act* (British Columbia), with all amendments thereto in force from time to time and any statutes that may be passed which have the effect of supplementing or superseding such statute;

"**Net Subscription Proceeds**" means the gross proceeds to the Company from the sale of the Preferred Shares less the costs of this Offering and the Sales Fee;

"**Offering**" means this offering of up to 25,000,000 Preferred Shares;

"**Preferred Share**" means a preferred share in the capital of the Company;

"**Preferred Shareholder**" means those investors whose subscriptions to purchase Preferred Shares are accepted by the Company and thereafter at any particular time the persons entered in the central securities register of the Company as holders of Preferred Shares and the singular form means one such registered holder;

“**Real Property**” means land, rights or interest in land (including without limitation leaseholds, air rights and rights in condominiums, but excluding mortgages) and any buildings, structures, improvements and fixtures located thereon;

“**Redemption Amount**” for a Preferred Share shall be comprised of two components: (i) the invested capital portion of the Redemption Amount which is the sum of money equal to the Book Value of that Preferred Share plus all dividends declared and unpaid on that Preferred Share at the date of determination of the Redemption Amount, if any, and (ii) the interest portion of the Redemption Amount which shall be an amount of interest based on the number of full months that the Preferred Shares were held by the registered holder in the fiscal year in which the Redemption Notice was received by the Company or the Company issued a notice of intention to redeem. The interest portion of the Redemption Amount shall be calculated at the same rate as the dividend rate determined for that applicable fiscal year. The invested capital portion of the Redemption Amount per Preferred Share shall be determined within ninety (90) days after the Company received the Redemption Notice or the Company issued a notice of intention to redeem, and the interest portion of the Redemption Amount per Preferred Share shall be determined within ninety (90) days of the fiscal year end of the Company in which the Redemption Notice was received or the Company issued a notice of intention to redeem;

“**Redemption Notice**” means the notice delivered by a Preferred Shareholder to the Company in accordance with the Articles of the Company;

“**Redemption Price**” shall mean the invested capital portion of the Redemption Amount multiplied by the number of Preferred Shares to be redeemed.

“**Securities Authority**” means the British Columbia Securities Commission and any other applicable provincial securities commission;

“**Subscriber**” means a subscriber for Preferred Shares;

“**Subscription Agreement**” means the form of subscription agreement for the Preferred Shares accompanying this Offering Memorandum;

“**Subscription Price**” means $1.00 per Preferred Share; and

“**Tax Act**” means the *Income Tax Act* (Canada), as amended from time to time.

CANADIAN CURRENCY

All dollar amounts stated herein, unless otherwise stated, are expressed in Canadian currency.

ITEM 1
USE OF AVAILABLE FUNDS

1.1 Net Funds

		Assuming Minimum Offering[1]	Assuming Maximum Offering[1]
A.	Amount to be raised by this offering.	$0	$25,000,000
B	Estimated Selling Commissions and Fees	$0	$0
C.	Estimated Costs of the Offering (e.g. Legal, accounting, audit)[2]	$20,000	$20,000
D.	Available Funds: D = A – (B + C)	($20,000)	$24,980,000
E.	Additional sources of funding required	$20,000[3]	$0
F.	Working capital deficiency	N/A	$0
G.	Total: G = (D + E) – F	$0	$24,980,000

(1) The Maximum Offering is $25,000,000 (25,000,000 Preferred Shares). There is no Minimum Offering.
(2) Offering Costs as shown are estimated expenses (currently estimated to be $20,000 if the Maximum Offering is achieved) of or incidental to the issue, sale and delivery of the Preferred Shares pursuant to this Offering, including, without limitation, fees and disbursements of legal counsel and accountants, printing and other administrative costs associated with marketing the Preferred Shares pursuant to this Offering Memorandum and the reasonable out-of-pocket expenses (including applicable taxes) of the Company in connection with such issue, sale and delivery.
(3) If necessary, the directors may lend and pay on behalf of the Company all costs incurred in connection with the preparation for and completion of the Offering, including legal and accounting fees which are estimated to be $20,000. All costs in connection with the Offering funded by the directors will be repaid, without interest from funds received by the Company from Subscribers or from income generated by the Company.

1.2 Use of Available Funds

The Net Subscription Proceeds will be invested primarily in Loans secured by mortgages. Investments in such Loans will be made as set out in Item 2.2 “The Company’s Business – Investment Policies”. The Company will use its best efforts to make suitable investments of the Net Subscription Proceeds as soon as possible following each Closing.

Description of intended use of available funds listed in order of priority	Assuming Minimum Offering	Assuming Maximum Offering
Investment in mortgages, other permitted investments and related administrative expenses	$0	$24,980,000
ANY OTHER USE	$0	$0
Total:	$0	$24,980,000

1.3 Reallocation

The Company intends to spend the funds as stated. The Company will reallocate funds only for sound business reasons.

ITEM 2
BUSINESS OF THE COMPANY

2.1 Structure

The Company is a mortgage investment corporation as defined in the Tax Act and intends to continue to qualify as such. It was incorporated under the *Business Corporations Act* (British Columbia) on June 11, 2014 under Incorporation No. BC1005054. The Company's registered and records office is located at 1055 West Georgia Street, 1500 Royal Centre, P.O. Box 11117, Vancouver, BC V6E 4N7 and its head office is located at Suite 202, 1551 Estevan Road, Nanaimo, BC V9S 3Y3.

The Company does not have any subsidiaries or proposed subsidiaries.

The Company is registered to carry on business as a mortgage investment corporation (a "**MIC**") in the Province of British Columbia. The Company's investment policies require it to conduct its operations so as to qualify as a "*mortgage investment corporation*" as this term is defined under section 130.1 of the Tax Act. The Directors of the Company intend to refuse the registration of an allotment or transfer of the Company's shares which may result in the Company ceasing to meet such qualification.

2.2 The Company's Business

The Company

The Company is a MIC as that term is defined in section 130.1 of the Tax Act. It was incorporated for the purpose of generating a stable stream of income for investors, primarily by making Loans secured by mortgages, thereby providing investors with an opportunity to participate indirectly in a portfolio of mortgages. The Company was incorporated in June 2014 and since December 2014 has focused on developing its mortgage investment business. The Company expects that demand for private mortgage financing will remain high as traditional institutional lenders keep their lending policies tight due to lingering caution following the global credit crisis.

The Tax Act provides that a MIC may invest its funds as it sees fit, provided that a MIC must not invest in mortgages on real property (land and buildings) situated outside of Canada or any leasehold interest in such property, debts owing by non-resident persons unless secured by real property situated in Canada or shares of corporations not resident in Canada. The Tax Act also provides that at least 50% of the cost amount of a MIC's property must consist of debts secured by mortgages or otherwise on "houses" or property included within a "housing project" (as those terms are defined by section 2 of the *National Housing Act* (Canada)) and money on deposit in a bank or credit union. No more than 25% of the cost amount of a MIC's property may be real property, including leasehold interests in real property (except for real property acquired by foreclosure or otherwise after default on a mortgage or other security).

The Company intends to invest primarily in first and second mortgages each having a principal amount which, when added to the principal amount of prior mortgages, is not more than 75% of the appraised value of the real property against which they are secured. There may be instances in which the Company will invest in Loans with a higher or lower loan-to-value ratio if the directors of the Company determine that it is in the best interests of the Company to do so and the aggregate loan-to-value ratio of the Company's mortgage portfolio does not exceed 75%.

The Company is in the business of investing in mortgages granted as security for Loans to a variety of borrowers, including builders, developers and owners of commercial, industrial and residential real estate located in British Columbia. To the extent that the Company's funds are not invested in mortgages from time to time, they will be held in cash deposited with a Canadian chartered bank or credit union or will be invested in short term deposits, savings accounts or government guaranteed income certificates so that the Company may maintain a level of working capital for its ongoing operations considered acceptable by the directors of the Company. Subject to limitations and restrictions applicable to MICs that are contained in the Tax Act, the Company may make other permitted investments over time, including the direct ownership of Real Property (including Real Property acquired by way of foreclosure under mortgages).

The Company's mortgage investment portfolio will be managed by the board of directors and all potential mortgage investments must be approved by the managing director and/or the operations director plus one or two other directors depending on the size of the potential mortgage investment.

As a MIC, the Company is allowed to deduct dividends that it pays from its income. The Company intends to pay out all of its net income and net realized capital gains as dividends within the time period specified in the Tax Act and as a result does not anticipate paying any income tax (see Item 6 – "*Income Tax Consequences*").

The Company may fund its investments through equity financings or, by law, the Company may employ leverage, as permitted by applicable legislation, by issuing debt obligations up to a maximum of five (5) times its equity if at least 2/3 of its equity is in Canadian residential property or on deposit with qualifying financial institutions and three (3) times its equity if less than 2/3 of its equity is in Canadian residential property or on deposit with qualifying financial institutions. The Company currently has a maximum operating line of credit of $1,000,000 with Royal Bank of Canada ("**Royal Bank**") (see Item 2.7 – "*Material Agreements*"). The Company intends to borrow to the extent that the directors of the Company are satisfied that such borrowing and additional investments will increase the overall profitability of the Company.

Investment in Loans

The Company will seek out and originate Loans for investment which are consistent with the investment and operating policies and objectives of the Company set out below.

The mortgages to be invested in by the Company are a common form of financing within the real estate industry. The standard documentation used with respect to mortgages will provide that, in the event of a failure by the mortgagor to pay any amount owing under a mortgage, the mortgagees will be entitled to enforce the mortgage in accordance with applicable law. In the event of a failure by a mortgagor to make a payment of interest and/or principal when due, the mortgagees will immediately communicate with the mortgagor and, failing prompt rectification, will issue a notice of its intent to exercise the remedy or remedies which are available to the mortgagees which the Company considers appropriate. Typically, all legal costs, costs related to registration of mortgages and costs relating to obtaining appraisals of Real Property, as allowed by law, will be for the account of the mortgagors.

The mortgages will be held by and registered in the name of the Company.

In addition, the Company will obtain standard security in respect of any commercial mortgages which, depending on the specific mortgage, may include one or more of an assignment of rents, an assignment of insurance proceeds, an assignment of purchase agreements (on residential development projects) and a general security agreement.

The Company expects to invest in mortgages secured primarily by residential Real Property but may invest in mortgages secured by various other types of Real Property, including multi-family residential properties, subdivisions, construction projects, commercial property, small strata retail, industrial and office units/buildings. The Company intends to invest in mortgages located in British Columbia. Such mortgages will comply with the investment policies of the Company. While it may make Loans relating to property outside of British Columbia, the Company may in such cases alter its lending criteria in order to ensure protection of investor capital.

The mortgages in which the Company invests will often be short term (i.e. with terms of one year or less), but the Company will attempt to stagger the maturity dates in order to produce an orderly turnover of assets and liabilities. As well, the Company may invest, either alone or in participation with other lenders, in mezzanine and subordinated mortgage debt for investment properties, which mortgages may carry longer terms.

Investment Policies

The Company's goal is to maximize shareholder returns by investing in loans to parties recommended by the Company's management. The Company will generally comply with the following policies and guidelines in order to accomplish this goal. These policies and guidelines are consistent with the Company's Articles, provisions of the Tax Act and real estate legislation which apply to MICs generally. The following are the investment criteria to be applied when selecting mortgages in which the Company plans to invest:

(i) The Company intends that the overall loan to value ratio of the portfolio shall not exceed 75% of the aggregate value of the mortgaged property (including prior ranking mortgages).

(ii) No more than 30% of the portfolio may be invested in second mortgages. At least 70% of the portfolio must be invested in first mortgages.

(iii) The Company will analyze the credit score and personal net worth and income of all potential borrowers. The borrower's ability to repay a loan will be assessed and approved by directors of the Company prior to granting any loan.

(iv) The Company will require written confirmation of the current balance and other pertinent details of any first mortgage from the first mortgagee if the Company is providing a second mortgage.

(v) The Company will require title insurance for all loans.

(vi) For each mortgage, the Company will require either an appraisal of the fair market value of the property or a comparative market analysis prepared by a licensed realtor conducting business in the relevant geographical area. In limited circumstances of a mortgage with a loan to value ratio of 50% or less, the Company may rely on the BC Assessment valuation.

(vii) All potential mortgage investments must be approved by the Company's Managing Director or Operations Director plus any one director of the Company if under $500,000; by the Managing Director or Operations Director plus any two directors of the Company if between $500,000 - $1,000,000; and by the Managing Director and Operations Director plus any two directors of the Company if over $1,000,000.

(viii) Once the capital of the Company has exceeded $5,000,000, no single investment or related group of investments involving one property or development, or involving several properties or developments owned by one borrower and/or its affiliates, shall generally exceed 10% of the book value of the assets of the Company.

(ix) The Company may hold real property acquired as a result of foreclosure where such foreclosure was necessary to protect the interests of the Company as a result of a default by the borrower. The Company will use its commercially reasonable efforts to dispose of such Real Property acquired upon foreclosure.

(x) To the extent that, from time to time, the Company's funds are not invested in Loans, they will be held in cash deposited with a Canadian chartered bank or will be invested by the Company in short term deposits or savings accounts at a Canadian chartered bank or in federal government guaranteed income certificates or treasury bills so as to maintain a level of working capital for the Company's ongoing operations.

(xi) No funds will be loaned in respect of any property in which a director or officer of the Company, or a related person of a director or officer, has a direct or indirect interest.

(xii) The Company will not make any investment that would result in it failing to qualify as a MIC pursuant to the Tax Act.

If, due to a change in the provisions of the Tax Act or other legislation applicable to the Company, any of the foregoing policies, guidelines and restrictions require amendment in order to comply with such change in legislation, the Company may make such change and such change will be binding on the Company.

Operating Policies

The Tax Act imposes certain restrictions on MICs and on investments made by MICs, which restrictions can be summarized as follows:

(i) The corporation must be a Canadian corporation.

(ii) The corporation must have at least 20 shareholders.

(iii) No shareholder can own more than 25% of the issued shares of any class of the corporation.

(iv) Except in limited circumstances, the corporation cannot manage or develop Real Property.

(v) The corporation cannot own shares of non-resident corporations.

(vi) The corporation cannot hold Real Property located outside of Canada.

(vii) The corporation cannot loan funds where the security is property located outside of Canada.

(viii) More than 50% of the cost of the corporation's property must be invested in mortgages over residential properties or deposits with a qualifying financial institution.

(ix) No more than 25% of the cost of the corporation's property can be invested in Real Property, except property acquired by foreclosure.

(x) The corporation must not exceed certain debt-to-equity ratios, which vary depending on the percentage of the cost of property invested in residential mortgages or on deposit with qualifying financial institutions. If less than two-thirds of the cost of the corporation's property is invested in this manner, the debt-to equity ratio may not exceed three to one. If more than two-thirds of the cost of the corporation's property is invested in this manner, then the allowable debt-to-equity ratio is five to one.

Administrative Services

The Company plans to contract out certain administrative duties for the Company, including but not limited to:

(i) assistance with processing and administering mortgage loans on behalf of and as instructed by the Company, which duties will include, but are not limited to, collections and payouts;

(ii) assistance with accounting tasks;

(iii) administration of general security agreements and other forms of security of the Company;

(iv) preparation of accounting information for the auditors of the Company; and

(v) assistance with other assignments related to the business and affairs of the Company as determined by its Board of Directors.

In addition to any service fees incurred by the Company from third party administrative service providers, the Company will reimburse any service providers for all reasonable and necessary out-of-pocket disbursements excluding wages, office space and maintenance of books and records incurred by such service providers in the performance of their services on behalf of the Company.

Mortgage Brokerage

The Company is registered as a Mortgage Broker with the British Columbia Financial Institutions Commission in accordance with the Mortgage Brokers Act.

The Office of the Registrar of Mortgage Brokers at the British Columbia Financial Institutions Commission regulates the mortgage brokering and lending activities of MICs under the Mortgage Brokers Act. The Registrar and the Mortgage Brokers Act do not regulate the capital raising and investment marketing activities of MICs which are subject to securities legislation and regulation.

2.3 Development of the Business

The Company was incorporated on June 11, 2014 and has conducted the business of investing in Loans secured by mortgages since December 2014. As at August 31, 2019, the Company has issued 10,825,822 Preferred Shares and has made Loans in the aggregate amount of $11,691,337.70.

Mortgage Portfolio

As at August 31, 2019, the Company's current portfolio of mortgages consisted of 57 Loans ranging in value from $20,000 to $640,000 for a total aggregate principal amount of approximately $11,691,337.70. The mortgages securing the outstanding principal of these Loans are all registered against properties in British Columbia and carry interest rates ranging from 6% to 13%. Loan to value ratios vary across the Loans in the Company's portfolio, and are based on independent appraisals conducted prior to funding. All of the Loans currently in the Company's portfolio are short term Loans for periods of 12 months or less. The mortgage portfolio composition as of August 31, 2019 was as follows:

Total Mortgage Investments	$11,691,337.70	
First Mortgages	$10,159,253.25	86.9%
Second Mortgages	$1,532,084.45	13.1%
Residential Mortgages	$7,730,890.68	66.1%
Commercial Mortgages	$1,084,355.56	9.3%
Other	$2,876,091.46	24.6%

The mortgage portfolio (based on total mortgages funded as of August 31, 2019) can be summarized in further detail as follows:

	Mortgage Type	**Mortgage Position**	**Loan to Value**	**Mortgage LTV Range**	**Mortgage**	**Interest Rate**
1	Residential	2nd	60%	48% to 60%	$90,500.00	9.0%
2	Residential	1st	48%	0% to 48%	$42,500.00	10.0%
3	Residential	1st	55%	0% to 55%	$183,750.00	9.0%
4	Commercial	1st	11%	0% to 11%	$61,855.56	6.0%
5	Residential	2nd	49%	36.5% to 49%	$30,000.00	12.0%
6	Residential	2nd	57%	38% to 57%	$100,000.00	12.0%
7	Residential	1st	57%	0% to 57%	$127,500.00	9.0%
8	Other	1st	13%	0% to 13%	$28,038.52	12.0%
9	Residential	1st	75%	0% to 75%	$188,500.00	9.0%
10	Other	1st	50%	0% to 50%	$106,302.94	10.0%
11	Residential	2nd	62%	25% to 62%	$234,000.00	10.0%
12	Residential	1st	63%	0% to 63%	$136,500.00	9.0%
13	Residential	1st	40%	0% to 40%	$251,016.72	9.0%
14	Residential	1st	62%	0% to 62%	$277,814.62	6.5%
15	Residential	2nd	68%	57% to 68%	$87,792.52	12.0%
16	Residential	1st	47%	0% to 47%	$125,000.00	8.0%
17	Residential	2nd	50%	43% to 50%	$50,000.00	12.0%
18	Residential	2nd	69%	57% to 69%	$79,721.93	11.0%
19	Other	1st	63%	0% to 63%	$220,000.00	8.0%

	Mortgage Type	Mortgage Position	Loan to Value	Mortgage LTV Range	Mortgage	Interest Rate
20	Residential	2nd	64%	51% to 64%	$80,000.00	12.0%
21	Residential	1st	55%	0% to 55%	$464,999.95	7.5%
22	Residential	2nd	67%	58% to 67%	$75,000.00	13.0%
23	Residential	2nd	58%	40% to 58%	$80,000.00	10.0%
24	Other	1st	48%	0% to 48%	$250,000.00	10.0%
25	Other	1st	49%	0% to 49%	$420,000.00	10.0%
26	Residential	1st	55%	0% to 55%	$170,000.00	9.95%
27	Residential	1st	65%	0% to 65%	$275,000.00	10.0%
28	Residential	1st	70%	0% to 70%	$305,000.00	9.0%
29	Residential	2nd	64%	52% to 64%	$42,000.00	9.0%
30	Residential	2nd	65%	43% to 65%	$189,000.00	11.0%
31	Commercial	1st	60%	0% to 60%	$800,000.00	9.0%
32	Residential	1st	65%	0% to 65%	$159,250.00	9.0%
33	Other	1st	53%	0% to 53%	$192,000.00	9.0%
34	Residential	1st	58%	0% to 58%	$270,000.00	9.0%
35	Other	1st	37%	0% to 37%	$624,000.00	9.0%
36	Residential	1st	65%	0% to 65%	$368,030.00	8.0%
37	Residential	1st	12%	0% to 12%	$52,000.00	8.0%
38	Residential	1st	70%	0% to 70%	$228,978.58	9.5%
39	Residential	1st	52%	0% to 52%	$300,000.00	9.0%
40	Residential	1st	19%	0% to 19%	$80,000.00	8.0%
41	Residential	2nd	65%	50% to 65%	$65,000.00	12.0%
42	Residential	1st	27%	0% to 27%	$320,000.00	9.0%
43	Other	1st	55%	0% to 55%	$299,750.00	9.0%
44	Other	1st	52%	0% to 52%	$416,000.00	9.0%
45	Residential	1st	64%	0% to 64%	$166,766.36	9.5%

	Mortgage Type	Mortgage Position	Loan to Value	Mortgage LTV Range	Mortgage	Interest Rate
46	Residential	1st	50%	0% to 50%	$170,000.00	9.0%
47	Residential	1st	58%	0% to 58%	$268,200.00	9.0%
48	Other	2nd	38%	26% to 38%	$100,000.00	10.0%
49	Residential	1st	46%	0% to 46%	$500,000.00	9.0%
50	Other	1st	61%	0% to 61%	$140,000.00	9.0%
51	Residential	2nd	65%	53% to 65%	$69,070.00	12.0%
52	Other	2nd	44%	34% to 44%	$80,000.00	12.0%
53	Residential	2nd	62%	31% to 62%	$80,000.00	10.0%
54	Commercial	1st/2nd inter alia	38%	0% to 38%	$222,500.00	6.0%
55	Residential	1st	67%	0% to 67%	$603,000.00	9.0%
56	Residential	1st	57%	0% to 57%	$240,000.00	9.0%
57	Residential	1st	23%	0% to 23%	$105,000.00	9.0%

Dividends

The Company’s dividends are paid annually and which are not guaranteed. The returns are expected to fluctuate from year to year mainly due to the Company’s ability to deploy its capital and avoid losses on its expected mortgage portfolio. The Company’s ability to deploy its capital is expected to be influenced by the state of the Western Canada private mortgage market. The Western Canadian private mortgage market is influenced by factors such as the price of real estate, interest rates, lending competition for private mortgages, employment conditions and general economic activity.

The Company’s annualized rate of return of the dividends paid to the holders of Preferred Shares for 2019 was 7.79%, which resulted in a distribution of dividends of $548,319 of which $54,553 was paid in cash from operating activities and the remaining $493,766 was reinvested in Preferred Shares through the reinvestment option.

The relationship between the Company’s cash flows from operating activities and profit or loss can be summarized in further detail as follows:

	Cash Flow:	Accumulated for the year ended August 31, 2019	Previously Completed fiscal years	
			2018	2017
A.	Cash flows from operating activities	$(2,991,508)	$(1,243,148)	$(2,361,212)
	Add back changes in mortgage receivable	$3,767,033	$1,826,094	$2,822,367
	Total	$775,525	$582,946	$461,155
B.	Profit or loss	$766,646	$548,319	$406,594
C.	Actual Cash Distributions paid or payable relating to the period	54,553	$39,177	$27,139
D.	**Excess (shortfall) of cash flows from operating activities over cash distributions paid (A) – (C)**	$720,972	$543,769	$434,16
E.	**Excess (shortfall) of profit or loss over cash distributions paid (B) – (C)**	$712,093	$509,142	$379,455

The Company's loss provision as of August 31, 2019 was $Nil (August 31, 2018: $Nil).

2.4 Long Term Objectives

The Company's long term objectives are:

(i) to provide the holders of Preferred Shares with a return that is superior to term deposits, GICs and money market funds, with due consideration to preservation of their capital;

(ii) to distribute income on an annual basis;

(iii) to maintain profitability;

(iv) to maintain the Company's status as a MIC under the Tax Act;

(v) to carry on lending activities in British Columbia, Canada;

(vi) to offer Loans to suitable borrowers who may need slightly more financing than larger institutional lenders may from time to time be willing to provide; and

(vii) to expand the assets of the Company to a value exceeding $25,000,000 while maintaining a minimum annualized rate of return to investors of 7% to 9%, while maintaining a mortgage portfolio weighted average loan to value ratio of less than 75%.

The Company expects to complete subscriptions for Preferred Shares of up to $25,000,000 and to invest the net subscription funds in mortgages as such funds are received. The Company will incur costs in connection with the Offering and in administering and placing mortgages, which costs are expected to remain consistent in the near future. The Company's expected income after establishing a mortgage portfolio will primarily consist of interest received on mortgages, less any administration fees payable to contract service providers and other operational expenses, including the 2% fee based on the aggregate outstanding balance of the total assets of the Company (after deduction of provisions for losses) payable to the directors and officers. Subject to future events which may have an impact on the timing of such decisions, it is the current intention of the Board of Directors of the Company to continue operations for an indefinite period of time.

2.5 Short Term Objectives and How the Company Intends to Achieve Them

The Company's business objectives for the next 12 months are to complete the offering of up to 25,000,000 Preferred Shares pursuant to this Offering Memorandum and to invest the net subscription proceeds thereof in Loans secured by mortgages. It is the intention of the Company that the net subscription proceeds of the Offering will be invested as quickly as is reasonably possible pursuant to the investment policies, to assist in raising further equity capital and to optimize returns. The Company intends to meet the following objectives for the next 12 months as follows:

What we must do and how we must do it	Target completion date or if not known, number of months to complete	Our cost to complete
Raise up to $25,000,000 to fund investments in mortgage Loans Provide Preferred Shareholders with sustainable income while preserving capital for distribution or re-investment by investing in mortgages.	Since the Company expects to have an ongoing investment program, there is no target completion date for its business plan.	Our costs to carry out our investment program generally consist of administration fees and compensation to our directors and officers.

2.6 Insufficient Funds

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

2.7 Material Agreements

Shareholders' Agreement

All of the common shareholders of the Company entered into a shareholders' agreement (the "**Shareholders' Agreement**"), dated September 23, 2014, which Shareholders' Agreement shall govern the control and management of the Company as well as the transfer, disposition or sale of any of the Company's common shares. Pursuant to the Shareholders' Agreement, each of the common shareholders agreed to vote its common shares so that David Robinson (as nominee for 0985040 B.C. Ltd.), Randy Forbes (as nominee for Kellott Holdings Ltd.), Ed Mejlholm (as nominee for Western Viking Holdings Ltd.), Greg Nowik (as nominee for Dublin Way Holdings Ltd.), Sally Whitehead and Kim Trottier shall be elected as directors of the Company. In the event that a foregoing director is no longer able to act as a director or nominee director, the respective common shareholder will have the right, with the approval of a majority of the remaining directors (who must act reasonably and without delay), to nominate a nominee director or replacement nominee director, as the case may be.

In addition, pursuant to the Shareholders' Agreement, no common shares or any beneficial interest therein shall be sold, transferred, assigned, mortgaged, pledged, charged, hypothecated or otherwise encumbered or disposed of or shall cease to be held by any current common shareholder except with the consent of the Board of Directors of the Company or as expressly required pursuant to the provisions of the Shareholders' Agreement. Notwithstanding anything to the contrary in the Shareholders' Agreement, the Company will not allot or issue any common shares or options to acquire common shares, and each common shareholder will not sell, assign or transfer any of its common shares to any person unless such person has agreed in writing to be bound by the provisions contained in the Shareholders' Agreement applicable to such new person.

Credit Agreement

The Company entered into a credit agreement with Royal Bank (the "**Credit Agreement**"), pursuant to which Royal Bank approved a $1,000,000 secured line of credit (the "**Line of Credit**") for the Company for the purpose of financing the day-to-day operations of the Company. The Line of Credit bears interest at a rate of 1.75% per annum above Royal Bank's prime lending rate. The Line of Credit is repayable on demand.

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

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

The Company cannot assign or encumber its rights and obligations under the Line of Credit or the Credit Agreement without the prior written consent of Royal Bank.

The foregoing summaries of the material provisions of the contracts referred to above do not purport to be complete. Copies of all contracts referred to above may be inspected during normal business hours at the registered and records office of the Company at 1055 West Georgia Street, 1500 Royal Centre, P.O. Box 11117, Vancouver, B.C. V6E 4N7.

ITEM 3
DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 Compensation and Securities Held

The Company

The following table sets out information about each director, officer and promoter of the Company and each person who directly or indirectly beneficially owns or controls 10% or more of any class of voting securities of the Company (a "**principal holder**").

NAME AND MUNICIPALITY OF PRINCIPAL RESIDENCE[(1)]	POSITIONS HELD (E.G. DIRECTOR, OFFICER, PROMOTER AND/OR PRINCIPAL HOLDER) AND THE DATE OF OBTAINING THAT POSITION	COMPENSATION PAID BY THE COMPANY (i) IN THE MOST RECENTLY COMPLETED FINANCIAL YEAR AND (ii) ANTICIPATED TO BE PAID IN THE CURRENT FINANCIAL YEAR	NUMBER, TYPE AND PERCENTAGE OF SECURITIES OF THE COMPANY HELD[(2)] AFTER COMPLETION OF MINIMUM OFFERING	NUMBER, TYPE AND PERCENTAGE OF SECURITIES OF THE COMPANY HELD[(4)] AFTER COMPLETION OF MAXIMUM OFFERING
Randy Forbes Nanaimo, BC	Principal Holder, Director and Chief Operating Officer of the Company June 11, 2014	(i) $15,000[(3)] (ii)[(4)]	95 Common Shares[(5)] (9.5%) 559,609 Preferred Shares[(6)] (4.6%)	95 Common Shares[(5)] (9.5%) 559,609 Preferred Shares[(6)] (1.5%)
Ed Mejlholm Nanaimo, B.C.	Principal Holder and Director of the Company June 11, 2014	(i) $21,000[(3)] (ii) [(4)]	95 Common Shares[(7)] (9.5%) 503,056 Preferred Shares[(8)] (4.1%)	95 Common Shares[(7)] (9.5%) 503,056 Preferred Shares[(8)] (1.4%)
Greg Nowik Nanaimo, B.C.	Principal Holder and Director of the Company June 11, 2014	(i) $21,000[(3)] (ii)[(4)]	95 Common Shares[(9)] (9.5%) 388,133 Preferred Shares[(10)] (3.2%)	95 Common Shares[(9)] (9.5%) 388,133 Preferred Shares[(10)] (1.0%)
Kim Trottier Vancouver, B.C.	Director and Treasurer of the Company June 11, 2014	(i) $6,000[(3)] (ii)[(4)]	95 Common Shares (9.5%) 241,568 Preferred Shares (2.0%)	95 Common Shares (9.5%) 241,568 Preferred Shares (0.7%)
Sally Whitehead Vancouver, B.C.	Director and Secretary of the Company June 11, 2014	(i) $16,000[(3)] (ii)[(4)]	95 Common Shares (9.5%) 271,918 Preferred Shares (2.2%)	95 Common Shares (9.5%) 271,918 Preferred Shares (0.7%)
David Robinson Vancouver, B.C.	Principal Holder, Director and Chief Executive Officer of the Company June 11, 2014	(i) $21,000[(3)] (ii)[(4)]	95 Common Shares[(11)] (9.5%) Nil Preferred Shares (0%)	95 Common Shares[(11)] (9.5%) Nil Preferred Shares (0%)

(1) Information as to municipality of residence has been provided by the individual directors and promoters.
(2) Directly or indirectly
(3) Compensation of directors, officers and promoters of the Company for the fiscal year ended August 31, 2019 is pending and is expected to be paid in the near future through the issuance of Preferred Shares at a price of $1.00 per Preferred Share.
(4) The directors and officers of the Company will in aggregate be paid 2% of the aggregate outstanding balance of the total assets of the Company (after deduction of provisions for losses) calculated and payable monthly in arrears on the last day of each month, with certain director and officers who provide more time and services to the Company being compensated more than those who provide less time and services, which shall be determined and approved by the Board of Directors of the Company and which is undeterminable at this time.
(5) This figure includes 95 Common Shares held by Kellott Holdings Ltd., which is controlled by Randy Forbes.
(6) This figure includes 227,075 Preferred Shares held by Kellott Holdings Ltd., which is controlled by Randy Forbes and 332,534 Preferred Shares held directly by Randy Forbes.

(7) This figure includes 95 Common Shares held by Western Viking Holdings Ltd., which is controlled by Ed Mejlholm.
(8) This figure includes 82,125 Preferred Shares held by Western Viking Holdings Ltd., which is controlled by Ed Mejlholm and 420,931 Preferred Shares held directly by Ed Mejlholm.
(9) This figure includes 95 Common Shares held by Dublin Way Holdings Ltd., which is controlled by Greg Nowik.
(10) This figure includes 81,706 Preferred Shares held by Dublin Way Holdings Ltd., which is controlled by Greg Nowik and 306,427 Preferred Shares held directly by Greg Nowik.
(11) This figure includes 95 Common Shares held by 0985040 B.C. Ltd., which is controlled by David Robinson.

3.2 Management Experience

The following table sets out the principal occupations of the directors and senior officers of the Company over the past five years and any relevant experience in a business similar to the Company's:

Name	Principal occupation and related experience
Randy Forbes, Operations Director for the 460 Group of Companies *Director and Chief Operating Officer of the* *Company*	Mr. Forbes has been a Director and the Chief Operating Officer of the Company since inception. Bringing a wealth of real estate experience to the Company, Mr. Forbes has established himself as a respected and sought-after real estate industry authority over the span of his 38-year career. Mr. Forbes was the President of a successful mortgage investment corporation for 17 years, delivering an average annual shareholder return in excess of 10%. In addition, he built a thriving business as general manager of an independent real estate brokerage servicing Vancouver Island and B.C.'s Sunshine Coast. Under Mr. Forbes' advisement, that brokerage expanded from one office to 12, and from 33 salespeople to 250. As a pillar of the B.C. real estate community, Mr. Forbes has been featured in several publications and has written articles for several more. Mr. Forbes has held positions as director of the Vancouver Island Real Estate Board (VIREB), the British Columbia Real Estate Association (BCREA) and the BC Real Estate Errors and Omissions Insurance Corporation (REEOIC).
Ed Mejlholm, Realtor *Director of the Company*	Mr. Mejlholm has been a Director of the Company since inception. Prior to joining the Company, Ed Mejlholm was a director of a mortgage investment corporation from its inception in 1997 to early 2014, helping deliver an average annual return to the shareholders in excess of 10% during this period. A licensed realtor since 1994, Mr. Mejlholm enjoys a rewarding career specializing in residential and multi-family real estate, with an emphasis on long-term client relationships built on trust. Mr. Mejlholm has successfully completed the real estate and sub-mortgage broker's course through the Sauder School of Business at the University of British Columbia, he holds a Management and Marketing diploma from BCIT, and he is a past director of the Vancouver Island Real Estate Board (VIREB).

Greg Nowik, Mortgage Broker *Director of the Company*	Mr. Nowik has been a Director of the Company since inception. Mr. Nowik completed his real estate sub-mortgage broker's licence in 1991. Since then, he has been servicing clients across Vancouver Island and the Lower Mainland as a director and shareholder of Universal Financial Corp. and as the owner of Universal Mortgage Architects. In addition to dealing with financial institutions and private lenders, Mr. Nowik also started and manages a mortgage investment corporation with partners in Manitoba. Mr. Nowik holds the designation of Accredited Mortgage Professional (AMP) with the Canadian Association of Accredited Mortgage Professionals (CAAMP), and he is a member of the Mortgage Brokers Association of BC (MBABC). Mr. Nowik is very active within the real estate industry, serving on advisory panels for lenders and for mortgage insurance companies, as well as task councils for Mortgage Architects and the MBABC. Highly regarded by his peers, Mr. Nowik was honoured with the Canadian Mortgage Professional Broker of the Year award in 2013.
Kim Trottier, Professor *Director and Treasurer of the Company*	Ms. Trottier has been a Director and Treasurer of the Company since inception. Ms. Trottier has been involved in accounting and finance throughout her career and is considered an authority in financial reporting. After completing a Commerce degree at the University of Ottawa, she obtained her Chartered Accountant designation while articling at the Office of the Auditor General. Her audit clients included the Canada Mortgage and Housing Corporation (CMHC), Export Development Canada (EDC), the Treasury Board and the Department of Finance. Subsequently, she worked as a financial analyst before relocating to Vancouver to work at the Vancouver Stock Exchange and to complete her MSc and PhD in Accounting at the University of British Columbia. Now a professor at the Beedie School of Business at Simon Fraser University, Ms. Trottier enjoys teaching accounting and financial statement analysis at the undergraduate and graduate levels, as well as doing research including studies on corporate governance and the banking industry.
Sally Whitehead, Real Estate Portfolio Manager *Director and Secretary of the Company*	Ms. Whitehead has been a Director and Secretary of the Company since inception. Ms. Whitehead graduated from the University of Toronto with a joint Law and MBA degree. Ms. Whitehead was called to the New York State bar and practiced U.S. securities law with a New York law firm. After returning to Vancouver, Ms. Whitehead transitioned to real estate by assuming management of a multi-unit residential income property portfolio. She further applied these skills as an Asset Manager at one of Canada's largest non-bank lenders. Ms. Whitehead was responsible for maximizing returns on a commercial and retail real estate portfolio valued at nearly $100 million. Most recently, Ms. Whitehead has focused on private lending and opportunistic real estate investments in both Canada and the U.S. at all levels of capital structure. She has successfully completed her sub-mortgage broker's licence.
David Robinson, Managing Director of the 460 Group of Companies *Director and Chief Executive*	Mr. Robinson has been a Director and Chief Executive Officer of the Company since inception. Having worked with top global investment firms in Canada and the U.S., Mr. Robinson has solid credentials in building business units for multi-national corporations, providing real estate and development consulting services, and leading teams in all facets of property feasibility, planning, structuring, acquisition, financing

Officer of the Company	and leasing, as well as providing ongoing project and asset management. Mr. Robinson's extensive hands-on expertise includes real estate derivatives, financial, contract, construction and development management consultancy, and portfolio management of commercial, industrial, residential and mixed-use investments. Affiliated with the Urban Development Institute, the Urban Land Institute and the International Council of Shopping Centers, Mr. Robinson holds an MBA with a finance concentration from the Leonard N. Stern School of Business at New York University and has professional development training from the Massachusetts Institute of Technology Center for Real Estate.

3.3 Penalties, Sanctions and Bankruptcy

(a) There has been no penalty or sanction that has been in effect during the last 10 years, or any cease trade order that has been in effect for a period of more than 30 consecutive days during the past 10 years, against:

(i) a Director, executive officer or control person of the Company; or

(ii) an issuer of which a person referred to in 3.3(a)(i) above was a director, executive officer or control person at that time.

(b) There has been no declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, that has been in effect during the last 10 years with regard to any:

(i) Director, executive officer or control person of the Company; or

(ii) issuer of which a person referred to in 3.3(b)(i) above was a director, executive officer or control person at that time.

3.4 Loans

There are no debentures or loans due to or from the directors, management, promoters or principal holders of the Company.

ITEM 4
CAPITAL STRUCTURE

4.1 Capital Structure

The following are the details of the capitalization of the Corporation at December 31, 2019:

DESCRIPTION OF SECURITY	NUMBER AUTHORIZED TO BE ISSUED	NUMBER OUTSTANDING AS AT DECEMBER 31, 2019	NUMBER OUTSTANDING AFTER MINIMUM OFFERING	NUMBER OUTSTANDING AFTER MAXIMUM OFFERING
Common Shares(1)	Unlimited	1,000	1,000	1,000
Preferred Shares(2)	Unlimited	12,237,925 (3)	12,237,925 (4)	37,237,925 (4)

(1) The Common Shares are voting but are not entitled to dividends and participate equally in any distribution of assets after the holders of Preferred Shares have received a sum equal to the par value of each preferred share held together with all dividends declared and unpaid and after a distribution equal to the par value of each Common Share has been made to the holders of common shares. The issued common shares are not subject to calls, assessments, pre-emptive rights or conversion rights. There are no provisions attached to such shares for redemption, cancellation, surrender, sinking funds or purchase funds. There are 12 holders of Common Shares who hold in aggregate 1000 Common Shares. Only the holders of Common Shares are entitled to vote in respect of each Common Share held at all meetings of the shareholders of the Company.
(2) Complete details of the attributes and characteristics of the Preferred Shares are set forth under the heading “Terms of Preferred Shares”.
(3) The Preferred Shares were issued at a price of $1.00 per Preferred Share.
(4) Assuming a minimum Offering of nil Preferred Shares and a maximum Offering of 25,000,000 Preferred Shares.

4.2 Long Term Debt

The Company presently has no long-term debt. The Company does have a Line of Credit with Royal Bank. See “Material Agreements – Credit Agreement”.

4.3 Prior Sales

Within the last 12 months, the Company has issued the following Preferred Shares:

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
January 2, 2019	Preferred Shares	463,000	$1.00	$463,000
January 30, 2019	Preferred Shares	141,555	$1.00	$141,555
January 31, 2019	Preferred Shares	100,000	$1.00	$100,000
February 4, 2019	Preferred Shares	10,000	$1.00	$10,000
February 7, 2019	Preferred Shares	8,000	$1.00	$8,000
February 14, 2019	Preferred Shares	681,000	$1.00	$681,000
March 18, 2019	Preferred Shares	78,281	$1.00	$78,281
April 8, 2019	Preferred Shares	100,000	$1.00	$100,000
April 9, 2019	Preferred Shares	75,000	$1.00	$75,000

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
April 23, 2019	Preferred Shares	20,000	$1.00	$20,000
May 8, 2019	Preferred Shares	11,000	$1.00	$11,000
May 17, 2019	Preferred Shares	26,000	$1.00	$26,000
May 21, 2019	Preferred Shares	6,012	$1.00	$6,012
May 22, 2019	Preferred Shares	70,000	$1.00	$70,000
May 28, 2019	Preferred Shares	16,733	$1.00	$16,733
June 12, 2019	Preferred Shares	44,774	$1.00	$44,774
July 16, 2019	Preferred Shares	5,000	$1.00	$5,000
July 22, 2019	Preferred Shares	95,182	$1.00	$95,182
August 1, 2019	Preferred Shares	88,900	$1.00	$88,900
August 19, 2019	Preferred Shares	30,000	$1.00	$30,000
August 27, 2019	Preferred Shares	51,500	$1.00	$51,500
September 1, 2019	Preferred Shares	697,094	$1.00	$697,094
September 4, 2019	Preferred Shares	50,000	$1.00	$50,000
September 5, 2019	Preferred Shares	300,000	$1.00	$300,000
September 13, 2019	Preferred Shares	52,121	$1.00	$52,121
October 4, 2019	Preferred Shares	18,932	$1.00	$18,932
November 1, 2019	Preferred Shares	123,000	$1.00	$123,000
November 13, 2019	Preferred Shares	10,000	$1.00	$10,000
November 29, 2019	Preferred Shares	21,500	$1.00	$21,500
December 2, 2019	Preferred Shares	30,000	$1.00	$30,000
December 4, 2019	Preferred Shares	75,000	$1.00	$75,000
December 5, 2019	Preferred Shares	165,000	$1.00	$165,000
December 6, 2019	Preferred Shares	200,000	$1.00	$200,000
December 10, 2019	Preferred Shares	14,381	$1.00	$14,381

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
December 20, 2019	Preferred Shares	13,942	$1.00	$13,942

Since September 1, 2017, the Company has redeemed the following Preferred Shares:

Date of redemption	Type of security redeemed	Number of securities redeemed	Price per security	Total funds paid
September 1, 2017	Preferred Shares	25,000	$1.00	$25,000
September 27, 2018	Preferred Shares	25,000	$1.00	$25,000
October 25, 2018	Preferred Shares	15,000	$1.00	$15,000
April 25, 2019	Preferred Shares	5,000	$1.00	$5,000
May 28, 2019	Preferred Shares	15,000	$1.00	$15,000
June 20, 2019	Preferred Shares	15,000	$1.00	$14,850
June 27, 2019	Preferred Shares	47,052	$1.00	$46,912.75
August 12, 2019	Preferred Shares	25,000	$1.00	$24,750
September 13, 2019	Preferred Shares	5,324	$1.00	$5,270.76
September 16, 2019	Preferred Shares	9,676	$1.00	$9,579.24
September 24, 2019	Preferred Shares	15,000	$1.00	$14,700
October 15, 2019	Preferred Shares	28,412	$1.00	$28,007.42
November 5, 2019	Preferred Shares	15,878	$1.00	$15,719.22
November 15, 2019	Preferred Shares	59,000	$1.00	$59,000
December 20, 2019	Preferred Shares	175,000	$1.00	$175,000
December 30, 2019	Preferred Shares	8,000	$1.00	$8,000

During its most recently completed financial year ended August 31, 2019, the Company received requests to redeem 147,052 Preferred Shares. In addition, subsequent to the fiscal year ended August 31, 2019, the Company received requests to redeem 316,290 Preferred Shares. The Company honored all of these redemptions and redeemed an aggregate of 463,342 Preferred Shares. The Company used funds available from current operations and from proceeds from the issuance of Preferred Shares to honor these redemptions.

During the financial year ended August 31, 2018, the Company received one request to redeem a total of

25,000 Preferred Shares. The Company used funds available from the proceeds from the issuance of Preferred Shares to honor this redemption.

ITEM 5
SECURITIES OFFERED

5.1 Terms of Preferred Shares

The Company is offering up to 25,000,000 Preferred Shares at a $1.00 per Preferred Share. Subscribers must subscribe for an initial minimum of 5,000 Preferred Shares. The minimum subsequent investment in the Company for existing Preferred Shareholders is $5,000.

The Preferred Shares must be sold by a registered securities dealer or exempt market dealer (the "**dealer**") that is registered with the securities regulatory authority in the applicable jurisdiction, which is engaged by the Company to sell its Preferred Shares. On February 14, 2019, the Company engaged Belco Private Capital Inc. as its exempt market dealer for the distribution of the Company's Preferred Shares on a best efforts basis for a period of three years in consideration of an initial set up fee of $2,500, an annual fixed fee of $25,000 during the first year and $19,000 in each of the second and third years subject to an additional fee of 40 basis points on the amounts invested during the year over $5,000,000, not including funds retained for securities distributed pursuant to the dividend reinvestment option, plus reimbursement of out-of-pocket expenses including an annual compliance payment initially set at $10,000.

The Preferred Shares have a par value of $1.00 and have the following material terms:

Voting

The Preferred Shares are non-voting and the holders of the Preferred Shares are not entitled to receive notice of or to attend any general meetings of the shareholders of the Company.

Dividends

Subject to the terms of the Articles of the Company, each Preferred Share entitles its registered holder to participate on a pro rata basis with the other Preferred Shareholders in dividends as determined by the Board of Directors. The amount of dividends declared and paid by the Company shall not exceed the amount that pursuant to clause 130.1(1)(a)(i) of the Tax Act is deductible in computing the Company's income for the year and up to twice the amount that pursuant to clause 130.1(1)(a)(ii) of the Tax Act is deductible in computing the Company's income for the year. Any distributions made by way of dividends declared on the issued and outstanding Preferred Shares will be subject to the provisions of the *Business Corporations Act* (British Columbia).

Such dividends, if any, will be declared and paid within 90 days after the end of each fiscal year end of the Company. Such dividends may, at the discretion of the Preferred Shareholder, be paid either in cash or by the allotment and issuance of Preferred Shares.

Where the Preferred Shareholder at a fiscal year end of the Company, has held such shares for less than all of the twelve (12) months of the Company's applicable fiscal year then the dividends payable on his shares shall equal the dividends otherwise payable times the number of days in the fiscal year the Preferred Shares were held divided by number of days in such fiscal year.

The Company intends to distribute all of the net income and net realized capital gains, if any, of the Company to Preferred Shareholders by way of dividends, so that the Company will not be liable to pay income tax pursuant to the Tax Act during any year.

Liquidation or Winding Up

The holders of the Preferred Shares shall, on a winding up or liquidation of the Company, be entitled to receive a sum equal to the par value of each Preferred Share held together with all dividends declared and unpaid thereon in priority to any distribution to the holders of any other shares in the capital of the Company. Once such prior distribution has been made to the holders of the Preferred Shares, and once a distribution equal to the par value of each Common Share issued and outstanding has been made to the holders of the Common Shares in accordance with the Articles of the Company, the holders of the Preferred Shares shall be entitled to participate equally with the holders of the Common Shares in any further distributions of the assets of the Company pro rata in accordance with the number of Preferred Shares held and any Common Shares held.

Rights of Redemption by the Company

The Company may in accordance with the Articles of the Company and subject to the provisions of the Act redeem a Preferred Share upon payment to the holder thereof a sum equal to the Redemption Amount with the interest portion of the Redemption Amount to be paid within ninety (90) days of the fiscal year end of the Company. When the Company proposes to redeem some but not all of the outstanding Preferred Shares, the directors shall have the absolute discretion to determine the Preferred Shares to be redeemed, and there shall be no requirement for the Company to make such redemption pro rata among every holder of Preferred Shares.

Before redeeming any Preferred Shares the Company shall mail to each person who is a registered holder of Preferred Shares to be redeemed, notice of the intention of the Company to redeem such Preferred Shares held by such registered holder. Such notice shall be mailed by ordinary prepaid post, addressed to the last address of such holder as it appears on the books of the Company, or in the event of the address of any such holder not appearing on the books of the Company, then to the last known address of such holder, at least fifteen (15) days before the date specified for redemption. Such notice shall set out the Redemption Price, the date on which redemption is to take place and, if only part of the Preferred Shares held by the person to whom it is addressed are to be redeemed, the number of Preferred Shares so to be redeemed. The interest portion of the Redemption Amount per Preferred Share shall be determined and paid within ninety (90) days of the fiscal year end of the Company in which the notice of intention of the Company to redeem was mailed. On and after the date so specified for redemption, the Company shall pay or cause to be paid the Redemption Price to the registered holders of the Preferred Shares to be redeemed on presentation and surrender of the certificates for the Preferred Shares so called for redemption at the registered office of the Company or at such other place or places as may be specified in such notice, and, upon receipt, the certificates for such Preferred Shares shall thereupon be cancelled, and if only part of the Preferred Shares represented by any certificate are redeemed, a new certificate for the balance shall be issued at the expense of the Company. From and after the date specified for redemption in such notice, the holders of such Preferred Shares called for redemption shall cease to be entitled to dividends and shall not be entitled to any other rights in respect to such Preferred Shares, except to (i) receive the Redemption Price, unless payment of the Redemption Price shall not be made by the Company in accordance with the foregoing provisions, in which case the rights of the holders of such Preferred Shares shall remain unimpaired, and (ii) receive the interest portion of the Redemption Amount within ninety (90) days of the fiscal year end of the Company in which the notice of intention of the Company to redeem was mailed. On or before the date specified for redemption, the Company shall have the right to deposit in a special account with any Chartered Bank or Trust Company in Canada named in the notice of redemption, the Redemption Price of the Preferred Shares called for redemption, without interest, payable to or to the order of the respective holders of such Preferred Shares called for redemption upon presentation and surrender of the certificates representing the same and, upon such deposit being made, the Preferred Shares in respect of which such deposit shall have been made shall be redeemed and the rights of the several holders thereof, after such deposit, shall be limited to receiving out of the monies so deposited, without interest, the Redemption Price applicable to their respective Preferred Shares against presentation and surrender of the certificates representing such Preferred Shares.

Mandatory Redemption on Death of a Preferred Shareholder Where No Spouse Survives

Upon the death of a Preferred Shareholder if no spouse survives, the Company shall, within 90 days after the end of the fiscal year of the Company in which such death occurred, and subject to the provisions of the Act, redeem all the Preferred Shares owned by such Preferred Shareholder and by his Eligible Owners at the date of his death, by paying the Redemption Amount for each Preferred Share to such Preferred Shareholder's estate or his Eligible Owners.

Upon payment in full of the Redemption Amount being made by the Company, the Preferred Shares owned by the estate of the deceased Preferred Shareholder or held by the Eligible Owners of the deceased, shall be redeemed and any certificate representing such Preferred Shares shall be cancelled.

Rights of Redemption by the Preferred Shareholder

At any time a Preferred Shareholder may, subject to the Articles of the Company, give to the Company irrevocable notice that he wishes the Company to redeem pursuant to the provisions of the Articles of the Company some or all of the Preferred Shares owned by him and some or all of the Preferred Shares, if any, owned by his Eligible Owners, subject to a minimum of 5,000 Preferred Shares per redemption. The Redemption Notice shall be sent by registered mail or delivered to the registered office of the Company. Where Preferred Shares are being redeemed within 1 year of their issuance, the Redemption Amount will be reduced by an amount equal to 2% of the Redemption Amount. Where Preferred Shares are being redeemed after 1 year of their issuance but within 2 years of their issuance, the Redemption Amount will be reduced by an amount equal to 1% of the Redemption Amount. Preferred Shares being redeemed beyond 2 years of their issuance will receive the full Redemption Amount. Within ninety (90) days after the Redemption Notice is received, the Company shall, subject to available funds on hand based on mortgage maturity schedules and subject to the provisions of the Articles of the Company, redeem the Preferred Shares specified in the Redemption Notice by paying to the holder of the Preferred Shares upon surrender of the share certificates endorsed in bearer form representing the Preferred Shares to be redeemed, in accordance with the instructions contained in the Redemption Notice, the Redemption Price. Within ninety (90) days of the fiscal year end of the Company in which the Redemption Notice was received, the Company shall, subject to Preferred Shares representing the Preferred Shares in the Redemption Notice being redeemed, pay to the holder of such Preferred Shares the interest portion of the Redemption Amount.

A redemption in accordance with the above shall only be effected by the Company if:

(i) the Company is not insolvent at the time that the redemption is to be effected and if the redemption would not render the Company insolvent, and

(ii) in the opinion of the Board of Directors of the Company the redemption would not cause the Company to become disqualified as a mortgage investment corporation as defined pursuant to the Tax Act.

A valid Redemption Notice may not be withdrawn and a Preferred Shareholder who is a director of the Company and who gives a Redemption Notice to the Company to redeem all of the Preferred Shares owned by him or his Eligible Owners shall be deemed to have resigned as a director of the Company on the date such Redemption Notice is received by the Company.

The Board of Directors of the Company may determine, in their absolute discretion, that the Company shall not in any one fiscal year redeem more than five (5%) percent of the number of issued Preferred Shares. In the event of such determination, the Board of Directors of the Company shall, by resolution, determine the number of Preferred Shares to be redeemed other than those Preferred Shares that may have already been redeemed in that fiscal year, and if there are Redemption Notices received by the Company that would exceed such five (5%) percent threshold, the Company shall redeem the Preferred Shares up to the five (5%) percent threshold based on the earliest date of the Redemption Notices received by the Company.

Upon payment in full of the Redemption Price being made by the Company, the Preferred Shares specified in the Redemption Notice shall be redeemed and the certificate representing such Preferred Shares shall be cancelled. If only part of the Preferred Shares represented by any certificate are redeemed, a new certificate for the balance shall be issued at the expense of the holder. From and after the date of delivery of the Redemption Notice, the holder of the Preferred Shares specified for redemption in the Redemption Notice shall continue to be entitled to dividends and shall continue to be entitled to any other rights in respect of such Preferred Shares until payment in full of the Redemption Price, at which time all rights in respect of such shares shall become null and void, except for the right to receive the interest portion of the Redemption Amount. If payment in full of the Redemption Price is not made by the Company, the rights of the holder of such Preferred Shares shall remain unimpaired.

Constraints on Transferability

Except as where necessary to comply with the Articles of the Company, no Preferred Shares shall be transferred without the consent of the Directors expressed by a resolution of the Board of Directors and the directors may at any time in their absolute discretion decline to register any proposed transfer and shall not be required to disclose their reasons therefore.

The Directors shall not consent to or approve a transfer of shares or cause the Company to allot, issue, sell, purchase or redeem shares unless immediately following said transfer, allotment, issue, sale, purchase or redemption, no one shareholder would hold more than 25% of the issued shares in any class of capital stock of the Company and the number of (Common or Preferred) shareholders of the Company would not be reduced to less than 20, except that for the purpose of computing the number of shareholders of the Company only issued (Common or Preferred) shares shall be counted and that nothing in this paragraph shall prevent the directors from giving their consent or approval to any transfer, allotment, issue, sale, purchase or redemption of shares which would not have the effect in the opinion of the directors of disqualifying the Company as a MIC under the Tax Act.

See also Item 10 – "Resale Restrictions" for further restrictions on transferability of the Company's Preferred Shares.

5.2 Subscription Procedure

The Preferred Shares are being offered for sale in the Province of British Columbia pursuant to applicable securities legislation. The Preferred Shares are conditionally offered if, as and when subscriptions are accepted by the Company and subject to prior sale. Subscriptions for Preferred Shares will be received by the Company subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Company may terminate this offering at any time. Closings may occur from time to time as determined by the Company.

The minimum initial investment in the Company is $5,000. The minimum subsequent investment in the Company for existing Preferred Shareholders is $5,000. The Company reserves the right to change the minimum amount at any time and from time to time.

Subscriptions must be returned to the dealer that the subscriber is dealing with for an investment in the Preferred Shares.

The subscription price is payable upon subscription pursuant to the terms of the applicable subscription agreement(s), by certified cheque or bank draft in the amount of $1.00 per Preferred Share subscribed for, payable as directed in the subscription agreement.

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

(i) complete and sign the form of subscription agreement prescribed by the Company and the dealer, as applicable, from time to time (the "**Subscription Agreement**") specifying the number of Preferred Shares being subscribed for (the Company reserves the right to use different forms of Subscription Agreements for different investors);

(ii) complete and sign two copies of the Form 45- 106F4 — Risk Acknowledgement in the form attached to this Offering Memorandum as Schedule "A";

(iii) deliver payment of the subscription price for the Preferred Shares subscribed for as directed in the subscription agreement by certified cheque or bank draft; and

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

The Company, or the dealer, as applicable, will hold the subscription amount in trust until midnight on the second business day after the day on which the signed Subscription Agreement is received. The Company will return all consideration to the subscriber if it exercises the right to cancel the Subscription Agreement within the prescribed time.

Upon acceptance, the subscription price for the Preferred Shares will be deposited in a designated bank account. Upon the Preferred Shares having been issued, the subscription price will be made available to the Company for use in its business as set out in this Offering Memorandum. Confirmation of the acceptance of a subscription will be forwarded by the Company to the dealer that the subscriber is dealing with for an investment in the Preferred Shares.

The Company is not obligated to accept any subscriptions, and will reject any subscription which the Company considers to be not in compliance with applicable securities laws and regulations. If any subscription is rejected, the Company will notify the subscriber or the dealer, as applicable, and will return to the subscriber or the dealer, as applicable, the subscription funds comprising such subscription, without interest.

The Preferred Shares have not been and will not be registered under the United States *Securities Act of 1933*, as amended, and subject to certain exceptions, may not be offered or sold in the United States.

Qualified Investors

The Company, through a dealer, is offering for sale 25,000,000 Preferred Shares on a continuous basis in the Province of British Columbia by way of private placement.

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

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

The Preferred Shares must be offered through a dealer.

Trading and Resale Restrictions

This offering of Preferred Shares is made only on a private placement basis to investors who are eligible to purchase on an exempt basis under, and subject to compliance with, applicable securities laws. **There is no market for the Preferred Shares. The transferability of the Preferred Shares will also be subject to resale restrictions under applicable securities laws.** The Company will be entitled to require and may require, as a condition of allowing any transfer of any Preferred Share, the transferor or transferee, at their expense, to furnish to the Company evidence satisfactory to it in form and substance (which may include an opinion of counsel satisfactory to the Company) in order to establish that such transfer will not constitute a violation of the securities laws of any jurisdiction whose securities laws are applicable thereto.

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

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

ITEM 6
INCOME TAX CONSEQUENCES AND RRSP / TFSA ELIGIBILITY

Caution

Subscribers should consult with their own tax advisor regarding the income tax consequences of acquiring, holding and disposing of the Preferred Shares, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.

6.1 General

In the opinion of management of the Company, the following sets out a summary of the principal Canadian federal income tax consequences of acquiring, holding and disposing of the Preferred Shares by a Subscriber who, at all relevant times, is a resident of Canada, deals with the Company at arm's length, and who acquires and holds the Preferred Shares as capital property. Subscribers to whom the Preferred Shares might not constitute capital property may elect, in certain circumstances, to have such property treated as capital property by making the election permitted by subsection 39(4) of the Tax Act. This summary is not applicable to any Preferred Shareholder which is a "financial institution" as defined in section 142.2 of the Tax Act, or to any holder of Preferred Shares an interest in which is a "tax shelter investment" for the purposes of the Tax Act.

This summary is based upon the current provisions of the Tax Act, the regulations made under the Tax Act (the "**Tax Regulations**"), all specific proposals to amend the Tax Act and the Tax Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this Offering Memorandum and the current published administrative practices of Canada Revenue Agency. This summary assumes that all such tax proposals will be enacted as currently proposed but does not take into account or anticipate any other changes in law whether by legislative, government or judicial action and does not take into account tax legislation or considerations of any province, territory or foreign jurisdiction.

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

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

6.2 Status as a Mortgage Investment Company

This summary is based on the assumption that the Company qualifies as a mortgage investment corporation under the Tax Act. The Company will qualify as a mortgage investment corporation throughout a taxation year of the Company if throughout that taxation year:

(a) the Company is a Canadian Company as defined in the Tax Act;

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

(c) no debts are owed to the Company that are secured on real property situated outside of Canada;

(d) no debts are owed to the Company by non-residents, other than debts secured on real property situated in Canada;

(e) the Company does not own shares of any company not resident in Canada;

(f) the Company does not own real property located outside of Canada or any leasehold interest in such property;

(g) the Company has at least 20 shareholders (except that the Company is deemed to comply with this requirement throughout its first taxation year if it complies with it on the last day of its first taxation year);

(h) no person is a “specified shareholder” of the Company, as that term is defined in subsection 248(1) of the Tax Act and modified by paragraph 130.1(6)(d) of the Tax Act, which generally means a person who alone or together with the person’s spouse, children under the age of 18, and other related parties, owns more than 25% of the issued shares of any class of the Company;

(i) any Holders of preferred shares of the Company have 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 to participate pari passu with the holders of common shares in any further payment of dividends;

(j) the cost amount of the Company’s property represented by Loans on houses or on property included within a housing project (as those terms are defined in the National Housing Act), together with cash on hand and deposits with a bank or any other lender whose deposits are insured by the Canada Deposit Insurance Company or a credit union, (collectively, the “**Qualifying Property**”) is at least 50% of the cost amount to it of all of its property;

(k) the cost amount of real property (including leasehold interests therein but excluding real property acquired as a consequence of foreclosure or defaults on a mortgage held by the Company) owned by the Company does not exceed 25% of the cost amount to it of all of its property; and

(l) where at any time in the year the cost amount to the Company of its Qualifying Property is less than 2/3 of the cost amount to it of all of its property, the Company’s liabilities throughout the year do not exceed three times the amount by which the cost amount to it of all of its property exceed its liabilities, or, where throughout the taxation year the cost amount to the Company of its Qualifying Property equals or exceeds 2/3 of the cost amount of all of its property, the Company’s liabilities do not exceed five times the amount by which the cost amount to it of all of its property exceed its liabilities.

It is intended, and this summary assumes, that these requirements will be satisfied so that the Company will qualify as a mortgage investment corporation at all relevant times. If the Company were not to qualify as a mortgage investment corporation, the income tax consequences would be materially different from those described below.

6.3 Taxation of the Company

As a mortgage investment corporation, the Company will, in computing its taxable income, generally be entitled to deduct the full amount of all taxable dividends (other than capital gains dividends) which it pays during the year or within 90 days after the end of the year to the extent that such dividends were not deductible by the Company in computing its income for the preceding year. As a mortgage investment corporation is deemed to be a public company the Company cannot pay capital dividends. However, a mortgage investment corporation may declare a capital gains dividend in an amount equal to the gross amount of its capital gains and is entitled to deduct a portion of such dividend from its taxable income. As discussed below, a capital gains dividend is taxed in the hands of a Preferred Shareholder as a capital gain arising from a notional disposition of capital property. The combination of the Company’s deduction for capital gains dividends and the Preferred Shareholder’s deemed capital gain will allow the Company to flow capital gains through to a Preferred Shareholder on a tax efficient basis. As it is deemed to be a public company, the Company will be subject to tax at the highest corporate rates. However, the Company intends to declare dividends and capital gains dividends each year in sufficient amounts to reduce its taxable income to nil.

6.4 Taxation of Preferred Shareholders

Dividends other than capital gains dividends which are paid by the Company on the Preferred Shares will be included in the income of a Preferred Shareholder as interest. Capital gains dividends received by a Preferred Shareholder will be treated as a realized capital gain, and will be subject to the general rules relating to the taxation of capital gains. The normal gross-up and dividend tax credit rules do not apply to dividends paid on Preferred Shares to individuals and trusts, and corporate holders of the Preferred Shares will not be entitled to deduct the amount of any dividends paid on their Preferred Shares from their taxable income.

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

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

Fifty percent of any capital gain realized by a Preferred Shareholder (including capital gains deemed to be realized as a result of a receipt of a capital gains dividend) will be included in the Preferred Shareholder's income under the Tax Act as a taxable capital gain. Subject to certain specific rules in the Tax Act, one-half of any capital loss realized in a taxation year may be deducted against any taxable capital gains realized by the Preferred Shareholder in that year, in the three preceding taxation years or in any subsequent taxation year.

The taxable capital gains realized by a Preferred Shareholder that is an individual may give rise to alternative minimum tax depending upon the Preferred Shareholder's circumstances. A Preferred Shareholder that is a "Canadian-Controlled Private Corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6⅔% on certain investment income, including amounts in respect of interest and taxable capital gains. The 6⅔% tax is to be added to such company's refundable dividend tax on-hand account and will be eligible for refund at a rate of $1.00 for every $3.00 of dividends paid by the Company.

6.5 Eligibility for Investment by Deferred Plans

The Preferred Shares will be qualified investments for a trust governed by a registered retirement savings plan ("**RRSP**"), registered educational savings plan ("**RESP**"), deferred profit sharing plan ("**DPSP**"), registered retirement income fund ("**RRIF**"), or tax-free savings account ("**TFSA**") (collectively, a "**Deferred Plan**") at a particular time if the Company qualifies as a mortgage investment corporation under the Tax Act at such particular time and if throughout the calendar year in which the particular time occurs, the Company does not hold as part of its property any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer, a subscriber, or a holder, as the case may be, of or under the relevant Deferred Plan or of any other person who does not deal at arm's length with that person. Deferred Plans will generally not be liable for tax in respect of any dividends received from the Company.

If the Company fails to qualify as a mortgage investment corporation at any time throughout a taxation year, shares of the Company may cease to be a qualified investment for a Deferred Plan. When a Deferred Plan holds a non-qualified investment, the Deferred Plan will be subject to a tax of 50% of the fair market value of the investment at the time it was acquired or at the time it became non-qualified. This tax of 50% is potentially refundable if the non-qualifying investment is disposed of.

If an RRSP, RRIF, or TFSA holds a non-qualified investment at any time during a particular year, the RRSP, RRIF or TFSA will also be subject to a tax under Part I of the Tax Act on income attributable to the non-qualified investment. RESPs which hold non-qualified investments can have their registration revoked.

Not all securities are eligible for investment in Deferred Plans. You should consult your own professional advisers to obtain advice on eligibility of these securities for investment in Deferred Plans.

In the opinion of the Company's management, the Preferred Shares, if issued on the date hereof and the investor, together with the other persons or companies with which the Subscriber does not deal at arm's length with for purposes of the Tax Act, owns less than 10% of our shares, would be qualified investments under the Tax Act and the regulations thereunder for Registered Plans. In the opinion of the Company's management, the Preferred Shares, if issued on the date hereof, would not constitute 'foreign property' for the purpose of the tax imposed under Part XI of the Tax Act on the Registered Plans, registered investments and certain other tax exempt entities, including most Registered Pension Plans ("**RPPs**") and registered pension funds. RRSPs, RESPs and TFSAs are not subject to the foreign property rules. Our auditor, Smythe Ratcliffe, Chartered Accountants, will provide an annual confirmation at each fiscal year-end (August 31) that the compliance requirements have been met.

Any dividends paid to a Registered Plan will be received on a tax-deferred basis whereby tax is not paid by you on such dividend until it is removed from the Registered Plan. Furthermore, until removed, any income earned on such dividends (for example, interest earned on the dividends) within a Registered Plan is earned tax-free.

The Company is making the income tax disclosure contained in this Item 6, but it makes no other warranties or representations, implied or otherwise, with respect to taxation issues. If the Company were not to qualify as a MIC, the income tax consequences would be materially different from those described in this Item 6.

ITEM 7
COMPENSATION PAID TO SELLERS AND FINDERS

The Preferred Shares will only be able to be sold by a registered securities dealer or exempt market dealer registered with the securities regulatory authority in the applicable jurisdiction.

On February 14, 2019, the Company engaged Belco Private Capital Inc. as its exempt market dealer for the distribution of the Company's Preferred Shares on a best efforts basis for a period of three years in consideration of an initial set up fee of $2,500, an annual fixed fee of $25,000 during the first year and $19,000 in each of the second and third years subject to an additional fee of 40 basis points on the amounts invested during the year over $5,000,000, not including funds retained for securities distributed pursuant to the dividend reinvestment option, plus reimbursement of out-of-pocket expenses including an annual compliance payment initially set at $10,000.

Where lawfully permitted, the Company may pay a sales fee to registered securities dealers and exempt market dealers, or where permitted, non-registrants, subject to negotiation. The Company has not engaged any such party at this time.

ITEM 8
RISK FACTORS

There are certain risks inherent in an investment in the Preferred Shares and in the activities of the Company which investors should carefully consider before investing in the Preferred Shares, including: public market risk; general risks associated with real property ownership in the event that the Company has to foreclose on a mortgage; illiquidity of real estate investments in such a foreclosure situation; environmental liability; restrictions on redemptions of Preferred Shares; lack of availability of growth opportunities; potential conflicts of interest; legal rights attaching to Preferred Shares; availability of cash for distribution; fluctuations in cash distributions; the impact of redemptions on the availability of cash for distribution; risk in respect of the market price of Preferred Shares; dilution; the risk of the Company's reliance on key personnel; risk factors relating to the Company's tax status; and other tax related risk factors. The risks described below may not be the only risks involved with an investment in the Preferred Shares. If any of the following risks occur, or if others occur, the Company's business, operating results and financial condition could be seriously harmed and Preferred Shareholders may lose some or all of their investment. Risks affecting the Company may affect the ability to make distributions on the Preferred Shares. In addition to the risk factors set forth elsewhere in this document, prospective purchasers should consider the following risks associated with a purchase of Preferred Shares. Purchasers should consult their own professional advisors to assess the income tax, legal and other aspects of an investment in the Preferred Shares.

Marketability of Preferred Shares

There currently is no market whatsoever for the Preferred Shares and it is not anticipated that any market will develop. Consequently, holders of such Preferred Shares may not be able to sell them readily, and Preferred Shares may not be readily accepted as collateral for a loan. Subscribers should be prepared to hold these Preferred Shares indefinitely and cannot expect to be able to liquidate their investment even in the case of an emergency. Accordingly, an investment in Preferred Shares is suitable solely for persons able to make and bear the economic risk of a long-term investment. See Item 10 "Resale Restrictions".

The Company does not presently intend to qualify its securities for sale to the public by way of prospectus.

The Preferred Shares are not Insured

The Company is not a member institution of the Canada Deposit Insurance Corporation and the Preferred Shares offered pursuant to this Offering Memorandum are not insured against loss through the Canada Deposit Insurance Corporation. The Preferred Shares are redeemable at the option of the holder, but only under certain circumstances and due to the illiquid nature of mortgage lending, the Company may not be in a position to redeem the shares when requested by a Preferred Shareholder.

Prospectus Exemption

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

Redemptions

The directors of the Company may determine that funds are not currently available for the payment of the redemption price of any Preferred Shares in respect of which the Preferred Shareholder has requested a Redemption, in which case the Company may elect to delay payment for such Preferred Shares.

Speculative Investment

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

Absence of Voting Rights

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

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

No Guaranteed Return

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

Dilution

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

Less than Full Offering

There can be no assurance that more than the minimum Offering will be sold. In that case, less than the maximum proceeds will be available to the Company and, consequently, their business development plans and prospects could be adversely affected, since fewer mortgage Loans will be granted by the Company.

Reliance on Management

To the extent that the Company invests in real estate properties, Preferred Shareholders will be relying on the good faith and expertise of the Company and its principals in selecting such investments and negotiating the pricing and other terms of the agreements leading to the acquisition of such investments.

Nature of Mortgage Backed Investments

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

Renewal of Mortgages

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

Composition of the Mortgage Portfolio

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

Competition

The ability of the Company to make investments in mortgages in accordance with its investment policies will depend upon the availability of suitable investments and the amount of mortgages available. The Company will be competing for investments with individuals, corporations and institutions (both Canadian and foreign) which are seeking or may seek investments similar to those desired by the Company. Many of these investors will have greater financial resources than those of the Company, or operate without the investment or operating restrictions of the Company or according to more flexible conditions. An increase in the availability of investment funds and an increase in interest in such investments may increase competition for those investments, thereby increasing purchase prices and reducing the yield on the investments.

Borrowing

The Company may from time to time borrow funds to increase the mortgage portfolio and the returns of the portfolio. Borrowings would be secured by mortgages in the Company's portfolio. This could increase the risk of the Company's insolvency.

The Company May Invest in Second Mortgages

The Company may invest up to 30% of its mortgage portfolio in second mortgages. Second mortgages are generally considered higher risk than first ranking mortgages because it is possible for the holder of the first mortgage to take a number of actions against the borrower and ultimately against the Real Property in order to realize on the security. Such actions may include a foreclosure action, which may have the result of depriving the Company, which holds the second-ranking charge, the security of the Real Property. If upon a sale of the Real Property, there are insufficient proceeds to pay off the holder of the first mortgage, or the full balance of the second mortgage, the Company may lose all or a portion of its investment, unless it is able to otherwise recover such deficiency by other property owned by the debtor.

The Company May Exceed a 75% Loan-to-Value Ratio On a Given Mortgage Investment

The Company may make investments in mortgages where the loan exceeds 75% of the value of the Real Property which is mortgaged, which exceeds the typical investment limit for conventional mortgage lending. The Company may only do so if the aggregate loan-to-value of the Company's total mortgage portfolio does not exceed 75%.

Potential Liability under Environmental Protection Legislation

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

Tax Matters and Changes in Legislation

The return on the Preferred Shareholder's investment in the Preferred Shares is subject to changes in Canadian federal and provincial tax laws, tax proposals, other governmental policies or regulations and governmental, administrative or judicial interpretation of the same. There can be no assurance that tax laws, tax proposals, policies or regulations, or the interpretation thereof, or governmental incentive programs relating to the real estate industry will not be changed in a manner which will fundamentally alter or adversely affect the tax consequences to Preferred Shareholders acquiring, holding or disposing of Preferred Shares or distributions received by Preferred Shareholders.

If, for any reason, the Company fails to maintain its qualification as a mortgage investment corporation under the Tax Act, dividends paid by the Company on the Preferred Shares will cease to be deductible from the Company's income and the Preferred Shares may cease to be qualified investments for Deferred Plans. See Item 6 "Income Tax Considerations and RRSP / TFSA Eligibility".

For all of the aforesaid reasons and others set forth and not set forth herein, the Preferred Shares involve a certain degree of risk. Any person considering the purchase of the Preferred Shares should be aware of these and other factors set forth in this Offering Memorandum and should consult with his/her legal, tax and financial advisors prior to making an investment in the Preferred Shares. The Preferred Shares should only be purchased by persons who can afford to lose all of their total investment.

ITEM 9
REPORTING OBLIGATIONS

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

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

Information about the Company's incorporation, amendments to its constating documents, Directors, officers, annual corporate filings and other corporate information can be obtained from the British Columbia Registry Services, 2nd Floor – 940 Blanshard Street, (PO Box 9431 Stn. Prov. Govt.) Victoria, British Columbia V8W 9V3 (Telephone: 250.356.8626; Facsimile: 250.356.8923.)

ITEM 10
RESALE RESTRICTIONS

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

See "Trading and Resale Restrictions".

ITEM 11
PURCHASERS' RIGHTS

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

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

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

Two Day Cancellation Right for All Investors

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

Statutory Rights of Action in the Event of a Misrepresentation

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

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

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

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

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

ITEM 12
FINANCIAL STATEMENTS

Please see the financial statements at August 31, 2019, attached hereto. The attached financial statements have been audited.

460 MORTGAGE INVESTMENT CORPORATION

Financial Statements
August 31, 2019 and 2018
(Expressed in Canadian Dollars)

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Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF 460 MORTGAGE INVESTMENT CORPORATION

Opinion
We have audited the financial statements of 460 Mortgage Investment Corporation (the "Company"), which comprise the statements of financial position as at August 31, 2019 and 2018, and the statements of operations and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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

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

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

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

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

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

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
October *29*, 2019

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460 MORTGAGE INVESTMENT CORPORATION

Statements of Financial Position
As at August 31
(Expressed in Canadian Dollars)

		2019		2018
Assets				
Cash	$	631	$	240,207
Mortgages Receivable (note 6)		11,748,083		7,981,050
Interest Receivable (note 6)		102,485		64,299
Prepaids		1,200		-
Website Development Costs (Note 7)		12,367		14,427
	$	11,864,766	$	8,299,983
Liabilities				
Operating Line of Credit (note 9)	$	210,000	$	-
Accounts Payable and Accrued Liabilities		43,388		22,852
Due to Related Party (note 10)		8,990		3,643
Deferred Revenue		102,167		91,124
Redeemable Preferred Shares (note 11)		10,825,822		7,726,292
		11,190,367		7,843,911
Shareholders' Equity				
Share Capital (note 11)		1,001		1,001
Retained Earnings		673,398		455,071
		674,399		456,072
	$	11,864,766	$	8,299,983

Approved on behalf of the Board:

"David Robinson" (signed)
………………………………………………… Director
David Robinson

"Randal Forbes" (signed)
………………………………………………… Director
Randal Forbes

See notes to financial statements.

460 MORTGAGE INVESTMENT CORPORATION
Statements of Operations and Comprehensive Income
(Expressed in Canadian Dollars)

	Year Ended August 31, 2019	Year Ended August 31, 2018
Revenues		
Interest	$ 898,213	$ 624,954
Fees	212,753	124,979
	1,110,966	749,933
Expenses		
Management fees (notes 10 and 11)	60,000	55,000
Salaries	101,600	54,212
Professional fees	95,782	33,156
Office and computer	42,755	29,359
Advertising and promotion	29,215	18,480
Interest and bank charges (notes 9 and 10)	6,962	10,175
Licenses	2,114	1,232
Amortization (note 7)	5,892	-
	344,320	201,614
Income for Year before Distributions	766,646	548,319
Distributions to preferred shareholders (note 11)	(548,319)	(406,594)
Net Income and Comprehensive Income	$ 218,327	$ 141,725

See notes to financial statements.

460 MORTGAGE INVESTMENT CORPORATION
Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital	Retained Earnings	Total
Balance, August 31, 2017	1,001	$ 1,001	$ 313,346	$ 314,347
Net income for year	-	-	141,725	141,725
Balance, August 31, 2018	1,001	1,001	455,071	456,072
Net income for year	-	-	218,327	218,327
Balance, August 31, 2019	1,001	$ 1,001	$ 673,398	$ 674,399

See notes to financial statements.

460 MORTGAGE INVESTMENT CORPORATION
Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended August 31, 2019	Year Ended August 31, 2018
Operating Activities		
Net income for year	$ 218,327	$ 141,725
Items not affecting cash		
Management fees paid in preferred shares	60,000	55,000
Distribution to preferred shareholders in preferred shares	493,766	367,417
Amortization	5,892	-
Changes in non-cash working capital		
Mortgages issued	(7,730,642)	(5,961,717)
Mortgages repaid	3,963,609	4,135,623
Interest receivable	(38,186)	(20,714)
Accounts payable and accrued liabilities	20,536	(199)
Due to related parties	5,347	3,643
Deferred revenue	11,043	50,501
Prepaids	(1,200)	-
Cash Used in Operating Activities	(2,991,508)	(1,228,721)
Investing Activities		
Website development costs	(3,832)	(14,427)
Cash Provided by Investing Activities	(3,832)	(14,427)
Financing Activities		
Proceeds on issuance of preferred shares	2,707,315	1,563,344
Preferred shares redeemed	(161,551)	(25,000)
Cash Provided by Financing Activities	2,545,764	1,538,344
Increase (decrease) in cash position	(449,576)	295,196
Cash Position, Beginning of Year	240,207	(54,989)
Cash Position, End of Year	$ (209,369)	$ 240,207
Cash Position consists of:		
Cash	$ 631	$ 240,207
Operating Line of Credit	(210,000)	-
	$ (209,369)	$ 240,207

See notes to financial statements.

460 MORTGAGE INVESTMENT CORPORATION
Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended August 31, 2019	Year Ended August 31, 2018
Supplemental Cash Flow Information		
Interest paid on line of credit	$ 2,797	$ 1,139
Interest paid on promissory note	-	5,918
Dividends paid in cash	54,553	39,177
Preferred shares issued to settle due to related parties	-	42,500

See notes to financial statements.

1. OPERATIONS

460 Mortgage Investment (the "Company") is a private company incorporated on June 11, 2014 pursuant to the laws of the Business Corporation Act of British Columbia, Canada. The principal business of the Company is to originate and manage long-term income generation through a portfolio of interests in mortgages underwritten on real property developments. The Company qualifies as a mortgage investment corporation ("MIC") under section 130.1 of the *Income Tax Act* (Canada), and as such, is able to make distributions to its preferred shareholders on a pre-tax basis, provided that its taxable income is paid to its holders in the form of dividends within 90 days of August 31. During the year ended August 31, 2019, the return to preferred shareholders was 7.79% (2018 – 8.09%). The return to preferred shareholders is paid to preferred shareholders within 90 days of the fiscal year-end as described above.

The Company's office is located at 202 - 1551 Estevan Road, Nanaimo, British Columbia, Canada, V9S 3Y3.

2. STATEMENT OF COMPLIANCE

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

The financial statements were reviewed and authorized for issue by the directors on October 29, 2019.

3. BASIS OF PRESENTATION

The financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit or loss (“FVTPL”), which are stated at their fair values. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The financial statements are presented in Canadian dollars, which is also the Company's functional currency. All values are rounded to the nearest dollar, unless otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with IFRS. The significant policies are detailed as follows:

(a) Significant accounting judgments, estimates and assumptions

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the period.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

(a) Significant accounting judgments, estimates and assumptions - continued

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods, and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making those estimates and judgments in these financial statements.

Estimate and Judgment

Classification of preferred shares

Judgment is required in applying IAS 32 *Financial Instruments: Presentation* to determine the classification of preferred shares as a liability or equity instruments.

Recoverability of mortgages receivable

Judgement is required to make an assessment of the impairment of mortgages receivable. Mortgages receivable are considered to be impaired only if objective evidence indicates that one or more events have occurred after its initial recognition, that have a negative effect on the estimated future cash flows of that asset. The estimate for the recoverable value of the mortgage receivable includes an assessment of historical loan collection experience, payments history, the value of the security underlying the mortgage and may include assumptions regarding local real estate market conditions, interest rates and the availability of credit, cost and terms of financing, the impact of present or future legislation or regulation, prior encumbrances. These assumptions are limited by the availability of reliable comparable data, economic uncertainty and the uncertainty of predictions concerning future events. Accordingly, by their nature, estimates of impairment are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated fair value could vary by a material amount.

(b) Financial instruments

The Company has adopted IFRS 9 Financial Instruments (“IFRS 9”) as of September 1, 2018 using the modified retrospective basis. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 utilizes a revised model for the classification and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, with the exception that for financial liabilities designated at fair value through profit or loss, the change in fair value that is attributable to changes in credit risk of that liability is presented in other comprehensive (loss) income instead of in the statement of operations as previously applied.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

(b) Financial instruments - continued

The Company has classified its financial instruments as follows under IFRS 9 compared to the Company's previous accounting policy under IAS 39:

	IAS 39	IFRS 9
Financial Assets		
Cash	FVTPL	FVTPL
Mortgages receivable	Amortized cost	Amortized cost
Interest receivable	Amortized cost	Amortized cost
Financial Liabilities		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Due to related party	Amortized cost	Amortized cost
Redeemable preferred shares	Amortized cost	Amortized cost

(i) Financial assets

Initial recognition and measurement

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost or fair value through profit or loss. A financial asset is measured at amortized cost if it meets the conditions that i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows, ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and iii) is not designated as fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit and loss are carried in the statements of financial position at fair value with changes in fair value therein, recognized in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

(b) Financial instruments - continued

(i) Financial assets - continued

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included
as "financial asset at fair value through other comprehensive income" in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to retained earnings when the financial instrument is derecognized or its fair value substantially decreases.

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method net of any impairment allowance.

(ii) Derecognition

A financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or

- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(iii) Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recorded at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. The Company has accounted for accounts payable and accrued liabilities under this method. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

(b) Financial instruments - continued

(iv) Fair value hierarchy

The Company categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

(v) Impairment of assets

The Company assesses financial assets for impairment at the end of the reporting period using the expected credit loss ("ECL") model. The ECL model is forward looking and results in a provision for losses being recorded on the financial statements regardless if there has been a loss event. ECLs are the difference between the present value of all contractual cash flows that are due under the original terms of the contract and the present value of all cash flows expected to be received.

The ECL model uses a three-stage impairment approach based on changes in the credit risk of the financial asset since initial recognition. The three stages are as follows: Stage 1 – financial assets that have not experienced a significant increase in credit risk since initial recognition. Stage 2 – financial assets that have experienced a significant increase in credit risk between initial recognition and the reporting date. Stage 3 – financial assets for which there is objective evidence of impairment at the reporting date. The Company considers a number of factors when assessing if there has been a significant increase in credit risk.

(c) Mortgages receivable

Mortgages receivable are recognized initially at cost plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgages receivable are measured at amortized cost using the effective interest method, less any impairment losses using the ECL model.

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

(c) Mortgages receivable - continued

Interest on the impaired asset continues to be recognized through the unwinding of the discount if it is considered collectable. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. Specific allowances are established for individual mortgages identified as impaired and elected to measure loss allowances at the amount equal to lifetime ECLs.

(d) Preferred shares

Preferred shares that are redeemable on demand at the option of the holder are recorded on the statement of financial position as a liability at their par value as at the date of issue. Distributions are recognized in profit or loss in the period declared.

(e) Revenue recognition

The Company adopted IFRS 15 *Revenue from Contracts with Customers* (“IFRS 15”) on a retroactive basis in accordance with the transitional provisions. IFRS 15 replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and related interpretations on revenue. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The new standard requires companies to follow a five-step model to determine if revenue should be recognized:

1. Identify the contracts with customers
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the entity satisfies a performance obligation

The Company’s main source of revenues are interest and commitment fees from its mortgages. Interest income is recognized as earned over the term of the mortgage at the stated interest rate. Commitment fees received are recognized in profit or loss on a straight-line basis over the term of the mortgage. Commitment fees not recognized are recorded as deferred revenue.

(f) Income taxes

The *Income Tax Act* (Canada) permits MICs to deduct taxable dividends paid during the period or within 90 days after fiscal year-end in calculating taxable income for the period. Management of the Company intends to follow the policy of annually distributing all taxable income to the shareholders by dividend, and in accordance with this policy, no provision for income taxes has been recorded in these financial statements.

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES – continued

(g) Return to preferred shareholders

Return to preferred shareholders is a non-IFRS measure and is calculated by dividing the profit or loss for the year by the weighted average number of preferred shares outstanding during the period.

(h) Capital assets

Capital assets are recorded at cost and amortized using the straight-line method as follows:

Website development costs - 3 years

5. FINANCIAL INSTRUMENTS

The Company classifies its cash and operating line of credit as FVTPL; mortgages receivables at amortized cost; accounts payable and accrued liabilities, due to related parties and deferred revenue at amortized cost.

The carrying values of mortgages receivable, due to related parties, deferred revenue and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

The following tables set forth the Company's significant financial assets measured at fair value by level within the fair value hierarchy.

August 31, 2019	Level 1	Level 2	Level 3	Total
Cash	$ 631	$ -	$ -	$ 631
Operating Line of Credit	210,000	-	-	210,000

August 31, 2018	Level 1	Level 2	Level 3	Total
Cash	$ 240,207	$ -	$ -	$ 240,207
Operating Line of Credit	-	-	-	-

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Credit risk refers to the potential that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company manages credit risk, in respect of its cash by placing its cash balances at a major Canadian financial institution.

5. FINANCIAL INSTRUMENTS – continued

(a) Credit risk - continued

The Company is also exposed to credit risk with respect to its mortgages and interest receivable. The Company follows a program of credit evaluations of mortgagees and has a registered charge on the underlying property. The Company maintains a provision for potential credit losses. As at August 31, 2019, the Company has recorded a provision for mortgage losses of $nil (2018 - $nil) (note 6).

The Company's maximum credit risk exposure at August 31, 2019 and 2018 is represented by the respective amounts of the relevant financial assets in the statement of financial position.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due.

The Company manages its liquidity risk on an ongoing basis in accordance with policies and procedures in place. The Company is exposed to liquidity risk in respect of its accounts payable and accrued liabilities, redeemable preferred shares and any bank financing that may be outstanding. Accounts payable and accrued liabilities are due within 90 days of the period-end date. Preferred shares are redeemable at $1 per share at the option of the holder subject to certain restrictions. The Board of Directors may determine at their discretion to not redeem more than 5% of the number of issued preferred shares in any one fiscal year.

The line of credit is drawn upon to make mortgage investments. The Company's agreement with the lender is that the line of credit will not be called provided all covenants are met. As at August 31, 2019, management considers that the Company has no exposure to liquidity risk.

(c) Market risk

Market risk is the risk that the fair value of the collateral securing any of the mortgages receivable falls to a level approaching the mortgage amount. The Company ensures that it is aware of real estate market conditions in the regions in which it operates and monitors real estate market trends and lending practices. Policies are adjusted when necessary.

(Expressed in Canadian Dollars)

5. FINANCIAL INSTRUMENTS – continued

(d) Interest rate risk

Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's mortgages receivable are at fixed interest rates. Therefore, the Company is not exposed to interest rate cash flow risk during the terms of the mortgages. The Company is exposed to interest rate price risk, as the fair value of the mortgages receivable will fluctuate if market rates differ from the interest rates of the mortgages. Due to the short-term nature of these financial instruments, fluctuations in market rates of interest do not have a significant impact on future cash flows.

(e) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk, as it holds no financial instruments whose value changes due to changes in market prices.

6. MORTGAGES RECEIVABLE

The mortgages receivable bear interest at rates ranging from 6% to 13% (2018 – 6.5% to 13%) per annum, with a weighted average rate of 9.08% (2018 - 9.24%). The mortgages receivable individually mature within the next twelve months and are automatically renewed subject to good standing and credit risk analysis. Following is a schedule of amounts outstanding as at August 31, 2019 and 2018.

	2019	2018
Mortgages receivable	$ 11,748,083	$ 7,981,050

As at August 31, 2019, interest receivable related to mortgages receivable totaled $102,485 (2018 - $64,299).

(Expressed in Canadian Dollars)

7. WEBSITE DEVELOPMENT COSTS

Cost		
Balance at August 31, 2017	$	-
Additions		14,427
Balance at August 31, 2018		14,427
Additions		3,832
Balance at August 31, 2019		**18,259**

Accumulated Amortization		
Balance at August 31, 2017	$	-
Amortization		-
Balance at August 31, 2018	$	-
Amortization		5,892
Balance at August 31, 2019		**5,892**

Net Book Value		
Balance at August 31, 2018	$	14,427
Balance at August 31, 2019		**12,367**

8. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to preserve common and preferred share values, provide preferred shareholders with stable dividends and use leverage in a conservative manner to improve return to preferred shareholders. There have been no changes to the Company's approach to capital management during the period.

The capital structure of the Company consists of issued and outstanding common and preferred shares, bank line of credit and other loans payable. The Company manages its capital by using financial leverage as required to improve its return to preferred shareholders. The Company is subject to capital requirements imposed by the bank. As at August 31, 2019 and 2018, the Company was not in violation of any covenants (note 9).

9. LINE OF CREDIT

The Company has a facility with its bank for the provision of a demand revolving operating loan in the principal amount of $1,000,000 that bears interest at an annual rate of bank prime plus 1.75% on the daily balance of the principal advanced. The maximum amount of the loan shall not exceed the aggregate of 50% of eligible mortgages that are secured by a first or second financial charge on real property. As at August 31, 2019, the company has drawn down $210,000 (2018 - $Nil) on the line of credit.

9. LINE OF CREDIT – continued

The bank requires the Company to ensure that the bank covenants are met to continue to hold the operating line of credit. If they are not met, the bank has the right to call the loan at any time.

The covenants in place are:

- The Company will not without prior consent provide any one mortgage in excess of 10% of the Company's total mortgage portfolio; and
- The Company will not provide loans to its shareholders or any non-arm's length party of the shareholders.

As at August 31, 2019 and 2018, the Company was not in violation of its covenants.

10. RELATED PARTY TRANSACTIONS

As at August 31, 2019, the Company owes $8,990 (2018 - $3,643) to a company with common directors for reimbursement for expenditures incurred on behalf of the Company. Transactions with this related party during the year included $101,600 (2018 - $54,212) for recharged personnel salaries. These amounts are non-interest-bearing, unsecured and due immediately.

During the year ended August 31, 2018, the Company issued $400,000 in promissory notes to a relative of a director bearing interest at 6% per annum. These promissory notes, including $5,918 of interest, were repaid during the year ended August 31, 2018.

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling activities of the Company directly or indirectly, including any director (whether executive or otherwise) of the Company. The Company's key management personnel include certain directors. During the year ended August 31, 2019, the Company issued 60,000 (2018 – 97,500) preferred shares with a fair value of $1 per share to pay $60,000 (2018 - $55,000) in management fees and settle $Nil (2018 - $42,500) in amounts owing to directors.

11. SHARE CAPITAL

(a) Authorized

- Unlimited voting common shares with a par value of $1 each
- Unlimited preferred shares with a par value of $1 each

(b) Issued

Common shares

During the years ended August 31, 2019 and 2018, there were no common shares issued. Common shareholders are not entitled to annual dividends, but may participate in certain circumstances upon wind-up of the Company.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL – continued

(b) Issued - continued

Preferred shares

Preferred shares are non-voting and are redeemable at $1 per share at the option of the holder subject to certain restrictions and are classified as financial liabilities. The Board of Directors may determine at their discretion to not redeem more than 5% of the number of issued preferred shares in any one fiscal year. Preferred shares are eligible for dividends at the discretion of the Board of Directors. The rate of return to preferred shareholders is as disclosed in note 1.

As at August 31, 2019 and 2018, the Company had the following preferred shares outstanding:

	Number of Preferred Shares	Value of Preferred Shares
Balance, August 31, 2017	5,723,031	$ 5,723,031
Preferred share subscriptions	1,563,344	1,563,344
Preferred share redemptions	(25,000)	(25,000)
Preferred shares issued for management fees	97,500	97,500
Distributions to shareholders in the form of preferred shares	367,417	367,417
Balance, August 31, 2018	7,726,292	$ 7,726,292
Preferred share subscriptions	2,707,315	2,707,315
Preferred share redemptions	(161,551)	(161,551)
Preferred shares issued for management fees	60,000	60,000
Distributions to shareholders in the form of preferred shares	493,766	493,766
Balance, August 31, 2019	10,825,822	$ 10,825,822

(c) Dividends

During the year ended August 31, 2019, the Company issued 493,766 (2018 – 367,417) preferred shares for $493,766 (2018 - $367,417) as a stock dividend. Cash dividends of $54,553 (2018 - $39,177) were also paid for total distributions to preferred shareholders of $548,319 (2018 - $406,594) representing 2018 net income before distributions. Distributions to preferred shareholders are presented as an expense in profit or loss.

12. SEGMENT INFORMATION

The Company operates in Canada in one business segment, being investment in mortgages receivable.

ITEM 13
DATE AND CERTIFICATE

Dated this 3rd day of January, 2020.

This Offering Memorandum does not contain a misrepresentation.

Per: *"David Robinson"* DAVID ROBINSON Chief Executive Officer & Director	Per: *"Randy Forbes"* RANDY FORBES Chief Operating Officer & Director

ON BEHALF OF THE BOARD OF DIRECTORS

Per: *"Ed Mejlholm"* ED MEJLHOLM Director	Per: *"Greg Nowik"* GREG NOWIK Director
Per: *"Sally Whitehead"* SALLY WHITEHEAD Secretary & Director	Per: *"Kim Trottier"* KIM TROTTIER Treasurer & Director

Schedule "A" to
Offering Memorandum of
460 MORTGAGE INVESTMENT CORPORATION
Dated January 3, 2020

RISK ACKNOWLEDGEMENT

Form 45-106F4

Risk Acknowledgement

- I acknowledge that this is a risky investment.
- I am investing entirely at my own risk.
- No securities regulatory authority or regulator has evaluated or endorsed the merits of these securities or the disclosure in the offering memorandum.
- I will not be able to sell these securities except in very limited circumstances. I may never be able to sell these securities.
- These securities are redeemable, but I may only be able to redeem them in limited circumstances.
- I could lose all the money I invest.

I am investing $____________________ [total consideration] in total; this includes any amount I am obliged to pay in future.

460 MORTGAGE INVESTMENT CORPORATION will pay $_____________ of this to __________________ as a fee or commission.

I acknowledge that this is a risky investment and that I could lose all the money I invest.

______________________________	______________________________
Date	Signature of Purchaser
	______________________________
	Print name of Purchaser

Sign 2 copies of this document. Keep one copy for your records.

WARNING

You have 2 business days to cancel your purchase

To do so, send a notice to **460 Mortgage Investment Corporation** stating that you want to cancel your purchase. You must send the notice before midnight on the 2nd business day after you sign the agreement to purchase the securities. You can send the notice by fax or email or deliver it in person to **460 Mortgage Investment Corporation** at its business address. Keep a copy of the notice for your records.

460 MORTGAGE INVESTMENT CORPORATION'S ADDRESS:

Suite 202, 1551 Estevan Road
Nanaimo, British Columbia V9S 3Y3
Email: info@460mic.com
Telephone: (250) 591-4601
Fax: (250) 591-4602

You are buying Exempt Market Securities

They are called *exempt market securities* because two parts of securities law do not apply to them. If an issuer wants to sell *exempt market securities* to you:

- the issuer does not have to give you a prospectus (a document that describes the investment in detail and gives you some legal protections), and

- the securities do not have to be sold by an investment dealer registered with a securities regulatory authority or regulator.

There are restrictions on your ability to resell *exempt market securities*. *Exempt market securities* are more risky than other securities.

You will receive an offering memorandum. Read the offering memorandum carefully because it has important information about the issuer and its securities. Keep the offering memorandum because you have rights based on it. Talk to a lawyer for details about these rights.

The securities you are buying are not listed. The securities you are buying are not listed on any stock exchange, and they may never be listed. You may never be able to sell these securities.

The issuer of your securities is a non-reporting issuer. A *non-reporting issuer* does not have to publish financial information or notify the public of changes in its business. You may not receive ongoing information about this issuer.

For more information on the exempt market, call your local securities regulatory authority or regulator as follows:

British Columbia Securities Commission

P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia V7Y 1L2
Telephone: (604) 899-6500
Toll free in British Columbia and Alberta 1-800-373-6393
Facsimile: (604) 899-6506

Alberta Securities Commission

4th Floor, 300 – 5th Avenue SW
Calgary, Alberta T2P 3C4
Telephone: (403) 297-6454
Facsimile: (403) 297-6156

Saskatchewan Financial Services Commission

Suite 601, 1919 Saskatchewan Drive
Regina, Saskatchewan S4P 4H2
Telephone: (306) 787-5879
Facsimile: (306) 787-5899

The Manitoba Securities Commission

500 – 400 St. Mary Avenue
Winnipeg, Manitoba R3C 4K5
Telephone: (204) 945-2548
Toll Free in Manitoba: (800) 655-5244
Facsimile: (204) 945-0330

Ontario Securities Commission

Suite 1903, Box 5520 Queen Street West
Toronto, Ontario M5H 3S8
Telephone: (416) 593-8314
Toll Free in Canada: (877) 785-1555
Facsimile: (416) 593-8122
Public official contact regarding indirect collection of information:
Administrative Support Clerk
Telephone (416) 593-3684

Autorité des marchés financiers

800, Square Victoria, 22e étage
C.P. 246, Tour de la Bourse
Montréal, Québec H4Z 1G3
Telephone: (514) 395-0337
Or 1 877 525-0337
Facsimile: (514) 864-6381 (For privacy requests only)
Facsimile: (514) 873-6155 (For filing purposes only)

New Brunswick Securities Commission

85 Charlotte Street, Suite 300
Saint John, New Brunswick E2L 2B5
Telephone: (506) 658-3060
Toll Free in New Brunswick: (866) 933-2222
Facsimile: (506) 658-3059

Nova Scotia Securities Commission

2nd Floor, Joseph Howe Building
1690 Hollis Street
Halifax, Nova Scotia B3J 3J9
Telephone: (902) 424-7768
Facsimile: (902) 424-4625

Prince Edward Island Securities Office

95 Rochford Street, 4th Floor Shaw Building
P.O. Box 2000
Charlottetown, Prince Edward Island C1A 7N8
Telephone: (902) 368-4569
Facsimile: (902) 368-5283

Government of Newfoundland and Labrador

Financial Services Regulation Divsion

P.O. Box 8700, Confederation Building
2nd Floor, West Block
Prince Philip Drive
St. John's, Newfoundland and Labrador A1B 4J6
Attention: Director of Securities
Telephone: (709) 729-4189 Facsimile: (709) 729-6187

Government of Yukon

Department of Community Services
Law Centre, 3rd Floor
21230 Second Avenue
Whitehorse, Yukon Territory Y1A 5H6
Telephone: (867) 667-5314
Facsimile: (867) 393-6251

Government of the Northwest Territories

Office of the Superintendent of Securities
P.O. Box 1320
Yellowknife, Northwest territories X1A 2L9
Attention: Deputy Superintendent, Legal & Enforcement
Telephone: (867) 920-8984
Facsimile: (867) 873-0243

Government of Nunavut

Department of Justice
Legal Registries Division
P.O. Box 1000, Station 570
1st Floor, Brown Building
Iqaluit, Nunavut X0A 0H0
Telephone: (867) 975-6590
Facsimile: (867) 975-6594

Instruction: The purchaser must sign 2 copies of this form. The purchaser and the issuer must each receive a signed copy.