

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.*

August 8, 2018

Continuous Offering

NATION CAPITAL CORP.

Suite 608, 837 West Hastings Street
Vancouver, British Columbia V6C 3N6
Email: info@nationcapital.ca
Telephone: 604-681-7772
Fax: 604-681-7773

\$1.00 per Class “A” Preferred Share

Minimum Subscription: \$10,000 (Class “A” Preferred Shares)

Nation Capital Corp. (the “Company”) is a private mortgage investment corporation incorporated under the *Business Corporations Act* (British Columbia) on August 8, 2013.

The Company is offering on a private placement basis up to a maximum of \$15,000,000 Class “A” 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 quarterly dividends paid in cash or in shares of the Company.

The Offering is being made with reliance on certain exemptions from the registration and prospectus filing requirements available under the securities laws of the Province of British Columbia. As a result, the 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 August 8, 2018
for
NATION CAPITAL CORP.

Offering of Class “A” Preferred Non-Voting Shares up to a Maximum of \$15,000,000

Date: August 8, 2018

The Issuer

Name: Nation Capital Corp. (the “Company”)
Head office: Suite 608, 837 West Hastings Street
 Vancouver, British Columbia V6C 3N6
 Phone No. 604-681-7772
 E-mail address: info@nationcapital.ca
 Fax No. 604-681-7773

Currently listed or quoted: No. **These securities do not trade on any exchange or market.**
Reporting issuer: No.
SEDAR filer: No.

The Offering

Securities offered: Redeemable, Non-Voting Class “A” 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 \$15,000,000. 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 10,000 Preferred Shares at a subscription price of \$1.00 per Preferred Share for a total of \$10,000. 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 to “Nation Capital Corp.” 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: No specific agent has been retained by the Company in respect of the Offering. 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”).

Table of Contents

ITEM 1 – USE OF AVAILABLE FUNDS.....	6
1.1 NET FUNDS.....	6
1.2 USE OF AVAILABLE FUNDS.....	6
1.3 REALLOCATION	7
ITEM 2 – BUSINESS OF THE COMPANY	7
2.1 STRUCTURE	7
2.2 THE COMPANY’S BUSINESS	7
2.3 DEVELOPMENT OF THE BUSINESS	13
2.4 LONG TERM OBJECTIVES.....	15
2.5 SHORT TERM OBJECTIVES AND HOW THE COMPANY INTENDS TO ACHIEVE THEM.....	16
2.6 INSUFFICIENT FUNDS	16
2.7 MATERIAL AGREEMENTS	16
ITEM 3 – DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS	18
3.1 COMPENSATION AND SECURITIES HELD	18
3.2 MANAGEMENT EXPERIENCE.....	18
3.3 PENALTIES, SANCTIONS AND BANKRUPTCY	19
3.4 LOANS	21
ITEM 4 – CAPITAL STRUCTURE.....	21
4.1 CAPITAL STRUCTURE.....	21
4.2 LONG TERM DEBT	21
4.3 PRIOR SALES.....	21
ITEM 5 – SECURITIES OFFERED.....	23
5.1 TERMS OF PREFERRED SHARES.....	23
5.2 SUBSCRIPTION PROCEDURE	26
ITEM 6 – INCOME TAX CONSEQUENCES AND RRSP / TFSA ELIGIBILITY	29
6.1 GENERAL	29
6.2 STATUS AS A MORTGAGE INVESTMENT COMPANY.....	29
6.3 TAXATION OF THE COMPANY	31
6.4 TAXATION OF PREFERRED SHAREHOLDERS.....	31
6.5 ELIGIBILITY FOR INVESTMENT BY DEFERRED PLANS	32
ITEM 7 – COMPENSATION PAID TO SELLERS AND FINDERS	33
ITEM 8 – RISK FACTORS	33
ITEM 9 – REPORTING OBLIGATIONS.....	37
ITEM 10 – RESALE RESTRICTIONS.....	38
ITEM 11 – PURCHASERS' RIGHTS	38
ITEM 12 – FINANCIAL STATEMENTS	39
ITEM 13 – DATE AND CERTIFICATE.....	40

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;

“**BCI 32-517**” means British Columbia Instrument 32-517 *Exemption from Dealer Registration Requirement for Trades in Securities of Mortgage Investment Entities*.

“**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;

“**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 date determined by the Directors to calculate any dividend that is declared by the Directors;

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

“**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 30 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 December 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 15,000,000 Preferred Shares;

“**Preferred Share**” means a Class “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;

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

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

“**Subscription Form**” means the subscription form to subscribe for Preferred Shares;

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

“**Tax Act**” means the *Income Tax Act* (Canada), R.S.C. 1985 (5th Supp.) c.11, and the regulations promulgated thereunder, 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	\$15,000,000
B	Estimated Selling Commissions and Fees	\$0	\$0
C.	Estimated Costs of the Offering (e.g. Legal, accounting, audit) ⁽²⁾	\$40,000	\$40,000
D.	Available Funds: $D = A - (B + C)$	(\$40,000)	\$14,960,000
E.	Additional sources of funding required	\$40,000 ⁽³⁾	\$0
F.	Working capital deficiency	N/A	\$0
G.	Total: $G = (D + E) - F$	\$0	\$14,960,000

(1) The Maximum Offering is \$15,000,000 (15,000,000 Preferred Shares). There is no Minimum Offering.

(2) Offering Costs as shown are estimated expenses (currently estimated to be \$40,000 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 \$40,000. 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	\$14,960,000
ANY OTHER USE	\$0	\$0
Total:	\$0	\$14,960,000

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 August 8, 2013 under Incorporation No. BC0977315. The Company's registered and records office is located at Suite 1500, Royal Centre, 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7 and its head office is located at Suite 608, 837 West Hastings Street Vancouver, British Columbia V6C 3N6.

The Company does not have any subsidiaries or proposed subsidiaries.

The Company is registered as a mortgage broker with the Financial Institutions Commission of British Columbia and is a "*mortgage investment corporation*" (a "**MIC**") as defined under section 130.1 of the Tax Act. The Company's Articles and investment policies require it to conduct its operations so as to qualify as a "*mortgage investment corporation*". 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. It was incorporated for the purpose of generating a steady 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. It has developed its mortgage investment business steadily since August 8, 2013 and 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 invests primarily in second mortgages each having a principal amount which, when added to the principal amount of prior mortgages, is generally 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.

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 primarily in the Lower Mainland of British Columbia. To the extent that the Company's funds are not invested in Mortgages from time to time, they are held in cash deposited with a Canadian chartered bank or credit union or are 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 and any Loan approvals must be approved by the board of directors.

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 revolving credit facility with Canadian Western Bank, with a credit limit capped at the lesser of (i) \$500,000, and (ii) 75% of qualified first position mortgages and 65% of second position mortgages on residential properties (see Item 2.7(3) - *"Material Agreements"*). The Company intends to borrow to the extent that the Directors are satisfied that such borrowing and additional investments will increase the overall profitability of the Company.

Administration Services Provider

The Company does not have and does not expect to have any employees, and therefore, all mortgage administration and other ancillary services will be performed by Royal International Financial Group Inc. (the **"Administrator"**), which will provide ongoing mortgage administration and other ancillary services relating to the Company's business pursuant to an Administrative and Services Agreement between the Company and the Administrator, dated February 14, 2018. The Administrator is responsible for processing and administering mortgage loans on behalf of the Company and handling the day to day administrative services for the Company's operations. The Administrator is an Affiliate of the Company.

Pursuant to the Administrative and Services Agreement, the Administrator will be paid an annual servicing and administration fee equal to 1.5% of the aggregate outstanding balance of the total assets of the Company (after deduction of provisions for losses), with such fee being calculated and payable monthly in arrears on the last day of each month.

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

The Administrator is required to and shall:

- a. process and administer mortgage loans on behalf of the Company within parameters from time to time approved by the Board of Directors of the Company;
- b. undertake and be responsible for the day to day administration of the Company;
- c. provide financial services to the Company including administering general security agreements and other forms of security of the Company;
- d. provide monthly reports on the operation of the Company to the Board of Directors of the Company;
- e. communicate regularly with mortgage brokers engaged in business with the Company and answer any such mortgage broker queries;
- f. prepare accounting information for the auditors of the Company;
- g. undertake any accounting task which shall reduce the accounting fees of the auditor;
- h. maintain the business premises of the Company for the conduct of its business; and
- i. perform other assignments related to the business and affairs of the Company as directed by its Board of Directors.

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

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

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

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

The Company may terminate the Administrative and Services Agreement if:

- a. the Administrator makes an assignment for the benefit of creditors or commences any action of bankruptcy within the meaning of the *Bankruptcy Act* (Canada);
- b. the Administrator assigns or purports to assign the Administrative and Services Agreement or any rights accruing thereunder without the prior written consent of the Company;
- c. the Administrator commits a breach or default under the Administrative and Services Agreement provided that such breach or default does not relate to any payment of monies to be paid by the

- Administrator to the Company, and the Administrator has not cured such breach or default within thirty (30) days after receiving written notice from the Company stipulating the breach or default;
- d. the Administrator fails to pay or refuses to pay monies it may owe to the Company; or
 - e. by mutual consent in writing of the Company and the Administrator.

The Administrator may terminate the Administrative and Services Agreement if:

- a. the Company makes an assignment for the benefit of creditors or commences any action of bankruptcy within the meaning of the *Bankruptcy Act* (Canada);
- b. the Company assigns or purports to assign the Administrative and Services Agreement or any rights accruing thereunder without the prior written consent of the Administrator;
- c. the Company commits a breach or default under the Administrative and Services Agreement provided that such breach or default does not relate to any payment of monies to be paid by the Company to the Administrator, and the Company has not cured such breach or default within thirty (30) days after receiving written notice from the Administrator stipulating the breach or default;
- d. at any time during the term of the Administrative and Services Agreement if the Administrator gives the Company six (6) months notice of its intention to terminate the Administrative and Services Agreement; or
- e. by mutual consent in writing of the Company and the Administrator.

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

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.

Investment in Loans

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

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 are held by and registered in the name of the Company.

In addition, the Company will obtain standard security in respect of 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 will invest in Mortgages secured primarily by residential Real Property but may invest in Mortgages secured by various other types of Real Property, including single-family dwellings, duplexes, townhouses, condominium units and other multi-family residential properties, subdivisions and construction projects and commercial property, small strata retail, industrial and office units/buildings. The Company will invest in Mortgages primarily in the Lower Mainland region of British Columbia. Such Mortgages will comply with the investment policies of the Company. While it may make Loans relating to property outside of such areas, it will in such cases alter its lending criteria in order to ensure protection of the capital for the Preferred Shareholders.

The Mortgages in which the Company invests will often be short term (i.e. with terms of one year or less), but will attempt to stagger the maturity dates in order to produce an orderly turnover of assets and liabilities. The Mortgages may be second or, in exceptional cases, subsequent ranking Mortgages. 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 and Guidelines

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 provisions of the Tax Act and real estate legislation which apply to mortgage investment corporations generally. The following are the investment criteria to be applied when selecting Mortgages in which the Company will invest:

- The Company intends that the overall loan to value ratio of the Mortgages will not exceed 75% of the aggregate appraised values of the property (including prior ranking mortgages) which is mortgaged. However, in certain circumstances, and pursuant to stringent criteria established by the credit committee of the Company, the acceptable loan to value ratio may be increased to 80% (including prior ranking mortgages) for Loans that are secured with Mortgages on detached single family homes, apartments, townhouses, or duplexes located within the Lower Mainland region of British Columbia.
- The Company's management will analyze the credit score and personal net worth/income of all potential borrowers prior to agreeing to grant any Loans and the primary and secondary sources of repayment and the financial strength and ability to repay of the borrower must be fully assessed and approved by the Directors of the Company.
- The Company will require the borrower to confirm the current mortgage balance of any first mortgage if the Company is providing a second mortgage.

- In its discretion and depending on the circumstances, the Company may review the BC Assessment value of any property in respect of which it intends to make a Loan secured by a Mortgage, or may have a comparative market analysis completed.
- The Company will only make an investment in Mortgages where appraisals of the fair market value of the relevant property and all other relevant materials, including credit and financial reports in respect of the borrower, are satisfactory to the Directors of the Company.
- All potential Mortgage investments must be approved by the Directors of the Company and Loan approvals must be signed by the Directors of the Company.
- 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 its affiliates, shall generally exceed 15% of the book value of the assets of the Company at funding unless firm takeout commitments are in place.
- 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 on foreclosure.
- 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 in short term deposits, savings accounts or government guaranteed income certificates or treasury bills so as to maintain a level of working capital for the Company's ongoing operations considered acceptable by the Directors of the Company.
- No funds will be loaned in respect of any property in which a director or officer of the Company has a direct or indirect interest.
- The Company will not make any investment that would result in its failing to qualify as a Mortgage Investment Corporation pursuant to the Tax Act.

If the Company has any temporary surplus cash, the Company holds such funds in short term deposits, savings accounts or government guaranteed income certificates.

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. In addition, the foregoing policies, guidelines and restrictions may be changed at any time (so long as such change complies with applicable legislation) if the change is determined by the Company to be required in order to ensure that the Company remains competitive in the making of the highest quality Loans being undertaken in the marketplace at the time of such change and is in the best interests of 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.

2.3 Development of the Business

The Company was incorporated on August 8, 2013 and has conducted the business of investing in Loans secured by Mortgages since August 8, 2013. As at March 31, 2018, the Company has issued 4,511,335 Preferred Shares and has made Loans in the aggregate amount of \$5,075,900.00.

Mortgage Portfolio

As at March 31, 2018, the Company's current portfolio of Mortgages consisted of 21 Loans ranging in value from \$50,000.00 to \$615,000.00 for a total aggregate principal amount of approximately \$5,075,900.00. The mortgages securing the outstanding principal of these Loans are all registered against properties in British Columbia and carry interest rates ranging from 9.25% to 14.20%. 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 March 31, 2018 was as follows:

Total Mortgage Investments	\$5,075,900.00	
First Mortgages	\$615,000.00	12.12%
Second Mortgages	\$3,960,900.00	78.03%
Third Mortgages	\$500,000.00	9.85%
Residential Mortgages	\$5,075,900.00	100%
Commercial Mortgages	\$0.00	0%
Other	\$0.00	0%
Average Loan to Value	46.11%	

The mortgage portfolio (based on total mortgages funded as of March 31, 2018) can be summarized in further detail as follows:

	Mortgage Type	Mortgage Position	Loan to Value	Mortgage LTV Range	Mortgage – Authorized Amount	Current Outstanding Amount	Interest Rate
1.	Residential	Second	66.90%	50.03% - 66.90%	\$130,000	\$130,000	9.49%
2.	Residential	Second	47.40%	38.91% - 47.40%	\$50,000	\$50,000	10.49%
3.	Residential	Second	44.44%	38.89% - 55.56%	\$1,500,000	\$500,000	10.70%
4.	Residential	Second	50.24%	43.95% - 58.92%	\$250,000	\$105,000	10.70%
5.	Residential	Second	68.42%	52.63% - 68.42%	\$300,000	\$300,000	10.74%
6.	Residential	Second	64.29%	42.86% - 64.29%	\$600,000	\$350,000	10.70%
7.	Residential	Second	50.77%	46.15% - 50.77%	\$150,000	\$150,000	12.75%
8.	Residential	Second	74.95%	69.54% - 74.95%	\$400,000	\$225,000	11.74%
9.	Residential	Second	67.39%	54.34% - 67.39%	\$300,000	\$200,000	11.74%
10.	Residential	Second	56.19%	43.49% - 56.19%	\$400,000	\$115,000	10.75%
11.	Residential	Second	33.33%	28.57% - 60.32%	\$2,000,000	\$300,000	9.74%
12.	Residential	Third	68.13%	50.00% - 70.00%	\$800,000	\$400,000	11.70%
13.	Residential	Second	39.44%	35.21% - 42.25%	\$500,000	\$300,000	10.49%
14.	Residential	Second	30.31%	23.08% - 48.72%	\$2,000,000	\$564,150	10.74%
15.	Residential	First & Second	61.05%	49.42%-61.05%	\$1,250,000	\$615,000	11.20% ⁽¹⁾
16.	Residential	Second	67.90%	60% - 70%	\$103,500	\$81,750	14.20%
17.	Residential	Third	54.44%	52% - 59.32%	\$300,000	\$100,000	11.24%
18.	Residential	Second	72.73%	66.96% - 72.73%	\$130,000	\$130,000	14.20%
19.	Residential	Second	27.42%	25.80% - 41.94%	\$500,000	\$50,000	9.25%
20.	Residential	Second	59.76%	38.12% - 69.72%	\$395,000	\$350,000	10.95%
21.	Residential	Second	55.71%	52.65% - 60.30%	\$150,000	\$60,000	10.95%

Notes:

- (1) 8.95% (Prime+5.75%) till Feb 28, 2018, 11.20% (Prime+7.75%) from Mar 1 to April 30, 2018, 13.2% (Prime+9.75%) from May 1, 18 to end of term.

The Company's dividends are paid quarterly and not guaranteed. The returns will fluctuate from year to year mainly due to the Company's ability to deploy its capital and avoid losses on its mortgage portfolio. The Company's ability to deploy its capital is influenced by the state of the 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 return for 2017 was 8.88%

The Company's annualized rate of return of the dividends paid to the holders of Preferred Shares for 2017 was 8.88%, which resulted in a distribution of dividends of \$251,902 of which \$122,322 was paid in cash from operating activities and the remaining \$129,580 was reinvested in Preferred Shares through the reinvestment option.

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

	Cash Flow:	Accumulated for the year ended Dec. 31, 2017	Previously completed fiscal years	
			(2016)	(2015)
A.	Cash flows from operating activities	\$169,888	(\$5,880)	\$12,923
	Add back changes in mortgages receivable	<u>\$4,140,900</u>	<u>\$2,261,000</u>	<u>\$719,500</u>
		\$4,310,788	\$2,255,120	\$732,423
B.	Profit or loss	\$432	\$720	(\$1,606)
C.	Actual cash distributions paid or payable relating to the period	\$122,322	\$83,566	\$87,071
D.	Excess (shortfall) of cash flows from operating activities over cash distributions paid (A) – (C)	\$4,188,466	\$2,171,554	\$645,352
E.	Excess (shortfall) of profit or loss over cash distributions paid (B) – (C)	(\$121,890)	(\$82,846)	(\$88,677)

The Company's loss provision as of March 31, 2018 was \$Nil (December 31, 2016: \$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 on a sustainable basis;
- (iv) to maintain the Company's status as an MIC under the Tax Act;
- (v) to carry on lending activities in Canada, but primarily in British Columbia;

- (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 \$15,000,000 while maintaining a minimum annualized rate of return to investors of between 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 in the aggregate of approximately \$15,000,000 subscriptions on an annual basis 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 with historical costs as shown on the Company's financial statements. The Company's income will primarily consist of interest received on the Mortgages, less the management fee pursuant to the Management Agreement. 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 15,000,000 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 raise 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
<p>Raise at least \$15,000,000 to fund further investments in mortgage Loans</p> <p>Provide Preferred Shareholders with sustainable income while preserving capital for distribution or re-investment by investing in Mortgages.</p>	<p>Since the Company has an ongoing investment program, there is no target completion date for its business plan.</p>	<p>Our costs to carry out our investment program generally consist of management fees.</p>

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

The following agreements are material to this Offering and to the Company, which are currently in effect:

(1) Shareholders' Agreement

All of the common shareholders of the Company entered into a shareholders' agreement (the "**Shareholders' Agreement**"), dated September 2, 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 Behrooz Kahkesh and Lili Kahkesh (as nominee for Dr. Siew Khoo (Ken) Ting) 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. With the exception of Behrooz Kahkesh and Dr. Siew Khoo (Ken) Ting, no other Shareholders will have the right to nominate a director.

Pursuant to the Shareholders' agreement, if it is determined by the Board that the Company needs to borrow funds, the Shareholders shall co-operate and use commercially reasonable efforts to arrange borrowings from banks or financial institutions on the most favourable terms and conditions available. No Shareholder shall be required to provide a guarantee to any such bank or financial institution in respect of the Company's debts or obligations.

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.

(2) Management Agreement

A summary of the material provisions of the Management Agreement, dated August 8, 2013, between the Company and the Royal, which does not purport to be complete, is discussed above under "2.2 The Company's Business – Management Agreement".

A copy of the Management Agreement referred to above may be inspected during normal business hours at the registered and records office of the Company at Royal Centre, 1055 West Georgia Street, Suite 1500, Vancouver, British Columbia V6E 4N7.

(3) Credit Facility

On October 6, 2016, the Company and Canadian Western Bank (the "**Bank**") entered into a demand operating loan agreement (the "**Credit Facility**"). The Credit Facility provides the Company with a revolving credit facility, with a credit limit capped at the lesser of (i) \$500,000, and (ii) 75% of qualified first position mortgages and 65% of second position mortgages on residential properties, secured by a general security agreement with the Bank representing a first charge on all of the Company's present and after acquired personal property, to be registered in all appropriate jurisdictions. In addition, the Credit Facility is secured other means, including a general assignment of Mortgages, an acknowledged assignment of insurance and a full liability guarantee from Behrooz Kahkesh. Any borrowings by the Company under the Credit Facility will be payable on demand and bear interest at a floating rate of the

Bank's prime lending rate, which at July 12, 2018 was 3.70% per annum, plus 1.35% per annum. Interest is calculated daily and compounded monthly.

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 ⁽²⁾ AFTER COMPLETION OF MAXIMUM OFFERING
Behrooz Bagheri Kahkesh Vancouver, B.C.	Director, President August 8, 2013	(i) nil (ii) nil	1 Common Share (9.1%) 209,106 Preferred Shares (4.3%)	1 Common Share (9.1%) 209,106 Preferred Shares (1.1%)
Lili Kahkesh Vancouver, B.C.	Director, Secretary August 8, 2013	(i) nil (ii) nil	173,315 Preferred Shares (3.6%)	173,315 Preferred Shares (0.9%)
Royal International Financial Group Inc. ⁽³⁾ Vancouver, B.C.	Administrator (since August 8, 2013)	(i) \$42,450 ⁽⁴⁾ (ii) \$64,000 ⁽⁵⁾	Nil	Nil

Notes:

- (1) Information as to municipality of residence has been provided by the individual directors and promoters.
- (2) Directly or indirectly.
- (3) Royal International Financial Group Inc. is controlled by Behrooz Kahkesh and Lili Kahkesh.
- (4) This amount is still due and owing as a management fee and is due on demand without interest.
- (5) As of Mar 31, 2018 an amount of \$110,352 is due and owing as a management fee and is due on demand without interest.

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
Behrooz Bagheri Kahkesh <i>Director and President of the Company</i>	<p>Bruce is the founder and CEO of the Company. He is also the President of Royal International Financial Group Inc. and Royal International Holdings Ltd. Bruce provides leadership and vision and works closely with his team to develop and execute strategies that enhance value to clients and shareholders. He oversees all investments made by the Company and ensures that proper due diligence is performed on all potential investments. Bruce has over 20 years of experience in the business of mortgage lending and real estate investment in the Lower Mainland. Prior to establishing the Company and <i>Royal International</i>, Bruce worked at CIBC and RBC. He has structured and placed more than \$1 billion in first and second residential, commercial and construction mortgages during his career. Bruce pursues opportunities unique to the Company's Investment strategies that have generated consistently above-average return on investments for its clients.</p> <p>Bruce is licensed as a mortgage broker in British Columbia. He served two terms as a Director of the Mortgage Brokers Association of BC.</p>
Lili Kahkesh <i>Director and Secretary of the Company</i>	<p>Lili is the Chief Operating Officer of the Company. She manages all of the firm's transactions and operations. Her duties include performing due diligence, and mitigating financial and administrative risk while providing efficient management execution. Lili's extensive experience in accounting and financial analysis allows her to easily work through the intricacies of complicated financial transactions and investment proposals. She has been a licensed mortgage broker in British Columbia since 2001 and also serves as a senior mortgage broker at Royal International Financial Group Inc. Lili is fluent in both Mandarin and Cantonese and enjoys working with a diverse range of international and local clients.</p>

3.3 Advisory Board

The Company has appointed an Advisory Board comprised of four individuals from various professional backgrounds including real estate development, information technology, financial services and real estate/commercial law. The Advisory Board provides ongoing guidance to the Directors on issues of strategy management, legal matters, processes, capital raising and real estate market conditions. The members of the Advisory Board are as follows:

Brian Markus

Brian Markus specializes in foreclosure law at Brian C. Markus Law Corp. He was called to the bar in South Africa in 1985 and worked as a lawyer in Cape Town for two years, and then in the UK for the historical law firms of Freshfields, and Davies Arnold Cooper for 3 years before moving to Vancouver. He re-qualified and was called to the bar in Canada in 1991 and has concentrated his BC practice on foreclosure law. In addition to his downtown Vancouver law practice, he has shared his considerable knowledge and expertise in foreclosure law through the publication of numerous papers on the subject and also lectures for The Continuing Legal Education Society of BC.

Don McDonald B.Sc., MBA, CFA

Don is the founder and president of Waverley Corporate Financial Services Ltd., a nationally focused Exempt Market Dealer which strives to reduce the many barriers of smaller Canadian companies raising capital. Don has 29 years of capital market experience including corporate banking, investment banking, venture capital, private equity, and mezzanine debt. He has also been an operator leading the turnaround and sale of a 90-person private technology company as CEO, and leading the financing and M&A initiatives for a mid-size public technology company. In addition, he has served on a number of private, public, and charity boards including serving as Chairman, and chaired the audit committee of a TSE listed company.

Ralph Yetman

Ralph Yetman operates Yetmans Law Corporation in downtown Vancouver. He assists clients with their residential real estate transactions with a particular emphasis on representing both private and institutional lenders in completing their lending transactions with security and efficiency. Having completed over 40,000 real estate transactions since graduating from UBC Law School in 1983, Ralph and his staff are well positioned to handle all manner of residential financing and acquisition requests. Ralph was born in Calgary and obtained a BA in History and Economics from University of Calgary before completing his law degree at UBC. After working for several prestigious Vancouver law firms, Ralph established Yetmans Law Corporation in 2003.

Keith Nusgart

Mr. Nusgart is an independent IT consultant and real estate developer. He worked for Accenture LLP for over 25 years. He specializes in managing large complex projects and providing IT Strategy consulting to Utilities, large companies and government agencies across North America. Keith holds a BA and a MBA from North Dakota State University.

3.4 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 3.4(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 3.4(b)(i) above was a director, executive officer or control person at that time.

3.5 Loans

The Company does not have any debentures or loans due to or from the directors, management, promoters or principal holders of the Company other than the amount due to Royal International Financial Group Inc. as set out in footnotes (4) and (5) to the table in 3.1 above.

ITEM 4 – CAPITAL STRUCTURE

4.1 Capital Structure

The following are the details of the capitalization of the Corporation at March 31, 2018:

DESCRIPTION OF SECURITY	NUMBER AUTHORIZED TO BE ISSUED	NUMBER OUTSTANDING AS AT March 31, 2018	NUMBER OUTSTANDING AFTER MINIMUM OFFERING	NUMBER OUTSTANDING AFTER MAXIMUM OFFERING
Common Shares ⁽¹⁾	Unlimited	11	11	11
Class “A” Preferred Non-Voting Shares ⁽²⁾	Unlimited	4,511,335 ⁽³⁾	4,511,335 ⁽⁴⁾	19,511,335 ⁽⁴⁾
Class “B” Preferred Non-Voting Shares	Unlimited	0	0	0

Notes:

- (1) The common shares are voting shares and 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) Further details of the attributes and characteristics of the Class “A” Preferred Non-Voting Shares are set forth under the heading “Terms of Preferred Shares”.
- (3) The Class “A” Preferred Non-Voting Shares were issued at a price of \$1.00 per Class “A” Preferred Share.
- (4) Assuming a minimum Offering of nil Class “A” Preferred Shares and a maximum Offering of 15,000,000 Class “A” Preferred Shares.

4.2 Long Term Debt

The Company presently has no long term debt. However, the Company does have a Credit Facility with the Bank. See “Material Agreements – Credit Facility”.

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
March 1, 2017	Class “A” Preferred	378,035	\$1.00	\$378,035
April 1, 2017	Class “A” Preferred	89,273	\$1.00	\$89,273
April 24, 2017	Class “A” Preferred	70,758	\$1.00	\$70,758
May 1, 2017	Class “A” Preferred	480,000	\$1.00	\$480,000

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
	Preferred			
July 12, 2017	Class “A” Preferred	84,688	\$1.00	\$84,688
July 31, 2017	Class “A” Preferred	76,900	\$1.00	\$76,900
September 15, 2017	Class “A” Preferred	20,000	\$1.00	\$20,000
October 12, 2017	Class “A” Preferred	50,000	\$1.00	\$50,000
November 21, 2017	Class “A” Preferred	620,000	\$1.00	\$620,000
November 22, 2017	Class “A” Preferred	51,000	\$1.00	\$51,000
November 23, 2017	Class “A” Preferred	250,000	\$1.00	\$250,000
January 19, 2018	Class “A” Preferred	94,522	\$1.00	\$94,522
January 25, 2018	Class “A” Preferred	300,000	\$1.00	\$300,000
February 28, 2018	Class “A” Preferred	60,000	\$1.00	\$60,000
March 1, 2018	Class “A” Preferred	20,000	\$1.00	\$20,000
March 2, 2018	Class “A” Preferred	129,580	\$1.00	\$129,580
March 7, 2018	Class “A” Preferred	50,000	\$1.00	\$50,000
April 10, 2018	Class “A” Preferred	125,000	\$1.00	\$125,000
April 13, 2018	Class “A” Preferred	30,766	\$1.00	\$30,766
June 18, 2018	Class “A” Preferred	150,000	\$1.00	\$150,000

Within the last two fiscal years, 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
June 15, 2015	Class “A” Preferred	333,000	\$1.00	\$333,000
March 1, 2016	Class “A” Preferred	25,000	\$1.00	\$25,000
June 30, 2016	Class “A” Preferred	65,000	\$1.00	\$65,000
September 1, 2016	Class “A” Preferred	5,000	\$1.00	\$5,000

Date of redemption	Type of security redeemed	Number of securities redeemed	Price per security	Total funds paid
	Preferred			
February 28, 2017	Class “A” Preferred	25,000	\$1.00	\$25,000
April 21, 2017	Class “A” Preferred	58,000	\$1.00	\$58,000
April 24, 2017	Class “A” Preferred	180,000	\$1.00	\$180,000
November 28, 2017	Class “A” Preferred	165,000	\$1.00	\$165,000

During its most recently completed financial year ended December 31, 2017, the Company received requests to redeem 428,000 Preferred Shares. The Company honored all of these redemptions and redeemed an aggregate of 428,000 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 December 31, 2016, the Company received requests to redeem 95,000 Preferred Shares, which was honored and the Company redeemed the 95,000 Preferred Shares. The Company used funds available from current operations and from proceeds from the issuance of Preferred Shares to honor these redemptions.

ITEM 5 – SECURITIES OFFERED

5.1 Terms of Preferred Shares

The Company is offering up to 15,000,000 Preferred Shares at a \$1.00 per Preferred Share. Subscribers must subscribe for an initial minimum of 10,000 Preferred Shares, and thereafter, the subscriptions by existing holders of Preferred Shares must subscriber for not less than 5,000 Preferred Shares. The Preferred Shares may be sold pursuant to the dealer registration exemption contained in BCI 32-517 or similar order of the securities regulatory authority in the applicable jurisdiction. Therefore, both the dealer and its representatives may not be registered with a securities regulatory authority in accordance with NI 31-103 and are prohibited from providing suitability advice about the purchase of the Preferred Shares by the Subscriber. If the Preferred Shares are sold by an unregistered dealer, the Subscriber has provided its acknowledgement of this by executing and delivering to the Company a Risk Acknowledgement Form in the form attached as Schedule “B” to this Offering Memorandum. 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. If a holder of a Preferred Share is present at a general meeting of shareholders of the Company, it shall not be entitled to vote at meetings of the holders of the Common Shares.

Dividends

The Directors shall, during each and every fiscal year of the Company within 90 days of the end of the fiscal year of the Company, declare and pay a taxable dividend or dividends in an amount which according to their best estimate they determine to equal the maximum amount deductible in computing the income of the Company pursuant to clause 130.1(1)(a)(i) of the *Income Tax Act of Canada*, and the Directors shall during the period commencing 90 days after the end of the said fiscal year declare and pay a capital gain dividend or dividends in an amount which according to their best estimate they determine to equal twice the amount which, subject to election pursuant to Section 130.1(4) of the said Act, is deductible pursuant to clause 130.1(1)(a)(ii) of the said Act. However, the Directors may determine to declare dividends at the end of every fiscal quarter, and such dividends, if declared, will be paid within 30 days of each fiscal quarter end. The Directors may, in setting the amount of such dividends, reduce such dividends by any amount which they deem necessary to provide for reserves, liabilities, and other contingencies or alternative so as to ensure that the dividends are payable only out of funds properly available for the payment of dividends.

For greater certainty, the Company must distribute all its earnings in a particular fiscal year by the declaration and payment of dividends within 90 days of the end of such fiscal year.

The holders of the Preferred Shares shall in each year at the discretion of the directors, but always in preference and priority to any payment of dividends on the Common Shares, be entitled, out of any or all profits or surpluses available for dividends, to non-cumulative dividends up to the amount which pursuant to clause 130.1(1)(a)(i) of the *Income Tax Act of Canada* is deductible in computing the Company's income for the year and up to twice the amount which pursuant to clause 130.1(1)(a)(ii) is deductible in computing the Company's income for the year.

Liquidation or Winding Up

The holders of the Class "A" 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 Class "A" Preferred Share held together with all dividends declared thereon in priority to any distribution to the holders of any other shares in the capital of the Company. 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, the holders of the Class "A" Preferred Shares shall be entitled to participate equally with the holders of the Common Shares and Class "B" Preferred Shares in any further distributions of the assets of the Company pro rata in accordance with the number of Class "A" Preferred Shares and Class "B" Preferred Shares held.

Redemption at Company's Option

The Company may at any time or times at the discretion of the Directors, redeem all or any of the Preferred Shares of a Shareholder or Eligible Owner by paying to the registered holder the par value of such Preferred Share owned by the holder.

In the case of redemption, the Company shall give at least thirty (30) days' notice in writing of such redemption by mailing such notice to the registered holders of the shares to be redeemed specifying the date and place of redemption. If notice of such redemption be given by the Company in the manner aforesaid and an amount sufficient to redeem the shares be deposited with any trust company or chartered bank in Canada, as specified in the notice, on or before the date fixed for redemption, the holders thereof shall thereafter have no rights against the Company in respect thereof except, upon the surrender of certificates of such shares, to receive payment therefore out of the monies so deposited. Subject to the provisions of the *Business Corporations Act* (British Columbia), the Company shall redeem the number

of Preferred Shares registered in the name of the shareholder which are specified in the notice by paying to such shareholder the aggregate par value amount of the redeemed Preferred Shares and no more.

Rights of Redemption by the Shareholder

A person may give to the Company irrevocable notice (the “**Redemption Notice**”) that he or she wishes to redeem pursuant to the provisions of the Company’s Articles, any or all of the Preferred Shares owned by him or her or his or her Eligible Owner. The Redemption Notice must be sent by registered mail or delivered to the registered office of the Company so long as such notice is received by the Company ninety (90) days before its fiscal year end in any calendar year (the “**Withdrawal Date**”). The Company shall within ninety (90) days after the Withdrawal Date, purchase the subject shares at their then book value, plus any dividends declared but unpaid by the Company, plus interest for the relevant period prior to the date of payment at the interest rate equivalent to the Prime Interest rate of the Bank of Canada on the Withdrawal Date (the “**Redemption Amount**”).

A redemption in accordance with the Articles of the Company shall only be effected by the Company if 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 if such redemption does not affect the Company’s status as a Mortgage Investment Company under the terms of the *Income Tax Act of Canada*.

A person’s right of redemption does not apply if the Redemption Notice does not set out all the Preferred Shares owned by a Person or his or her Eligible Owners. A valid Redemption Notice may not be withdrawn and a Person who is a director of the Company and who gives a Redemption Notice to the Company shall be deemed to have resigned as a director of the Company on the date such Redemption Notice is received by the Company.

Upon payment in full of the Redemption Amount being made by the Company, the Preferred Share specified in the Redemption Notice shall be redeemed and the certificate representing such share shall be cancelled. If a part only of the shares represented by any certificate be redeemed, a new certificate for the balance of shares 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 Share 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 share until payment in full of the Redemption Amount, at which time all rights in respect of such share shall become null and void. If payment in full of the Redemption Amount shall not be made by the Company, the rights of the holder of such share shall remain unimpaired.

On Death of a Shareholder

Upon the death of a 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 *Business Corporations Act* (British Columbia), redeem all the Shares owned by such Shareholder and by his or her Eligible Owner at the date of his or her death, by paying to the holder of a Common Share the par value of such share or at a price determined by the Directors of the Company and to the holder of each Preferred Share or the Eligible Owner the par value of such Preferred Share owned by the holder. Upon payment of this full sum of money, the Common Shares and Preferred Shares owned by the estate of the deceased Shareholder or held by the Eligible Owner of the deceased Shareholder, shall be redeemed and the certificate representing such shares shall be cancelled.

Constraints on Transferability

Except as where is necessary to comply with the Articles of the Company, no Preferred Share shall be transferred without the previous consent of the directors expressed by a resolution of the Board 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 therefor.

This restriction does not apply in respect of any transfer or transfers by any Person of his or her Preferred Shares to an Eligible Owner or the Eligible Owner of a Person's spouse or the transfer of Preferred Shares held by his or her Eligible Owner to the Eligible Owner of his or her spouse and not transfer of Preferred Shares will be authorized unless the Shareholder's Common Shares, if any have been issued, are transferred to or redeemed by the Company.

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 the said transfer, allotment, issue, sale, purchase or redemption, the number of 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 Shares shall be counted and that nothing 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 director of disqualifying the Company as a mortgage investment corporation under the *Income Tax Act of Canada* or amendments thereto and will not, in the opinion and in the discretion of the Directors, disqualify the Company's shares from eligibility as an investment for registered plans such as retirement savings plans.

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 \$10,000. 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 may be sent to the Company at its principal office or such other address as specified by the Company by courier or telecommunication facilities.

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 to “Nation Capital Corp.” No financing of the subscription price will be provided by the Company.

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

1. complete and sign the form of subscription agreement prescribed by the Company 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);
2. complete and sign two copies of the Form 45-106F4 — Risk Acknowledgement in the form attached to this Offering Memorandum as Schedule “A”;
3. complete and sign two copies of the Risk Acknowledgement under BCI 32-517 in the form attached to this Offering Memorandum as Schedule “B”;
4. if the investor is an “accredited investor” as defined in NI 45-106, complete and sign the accredited investor questionnaire attached to the Subscription Agreement;
5. deliver payment of the subscription price for the Preferred Shares subscribed for to the Corporation by certified cheque or bank draft acceptable to the Company; and
6. deliver to the Company the Subscription Agreement, Risk Acknowledgments and any other forms, declarations and documents as may be required by the Company to complete the subscription.

The Company 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 subscriber.

The Company is not obligated to accept any subscriptions, and will reject any subscription which the Company considers to be not in compliance with applicable securities laws and regulations. If any subscription is rejected, the Company will notify the investor and will return to the subscriber 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 is offering for sale 15,000,000 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 exemptions from the prospectus requirements afforded by Sections 2.9, 2.3, 2.5 and/or 2.10 of NI 45-106.

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

- The exemption pursuant to Section 2.3 of NI 45-106 is available for distributions to investors in British Columbia purchasing as principal and who are “accredited investors” as defined in NI 45-106.
- The exemption pursuant to Section 2.5 of NI 45-106 is available for distributions to investors in British Columbia purchasing as principal who are “family, friends and business associates” as set out in Section 2.5 of NI 45-106.
- The exemption pursuant to Section 2.10 of NI 45-106 is available for distributions to investors in British Columbia who are not individuals and who are purchasing as principal and acquiring Preferred Shares with an acquisition cost to the Subscriber of not less than \$150,000 paid in cash at the time of Closing.

The foregoing exemptions relieve the Company from the provisions of the applicable securities laws of the Province of British Columbia which otherwise would require the Company to file and obtain a receipt for a prospectus. Accordingly, prospective investors for 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 exemptions from the registration requirements contained in the applicable securities laws of the Province of British Columbia allow the Company to offer the Preferred Shares for sale directly to the investors.

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 10⅓% on certain investment income, including amounts in respect of interest and taxable capital gains. The 10⅓% tax is to be added to such Preferred Shareholder's refundable dividend tax on-hand account and will be eligible for refund at a rate of \$1.15 for every \$3.00 of dividends paid by such Preferred Shareholder.

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 investor 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 RPPs and registered pension funds. RRSPs, RESPs and TFSAs are not subject to the foreign property rules.

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 Company and their respective directors, officers and employees will sell the Preferred Shares.

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.

Reliance on BC Instrument 32-517

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

required to be registered to sell the Preferred Shares and may be prohibited from continuing any sales of Preferred Shares until registered.

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 and registration 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 or pay the redemption price for such Preferred Shares.

Speculative Investment

An investment in the Preferred Shares is highly 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.

Conflicts of Interest

The Administrator, Royal, and the Company are Affiliates and negotiations between them have not been, and will not be, conducted at arm's length. Therefore, the Company will be subject to various conflicts of interest arising from its relationship with Royal, Affiliates of Royal, and the officers and directors thereof. In addition, there may be situations where the interests of the Company or its Shareholders conflict with the interests of the officers and directors of Royal. The risk exists that such conflicts will not be resolved in the best interests of the Company and the Preferred Shareholders. However, in accordance with the Management Agreement, Royal is bound by its duty to deal honestly and in good faith.

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.

Availability of Mortgage Investments

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 compete with individuals, partnerships, companies, trusts and institutions for the investment in the financing of real properties. Many of these competitors have greater resources than the Company or operate with greater flexibility.

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 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.

Changes in Legislation

There can be no assurance that income tax laws and government incentive programs relating to the real estate industry will not be changed in a manner which adversely affects the Company or distributions received by its security holders.

Borrowing

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

Subordinate and Non-Conventional Financing

Any subordinate financing which may be carried on by the Company is generally considered a higher risk than primary financing. Mortgages will be secured by a charge which is in a first or subsequent-ranking position upon or in the underlying real estate. When a charge on a Real Property is in a position other than first-ranking on a Real Property, it is possible for the holder of a prior charge on the Real Property, if the borrower is in default under the terms of its obligations to such holder, to take a number of actions against the borrower and ultimately against the Real Property in order to realize the security given for his loan. Such actions may include a foreclosure action, or an action forcing the Real Property to be sold. A foreclosure action may have the ultimate effect of depriving any person having other than a first-ranking charge the security of the Real Property. If an action is taken to sell the Real Property and sufficient proceeds are not realized from such sale to pay off all creditors who have prior charges on the property, the holder of a subsequent charge may lose his investment or part thereof to the extent of such deficiency, unless he can otherwise recover such deficiency from other property owned by the debtor. 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.

Potential Liability under Environmental Protection Legislation

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

Tax Matters

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, will not be changed in a manner which will fundamentally alter the tax consequences to Preferred Shareholders acquiring, holding or disposing of Preferred Shares.

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.

The Company's fiscal year commences January 1 in each year and ends on December 31 of each 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 audited annual financial statements as at December 31, 2017 as well as the unaudited interim financial statements for the three months ended March 31, 2018, attached hereto.

Interim condensed financial
statements of
Nation Capital Corp.

March 31, 2018

(Unaudited)

Interim condensed statements of income and comprehensive income	1
Interim condensed statements of changes in equity	2
Interim condensed statements of financial position	3
Interim condensed statements of cash flows	4
Notes to the interim condensed financial statements.....	5–10

Nation Capital Corp.**Interim condensed statement of income and comprehensive income**

Three month period ended March 31
(Unaudited)

	Notes	2018	2017
		\$	\$
Interest income and lenders fees		140,803	88,491
Expenses			
Dividends on preferred shares	4	83,548	34,781
Management fees	6	16,568	8,765
Accounting and legal		3,000	202
Bank charges and interest		3,988	1,442
Brochures		-	123
		107,104	45,313
Net income and comprehensive income		33,699	43,178

The accompanying notes are an integral part of the interim condensed financial statements.

Nation Capital Corp.**Interim condensed statement of changes in equity**

Three month period ended March 31
(Unaudited)

	Number of common shares	Share capital amount	Deficit	Total
	#	\$	\$	\$
Balance, December 31, 2016	11	11	(22,800)	(22,789)
Net income and comprehensive income for the period	—	—	43,178	43,178
Balance, March 31, 2017	11	11	20,378	20,389
Balance, December 31, 2017	11	11	(21,648)	(21,637)
Net income and comprehensive income for the period	-	-	33,699	33,699
Balance, March 31, 2018	11	11	12,051	12,062

The accompanying notes are an integral part of the interim condensed financial statements.

Nation Capital Corp.**Interim condensed statement of financial position**

As at March 31, 2018 and December 31, 2017

(Unaudited)

	Notes	March 31, 2018	December 31, 2017
		\$	\$
Assets			
Current assets			
Interest receivable		50,861	49,709
Mortgages receivable	2	5,075,900	4,615,900
		5,126,761	4,665,609
Liabilities			
Current liabilities			
Bank indebtedness	3	325,100	472,318
Accounts payable and accrued liabilities		52,083	56,620
Dividends payable		86,632	188,094
Due to Royal International Financial Group Inc.	6	110,352	93,784
Due to directors	7	29,198	29,198
		603,365	840,014
Non-current liabilities			
Preferred shares	4	4,511,334	3,847,232
		5,114,699	4,687,246
Shareholders' equity			
Share capital	5	11	11
Deficit		12,051	(21,648)
		12,062	(21,637)
		5,126,761	4,665,609

The accompanying notes are an integral part of the interim condensed financial statements.

Approved by the Board

_____, Director

_____, Director

Nation Capital Corp.**Interim condensed statement of cash flows**

Three month period ended March 31

(Unaudited)

	2018	2017
	\$	\$
Operating activities		
Net income for the period	33,699	43,178
Changes in non-cash operating items		
Interest receivable	(1,152)	(1,409)
Accounts payable and accrued liabilities	(4,537)	17,100
Dividends payable	(101,462)	46,114
	(73,452)	104,983
Investing activities		
Mortgage advances	(460,000)	(785,000)
Mortgage repayments	-	424,000
	(460,000)	(361,000)
Financing activities		
Due to Royal International Financial Group Inc.	16,568	8,550
Issuance of preferred shares	664,102	358,035
Redemption of preferred shares	-	(65,000)
	680,670	301,585
Net increase in cash	147,218	45,568
(Bank indebtedness) cash, beginning of period	(472,318)	15,440
(Bank indebtedness) cash, end of period	(325,100)	61,008
Additional information		
Reinvestment of dividends payable in preferred shares	129,580	86,796

The accompanying notes are an integral part of the interim condensed financial statements.

1. Nature of operations, statement of compliance, and significant accounting policies

(a) Nature of operation

Nation Capital Corp ("the Company") was incorporated under the British Columbia *Business Corporations Act* on August 8, 2013, and is in the business of investing in mortgages secured by real estate located in Canada. The address of the Company's registered head office and principal place of business is Suite 608 - 837 W Hastings St, Vancouver BC V6C 3N6. The Company is a Mortgage Investment Corporation (MIC) as defined in Section 130.1(6) of the Canada *Income Tax Act* (ITA). Accordingly, the company is not taxed on income provided that its taxable income paid to its shareholders in the form of dividends within 90 days after December 31 each year. Such dividends are generally treated by shareholders as interest income, so that each shareholder is in the same position as if the mortgage investments made by the company had been made directly by the shareholder.

(b) Statement of compliance

These unaudited interim condensed financial statements ("Interim Statements") of the Company have been prepared in accordance with IAS 34, *Interim Financial Reporting*. They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (IFRSs). As such, they must be read in conjunction with the annual audited financial statements for the period ended December 31, 2017 and the notes thereto. However, selected notes are included that are significant to understanding the Company's financial position and performance since the last annual financial statements for the year ended December 31, 2017. The amounts in the tables are expressed in Canadian dollars unless otherwise stated.

The condensed interim financial statements were approved by those charged with governance on July 31, 2018.

(c) Significant accounting policies

The accounting policies applied in these condensed interim financial statements are the same as those applied in the Company's financial statements for the year ended December 31, 2017 with the exception of the significant accounting policies adopted as a result of the application of IFRS 9 - *Financial Instruments* ("IFRS 9") and IFRS 15 - *Revenue from Contracts with Customers* ("IFRS 15"), which are described within this note.

i. Adoption of IFRS 9 – Financial Instruments: Classification, measurement and impairment

Effective in the first quarter of 2018, the Company adopted IFRS 9, issued in July 2014 and the related consequential amendments to IFRS 7 - *Financial Instruments: Disclosures*. IFRS 9 introduces new requirements for 1) classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting, which represent a significant change from IAS 39.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale.

1. Nature of operations, statement of compliance, and significant accounting Policies (continued)

(c) Significant accounting policies (continued)

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortized cost. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

As a result of adopting IFRS 9, the Company updated its accounting policies for the recognition, classification and impairment of financial instruments, which are as follows:

Recognition and initial measurement

Financial assets and financial liabilities, are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of a financial instrument. All financial instruments are measured at fair value on initial recognition.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL, are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net income.

Classification and subsequent measurement

The Company classifies financial assets, at the time of initial recognition, according to the Company's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories: a) amortized cost and b) fair value through profit or loss.

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL: a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and b) 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. These assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired.

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net income in the period that the liability is derecognized, except for financial liabilities classified as FVTPL. These financial liabilities are subsequently measured at fair value with changes in fair value recorded in net income in the period in which they arise to the extent they are not part of a designated hedging relationship.

1. Nature of operations, statement of compliance, and significant accounting Policies (continued)

(c) Significant accounting policies (continued)

The following table outlines the classification of financial instruments under IAS 39 and the revised classification on adoption of IFRS 9:

Financial instrument	Original classification under IAS 39	New classification under IFRS 9
Cash	Loans and receivables	Amortized cost
Mortgages receivable	Loans and receivables	Amortized cost
Interest receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Dividends payable	Amortized cost	Amortized cost
Due to related company	Amortized cost	Amortized cost
Due to directors	Amortized cost	Amortized cost
Preferred shares	Amortized cost	Amortized cost

Impairment of financial instruments

The Company recognizes a loss allowance on a forward-looking basis at an amount equal to the lifetime ECL on its financial assets measured at amortized cost, except for the following, which are measured at 12-month ECL:

- Debt investments that are determined to have low credit risk at the reporting date with a credit risk rating equivalent to investment grade; and
- Other financial assets such as mortgage receivables for which credit risk has not increased significantly since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all probable default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

Twelve-month ECL is recognized on mortgage receivables when credit risk has increased significantly since initial recognition, in which case lifetime ECL is applied. A significant increase in credit risk is assessed based on changes in the probability of default since initial recognition along with borrower specific qualitative information, or when the loan is deemed significantly past due.

As a result of adoption of the 12-month ECL model under IFRS 9, there has been no change in the loss allowance recorded.

1. Nature of operations, statement of compliance, and significant accounting Policies (continued)

(c) Significant accounting policies (continued)

An impairment loss in respect to specific mortgages receivable is calculated as the difference between its carrying amount including accrued interest and the present value of the estimated future cash flows discounted at the investment's original effective interest rate. Losses are recognized on the statement of income and comprehensive income and reflected in an allowance account against the mortgages receivable. When a subsequent event causes the amount of an impairment to decrease, the decrease in impairment loss is reversed through profit and loss.

Investments that have been assessed individually and found not to be impaired and all individually insignificant mortgage receivables are then assessed collectively, in groups of mortgage receivables with similar risk characteristics, to determine whether a collective allowance should be recorded due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes into account (i) data from the investment portfolio (such as borrower financial position, loan defaults and arrears, loan to value ratios, etc.), (ii) economic data (including current real estate prices for various real estate asset categories), and (iii) actual historical loan losses.

ECL is calculated as the product of the probability of default, exposure at default. And loss given default over the remaining expected life of the mortgages and discounted to the reporting date. The ECL model also incorporates forward-looking information, which increases the degree of judgement required as to how changes in macro-economic factors will affect ECLs.

ii. Adoption of IFRS 15 – Revenue From Contracts With Customers

Effective in the first quarter of 2018, the Company adopted IFRS 15, issued in May 2014, and amended in September 2015 and April 2016. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments.

The Company has determined this standard does not have a material impact to the financial statements.

2. Mortgages receivable

The mortgages are interest only, bearing interest at rates ranging from 8.95% to 13.95% per annum (8.95% to 13.95% in 2017). The rates are based on a floor rate of interest or prime plus a spread, whichever is greater. The mortgages outstanding at March 31, 2018 have maturity dates from May 1, 2018 to February 1, 2020. As at March 31, 2018, there were a total of 21 (18 in 2017) mortgages outstanding.

All mortgages include terms that allow the borrower to repay the principal at any time prior to maturity without penalty.

The mortgages are secured by either first, second or third charges on underlying properties, personal and corporate guarantees and insurance. Due to the nature of the mortgages and based on an evaluation of the impairment factors listed in the policy notes, there has been no impairment provision recorded in the current period.

3. Bank indebtedness

The Company has a line of credit with Canadian Western Bank that bears interest at prime plus 1.35% (2017 – prime plus 1.35%) with a minimum rate of 4.20% (2017 – 4.20%). All amounts outstanding under the loan are payable on demand. Unless demanded, the bank will accept payment of interest only monthly with regular principal reductions at least monthly. There were no principal demands in the current period. The maximum amount made available under the line of credit is the sum of 75% of First Mortgages and 65% of Second Mortgages, up to a total of \$500,000.

The company is required to maintain a Cash Flow Coverage Ratio of not less than 1.5. In addition, the company is required to maintain Tangible Net Worth of not less than \$1,000,000 and Debt to Tangible Net Worth not greater than 0.75:1. At March 31, 2017, the Company was in compliance with the covenants for this facility.

4. Preferred shares

The beneficial interest in the Company is divided into one class of preferred shares all at equal value and have the same rights, preferences and priorities. During the three-month period ended March 31, 2018, 534,522 (358,035 in 2017) preferred shares were issued for cash consideration of \$534,522 (\$358,035 in 2017) and nil (65,000 in 2017) preferred shares were redeemed by shareholders for cash consideration of \$nil (\$65,000 in 2017). For the three-month period ended March 31, 2018, 129,580 (86,796 in 2017) preferred shares were issued to registered investors as a result of reinvestment of \$129,580 (\$86,796 in 2017) of dividends payable to these investors.

Shares are redeemable at the holder's option, in accordance with the provisions of the articles of incorporation, at the consideration value of \$1.00 per share, and as a result are recorded as a liability on the statement of financial position.

During the three-month period ended March 31, 2018, \$83,548 (\$34,781 in 2017) of dividends were issued to preferred shareholders.

The Company may issue an unlimited number of preferred shares, or fractions thereof.

It is the policy of the Company to make distributions of the total taxable income to shareholders on an annual basis.

5. Share capital

Authorized, unlimited number of common shares with a par value of \$1.00 each

Issued

As at March 31, 2018, there were 11 (11 in 2017) common shares issued and outstanding.

6. Related party transactions

Royal International Financial Group Inc. ("RIFG"), a company under common control, is responsible for the day-to-day management and administration of the Company.

Management fees are calculated monthly at 1.5% per annum of the Company's assets. For the three-month period ended March 31, 2018, the Company incurred management fees of \$16,568 (\$8,765 in 2017) with \$110,352 (\$93,784 in 2017) payable to RIFG as at March 31, 2018.

7. Due to directors

Amounts due to directors are non-interest bearing and have no specific repayment terms. As at March 31, 2018, there was a balance of \$29,198 (29,198 in 2017) due to directors.

8. Financial instruments and financial risk

The Company's financial instruments consist of cash, interest receivable, mortgages receivable, accounts payable and accrued liabilities, preferred shares, amounts due to related company, and amounts due to directors.

(a) Fair value

The fair value of mortgages receivable approximates the carrying value as substantially all of the loans are short-term in nature and repayable in full at any time by the borrower without penalty.

The fair values of cash, interest receivable, accounts payable and accrued liabilities and amount due to related company approximate their carrying value due to their short-term nature.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which fair value is observable.

- Level 1 fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly.
- Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

There are no financial instruments that are measured subsequent to initial recognition at fair value. There were no transfers between levels during the years ended March 31, 2018.

(b) Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company does not have significant credit risk related to cash as amounts are held with several major Canadian banks. The credit risk exposure on all other financial assets is limited to the carry values reflected on the balance sheet.

All mortgages receivable are secured by first and second charges on the underlying properties and, in certain situations, additional collateral put forth by the borrower. In order to mitigate the risks associated with mortgage investing the company generally invests in mortgages with a loan to value of no greater than 75%. There was no indication of impairment as at March 31, 2018.

(c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations when due. The Company closely monitors its liquidity position to ensure that it has sufficient cash to meet obligations as they become due. The Company's exposure to liquidity risk arises primarily from the redemption of units at the option of the holder. The Company also has access to funding from its related company if required.

Financial statements of Nation Capital Corp.

December 31, 2017

Independent Auditor’s Report	1
Statements of income and comprehensive income	2
Statements of changes in equity.....	3
Statements of financial position.....	4
Statements of cash flows	5
Notes to the financial statements	6–12

Independent Auditor's Report

To the Shareholders of
Nation Capital Corp.

We have audited the accompanying financial statements of Nation Capital Corp., which comprise the statement of financial position as at December 31, 2017 and the statement of income and comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nation Capital Corp. as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chartered Professional Accountants
June 12, 2018
Vancouver, British Columbia

Nation Capital Corp.**Statement of income and comprehensive income**

Year ended December 31, 2017

	Notes	2017	2016
		\$	\$
Interest income and lenders fees		355,726	186,306
Expenses			
Dividends on preferred shares	6	251,902	131,755
Management fees	8	42,450	29,327
Accounting and legal		51,241	23,363
Bank charges and interest		9,578	1,141
Brochures		123	—
		355,294	185,586
Net income and comprehensive income		432	720

The accompanying notes are an integral part of the financial statements.

Nation Capital Corp.
Statement of changes in equity
Year ended December 31, 2017

	Number of common shares	Share Capital Amount	Deficit	Total
	#	\$	\$	\$
Balance, January 1, 2016	11	11	(22,800)	(22,789)
Net income and comprehensive income for the year	—	—	720	720
Balance, December 31, 2016	11	11	(22,080)	(22,069)
Net income and comprehensive income for the year	-	-	432	432
Balance, December 31, 2017	11	11	(21,648)	(21,637)

The accompanying notes are an integral part of the financial statements.

Nation Capital Corp.**Statement of financial position**

As at December 31, 2017

	Notes	2017	2016
		\$	\$
Assets			
Current assets			
Cash		-	15,440
Interest receivable		49,709	14,708
Mortgages receivable	4	4,615,900	2,304,000
		4,665,609	2,334,148
Liabilities			
Current liabilities			
Bank indebtedness	5	472,318	-
Accounts payable and accrued liabilities		56,620	15,000
Dividends payable		188,094	25,257
Due to Royal International Financial Group Inc.	8	93,784	-
Due to directors	9	29,198	-
		840,014	40,257
Non-current liabilities			
Due to Royal International Financial Group Inc.	8	-	47,184
Due to directors	9	-	29,198
Preferred shares	6	3,847,232	2,239,578
		4,687,246	2,356,217
Shareholders' equity			
Share capital	7	11	11
Deficit		(21,648)	(22,080)
		(21,637)	(22,069)
		4,665,609	2,334,148

The accompanying notes are an integral part of the financial statements.

Approved by the Board

_____, Director

_____, Director

Nation Capital Corp.**Statement of cash flows**

Year ended December 31, 2017

	2017	2016
	\$	\$
Operating activities		
Net income for the year	432	720
Changes in non-cash operating items		
Interest receivable	(35,001)	(12,161)
Accounts payable and accrued liabilities	41,620	5,748
Dividends payable	162,837	(187)
	169,888	(5,880)
Investing activities		
Mortgage advances	(4,140,900)	(2,261,000)
Mortgage repayments	1,829,000	1,680,500
	(2,311,900)	(580,500)
Financing activities		
Due to Royal International Financial Group Inc.	46,600	29,377
Issuance of preferred shares	2,150,654	633,997
Redemption of preferred shares	(543,000)	(95,000)
	1,654,254	568,374
Net decrease in cash	(487,758)	(18,006)
Cash, beginning of year	15,440	33,446
(Bank indebtedness) cash, end of year	(472,318)	15,440

The accompanying notes are an integral part of the financial statements.

1. Nature of business

Nation Capital Corp. (the "Company") was incorporated under the British Columbia *Business Corporations Act* on August 8, 2013, and is in the business of investing in mortgages secured by real estate located in Canada. The address of the Company's registered head office and principal place of business is Suite 608 - 837 W Hastings St, Vancouver BC V6C 3N6.

The Company is a Mortgage Investment Corporation (MIC) as defined in Section 130.1(6) of the Canada *Income Tax Act* (ITA). Accordingly, the company is not taxed on income provided that its taxable income paid to its shareholders in the form of dividends within 90 days after December 31 each year. Such dividends are generally treated by shareholders as interest income, so that each shareholder is in the same position as if the mortgage investments made by the company had been made directly by the shareholder.

2. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company has consistently applied the same accounting policies to all years presented in these financial statements.

These financial statements were authorized for issuance by those charged with governance on June 12, 2018.

3. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the financial statements are set forth below:

(a) Basis of presentation

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") on a historical cost basis.

The functional and presentation currency of the Company is the Canadian dollar. All currency amounts in these financial statements are in Canadian dollars unless otherwise noted.

(b) Revenue recognition

Interest income and lenders fees are recognized on an accrual basis as earned in accordance with the terms of the mortgage agreements provided that collection is reasonably assured.

(c) Financial instruments

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

3. Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets or issue of financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition, and subsequently amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or issue of financial liabilities at fair value through profit or loss are recognized immediately in the statement of income and comprehensive income in the period in which the gain or loss occurs.

The Company's financial instruments are classified into one of the following categories: loans and receivables, and other financial liabilities. The classification determines the accounting treatment of the instrument. The classification is determined by the Company when the financial instrument is initially recorded, based on the underlying purpose of the instrument.

The Company's financial assets and financial liabilities are classified and measured as follows:

Financial instrument	Category	Measurement
Cash	Loans and receivables	Amortized cost
Mortgages receivable	Loans and receivables	Amortized cost
Interest receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Dividends payable	Other financial liabilities	Amortized cost
Due to related company	Other financial liabilities	Amortized cost
Due to directors	Other financial liabilities	Amortized cost
Preferred shares	Other financial liabilities	Amortized cost

Financial instruments measured at amortized cost are initially recognized at fair value and then subsequently at amortized cost using the effective interest rate method, less any impairment losses, with gains and losses recognized in the statement of income and comprehensive income in the period in which the gain or loss occurs.

(d) Derecognition of financial assets and liabilities

(i) Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

3. Summary of significant accounting policies (continued)

(d) Derecognition of financial assets and liabilities (continued)

(ii) Financial liabilities

The Company derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expires.

(e) Impairment of financial assets

If there is objective evidence that an impairment loss on individual loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account or directly if the account is deemed uncollectible. When loans and receivables are deemed to be uncollectible after recording an allowance, they are written off against the allowance. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal is limited to what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the impairment loss and the amount of the reversal are recognized in the statement of income and comprehensive income.

(f) Use of estimates and judgements

The preparation of these financial statements require management to make certain estimates, judgements and assumptions about the carrying amounts of assets and liabilities at the date of the financial statements that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience, current and future economic conditions and other factors that are considered to be relevant. Actual results may differ from these estimates.

Judgement is commonly used in determining whether a balance or transaction should be recognized in the financial statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgement and estimates are often interrelated.

Estimates are used for, but not limited to, the recoverability of mortgage receivables, accruals and contingencies.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

(g) Mortgages receivable

Mortgages receivable are financial instruments and are classified as loans and receivables. These investments are recognized initially at fair value plus any attributable transaction costs. Subsequent to initial recognition, the mortgages receivable are measured at amortized cost using the effective interest rate method, less any impairment losses. The mortgages receivable are assessed on each reporting period date to determine whether there is objective evidence of impairment. A financial asset is considered 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 the asset.

3. Summary of significant accounting policies (continued)

(g) Mortgages receivable (continued)

An impairment loss in respect to specific mortgages receivable is calculated as the difference between its carrying amount including accrued interest and the present value of the estimated future cash flows discounted at the investment's original effective interest rate. Losses are recognized on the statement of income and comprehensive income and reflected in an allowance account against the mortgages receivable. When a subsequent event causes the amount of an impairment to decrease, the decrease in impairment loss is reversed through profit and loss.

Investments that have been assessed individually and found not to be impaired and all individually insignificant mortgage receivables are then assessed collectively, in groups of mortgage receivables with similar risk characteristics, to determine whether a collective allowance should be recorded due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes into account (i) data from the investment portfolio (such as borrower financial position, loan defaults and arrears, loan to value ratios, etc.), (ii) economic data (including current real estate prices for various real estate asset categories), and (iii) actual historical loan losses.

The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparative market data, economic uncertainty, and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary.

(h) Preferred shares

The Company classifies financial instruments issued as either financial liabilities or equity instruments based on the substance of the contractual terms of the instrument. Accordingly, preferred shares, which are retractable and redeemable at the option of the holder are recorded as a liability. They are initially recorded at fair value, net of any costs that are directly related to the issuance of the shares and subsequently recorded at the redemption price. The dividends on these preferred shares and any redemption gains or losses are recognized in profit or loss.

(i) Dividends

Dividends paid on preferred shares are accounted for as an interest expense of the Company and comprise the interest earned on the mortgages receivable, less any expenses the Company incurred.

(j) Income taxes

The Company is a mortgage investment corporation ("MIC"). A MIC and its shareholders are entitled to special tax treatment under section 130.1 of the Income Tax Act (Canada). The income received or receivable by a MIC is taxed at the shareholder level. The Company distributes all of its annual taxable income to its shareholders, including the taxable portion of its net realized capital gains. As a result, the Company is not subject to income taxes and no provision for income taxes has been made in these financial statements.

3. Summary of significant accounting policies (continued)

(k) Amendments to IFRS that are mandatorily effective for annual periods beginning on or after January 1, 2017

(i) Annual Improvement to IFRS (2014 – 2016) Cycle

On December 8, 2016, the IASB issued narrow-scope amendments to IFRS 12 Disclosures of Interest in Other Entities ("IFRS 12") as part of its annual improvements process. A clarification was made that IFRS 12 also applies to interests that are classified as held for sale, held for distribution, or discontinued operations, effective retrospectively for annual periods beginning on or after January 1, 2017. Upon adoption of the amendment, the Company's financial statements were not materially impacted.

(ii) IAS 7 Statement of Cash Flows ("IAS 7")

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows ("IAS 7") which will require specific disclosures for movements in liabilities arising from financing activities on the statement of cash flows. The amendments apply prospectively for annual periods beginning on or after January 1, 2017. The Company has adopted the amendments to comply with the requirements.

(l) Accounting standards issued but not yet effective

The Company has not early adopted these new and amended standards. The Company is currently assessing the impact of these new and amended standards on the financial statements.

(i) Effective for annual periods beginning on or after January 1, 2018

- Annual Improvements to the IFRSs 2014-2016 Cycle

The Annual Improvements include amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Company.

- IFRS 15 *Revenue from Contracts with Customers*

This standard provides a single, principles based five-step model to be applied to all contracts with customers. Additional disclosures requirement for revenue are also introduced.

- IFRS 9 *Financial Instruments*

The International Accounting Standards Board replaces IAS 39 – *Financial Instruments: Recognition and Measurement* in its entirety with IFRS 9 – *Financial Instruments* ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments.

4. Mortgages receivable

The mortgages are interest only bearing interest at rates ranging from 8.95% to 13.95% per annum (6.99% to 12.00% in 2016). The rates are based on a floor rate of interest or prime plus a spread, whichever is greater. The mortgages outstanding at December 31, 2017 have maturity dates from January 27, 2018 to January 1, 2019. As at December 31, 2017, there were a total of 18 (11 in 2016) mortgages outstanding.

All mortgages include terms that allow the borrower to repay the principal at any time prior to maturity without penalty.

4. Mortgages receivable (continued)

The mortgages are secured by either first, second or third charges on underlying properties, personal and corporate guarantees and insurance. Due to the nature of the mortgages and based on an evaluation of the impairment factors listed in the policy notes, there has been no impairment provision recorded in 2017.

5. Bank indebtedness

The Company has a line of credit with Canadian Western Bank that bears interest at prime plus 1.35% (2016 – prime plus 1.35%) with a minimum rate of 4.20% (2016 – 4.20%). All amounts outstanding under the loan are payable on demand. Unless demanded, the bank will accept payment of interest only monthly with regular principal reductions at least monthly. There were no principal demands in 2017. The maximum amount made available under the line of credit is the sum of 75% of First Mortgages and 65% of Second Mortgages, up to a total of \$500,000.

The company is required to maintain a Cash Flow Coverage Ratio of not less than 1.5. In addition, the company is required to maintain Tangible Net Worth of not less than \$1,000,000 and Debt to Tangible Net Worth not greater than 0.75:1. At December 31, 2017, the Company was in compliance with the covenants for this facility.

6. Preferred shares

The beneficial interest in the Company is divided into one class of preferred shares all at equal value and have the same rights, preferences and priorities. During the year ended December 31, 2017, 2,150,654 (633,997 in 2016) preferred shares were issued for cash consideration of \$2,150,654 (\$633,997 in 2016) and 543,000 (95,000 in 2016) preferred shares were redeemed by shareholders for cash consideration of \$543,000 (\$95,000 in 2016). Shares are redeemable at the holder's option, in accordance with the provisions of the articles of incorporation, at the consideration value of \$1.00 per share, and as a result are recorded as a liability on the statement of financial position.

During the year ended December 31, 2017, \$251,902 (\$131,755 in 2016) of dividends were issued to preferred shareholders.

The Company may issue an unlimited number of preferred shares, or fractions thereof.

It is the policy of the Company to make distributions of the total taxable income to shareholders on an annual basis.

7. Share capital

Authorized, unlimited number of common shares with a par value of \$1.00 each

Issued

As at December 31, 2017, there were 11 (11 in 2016) common shares issued and outstanding.

8. Related party transactions

Royal International Financial Group Inc. ("RIFG"), a company under common control, is responsible for the day-to-day management and administration of the Company. Management fees are calculated monthly at 1.5% per annum of the Company's assets. For the year ended December 31, 2017, the Company incurred management fees of \$42,450 (\$29,327 in 2016) with \$93,784 (\$47,184 in 2016) payable to RIFG as at December 31, 2017.

9. Due to directors

Amounts due to directors are non-interest bearing and have no specific repayment terms. As at December 31, 2017, there was a balance of \$29,198 (29,198 in 2016) due to directors.

10. Financial instruments and financial risk

The Company's financial instruments consist of cash, interest receivable, mortgages receivable, accounts payable and accrued liabilities, preferred shares, amounts due to related company, and amounts due to directors.

(a) Fair value

The fair value of mortgages receivable approximates the carrying value as substantially all of the loans are short-term in nature and repayable in full at any time by the borrower without penalty.

The fair values of cash, interest receivable, accounts payable and accrued liabilities and amount due to related company approximate their carrying value due to their short-term nature.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which fair value is observable.

- Level 1 fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly.
- Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

There are no financial instruments that are measured subsequent to initial recognition at fair value.

There were no transfers between levels during the years ended December 31, 2017.

(b) Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company does not have significant credit risk related to cash as amounts are held with several major Canadian banks. The credit risk exposure on all other financial assets is limited to the carry values reflected on the balance sheet.

All mortgages receivable are secured by first and second charges on the underlying properties and, in certain situations, additional collateral put forth by the borrower. In order to mitigate the risks associated with mortgage investing the company generally invests in mortgages with a loan to value of no greater than 75%. There was no indication of impairment as at December 31, 2017.

(c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations when due. The Company closely monitors its liquidity position to ensure that it has sufficient cash to meet obligations as they become due. The Company's exposure to liquidity risk arises primarily from the redemption of units at the option of the holder. The Company also has access to funding from its related company if required.

ITEM 13 – DATE AND CERTIFICATE

Dated this 8th day of August, 2018.

This Offering Memorandum does not contain a misrepresentation.

Per:

“Bruce Kahkesh”
BEHROOZ KAHKESH
President & Director

Per:

“Lili kahkesh”
LILI KAHKESH
Secretary & Director

ON BEHALF OF THE BOARD OF DIRECTORS

Per:

“Bruce Kahkesh”
BEHROOZ KAHKESH
President & Director

Per:

“Lili kahkesh”
LILI KAHKESH
Secretary & Director

**Schedule "A" to
Offering Memorandum of
NATION CAPITAL CORP.**

Dated August 8, 2018

**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.
- The person selling me these securities is not registered with a securities regulatory authority or regulator and has no duty to tell me whether this investment is suitable for me.
- 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.

NATION CAPITAL CORP. 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.

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You have 2 business days to cancel your purchase

To do so, send a notice to **Nation Capital Corp.** 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 **Nation Capital Corp.** at its business address. Keep a copy of the notice for your records.

NATION CAPITAL CORP.'S ADDRESS:

Suite 608, 837 West Hastings Street
Vancouver, British Columbia V6C 3N6
Email: info@nationcapital.ca
Telephone: 604-681-7772
Fax: 604-681-7773

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.

You will not receive advice. You will not get professional advice about whether the investment is suitable for you. But you can still seek that advice from a registered adviser or registered dealer. In Alberta, Manitoba, Northwest Territories, Nunavut, Prince Edward Island, Québec, Saskatchewan and Yukon to qualify as an eligible investor, you may be required to obtain that advice.

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 Division**

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.

**Schedule “B” to
Offering Memorandum of
NATION CAPITAL CORP.**

Dated August 8, 2018

**RISK ACKNOWLEDGEMENT
Under BCI 32-517**

Risk Acknowledgement

- **I acknowledge that:**
- The person selling me these securities is not registered with a securities regulatory authority and is prohibited from telling me that this investment is suitable for me.
- The person selling me these securities does not act for me.
- This is a risky investment and I could lose all of my money.
- I am investing entirely at my own risk.

Date

Signature of Purchaser

Print name of Purchaser

Name of salesperson
acting on behalf of the seller

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

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NATION CAPITAL CORP.’S ADDRESS:

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Vancouver, British Columbia V6C 3N6
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Telephone: 604-681-7772
Fax: 604-681-7773