Form 45-106F2
OFFERING MEMORANDUM
Residents of British Columbia, Alberta, Manitoba, Saskatchewan and Ontario Only
Dated April 16, 2014
for
BANCORP BALANCED MORTGAGE FUND II LTD.

The Issuer

Name:	Bancorp Balanced Mortgage Fund II Ltd. (the "Company" or the "issuer")
Head Office Address:	Suite #1420 - 1090 West Georgia Street, Vancouver, BC., V6E 3V7
Telephone No.:	(604) 608-2717
Fax No.:	(604) 609-7107
E-mail address:	bancorp@bancorpfinancial.com
Currently Listed or quoted?:	No. **These securities do not trade on any exchange or market.**
Reporting Issuer?:	No. The Company is not a reporting issuer under applicable securities legislation.
SEDAR filer?:	No. The Company does not make filings with SEDAR (The System for Electronic Document Analysis and Retrieval).

The Offering

Securities offered:	Class A Shares, Class D Shares, Class E Shares and Class F Shares of the Company (collectively, the "Share(s)")
Price per security:	$1.00 per Share.
Minimum / Maximum offering:	**There is no minimum. You may be the only purchaser.** $25,000,000 (25,000,000 Shares) maximum. There will be a maximum of 25,000,000 Shares issued under this offering. The Company may issue any proportion of Class A, D, E and/or Class F Shares it decides, up to the foregoing total maximum number of Shares. **Funds available under this offering may not be sufficient to accomplish our proposed objectives**.
Minimum subscription amount:	Each new investor subscribing for the first time shall invest a minimum of $10,000. An existing holder of the Shares must invest a minimum of $5,000.
Payment terms:	The full subscription price is due on closing.
Proposed closing date(s):	Closing dates will be determined from time to time by the Company, as subscriptions for the Shares are received by the Company.
Income tax consequences:	There are important tax consequences to these securities. See Item 6.
Selling Agent?	No. There is currently no selling agent for this offering of the Shares, but the Company reserves the right to retain one or more selling agents during the course of this offering. Annual trailer fees are paid on the Class A Shares by the Manager. A fee is paid at the time of purchase to the registered dealer or sales agent in connection with the sale of Class E Shares. See Item 7.

Resale Restrictions

You will be restricted from selling your securities for an indefinite period. See Item 10.

Purchaser's Rights

You have 2 business days to cancel your agreement to purchase the securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 11.

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See Item 8.

The Company's Manager:
BANCORP FINANCIAL SERVICES INC.
(the "Manager")
Suite #1420 - 1090 West Georgia Street
Vancouver, B.C., V6E 3V7
Telephone (604) 608-2717 Fax : 604 609-7107

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Offering Memorandum contains statements based on "forward-looking information" within the meaning of Canadian securities legislation (collectively, "forward-looking statements"), including with respect to the jurisdictions in which the Company anticipates it will make investments in, the term of the mortgage loans that the Company will make, the types of loans the Company will make, the rate of return anticipated to be earned by the Company from its mortgage loans, the number of mortgage loans the Company will make, the size of such loans, the continued performance of such loans relative to the Company's history, the benefits of allowing other lenders to participate in the Company's mortgage loans, the frequency of anticipated distributions to be made by the Company in the current fiscal year, and the Company's anticipated expenses with respect to this offering. These forward-looking statements are made as of the date of this Offering Memorandum.

In certain cases, forward-looking statements can be identified by use of words such as "believe," "intend," "may," "will," "should," "plans," "anticipates," "believes," "potential," "intends," "expects," and other similar expressions. Forward-looking statements reflect our current expectations and assumptions as of the date of the statements, and are subject to a number of known and unknown risks, uncertainties and other factors, many of which are beyond the Company's control, which may cause our actual results, performance or achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by the forward-looking statements.

Investors are advised to carefully review and consider the risk factors identified in this Offering Memorandum under Item 8 "Risk Factors" for a discussion of the factors that could cause the Company's actual results, performance and achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by the forward-looking statements.

These risks, uncertainties and other factors include, but are not limited to: risks associated with mortgage loans (including credit risk, market risk, liquidity risk, the lack of mortgage insurance, mortgage defaults, impaired loans), redemption risk with respect to the Shares, competition, the limited marketability of the Shares, risks of leverage, risks with respect to the Company's designation as a "mortgage investment corporation" under the *Income Tax Act* (Canada), conflict of interest, lack of separate counsel as between the Company and its manager, the impact of changes in government regulations on the Company and its business, and risks regarding distributions on the Shares.

Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements include that: the Company will primarily invest in mortgage loans made in British Columbia and Alberta; the mortgage loans will be short term in nature; the mortgage loans will earn a higher rate of return than rates earned by institutional lenders; the performance of the Company's ongoing mortgage portfolio will be consistent with that of its historic investments; that sharing part of mortgage investments with other lenders will provide benefits to the Company both in diversification and the scale of real estate projects in which the Company may invest in. These assumptions should be considered carefully by investors. Investors are cautioned not to place undue influence on the forward-looking statements or assumptions on which the Company's forward-looking statements are based. Investors are further cautioned that the foregoing list of assumptions is not exhaustive and it is recommended that prospective investors consult the more complete discussion of the Company's business and prospectus included in this Offering Memorandum.

Although the Company believes that the assumptions on which the forward-looking statements are made are reasonable, based on information available to the Company on the date such statements were made, no assurances can be made as to whether these assumptions will prove to be correct. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information except as, and to the extent, required by applicable Canadian securities laws. The forward-looking statements contained in this Offering Memorandum are expressly qualified by this cautionary statement.

ITEM 1 USE OF NET PROCEEDS

1.1 *Net Proceeds*

The net proceeds of the offering and the funds which will be available to us after same, are as follows:

		Assuming min. offering	Assuming max. offering
A	Amount to be raised by this offering	$0	$25,000,000
B	Selling commissions and fees	$0	$0[(1)]
C	Estimated offering costs (e.g., legal, accounting, audit.)	$0	$25,000
D	Net Proceeds: D = A **-** (B + C)	$0	$24,975,000
E	Additional sources of funding required	$0	$0
F	Working capital deficiency	$0	$0
G	Total: G = (D+E) - F	$0	$24,975,000

Notes:
(1) The Company reserves the right to retain one or more selling agents during the course of this offering. Annual trailer fees are paid on the Class A Shares by the Manager. A fee is paid at the time of purchase to the registered dealer or sales agent in connection with the sale of Class E Shares. See Item 7.

1.2 *Use of Net Proceeds*

We will use the net proceeds as follows:

Description of intended use of net proceeds listed in order of priority	Assuming min. offering	Assuming max. offering
Investment in mortgages and other permitted investments	$0	$ 24,975,000

1.3 *Reallocation*

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

ITEM 2 BUSINESS OF THE COMPANY

2.1 *Structure*

We are a corporation incorporated under the laws of the Province of British Columbia on July 16, 2009. We are registered as an extra-provincial corporation in the Province of Alberta and will register in other Canadian jurisdictions as may be approved from time to time by our Board of Directors. We are required by law and are registered under the *Mortgage Brokers Act (British Columbia)* or the equivalent legislation of any jurisdiction in which we carry on business.

2.2 *Our Business*

(a) Overview

The Company is a mortgage investment corporation and is in the business of investing in and managing a diversified portfolio of mortgages with the intent to pay income earned by the Company on its mortgage portfolio to its shareholders on a quarterly basis. The mortgages the Company invests in will be primarily located in British Columbia and Alberta and will secure loans made to qualified real estate developers and owners for residential, commercial and industrial properties. The mortgages will typically be short term in nature with maturities of between 6 and 24 months and will include constructions loans, bridge loans, land loans and term loans. The Company invests in mortgages that are not the type of mortgages provided by institutional lenders and as a result the Company's mortgages are expected to earn a higher rate of return than rates earned by institutional lenders. The mortgages bear interest at a fixed rate of interest or at a specified rate over the prime lending rate of the Company's bank, and are often subject to a minimum rate of interest. The Company uses streamlined administrative processes and flexible lending criteria to offer prompt mortgage approvals to meet qualifier borrower's requirements in a manner not offered by institutional lenders.

The Company qualifies as a mortgage investment corporation ("MIC") under the *Income Tax Act (Canada)* (the "Tax Act"). To maintain its status as a MIC, the Company will invest at least 50% of its assets in residential mortgage loans and deposits with Canada Deposit Insurance Corporation - insured institutions. Residential mortgage loans include loans against single family and multiple unit residential projects and loans for residential land for development into housing projects.

(b) The Company's Investments

Because of the Company's flexibility and ability to commit quickly to mortgage applications and because the mortgage investments considered by Bancorp typically do not meet the criteria of institutional lenders, such loans will earn a higher rate of return than those of institutional lenders. The Company expects to minimize risk by following the investment criteria described later in subparagraph 2.2(c).

The Company's investments will primarily consist of first mortgage loans advanced for the development of land, residential, recreational, commercial and industrial properties. Additional remuneration is sometimes realized through bonus payments and/or profit participation. The Company may also provide second mortgage financing on a select basis which will not exceed 15% of the Company's paid-up capital provided that the total of the 1st mortgage and the Company's 2nd mortgage meet all the loan criteria of the Company and the total of the two loans would be a loan the Company would otherwise fund as a 1st mortgage. All mortgage loans funded and held by the Company shall meet the investment criteria set out in subparagraph 2.2(c) herein. The Company's mortgage loans will typically fall into the following major mortgage loan categories:

(i) *Construction Loans* - These loans are advanced to finance the construction, development and re-development of various types of properties on a work-in-place/cost to complete basis.

(ii) *Bridge Loans* - These loans are advanced to finance completed or substantially completed buildings to allow owners to complete their sales or leasing program and may include additional funds for improvements and upgrades.

(iii) *Land Loans* - These loans are typically advanced to finance the acquisition and/or the development of land currently zoned or designated by a municipality for a use consistent with the loan application. The development process includes, among other things, land acquisition, zoning and/or development approval, road construction, installation of services and utilities, and other improvements required by the governing municipality and our financing may be for all or any phase of the development process. The funding of progress advances is usually carried out on a work-in-place/cost-to-complete basis.

(iv) *Term loans* – These loans are advanced to finance completed properties not for development. Term loans would typically be commercial, residential or industrial income properties. Owner occupied apartments, condominiums, townhouses and single family homes are also classified as term loans.

Loans will generally be for terms of 6 to 24 months and may include the ability to extend the term for further periods subject to the borrower meeting certain criteria. Typically holdings in the Company range from 20 – 25 mortgages and the loan size are typically in the 500,000 - $2,000,000 range, though the Company may, at any given time, hold a smaller or larger number of mortgages varying in different amounts. There can be no guarantee or assurance that the Company will not experience loan losses, though since its inception in July 2009, the Company has not experienced any loan losses.

As an example, the following table provides a description of the Company's current mortgage investments as at March 28, 2014:

Mortgage	Principal O/S	Priority	Geographic Location	Maturity Date	Type	Repayment Terms	Loan to Value	Interest Rate	Good Standing?
1	$2.039M	First	BC	31/03/14	Commercial	Interest only (monthly)	42.21%	9.75%	Yes
2	$0.218M	First	BC	M/M *	Residential		21.88%	9.00%	
3	$1.800M	First	BC	31/05/14	Residential		68.35%	11.75%	
4	$0.750M	First	BC	M/M *	Residential		47.44%	8.50%	
5	$0.589M	First	BC	M/M *	Residential		70.62	8.75%	
6	$0.855M	First	AB	30/06/14	Commercial		46.67	9.50%	
7	$1.092M	First	BC	30/11/14	Residential		39.41	9.00%	
8	$1.750M	Second	BC	M/M *	Commercial		47.51	8.75%	
9	$0.450M	First	BC	31/05/14	Residential		63.18	11.75%	
10	$0.350M	First	BC	06/06/14	Commercial		66.67	8.75%	
11	$0.650M	First	BC	30/05/14	Commercial		69.62	8.75%	
12	$0.700M	First	AB	07/11/14	Commercial		72.46	7.50%	
13	$1.244M	First	BC	31/08/14	Residential		46.26	8.75%	
14	$0.833M	First	BC	01/05/14	Residential		61.00	7.75%	
15	$2.006M	First	BC	30/11/14	Residential		68.50	8.25%	
16	$0.145M	First	AB	31/12/14	Residential		23.90	8.25%	
17	$1.925M	First	AB	31/07/14	Residential		73.17	10.00%	
18	$1.351M	First	AB	31/03/15	Commercial		73.40	8.75%	
19	$0.642M	First	BC	M/M *	Residential		67.07	8.50%	
20	$1.500M	Second	BC	30/06/14	Residential		69.23	8.75%	
21	$1.902M	First	BC	31/12/14	Residential		68.32	8.50%	
22	$0.967M	First	BC	31/12/14	Residential		58.06	8.50%	
23	$1.424M	First	BC	31/08/14	Residential		68.57	8.25%	

*M/M loan does not have a fixed term and is essentially a demand loan facility

The Company's mortgage portfolio will vary from time to time as the amount owing under each individual mortgage is repaid, as mortgages mature, and as new mortgages investments are added.

The Company may share part of a mortgage investment with other lenders acceptable to the Company. By limiting its participation in large individual investments, the Company will have the benefits of increased portfolio diversification. It will also enable the Company to participate in the financing of larger real estate projects than would otherwise be possible.

(c) Investment Criteria

The Company's Directors have established investment criteria for the Company, which currently are the following:

(i) The Company will make investments so that it maintains its status as a "mortgage investment corporation" under the Tax Act;

(ii) Mortgage investments will be secured by mortgages and/or other appropriate security interests in favour of the Company, which will be registered in the appropriate land title or land registry office as a charge against the subject real property. The Company may hold beneficial interests in mortgages registered in the land title office in the name of another person or entity which enters into a written trust or agency agreement in favour of the Company in respect of same;

(iii) The amount advanced by the Company on any one property will not exceed the greater of $2,000,000 or 10% of the Company's paid-up capital;

(iv) The amount advanced by the Company to any one borrower group (including affiliates and related parties) will not exceed the greater of $2,000,000 or 15% of the Company's paid-up capital;

(v) Loans will be made to arm's length borrowers not related to Bancorp Financial Services Inc. (the "Manager") or its affiliates, and in particular will not be made to any shareholder or officer of the Manager, or to any member of the Manager's Investment Committee or to any company in which a shareholder of the Manager holds an interest except where a loan is in default and the Manager, or a company related to the Manager, determines to take title to the property over which the loan was made;

(vi) Loans will not be made to any person (a "Trust Party") who is an annuitant, beneficiary or employee, as the case may be, under a registered retirement savings plan, deferred profit sharing plan or registered retirement income fund as defined under the Tax Act which is a shareholder of the Company, or to any other person who is a relative of or otherwise does not deal at arm's length with the Trust Party, or to anyone else who would cause shares in the Company not to be a qualified investment under Regulation 4900(1)(c) of the Tax Act;

(vii) Mortgage security will include:

a. a first financial charge on the mortgaged property in a principal amount not exceeding 75% of its appraised value at the time of loan approval; or

b. a second financial charge on the mortgaged property in a principal amount which, when added to the principal amount of the first financial charge, will not exceed 75% of its appraised value at the time of loan approval. No more than 15% of the portfolio can be invested in these 2^{nd} mortgages.

(viii) Prior to funding, the Company will typically obtain appraisal and environmental reports by reputable independent professionals on mortgaged properties and other security interests together with other consultant reports necessary for the type of property and loan being funded;

(ix) Mortgages will generally be for an initial term of 6 to 24 months and any renewals or extensions of such term will be approved in accordance with investment policy guidelines;

(x) The Company will only make investments in provinces of Canada in which the Company is lawfully permitted to do business; and

(xi) Surplus cash amounts will be maintained in government-backed securities, or deposits with Canadian chartered banks or other regulated financial institutions.

Other than paragraphs (i), (v), (vi), (x) and (xi), the Directors may vary the foregoing investment criteria from time to time to meet changing circumstances or permit particular investment opportunities, provided that in voting to do so, all Directors vote in favour.

(d) Investment Approval;

Pursuant to the Management Agreement described in subparagraph 2.7(a), the Manager has established an Investment Committee (the "Manager's Investment Committee") which approves investment opportunities which it considers suitable to the Company and consistent with the Company's investment criteria.

The Manager's Investment Committee consists of directors and/or officers of the Manager. From time to time the Directors may add or appoint other persons experienced and knowledgeable of the region of the proposed investment to serve on the Manager's Investment Committee and may remove members as required.

The Manager's Investment Committee must review and approve all of the Company's proposed loans. Investment proposals are submitted to all members of the Manager's Investment Committee and loan authorizations require the unanimous approval of the Manager's Investment Committee.

(e) Portfolio Administration

Routine day-to-day administration and management of the Company's mortgage portfolio is provided by the Manager under the Management Agreement described in subparagraph 2.7(a). The Manager also reviews requests for mortgage draws and takes steps to confirm that all requirements have been met prior to the advance of funds. Material exceptions to the funding requirements in the agreement with the borrower are referred to the Manager's Investment Committee for approval. All funds are handled by the Manager under strict trust conditions and are completely segregated from the Manager's own funds.

In addition to ongoing monitoring and reporting procedures, the Manager provides the Company with quarterly reports on each mortgage. Such reports include full updates on the status of the property secured by each mortgage, current management estimates of property values, recommended reserves for potential losses on mortgage loans and any collection efforts required for mortgage loans in default. The Manager periodically reviews and makes recommendations to the Directors of the Company as to the Company's policies and procedures, administration, share offerings and investment criteria and implements decisions of the Company's Directors.

2.3 *Development of Business*

The Company will invest primarily in mortgages in British Columbia and Alberta; however, it will consider mortgage investments elsewhere in Canada, as its capital permits and lending opportunities present themselves. Emphasis will be on urban centres and growth areas.

2.4 *Long Term Objectives*

The Company's long term objectives are to:

(i) maintain and increase a portfolio of well secured and diversified mortgage loans primarily in British Columbia and Alberta;

(ii) preserve and protect the Company's capital;

(iii) provide shareholders with a return that is superior to term deposits, GICs and money market funds;

(iv) maintain profitability on a sustainable basis;

(v) maintain the Company's status as a "mortgage investment corporation" under the Tax Act; and

(vi) offer loans to suitable borrowers who seek financing from sources other than institutional lenders.

Since the Company will have an ongoing investment program, there is no target completion date for its business plan. Investments will be made as the Company's available funds permit. The costs to achieve the Company's objectives set out above will vary accordingly.

2.5 *Short Term Objectives and How We Intend to Achieve Them*

Our business objectives for the next 12 months are:
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What we must do and how we will do it	Target completion date or number of months to complete	Our cost to complete
The Company intends to continue with its lending activities, to expand its business with the additional capital to be raised pursuant to this offering and to invest same pursuant to its investment program as described in paragraphs 2.2, 2.3 and 2.4.	Since the Company has an ongoing investment program, there is no target completion date for its business plan. Investments will be made as the Company's available funds permit.	N/A

2.6 *Alternate Sources of Funds*

<u>Bank Line of Credit Agreement</u>

The Company has established a line of credit facility to assist the Company in managing its cash flow. The Credit Agreement for the line of credit dated October 19, 2010, and amended December 16, 2011, provides $3,000,000 line of credit facility secured by a general security agreement and assignment of receivables with Canadian Imperial Bank of Commerce, which allows the Company to borrow at interest rates less than it receives from its mortgage investments. Any borrowings by the Company are payable on demand and bear interest at a variable rate of 1.5% per annum in excess of the bank’s prime rate, which interest is payable monthly. The line of credit requires the Company to maintain certain minimum equity and debt/equity requirements, which requirements, as at the date of this Offering Memorandum, the Company meets. The Company must also report to and provide financial statements to the bank on a regular basis. As at the date of this Offering Memorandum, there is no outstanding indebtedness owing under the credit facility.

2.7 *Material Agreements*

The following summarizes the material agreements to which the Company is currently a party and any material agreements with a related party:

(a) Management Agreement

The Manager and the Company have entered into an Agreement (the "Management Agreement") dated as of August 20, 2009, under which the Manager provides management services to the Company.

The Manager was incorporated under the British Columbia *Company Act* in 1984. It is a mortgage banking and financial intermediary company with its principal office located in Vancouver, B.C. and additional offices in Victoria, B.C. and Calgary, Alberta.

The Manager reports to the Directors of the Company, and is responsible for all aspects of the Company’s organization, business operations including the operation of the Manager’s Investment Committee, the retaining of necessary professional advice, making regulatory filings, and seeking sources of share capital for the Company.

The Manager approves investment opportunities to the Company which it considers suitable and consistent with the Company's investment criteria. It also administers and manages the Company's investment portfolio and day-to-day activities and operations. The Management Agreement came into force on August 20, 2009 for a term of five years. Pursuant to its terms, the Management Agreement will be automatically renewed for successive one year periods thereafter, unless notice of intention not to renew is given by either party at least 120 days before the end of the term. Also, either party may at any time terminate the Management Agreement upon 120 days' written notice to the other.

As compensation for services rendered, the Company will pay to the Manager:

(i) a management fee equal to 1.50% per annum (1/12 of 1.50% per month) of the outstanding balance of the Class D Shares plus applicable taxes thereon (the "Class D Fee"), a fee equal to 2.00% per annum (1/12 of 2.00% per month) of the outstanding balance of the Class A Shares plus applicable taxes thereon (the "Class A Fee"), a fee equal to 2.00% per annum (1/12 of 2.00% per month) of the outstanding balance of the Class E Shares plus applicable taxes thereon (the "Class E Fee") and a management fee equal to 1.00% per annum (1/12 of 1.00% per month) of the outstanding balance of the Class F Shares plus applicable taxes thereon (the "Class F Fee"), each such fee paid in monthly installments on the last day of each month. The Company considers such rate to be consistent with management fee rates generally charged in comparable circumstances; and

(ii) in the event that the annual yield to the Class D Shareholders is greater than the two year Government of Canada benchmark bond yield plus 4.00% per annum (as more fully described in 5.1(a) below), an amount greater than the two year Government of Canada Benchmark Bond yield plus 4.50% per annum to Class F Shareholders, an amount greater than the two year Government of Canada Benchmark Bond yield plus 3.50% per annum to Class E Shareholders and an amount greater than the two year Government of Canada Benchmark Bond yield plus 3.50% per annum to Class A Shareholders a profit participation (the "Profit Participation") equal to 25% of the annual net income of the Company, after provision for all expenses of the Company and including reserves against potential losses and provision for Priority Dividends and/or Priority Capital Allocations (as such terms are defined in subparagraph 5.1(a)) to the holders of the Shares and Common Shares. This amount will be paid annually based on the net income of the Company as reported in its audited annual financial statements, within 90 days after the Company's fiscal year-end.

From the management fee payable to the Manager on the Shares, the Manager may pay commissions to registered dealers and sales agents in connection with the sale of Shares as set out in subparagraph 7.1 herein.

On most mortgage investments, the Manager negotiates with the borrower for payment of a commitment fee, and where appropriate, renewal and discharge fees and these fees will be paid to and retained by the Manager. The Company believes that these fees are fair market fees and reflect the degree of complexity in the types of financing to be undertaken by the Company. The profit participation amount payable by the Company to the Manager will not be adjusted to reflect any such other fees paid to the Manager.

The Manager bears all overhead and other internal expenses incurred by it in providing services under the Management Agreement. The Company bears all third party and other expenses incurred in connection with the Company's investments and operations.

The Manager will be reimbursed by the Company for costs and expenses which are incurred in connection with the Company's investments and operations and are the Company's responsibility under the Management Agreement.

For the purposes of this Offering Memorandum, the Manager is considered to be a party related to the Company. The current Directors and Officers of the Manager, who are also Directors and Officers of the Company, and their principal occupations within the preceding five years are as follows:

Name	**Office held with the Company**	**Office held with the Manager and Principal Occupation**
Douglas Bentley	Director, President & CEO	President, CEO and Director of the Manager
Wendy Herdin	Director & CFO	Vice President

Name	Office held with the Company	Office held with the Manager and Principal Occupation
John L. (Lockie) McKinnon	Director	Vice President and Director of the Manager
Arnold E. Miles-Pickup	Director	Chairman and Director of the Manager
Richard K. Nicholson	Director	Vice President and Director of the Manager
Mark Silverwood	Director & Secretary	Vice President and Director of the Manager

2.8 *Auditors*

Crowe MacKay LLP, 1100-1177 West Hastings Street, Vancouver, B.C., V6E 4T5 are the Company's auditors.

2.9 *Lawyers*

The Company's lawyers in connection with this offering are Richards Buell Sutton LLP, Barristers & Solicitors, #700 - 401 West Georgia Street, Vancouver, B.C., V6B 5A1.

ITEM 3 INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 ***Compensation and Securities Held -*** The following table sets out specified information about each director, officer and promoter of the Company. There are no persons who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Company.

Name and municipality of principal residence	Positions and the date of obtaining that position	Compensation paid by the Company in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number and percentage of securities of the Company held before completion of the Offering	Number and percentage of securities of the Company held after completion of maximum offering
Douglas Bentley, West Vancouver, BC	Director , President & CEO since July 2009	NIL	106 Common voting shares representing 9.09% of the issued Common Shares, 130,030 Class D Shares representing 0.71% of the issued Class D Shares, no Class F Shares, Class E Shares or Class A Shares.	106 Common voting shares representing 9.09% of the issued Common Shares, 130,030 Class D Shares representing 0.71% of the issued Class D Shares, no Class F Shares, Class E Shares or Class A Shares.
John L. (Lockie) McKinnon Victoria, BC	Director since July 2009	NIL	106 Common voting shares representing 9.09% of the issued Common Shares, 80,217 Class D Shares representing .44% of the issued Class D Shares, no Class F Shares, Class E Shares or Class A Shares	106 Common voting shares representing 9.09% of the issued Common Shares, 80,217 Class D Shares representing .44% of the issued Class D Shares, no Class F Shares, Class E Shares or Class A Shares
Arnold E. Miles-Pickup West Vancouver, BC	Director, since July 2009	NIL	106 Common voting shares representing 9.09% of the issued Common Shares, 418,077 Class D Shares representing 2.30% of the issued Class D Shares, no Class F Shares, Class E Shares or Class A Shares.	106 Common voting shares representing 9.09% of the issued Common Shares, 417,898 Class D Shares representing 2.30% of the issued Class D Shares, no Class F Shares, Class E Shares or Class A Shares.

Richard K. Nicholson Victoria, BC	Director since July 2009	NIL	106 Common voting shares representing 9.09% of the issued Common Shares, 136,127 Class D Shares representing 0.75% of the issued Class D Shares, no Class F Shares, Class E Shares or Class A Shares.	106 Common voting shares representing 9.09% of the issued Common Shares, 136,127 Class D Shares representing 0.75% of the issued Class D Shares, no Class F Shares, Class E Shares or Class A Shares.
Mark Silverwood Vancouver, BC	Director since March 2012 Secretary since March , 2014	NIL	106 Common voting shares representing 9.09% of the issued Common Shares, 28,298 Class D Shares representing 0.16% of the issued Class D Shares, no Class F Shares, Class E Shares or Class A Shares.	106 Common voting shares representing 9.09% of the issued Common Shares, 28,298 Class D Shares representing 0.16% of the issued Class D Shares, no Class F Shares, Class E Shares or Class A Shares.
Wendy Herdin Vancouver, BC	Director & CFO since March 2012	NIL	106 Common voting shares representing 9.09% of the issued Common Shares, 25,000 Class D Shares representing .14% of the issued Class D Shares, no Class F Shares , Class E Shares or Class A Shares	106 Common voting shares representing 9.09% of the issued Common Shares, 25,000 Class D Shares representing .14% of the issued Class D Shares, no Class F Shares , Class E Shares or Class A Shares

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

Name	**Principal occupations and related experience**
Douglas Bentley	President, CEO and Director of the Manager since 2011. From 2009 – 2011 he was Executive Vice President & Chief Operating Officer and Director of the Manager. He has more than 30 years' experience in real estate financing, lending and development and has been with the Manager since 2001.
Arnold E. Miles-Pickup	Chairman and Director of the Manager since 2011. From 2009 – 2011 he was President, CEO and Director of the Manager. He has held executive and management positions in the financial services industry for over 40 years and has been with the manager since 2001.
Wendy Herdin	Vice President Investor Relations and Administration since 2012. From 2009-2012 she was Manager of Administration. She has been engaged in finance and administration activities for over 30 years and has been with the Company since 2007.
John L. McKinnon	Vice-President and Director of the Manager since 2009. He has more than 30 years' experience in real estate financing, lending and development and has been with the manager since 2000.
Richard K. Nicholson	Vice-President and Director of the Manager since 2009. He has more than 30 years' experience in real estate financing and lending and has been with the manager since 2000.
Mark Silverwood	Vice President and Director of the Manager since 2009. He has more than 20 years' experience in real estate financing and lending and has been with the Manager since 2007.

3.3 ***Penalties, Sanctions and Bankruptcy***

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

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

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

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

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

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

ITEM 4 CAPITAL STRUCTURE

4.1 ***Share Capital -*** The following table sets out information with respect to the Company's outstanding securities (including options, warrants and other securities convertible into shares):

Description of security	**Number authorized to be issued**	**Number outstanding as at March 27, 2014 (not more than 30 days prior to the Offering Memorandum date)**	**Number outstanding after min. offering**	**Number outstanding after max. offering**
Common voting shares with a par value of $1.00	Unlimited	1,162	1,162	1,162
Class D Shares with a par value of $1.00	Unlimited	18,201,220	18,201,220	43,201,220(1)
Class A Shares with a par value of $1.00	Unlimited	2,226,916	2,226,916	27,226,916(2)
Class E Shares with a par value of $1.00	Unlimited	0	0	25,000,000(3)
Class F Shares with a par value of $1.00	Unlimited	3,361,217	3,361,217	28,361,217(4)
Total Class D, A, E and F Shares		23,789,353	23,789,353	48,789,353(5)

Notes:

(1) Assumes the Company issues only Class D Shares and no Class F, Class E or Class A Shares under this Offering.

(2) Assumes the Company issues only Class A Shares and no Class D, Class E or Class F Shares under this Offering.

(3) Assumes the Company issues only Class E Shares and no Class A, Class D or Class F Shares under this Offering.

(4) Assumes the Company issues only Class F Shares and no Class A, Class D or Class E Shares under this Offering.

(5) The Company will issue only up to 25,000,000 Shares under this Offering. The respective number of Class D Shares, Class A Shares, Class E Shares and Class F Shares actually issued under this Offering will be decided by the Company, such that the total number of Class D Shares plus the total number of Class A Shares plus the total number of Class E Shares plus the total number of Class F Shares issued under this Offering will be no greater than 25,000,000.

4.2 ***Long Term Debt***

The following table summarizes information about outstanding long term debt of the Company:

Description of long term debt	**Interest rate**	**Repayment terms**	**Amount outstanding on the date of this Offering Memorandum**
Nil	N/A	N/A	Nil

4.3 *Prior Sales*

During the last 12 months we have issued the following securities:

Date of issuance	**Type of security issued[(1)]**	**Number of securities issued**	**Price per security**	**Total funds received**
March 28, 2013- March 27, 2014	Common Shares	62	$1.00	$62
March 28, 2013- March 27, 2014	Class D Shares (formerly, "Class D Preferred Shares")	2,971,124	$1.00	$2,971,124
March 28, 2013- March 27, 2014	Class A Shares (formerly, "Class A Preferred Shares")	0	$1.00	$0
March 28, 2013- March 27, 2014	Class E Shares	0	$1.00	$0
March 28, 2013- March 27, 2014	Class F Shares (formerly, "Class F1 Preferred Shares")	590,379	$1.00	$590,379
			Total	$3,561,565

Notes:

(1) On March 25, 2013, shareholders of the Company approved an amendment to the Company's articles, whereby, among other things, the Class A Preferred Shares were renamed the "Class A Shares", the Class D Preferred Shares were renamed the "Class D Shares", the Class F1 Preferred Shares were renamed the "Class F Shares" and a new class of Class E Shares were created.

ITEM 5 SECURITIES OFFERED

5.1 *Terms of Securities*

The securities offered are the Shares of the Company which are with a par value of $1.00 and have the following material terms:

Note: Class D Shares are available to investors on a direct purchase basis. Class A Shares, Class E Shares and Class F Shares are available only through investment dealers and financial intermediaries who have entered into a distribution agreement with the Fund Manager.

(a) Dividends

At the end of each fiscal year and after preparation of the Company's financial statements, it is intended that, subject to the *Business Corporations Act* (British Columbia), all of the Company's profits available for dividends will be fully distributed by way of dividends to the holders of the Shares and the Common Shares as described below:

(i) The holders of the Shares and Common Shares will be entitled to non-cumulative dividends ("Priority Dividends") from the Company's net profits available for dividends. Such dividends will be calculated so as to yield to:

(A) the Class D and Common Shareholders, a return equal to the two year Government of Canada Bond Yield (described later) plus 4.00% per annum;

(B) to the Class A Shareholders, a return equal to the two year Government of Canada Bond Yield (described later) plus 3.50% per annum;

(C) to the Class E Shareholders, a return equal to the two year Government of Canada Bond Yield (described later) plus 3.50% per annum; and

(D) to the Class F Shareholders, a return equal to the two year Government of Canada Bond Yield (described later) plus 4.50% per annum.

before any Profit Participation amount as described below is paid to the Manager.

The “two year Government of Canada Benchmark Bond yield” means the effective yield to maturity of a series of non-callable Government of Canada Bonds payable in Canadian dollars and having a maturity date of approximately two years, expressed as a percentage per annum calculated half-yearly not in advance. The yield will be determined by calculating the average yield on the bonds on the first business day immediately after the end of each month in the fiscal year of the Company as quoted by the Bank of Canada as the “Benchmark Bond Yield: two year term” on the Bank of Canada’s web site, or if unavailable, as provided by an investment dealer selected by the Company’s Directors.

If all or part of the Company’s profits for the year are not available for Priority Dividends due to a deficit in the Company’s retained earnings account, such an amount (a “Priority Capital Allocation”) will be retained in the Company for the benefit of the shareholders to the extent necessary to eliminate the Company’s deficit position, and any balance of profits will be paid out as Priority Dividends.

(ii) The balance of the Company’s profits, after payment of the above Priority Dividend will be distributed as follows:

(A) 75% of such balance available for dividends will be paid by way of a dividend to the holders of the Shares and Common Shares rateably according to the ratio of the number of shares held and to be prorated in the case of shares not issued for a full fiscal year; and

(B) 25% of such balance will be paid to the Manager as Profit Participation under the Management Agreement. See "Material Contracts" in subparagraph 2.7(a) above.

No dividends will be paid to any class of shareholder in priority to any other class of shareholder and no new class of shares will be issued with a priority to any other class of shares without the consent of the existing classes of shareholders.

The Directors may, in their sole discretion, pay interim dividends before the Company's fiscal year-end.

When subscribing, a holder of the Shares may elect in writing to receive their interim dividends in cash or to reinvest their interim dividends in additional Shares to be issued after the fiscal year end.

Capital gains realized by the Company will be distributed at the discretion of the Directors. However, no distribution of income or assets will be made that would impair the ability of the Company to repay borrowings or to meet other commitments and requirements.

In the case of a shareholder holding Shares for less than a full fiscal year, dividends will be prorated according to the portion of that year that such person is a shareholder.

(b) Priority on Liquidation, Dissolution

In the event of the liquidation, dissolution or winding up of the Company or other distribution of its assets among shareholders, distribution of the assets of the Company shall be made:

(i) first, to the holders of the Shares or Common Shares pro rata in accordance with the number of shares held, the lesser of: (A) $1.00 per share plus dividends declared but not yet paid, plus pro rata share of any income earned but not declared as dividends and (B) the book value of the Shares as determined in the Company's audited or unaudited financial statements at the time of the winding up or distribution; and

(ii) the balance to the registered holders of the Shares and Common Shares, pro rata in accordance with the number of Shares or Common Shares held.

(c) Retraction by a Shareholder

A holder of Shares or Common Shares may at any time require the Company to redeem any or all such holder's Shares by giving at least 60 days written notice of retraction prior to the end of any fiscal quarter of the Company, currently March 31, June 30, September 30 and December 31, with the effective date of redemption being the first business day subsequent to the end of the fiscal quarter in which the Company receives such notice, currently April 1, July 1, October 1 and January 2, If such notice is not received by the Company at least 60 days before the end of the current fiscal quarter, the effective date of redemption shall be the first business day subsequent to the end of the fiscal quarter immediately following that fiscal quarter in which such notice is received.

The redemption price shall be: (i) where the effective date is January 2, the book value of the Shares as determined in the Company's audited financial statements as at such fiscal year end (currently December 31), or (ii) where the effective date is other than January 2, the book value of the Shares as determined in the Company's unaudited financial statements as at the end of the corresponding third, sixth or ninth month of the Company's fiscal year.

Where the Shares and Common Shares are being redeemed within 1 year of their issuance, the redemption price will be reduced by an amount equal to 5.00% of the original issuance price of such Shares. Where the Shares and Common Shares are being redeemed after 1 year of their issuance but within 2 years of their issuance, the redemption price will be reduced by an amount equal to 3.50% of original issuance price of such shares. Where the Shares and Common Shares are being redeemed after 2 years of their issuance but within 3 years of their issuance, the redemption price will be reduced by an amount equal to 2.50% of original issuance price of such shares. The Shares and Common Shares being redeemed beyond 3 years of their issuance will receive the full redemption price. Notwithstanding the foregoing, the Company has waived such reductions of the redemption price for shares for Class A, D and F shares purchased on or before March 28, 2015. The redemption fee is not waived for Class E shares as they are subject to a deferred sales commission (DSC); see Item 7 for further discussion.

The Company will only redeem the Shares or Common Shares, as applicable, from available cash which is defined as cash on hand less accounts payable, outstanding mortgage loan commitments and any other current liabilities of the Company.

Where cash is not available for full redemption of the Shares tendered, the Company will redeem as many shares as can be redeemed with the available cash, on a pro rata basis and continue to redeem shares on a pro rata basis as cash becomes available until all of the Shares and Common Shares tendered in such retraction period have been redeemed.

The Company will redeem those Shares and Common Shares that have been tendered for redemption on a pro rata basis irrespective of the order in which the Company receives the respective retraction notice in the notice period.

In the event that the effective redemption date (described above) is April 1, July 1 or October 1, the redemption price will be payable on the first business day of May, August and November respectively. In the event that the effective redemption date is January 2, the redemption price will be payable on March 1.

The Shares and Common Shares tendered for redemption in subsequent retraction periods will only be redeemed once all of the Shares and Common Shares previously tendered have been redeemed.

The Company may deduct or withhold from all redemption payments payable to any Shareholder any and all amounts required by applicable law to be so withheld.

The Shareholder may, in its sole discretion, provide written notice of its election to revoke its applicable Retraction Notice, and the Shares of such Shareholder shall not be redeemed until such time as such shareholder delivers a new Retraction Notice.

(d) No Redemption in Certain Circumstances

The Company will pay such redemption price of such Shares tendered for redemption, unless:

i) as a result of such redemption, one holder of the Shares or a related group of holders of any class of the Shares would hold more than 25% of the outstanding Shares of that company;

ii) as a result of such redemption, the number of Shareholders within any class of shares of the Company would be less than 20 after such redemption; and

iii) as a result of such redemption, the Company would cease to qualify as a "mortgage investment corporation" as defined in the Tax Act.

In the event of circumstances referred to above, if the Company has elected to make partial redemptions, the Company will make all such partial redemptions on a pro rata basis, and any Shares tendered for redemption but not redeemed shall be returned to the applicable Shareholder and shall not be redeemed until such time as (a) such Shareholder delivers a new Redemption Notice and (b) such above-described conditions no longer exist.

(e) Suspension of Retraction Right

The Company may suspend or continue suspension of the right of the Shareholder to require the Company to redeem the Shares for any period during which the Board of Directors, in its sole discretion, determines that conditions are such that, if the disposal of some or all of the assets of the Company is required to facilitate such redemptions, such disposition is not reasonably practicable or that it is not reasonably practicable to determine fairly the value of the Company's assets or that any such redemption would be unduly prejudicial to the Company. The Company will not accept subscriptions for the purchase of the Shares during any period in which redemption of its Shares has been suspended.

(f) Voting Rights

The registered holders of the Shares shall not be entitled to have any voting rights for the election of Directors nor for any other purpose and will not be entitled to notice of nor to attend or vote at meetings of the holders of Common Shares, but shall be entitled to vote at meetings of the registered holders of the Shares.

Meetings of the registered holders of the Shares may be called at any time and for any purpose by the Directors.

Registered holders of the Shares holding in aggregate not less than 25% of all of the Shares may requisition the Directors to call a meeting of registered holders of the Shares for the purposes stated in the requisition.

5.2 *Subscription Procedure*

The Company may terminate this offering at any time without notice and in such case the Company will not be required to accept later subscriptions. Closings may occur from time to time as determined by the Company.

This offering is available to residents of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario only.

Investors wishing to purchase the Shares must complete and sign a subscription agreement in the form provided by the Company and submit same to the Company at its Head Office address shown at the beginning of page one together with a cheque or bank draft for the full subscription price, made payable to the Company. The subscription price will be held in trust until midnight on the second business day after the day on which we have received your signed subscription agreement.

Such subscriptions will be subject to rejection or acceptance in whole or in part by the Company. The Company will not accept subscriptions from persons whom the Company has made loans to or holds mortgage interests against.

In both British Columbia and Alberta, investors will also need to sign risk acknowledgement forms. For purchasers in Alberta, Saskatchewan and Manitoba, the acquisition cost to the investor must not exceed $10,000 or the investor must also be an “eligible investor” as defined by National Instrument 45-106 *Prospectus and Registration Exemptions* (“**NI 45-106**”), which includes a person whose (i) net assets, alone or with a spouse, in the case of an individual, exceed $400,000; (ii) net income before taxes exceeded $75,000 in each of the 2 most recent calendar years and who reasonably expects to exceed that income level in the current calendar year; or (iii) net income before taxes, alone or with a spouse, in the case of an individual, exceeded $125,000 in each of the 2 most recent calendar years and who reasonably expects to exceed that income level in the current calendar year; or the investor must be a person who is an “accredited investor” (also as defined in NI 45-106).

Investors in Ontario must qualify under one of the prospectus exemptions as set out in the subscription agreement made available to Ontario residents; such exemptions include, among other exemptions, investors that are “accredited investors” or a specified family member of an executive officer, director or founder of the Company.

Upon acceptance, the subscription price for the Shares will be deposited in a designated bank account. Upon the 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.

Notwithstanding the above, subscription agreements from Trustees for RRSPs, RRIFs or Deferred Profit Savings Plans under the Tax Act will be accepted by the Company without the accompanying payment, to accommodate their administrative procedures.

5.3 *Costs of Offering*

Costs incurred by the Company in connection with this offering will be borne by the Company. These costs will include legal and accounting fees, regulatory filing fees, printing, postage and delivery costs and all other out-of-pocket costs, expenses and disbursements. The total of all such costs is not expected to exceed $25,000 if the Maximum Offering is achieved.

ITEM 6 CANADIAN INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY

6.1 *Investors' Independent Tax Advice*

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

6.2 *Mortgage Investment Corporation Status; Income Tax Consequences*

Under the terms of the Tax Act, shares of a MIC are an eligible investment for RRSPs, RRIFs and TFSA's. The Tax Act stipulates that for a corporation to qualify as a MIC, among other requirements, the corporation must have a minimum of 20 shareholders and no shareholder can own in excess of 25% of the total issued and outstanding shares of any class of the capital of the corporation. A minimum of 50% of the cost of the corporation's assets must be invested in residential mortgages as defined in the Tax Act and deposits with Canada Deposit Insurance Corporation insured institutions. The Company intends to maintain its qualification as a MIC.

As a MIC, if the Company pays out all of its net income annually in the form of dividends during the year or within 90 days after the end of the year it may deduct the dividend amount paid as if it was an expense. **The dividends received are not subject to usual dividend treatment in the hands of shareholders. Rather, they will be taxable in the hands of shareholders who are subject to tax as if they had received an interest payment.**

Accordingly, it is anticipated that for each taxation year of the Company throughout which it qualifies as a MIC under the Tax Act, the Company will receive "flow through" treatment and will not be required to pay income taxes on the net earnings from which dividends are paid in each year. Income in excess of allowable deductible reserves under the Tax Act which is not distributed to shareholders within 90 days of each of the Company's year-ends will be subject to ordinary corporate tax under the Tax Act.

If an investor and related parties own more than 10% of the MIC shares, then any such class of shares of the investor and related parties held in an RRSP, TFSA or RRIF are considered a prohibited investment pursuant to the Canadian income tax rules and will be subject to penalties For tax purposes, any individuals related by blood or marriage and any non-arm's length persons (including corporations, trusts and partnerships) must aggregate their holdings to determine if the 10% aggregate ownership threshold is exceeded. When calculating the level of ownership of an investment in a MIC one must also consider any investment in the MIC they hold outside their registered plans, and all investments (registered or not) held by related persons and other non-arm's length persons, including corporation.

Purchasers should consult their own tax advisors with respect to whether the Shares would be prohibited investments in their particular circumstances, and with respect to any tax consequences of acquiring Shares pursuant to this offering. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder or prospective holder of Shares, and no representations with respect to the income tax consequences to any holder or prospective holder are made.

ITEM 7 COMPENSATION PAID TO SELLERS AND FINDERS

7.1 The Manager may pay annual trailer fees to registered dealers and sales agents, from the management fee payable to the Manager, in connection with the sale of Class A Shares. Such trailer fees shall be equal to a percentage estimated not to exceed 1% per annum of the aggregate outstanding amount of (i) the subscription price; plus (ii) any re-invested distributions of Class A Shares sold by such registered dealers or sales agents. The Manager does not pay these fees in connection with the sale of Class D or Class F Shares. The Manager may pay a fee of 1- 4% of the subscription price at the time of purchase to the registered dealer or sales agent in connection with the sale of Class E shares. These Class E shares are subject to a deferred sales commission (DSC) as set out in subparagraph 5.1(c) above. Investors acquiring the Shares through registered dealers or sales agents will be responsible for the payment of any additional commissions that may be negotiated between them and such dealers or agents.

ITEM 8 RISK FACTORS

8.1 *Speculative Investment*

The Shares offered by this Offering Memorandum are speculative securities. Investment in the 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.

8.2 *Risks Associated With Mortgage Loans*

Real estate investment contains elements of risk and is subject to uncertainties such as costs of operation and financing and fluctuating demand for developed real estate. In addition, prospective Investors should take note of the following:

(a) Credit Risk: As with most mortgage investment corporations, we provide financings to borrowers who may not meet financing criteria for conventional mortgages from institutional sources and, as a result, these investments generally earn a higher rate of return than what institutional lenders may receive. Credit risk is inherent in the industry, however the Company carefully monitors the loan portfolio to ensure credit risk and concentrations of risk are minimized. The risk is managed by the Company's overall risk management framework, including monitoring credit exposures, obtaining appropriated security, conducting third party appraisals of the security obtained, and assessing the credit worthiness of counterparties, prior to committing to the investment. The Company's Credit Committee must unanimously approve each loan prior to funding.

(b) Market Risk: Investment in mortgages secured on real estate are subject to market valuation risks that may be caused by changing economic conditions and local market conditions. The Company obtains independent appraisals from professional appraisers to substantiate value at the time of funding each loan. While every effort is made by such appraisers to be accurate in their estimates of value, the values may not fully represent current market value. There may also be conditions to the valuation such as completion of development of the property that must still occur. There is also a risk that economic conditions or local market conditions will change and impact the value of mortgage loans held by the Company. The Company tries to partially offset these risks by limiting mortgage loan exposure on funding to 75% of the current or completed value of the mortgaged property depending on the purpose of the mortgage loan.

(c) Liquidity Risk: All of the Company's financial liabilities, with the exception of shares which are classified as long-term, are classified as current and are anticipated to mature within the next fiscal period. The Company intends to settle these with funds from its positive working capital position. We have a line of credit with the Canadian Imperial Bank of Commerce to hedge the liquidity risk, as set out in subparagraph 2.6 above.

(d) Mortgage Insurance: The Company's mortgage loans will not usually be insured by CMHC or any other mortgage insurer in whole or in part.

(e) Default: In case of default on a mortgage, it may be necessary for the Company, in order to protect the investment, to engage in foreclosure or sale proceedings and to make further outlays to complete an unfinished project or to maintain prior encumbrances in good standing.

(f) Impaired Loans: The Company may from time to time have one or more impaired loans in its portfolio, particulars of which can be obtained by contacting the Company. The Company defines loans as being impaired where full recovery is considered at risk. The Company reviews mortgages for impairment and will maintain an allowance as appropriate to reduce the carrying value of any mortgages identified as impaired to their estimated realizable amounts. Estimated realizable amounts are determined by reference to loan collection experience, the present value of expected future cash flows, or by the estimated net present value of security underlying the mortgages and deducting costs of realization. Specific allowances are established for individual mortgages identified as impaired.

(g) Priority: Financial charges funded by first mortgage lenders may in some cases rank in priority to the mortgages registered in favour of the Company. In the event of default by the mortgagor under any prior financial charge, the Company may be required to arrange a new first mortgage or pay out same, in order to avoid adverse financial implications.

8.3 *Redemption Risk*

The mortgages held by the Company are contractual obligations and the ability of the Company to sell the mortgages or realize on the underlying security can take a lengthy period of time. As such, the Shares have limited liquidity and are appropriate investments when considered as investment vehicles to be held for the longer term.

In addition, although Shareholders may tender their Shares for redemption pursuant to the terms and conditions hereto, certain restrictions apply to such redemption. As such, the Company cannot guarantee that redemptions will be made on a timely basis. Further, as the redemption price to be paid in respect of any Shares and Common Shares tendered for redemption will be determined at the Board of Director's discretion, such redemption price cannot be known with certainty prior to the Board of Directors exercising its discretion.

8.4 *Competition*

The earnings of the Company depend on the ability of the Manager to recommend suitable opportunities for the investment of the Company's funds and on the yields available from time to time on mortgages as well as the cost of borrowings. A variety of competing lenders and investors are active in the areas of investment in which the Company will operate. The yields on real estate investments, including mortgages, depend on many factors including economic conditions, the level of risk assumed, conditions in the real estate industry, opportunities for other types of investments, and tax laws. The Company cannot predict the effect which such factors will have on its operations.

8.5 *Marketability*

There is no market for resale of the Shares and consequently it may be difficult or even impossible for Investors to sell them. In addition, the Shares may not be readily acceptable as collateral for loans.

There are restrictions on resale of the Shares by Investors. Such restrictions on resale may never expire and Investors should consult with their professional advisors in respect of resale of the Shares. See Item 10 in this regard.

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

8.6 *Risks of Leverage*

The Company has negotiated a bank line of credit as described in subparagraph 2.6 and it is intended to be used for managing the cash flow of the Company however Leverage increases exposure to potential losses.

8.7 *Income Tax Designation*

Under the Management Agreement, the Manager is responsible for ensuring that the Company's operations are conducted in a manner that will not jeopardize its designation as a mortgage investment corporation under the Tax Act. **As a mortgage investment corporation, the normal gross-up and dividend tax credit rules will not apply to dividends paid on the Shares. Rather, the dividends will be taxable in the hands of shareholders who are subject to tax as if they had received an interest payment.** If for any reason the

Company fails to maintain its designation, the dividends paid by the Company on the Shares would cease to be deductible from the income of the Company. In addition, the Shares would cease to be qualified investments for trusts governed by RRSPs, deferred profit sharing plans and RRIFs with the effect that a penalty tax of 1% per month of the value of the Shares would be payable.

8.8 *Conflict of Interest*

The Company and its shareholders are dependent in large part upon the experience and good faith of the Manager. The Manager is entitled to act in a similar capacity for other companies with investment criteria similar to those of the Company. As such, there is a risk the Manager will not be able to originate sufficient suitable investment opportunities to keep the Company's funds fully invested. Also, the majority of the directors of the Company and the Manager are employed by or act in other capacities for other companies involved in mortgage and lending activities.

Accordingly, there may be instances in which an investment opportunity may be suitable for the Company as well as other mortgage lenders or investors with whom they have business relations. In such case, the Manager has the right to take such action as it sees fit.

Except as noted in 2.2(c) above, the Directors of the Company may by unanimous resolution vary the Company's investment criteria. The Directors are also entitled to terminate the Management Agreement. It may be difficult for some of the Directors to exercise independent judgement about these and other matters.

8.9 *Lack of Separate Counsel*

Counsel for the Company in connection with this offering is also counsel to the Manager. The Company and the Manager have not been represented by their own legal counsel and have not each had the benefit of independent legal advice.

8.10 *Impact of Changes in Government Regulations*

If government legislation or regulation increases or changes this may impact the status, costs of doing business or otherwise impact the Company. If there are such changes that affect the Company in a material way, the Company will take such steps as available to it in order to mitigate the effects of such changes.

8.11 *Distributions Are Not Guaranteed*

Although the Company anticipates that it will be able to distribute income earned by it on a quarterly basis, the actual frequency and amounts of distributions, if any, paid in respect of the Shares will depend on numerous factors, all of which are susceptible to a number of risks and other factors beyond the control of the Company. Accordingly, there can be no assurance regarding the actual levels or frequency of distributions by the Company.

ITEM 9 REPORTING OBLIGATIONS

9.1 *Documents provided to Shareholders annually or on an ongoing basis*

The Company is not a reporting issuer in any Canadian province or territory, and is not required to provide documents to its shareholders on an annual or on-going basis. However, the Company will provide a quarterly report to shareholders within 60 days after the end of the first, second and third fiscal quarter. The quarterly report will include an analysis of operations and results for the period in question together with unaudited financial statements prepared by management consisting of a Statement of Financial Position and a Statement of Comprehensive Income. Audited financial statements will also be provided to the shareholders with the fiscal year-end reports within 140 days after the fiscal year-end.

9.2 *Sources of Information about the Company*

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 Registrar of Companies, 2nd Floor – 940 Blanshard Street, (PO Box 9431 Stn. Prov. Govt.) Victoria, B.C., V8W 9V3 (telephone number 250.356.8658, fax 250.356.9422).

ITEM 10 RESALE RESTRICTIONS

10.1 *General Statement re Resale Restrictions*

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

10.2 *Restricted Period for Resales*

For purchasers in British Columbia, Alberta, Saskatchewan and Ontario, unless permitted under securities legislation, you cannot trade the securities before the earlier of 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.

For purchasers in Manitoba, unless permitted under securities legislation, you cannot trade the securities unless: (i) the securities have been held for at least 12 months; (ii) the Company has filed a prospectus with the securities regulatory authority in Manitoba with respect to the securities and has obtained a receipt for that prospectus; or (iii) the trade is made under an exemption from the dealer registration requirements under applicable securities laws, and in the case of a trade that would be subject to the prospectus requirement under applicable securities laws, is made under an exemption from the prospectus requirement under applicable securities laws.

After such period, the Shares may be transferable, subject to restrictions on transfer required in order to comply with certain provisions of the Tax Act. Section 130.1(6)(d) of the Tax Act stipulates that a mortgage investment corporation may not have fewer than 20 shareholders and no one shareholder may hold more than 25% of the total issued and outstanding shares of any class of the Company's capital. Accordingly, the Articles of the Company provide that the Directors of the Company may prohibit the transfer of shares in any case where as a result of the transfer the Company would no longer meet the requirements of a mortgage investment corporation under the Tax Act.

A fee shall be payable to the Company by a shareholder requesting a transfer or change in registered holder of the Shares, the amount of which is currently $75 plus applicable taxes. The Company shall have the right to deduct any such unpaid fees from dividends payable to the shareholders who are party to such transfer or change.

ITEM 11 PURCHASERS' RIGHTS

Securities legislation in certain of the Provinces of Canada requires you as a purchaser of securities to be provided with a remedy for rescission or damages, or both, in addition to any other right that you may have at law, where this Offering Memorandum and any amendment to it contains a misrepresentation. These remedies must be exercised by you within the time limits prescribed by the applicable securities legislation. You should refer to the applicable provisions of the securities legislation for the complete text of these 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.

(a) ***Two Day Cancellation Right***

You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the securities.

(b) ***Statutory Rights of Action in the Event of a Misrepresentation***

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

(i) the Company to cancel your agreement to buy these securities; or

(ii) for damages against the Company and:

(A) in British Columbia, Alberta, Saskatchewan and Manitoba, against the directors of the Company as at the date of this Offering Memorandum, and every person or company who signed this Offering Memorandum;

(B) in Saskatchewan, against any promoters of the Company as at the date of this Offering Memorandum, and every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them, and every person or company that sells securities on behalf of the Company under this Offering Memorandum or an amendment to this Offering Memorandum.

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

If you intend to rely on the rights described in (i) or (ii) above, you must do so within strict time limitations. You must commence your action to cancel the agreement no later than 180 days after the day of the transaction that gave rise to the cause of action. In British Columbia, Alberta and Ontario, you must commence your action for damages no later than the earlier of: (A) 180 days after the day you first had knowledge of the facts giving rise to the cause of action; or (B) 3 years after the day of the transaction that gave rise to the cause of action. In Saskatchewan, you must commence your action for damages no later than the earlier of: (A) one year after the day you first had knowledge of the facts giving rise to the cause of action; or (B) 6 years after the day of the transaction that gave rise to the cause of action. In Manitoba, you must commence your action for damages no later than the earlier of: (A) 180 days after the day you first had knowledge of the facts giving rise to the cause of action; or (B) 2 years after the day of the transaction that gave rise to the cause of action.

Reference is made to the *Securities Act* (British Columbia), *Securities Act* (Alberta), *Securities Act* (Saskatchewan), *Securities Act* (Manitoba) and *Securities Act* (Ontario) for the complete text of the provisions under which these rights are respectively conferred and this summary is subject to the express provisions of the *Securities Act* (British Columbia), *Securities Act* (Alberta), *Securities Act* (Saskatchewan), *Securities Act* (Manitoba) and *Securities Act* (Ontario).

ITEM 12 FINANCIAL STATEMENTS

The audited statements of Income and Comprehensive Income, Changes in Shareholders' Equity, Cash Flows for the most recently completed financial year that ended before the date of this Offering Memorandum and an audited Statement of Financial Position dated as at the last day of such financial year are attached to this Offering Memorandum.

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AUDITOR'S CONSENT

To: The B.C. Securities Commission

Re: Bancorp Balanced Mortgage Fund II Ltd.

We refer to the Offering Memorandum of Bancorp Balanced Mortgage Fund II Ltd. (the "Company") dated April 16, 2014 relating to the sale and issue of shares of the Company.

We consent to being named and to the use in the above-mentioned Offering Memorandum of our report dated March 17, 2014 to the shareholders of the Company on the following financial statements:

Statements of financial position as at December 31, 2013 and 2012;

Statements of income and comprehensive income, changes in shareholders' equity and cash flows for the years ended December 31, 2013 and 2012 and a summary of significant accounting policies and other explanatory information.

We report that we have read the Offering Memorandum and have no reason to believe that there are any misrepresentations in the information contained therein that are derived from the financial statements upon which we have reported or that are within our knowledge as a result of our audit of such financial statements. We have complied with Canadian generally accepted standards for an auditor's consent to the use of a report of the auditor included in an offering document, which does not constitute an audit or review of the Offering Memorandum as these terms are described in the CICA Handbook – Assurance.

Vancouver, Canada
April 17, 2014

Crowe MacKay LLP
Chartered Accountants

Bancorp Balanced Mortgage Fund II Ltd.

Financial Statements

December 31, 2013 and 2012

Bancorp Balanced Mortgage Fund II Ltd.

Financial Statements

December 31, 2013 and 2012

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Independent Auditor's Report

To the Shareholders of
Bancorp Balanced Mortgage Fund II Ltd.

Report on the Financial Statements
We have audited the accompanying financial statements of Bancorp Balanced Mortgage Fund II Ltd., which comprise the statements of financial position as at December 31, 2013 and 2012, and the statements of income and comprehensive income, changes in shareholders' equity and cash flows for the years 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 audits. We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these financial statements present fairly, in all material respects, the financial position of Bancorp Balanced Mortgage Fund II Ltd. as at December 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Crowe MacKay LLP
Chartered Accountants

Vancouver, Canada
March 17, 2014

Bancorp Balanced Mortgage Fund II Ltd.

Statements of Income and Comprehensive Income

Year ended December 31,	2013	2012
Revenue	**$ 1,868,835**	$ 1,599,194
Expenses		
Accounting and legal	**45,946**	30,633
Interest and bank charges	**32,118**	30,561
Management fees (note 8)	**333,997**	308,472
Office and miscellaneous	**14,729**	11,747
Performance incentive (note 8)	**90,684**	48,332
Non-voting common share issue costs	**8,462**	5,461
	525,936	435,206
Income before other item	**1,342,899**	1,163,988
Other item		
Dividends declared on Non-voting common shares	**1,342,899**	1,163,988
Net income	**$ -**	$ -

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

Bancorp Balanced Mortgage Fund II Ltd.

Statements of Changes in Shareholders' Equity

Year ended December 31,	**2013**		2012	
	Number of shares	**Amount**	Number of shares	Amount
Common Shares (note 9)				
Authorized: Unlimited Common shares, voting, participating, without par value				
Balance, beginning of year	**1,100**	**$ 1,100**	11	$ 11
Issued	**46**	**46**	1,089	1,089
Reclassification to liability (note 9)	**(1,146)**	**(1,146)**	-	-
Balance, end of year	**-**	**-**	1,100	1,100
Retained Earnings				
Balance, beginning of year		**-**		-
Net income		**-**		-
Balance, end of year		**-**		-
Total Equity		**$ -**		$ 1,100

The accompanying notes are an integral part of these financial statements

Bancorp Balanced Mortgage Fund II Ltd.

Statements of Financial Position

		December 31, 2013		December 31, 2012
Assets				
Current				
Prepaid expenses	**$**	**12,910**	$	13,270
Interest receivable		**184,685**		155,565
Mortgages receivable (note 5)		**24,429,200**		20,590,723
		24,626,795		20,759,558
Mortgages receivable (note 5)		**1,037,508**		150,000
Total Assets	**$**	**25,664,303**	$	20,909,558
Liabilities				
Current				
Bank indebtedness (note 6)	**$**	**1,082,344**	$	354,083
Accounts payable and accrued liabilities		**19,200**		18,767
Dividends payable (note 7)		**491,152**		723,820
Due to fund manager (note 8)		**121,825**		75,850
		1,714,521		1,172,520
Non-voting common shares (note 10)		**23,948,636**		19,735,938
Common shares (note 9)		**1,146**		-
		25,664,303		20,908,458
Shareholders' equity				
Common shares (note 9)		**-**		1,100
Total Equity and Liabilities	**$**	**25,664,303**	$	20,909,558

Commitments (note 15)

The financial statements were approved on March 17, 2014

Approved on behalf of the board:

"Douglas H. Bentley" Director

"Arnold Miles-Pickup" Director

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

Bancorp Balanced Mortgage Fund II Ltd.

Statements of Cash Flows

Year ended December 31,	**2013**	2012
Cash provided by (used for)		
Operating activities		
Net income	**$ -**	$ -
Item not affecting cash		
Non-cash dividends payable on shares (note 7)	**560,582**	469,321
	560,582	469,321
Change in non-cash working capital items		
Prepaid expenses	**360**	(2,375)
Interest receivable	**(29,120)**	(42,222)
Accounts payable and accrued liabilities	**433**	(1,794)
Cash dividends payable (note 7)	**30,831**	18,506
Due to fund manager	**45,975**	52,942
	609,061	494,378
Financing activities		
Redemption of Common shares	**-**	-
Issuance of Common shares	**-**	1,089
Redemption of Non-voting common shares	**(624,261)**	(710,111)
Issuance of Non-voting common shares	**4,012,924**	3,785,077
Advance from (repayment to) bank	**728,261**	(612,004)
	4,116,924	2,464,051
Investing activities		
Mortgage advances	**(20,565,202)**	(18,763,205)
Mortgage repayments	**15,839,217**	15,804,776
	(4,725,985)	(2,958,429)
Increase (decrease) in cash	**-**	-
Cash, beginning of year	**-**	-
Cash, end of year	**$ -**	$ -

Supplemental cash flow information

The Company had the following cash transactions:		
Dividends paid	**$ 750,320**	$ 677,447

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

1. Nature of operations

Bancorp Balanced Mortgage Fund II Ltd. was incorporated on July 16, 2009 under the Canada Business Corporations Act. Business operations commenced effective September 21, 2009. The Company operates as a mortgage investment corporation as defined in the Canadian Income Tax Act.

The address of the Company's corporate office and principal place of business is #1420 – 1090 West Georgia Street, Vancouver, BC, V6E 3V7.

2. Basis of Preparation

(a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the years ended December 31, 2013 and 2012.

(b) Basis of Measurement

The financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets.

The financial statements are presented in Canadian dollars, which is also the Company's functional currency.

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

3. Significant accounting policies

The following is a summary of the significant accounting policies used by management in the preparation of these financial statements.

(a) Mortgages receivable

Mortgages receivable are carried at the unpaid principal amount plus capitalized charges less allowances for mortgage losses. The Company writes down mortgages to their estimated recoverable value based on a current evaluation of the security held when full recovery is considered in doubt.

3. Significant accounting policies (continued)

(a) Mortgages receivable (continued)

Mortgages receivable are classified as loans and receivables, and are recorded at amortized cost. Interest on mortgage loans is recorded on the accrual basis except when a loan is considered to be impaired. Interest income on impaired loans is recognized on a cash basis but only after any specific provision for impairment or partial write-off has been recovered, and provided there is no further doubt as to the collectability of the principal amount. The Company classifies a mortgage loan as impaired at the earlier of when: in the opinion of management, there is reasonable doubt as to the collectability, either in whole or in part, of principal or interest, or when interest or principal payments are 90 days past due.

(b) Allowance for mortgage losses

The Company reviews mortgages for impairment and will maintain an allowance when required to reduce the carrying value of any mortgages identified as impaired to their estimated realizable amounts. Estimated realizable amounts are determined by reference to loan collection experience, the present value of expected future cash flows, or by the estimated net present value of security underlying the mortgages and deducting costs of realization.

Specific allowances are established for individual mortgages identified as impaired. These allowances are supplemented by general allowances for losses on mortgage loans based on payment arrears, known risks in the portfolio, historical mortgage loss experience, and current economic conditions and trends.

(c) Revenue recognition

The Company's main source of revenue is interest from its mortgages. Revenue is accrued as it is earned and when collection is reasonably assured.

(d) Non-voting common shares

Non-voting common shares have been classified as a liability because they are retractable at the option of the holder. Share issue costs are expensed in the year incurred. Dividends paid on Non-voting common shares are recorded in the statement of income as an expense.

(e) Income Taxes

Taxable dividends paid by the Company during the year or within ninety days following the year-end are deductible for income tax purposes.

Income taxes are accounted for using the deferred income tax method. Under this method income taxes are recognized for the estimated income taxes payable for the current year and deferred income taxes are recognized for temporary differences between tax and accounting

3. Significant accounting policies (continued)

(e) Income Taxes (continued)

bases of assets and liabilities and for the benefit of losses available to be carried forward for tax purposes that are more likely than not to be realized.

Deferred income tax assets and liabilities are measured using tax rates expected to be recovered or settled.

(f) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. The significant area requiring the use of management estimates relates to the valuation of the mortgages receivable. Actual results could differ from those estimates.

(g) Earnings per share

Quarterly dividends are paid based on the outstanding number of shares of each class at the end of the quarter. Earnings per share is calculated based on the weighted average number of Common and Non-voting common shares outstanding during the year.

(h) Financial Instruments

Non-derivative financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for sale, loans-and-receivables or at fair value through profit or loss (“FVTPL”).

Held-to-maturity financial assets

Financial assets classified as held-to-maturity are measured at amortized cost. The Company has not classified any financial assets as held-to-maturity.

Available-for-sale financial assets

Available-for-sale (“AFS”) financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables (ii) held-to-maturity investments or (iii) financial assets at FVTPL. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss. The Company has not classified any financial assets as available-for-sale.

3. Significant accounting policies (continued)

(h) Financial Instruments (continued)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company's interest receivable and mortgages receivable are classified as loans-and-receivables.

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified at FVTPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has not classified any financial assets as FVTPL.

Non-derivative financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's bank indebtedness, accounts payable and accrued liabilities, dividends payable, and due to fund manager are classified as other-financial-liabilities. Non-voting common shares have been classified as a liability because they are retractable at the option of the holder, and have been classified as other-financial-liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through profit and loss. The Company has not classified any financial liabilities as FVTPL.

3. Significant accounting policies (continued)

(h) Financial Instruments (continued)

Impairment of financial assets:

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreased and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and mortgages receivable. The Company limits its exposure to credit loss by placing its cash with major financial institutions. The majority of the mortgages receivable have a floating interest rate and a fixed interest rate and mature within 15 months. The floating interest rates range from 3% to 10.47% above the Canadian Bank Prime rate and the fixed interest rates range from 7.50% to 13.47%. The interest rate charged is the higher of the floating and fixed interest rates.

3. Significant accounting policies (continued)

(h) Financial Instruments (continued)

Credit risk (continued)

Credit risk is inherent in this industry, however, the Company carefully monitors the loan portfolio to ensure credit risk and concentrations of risk are minimized. The risk is managed by the Company's overall risk management framework, including monitoring credit exposures, obtaining appropriate security, conducting third party appraisals of the security obtained, and assessing the credit worthiness of counterparties, prior to committing to the investment. The Company's Credit Committee must unanimously approve each loan prior to funding. As at December 31, 2013, the mortgages receivable consists of 74% (2012 – 81%) residential and 26% (2012 – 19%) commercial properties which are 81% (2012 – 88%) located in British Columbia and 19% located in Alberta (2012 – 12%). As at December 31, 2013, 7 (2012 – 5) loans with total outstanding principal of $3,510,581 (2012 - $4,015,490) are past their maturity date and have been extended on a month to month basis. Management has determined no loss provision is required on these loans. As at December 31, 2013, $2,500,000 (2012 – $725,162) of the principal outstanding is associated with mortgages that have second charge on the security, and $22,966,708 (2012 - $20,015,561) is associated with mortgages that have first charge on the security.

Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions and mortgages receivable are subject to floating rates of interest. The interest rate risks on cash and on the Company's obligations are not considered significant. However, with respect to interest rate risks on mortgages receivable, a change in 100 basis points in interest rates for a full year relative to the interest rates at the reporting date would have increased or decreased income before other item by approximately $255,000 (2012 - $207,000).

Liquidity risk

All of the Company's financial liabilities, with the exception of Common shares and Non-voting common shares which are classified as long-term, are classified as current and are anticipated to mature within the next fiscal period. The Company intends to settle these with funds from its positive working capital position.

(i) Capital disclosures

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from 2012. The capital structure of the Company consists of equity attributable to Common and Non-voting common shareholders, comprised of issued capital. The Company has externally-imposed restrictions on capital and the required disclosure is presented in note 6.

3. Significant accounting policies (continued)

(j) New accounting standards and interpretations

The International Accounting Standards Board continually issues new and amended standards and interpretations. Certain pronouncements were issued by the IASB or the IFRS interpretations Committee that are mandatory for accounting periods beginning January 1, 2013 or later periods.

The following is a brief summary of the new and amended standards which the Company adopted during the year.

IFRS 7 - 'Financial Instruments: Disclosures' - Offsetting of Financial Assets and Liabilities

These amendments are applicable to annual reporting periods beginning on or after January 1, 2013 and requires an entity to disclose information to enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position. This standard was adopted on January 1, 2013 and had no effect on the Company.

IFRS 13 - 'Fair Value Measurement'
This new standard is applicable for annual reporting periods beginning on or after January 1, 2013. This standard establishes a single course of guidance for determining the fair value of assets and liabilities. This standard was adopted January 1, 2013 and had no effect on the Company.

The following is a brief summary of the new and amended standards and interpretations which are not yet in effect. The Company has not yet begun the process of assessing the impact that these new and amended standards and interpretations will have on its financial statements or whether to early adopt any of the new requirements.

IAS 32 - 'Financial Instruments: Presentation'

This amendment provides clarification on the application of offsetting rules. These amendments are effective for annual periods beginning on or after January 1, 2014. This standard will be adopted on January 1, 2014 but the impact of its adoption is yet to be assessed.

IFRS 9 – Financial instruments
The effective date of this standard has been extended with no determined effective date. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortized cost or fair value.

3. Significant accounting policies (continued)

(j) New accounting standards and interpretations (continued)

IFRS 9 – Financial instruments (continued)

To be classified and measured at amortized cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognized in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with IAS 39, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch.

4. Critical Accounting Estimates and Judgments

Mortgage investment companies make estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both. Information about critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

(a) Critical Accounting Judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. The determination by management as to whether a loan is impaired has been identified as a critical judgment.

(b) Critical Accounting Estimates

Allowances for mortgages receivable are created based on the Company's estimates. Assumptions are based on the current economic environment. Estimates and assumptions made may change if new information becomes available. If information becomes available that the recovery of the mortgage is unlikely, the amount is written off in the profit or loss in the period the new information becomes available. There are no allowances required for mortgages receivable and therefore no critical accounting estimates were made during the year.

5. Mortgages receivable

	December 31, 2013	December 31, 2012
Residential mortgages	**$ 18,959,481**	$ 16,791,811
Commercial mortgages	**6,507,227**	3,948,912
	25,466,708	20,740,723
Less current portion	**(24,429,200)**	(20,590,723)
	$ 1,037,508	$ 150,000

The current portion of mortgage receivable designates the loans which are scheduled to mature within the next twelve month period.

There are no mortgages in collections at December 31, 2013 or 2012. Subsequent to year end, one mortgage with a receivable balance of $588,743 was placed in collections.

6. Bank Indebtedness

The Company has a facility with its bank for the provision of a demand revolving operating loan in the principal amount of $3,000,000 that bears interest at bank prime plus 1.5% per annum on the daily balance of the principal advanced. A stand-by fee calculated at 0.5% per annum on the undrawn portion of the loan is also charged. The loan is secured by a fixed first charge over its present and future acquired personal property, including its mortgages and receivables, and all bank deposit balances. As at December 31, 2013 there was $1,082,344 (2012 - $354,083) drawn on the loan account.

The Company is subject to capital requirements imposed by CIBC. The bank requires the Company to ensure that its covenants are met to continue to hold the loan; if they are not met then the bank has the right to call the loan at any time. The covenants in place are:

i. The maximum amount of the loan shall not exceed the aggregate of 25% of eligible mortgages that are secured by a first financial charge on real property; and

ii. The Company must maintain a tangible net worth of no less than $7,000,000 at all times. Tangible net worth is defined as the sum of retained earnings and Common and Non-voting common share capital.

The Company was in compliance with its covenants as at December 31, 2013 and 2012.

7. Dividends payable

	December 31, 2013	December 31, 2012
Cash dividends	**$ 285,330**	$ 254,499
Reinvested shares	**205,822**	469,321
	$ 491,152	$ 723,820

8. Related party transactions

(a) Transactions

	December 31, 2013	December 31, 2012
Expenses		
Management fees	**$ 333,997**	$ 308,472
Performance incentive	**90,684**	48,332
	$ 424,681	$ 356,804

The management fees and performance incentives are paid to the fund manager, a Company controlled by the directors and Common shareholders, and are in accordance with management agreement discussed in note 14.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

(b) Due to fund manager

The balance due to fund manager represents unpaid management fees at year end, which are due within 15 days of month end, and performance incentive fees at year end, which is due within 90 days of year end. The balance is unsecured and non-interest bearing.

9. Common shares

In 2013 the shareholders of the Company approved the alteration of the rights and restrictions of the Common shares resulting in them having the identical redemption and liquidation rights as Non-voting common shares. As a result of this alteration, the common shares are no longer classified as equity of the Company and have been presented on the balance sheet as a liability. See note 11 for share redemption rights and note 12 for income distribution rights.

In 2013, the Company issued 46 (2012 - 1,089) Common shares issued by way of stock dividend for $46 (2012 – issued by way of cash for $1,089).

10. Non-voting common shares

Authorized

Unlimited Class A redeemable, non-voting, participating shares with par value of $1.00
Unlimited Class D redeemable, non-voting, participating shares with par value of $1.00
Unlimited Class E redeemable, non-voting, participating shares with par value of $1.00
Unlimited Class F redeemable, non-voting, participating shares with par value of $1.00

		December 31, 2013		December 31, 2012
	Issued	**Amount**	Issued	Amount
Issued				
Class A Non-voting common shares				
Balance beginning of year	**2,386,060**	**$ 2,386,060**	2,015,644	$ 2,015,644
Issued for cash	**63,548**	**63,548**	391,703	391,703
Issued as stock dividend	**190,497**	**190,497**	95,652	95,652
Redeemed	**(130,745)**	**(130,745)**	(116,939)	(116,939)
Transferred to Class D	**(258,749)**	**(258,749)**	-	-
	2,250,611	**2,250,611**	2,386,060	2,386,060
Class D Non-voting common shares				
Balance beginning of year	**14,720,166**	**14,720,166**	12,430,159	12,430,159
Issued for cash	**3,512,346**	**3,512,346**	2,641,482	2,641,482
Issued as stock dividend	**431,178**	**431,178**	192,719	192,719
Redeemed	**(400,913)**	**(400,913)**	(593,172)	(593,172)
Transferred from Class A	**258,749**	**258,749**	-	-
Transferred from Class F	**25,000**	**25,000**	48,978	48,978
	18,546,526	**18,546,526**	14,720,166	14,720,166
Class F Non-voting common shares				
Balance beginning of year	**2,629,712**	**2,629,712**	1,867,226	1,867,226
Issued for cash	**437,030**	**437,030**	751,892	751,892
Issued as stock dividend	**202,360**	**202,360**	59,572	59,572
Redeemed	**(92,603)**	**(92,603)**	-	-
Transferred to class D	**(25,000)**	**(25,000)**	(48,978)	(48,978)
	3,151,499	**3,151,499**	2,629,712	2,629,712
	23,948,636	**$ 23,948,636**	19,735,938	$ 19,735,938

11. Share capital

The Common shares and Non-voting common shares are retractable on at least 60 days written notice before the end of any fiscal quarter of the Company. The shares will be redeemed at the book value of the shares plus any unpaid dividends as determined by the Company's year-end audited or quarter-end unaudited financial statements, except shares redeemed in the fiscal year in which they are issued will be redeemed at the lesser of the book value or $1.00.

Where shares are being redeemed within 1 year of their issuance, the redemption price will be reduced by an amount equal to 5% of the original issuance price of such shares. Where shares are being redeemed after 1 year of their issuance but within 2 years of their issuance, the redemption price will be reduced by an amount equal to 3.5% of original issuance price of such shares. Where shares are being redeemed after 2 years of their issuance but within 3 years of their issuance, the redemption price will be reduced by an amount equal to 2.5% of original issuance price of such shares. Shares being redeemed beyond 3 years of their issuance will receive the full redemption price.

Not withstanding the foregoing, the Company has waived such reductions of the redemption price for shares redeemed after 1 year of their issuance for all shares purchased before December 31, 2013 for Class A, D, and F Non-voting common shares, and the Company may, in its sole discretion and without guarantee, waive the other reductions in redemption price with respect to shares purchased before December 31, 2013. The redemption fee is not waived for Class E shares.

The Common shares and Non-voting common shares will be redeemed unless:

i) as a result of such redemption, one holder of the shares or a related group of holders of any class would hold more than 25% of the outstanding shares of that class;

ii) the number of holders within any class of shares would be less than 20;

iii) as a result of such redemption the Company would cease to quality as a "mortgage investment corporation" as defined in the Tax Act; or

iv) the Company does not have sufficient cash available to redeem the shares, in which case the Company has the right to waive the redemption until sufficient cash is available.

In the event of the above, if the Company has elected to make partial redemptions, the redemptions will be made on a pro rata basis. In the event of liquidation, dissolution or wind-up of the Company, the distribution of the assets of the Company shall be made on a pro-rata basis to the Common and Non-voting common shareholders.

As a result of the redemption notification provisions and restrictions noted above, the Common shares and Non-voting common shares have been recorded as long term liabilities.

In 2013 The "preferred shares" were re-named "Non-voting common shares" and the "Class F1" shares were re-named "Class F". In addition, "Class E" shares were created.

12. Income distribution

The holders of Non-voting and Common shares are entitled to non-cumulative dividends ("Priority Dividends") from the Company's net profits available for dividends. Such dividends will be calculated as follows:

(a) the Class A Non-voting shareholders, a return equal to the average of the Benchmark two-year Government of Canada Bond Rate plus 3.5% per annum as determined on the first business day of the week following the end of each month in the fiscal period; and

(b) the Class D Non-voting and Common shareholders, a return equal to the average of the Benchmark two-year Government of Canada Bond Rate plus 4% per annum as determined on the first business day of the week following the end of each month in the fiscal period.

(c) the Class E Non-voting shareholders, a return equal to the average of the Benchmark two-year Government of Canada Bond Rate plus 3.50% per annum as determined on the first business day of the week following the end of each month in the fiscal period.

(d) the Class F Non-voting shareholders, a return equal to the average of the Benchmark two-year Government of Canada Bond Rate plus 4.5% per annum as determined on the first business day of the week following the end of each month in the fiscal period;

Or such lesser amount as is available for dividends (such amount to be pro-rated in the case of shares not issued for full fiscal year), before any Performance Incentive as described in note 14 is paid to the Fund Manager.

If all or any part of the Company's profits for the year are not available for Priority Dividends due to a deficit in the Company's retained earnings, such amount (a "Priority Capital Allocation") will be retained in the Company for the benefit of the shareholders to the extent necessary to eliminate the Company's deficit position, and any balance of profits will be paid out as Priority Dividends.

After payment of the Priority Dividends, and/or after any Priority Capital Allocation, the balance of the Company's profits will be distributed as follows:

(a) 75% will be paid by way of a dividend to the holders of the Non-voting common and Common shares; and

(b) 25% will be paid to the fund manager as profit participation under the management agreement (note 14).

The Company has determined that $1,342,899 (2012 - $1,163,988), being net income before other item, is to be distributed as dividends to Non-voting and Common shareholders, representing weighted average earnings per share of $0.07 (2012 - $0.07). Shareholders have the right to select payment of dividends in cash or the Common share or Non-voting share equivalent.

13. Income Taxes

Under the terms of the Canadian Income Tax Act, for each year that the Company qualifies as a mortgage investment Company, no income taxes will be payable on net earnings from which dividends will be paid. Income in excess of allowable deductible reserves under the Act which is not distributed to shareholders within ninety days of the fiscal year-end will be subject to corporate taxation.

14. Management agreement

The Company has entered into an agreement for the provision of management services as follows:

A management agreement with a company controlled by the directors and Common shareholders involving the Company's business operations, under the terms of which the Company is committed to pay:

(a) a monthly management fee of 1% per annum of the total paid up capital, as defined, of the Company's Class F Non-voting common shares, plus 2% per annum of the total paid up capital, as defined, of the Company's Class A Non-voting common shares, plus 2% per annum of the total paid up capital, as defined, of the Company's Class E Non-voting common shares and 1.5% per annum of the total paid up capital as defined, of the Company’s Class D Non-voting common shares, calculated as of the last day of each calendar month and payable within fifteen days after the end of each such calendar month; and

(b) a performance incentive of 25% of annual net income after provisions for all expenses including provision of reserves against potential losses and provision for Priority Dividends and/or Priority Capital Allocations to the shareholders of the Company. This incentive will be paid annually based on the net income of the Company, as reported in its audited annual financial statements, within ninety days after the Company's fiscal year-end.

The agreement, effective August 20, 2009 has a five year term and will automatically be renewed for successive one year periods thereafter unless notice of intention not to renew is given by either party at least 120 days before the end of the term.

The directors of the management company waived $nil (2012 – $24,558) of the performance incentive fee.

15. Commitments

As at December 31, 2013, outstanding commitments to fund mortgages totaled $5,406,716 (2012 - $1,968,967), all of which funding is contingent upon completing certain milestones by the borrower. In addition, redemption requests received by but not yet redeemed as at December 31, 2013 totaled $592,459.

ITEM 13 DATE AND CERTIFICATE

This Offering Memorandum does not contain a misrepresentation.

DATED as of this 16th day of April 2014

BANCORP BALANCED MORTGAGE FUND II LTD.

per:

Chief Executive Officer	Chief Financial Officer
Director	Director