OFFERING MEMORANDUM

UPTON CAPITAL CORPORATION

Date: **March 7, 2019**

The Issuer

Name:		**UPTON CAPITAL CORP.**
Head office:	Address:	**Unit 101, 19909 – 64th Avenue, Langley, British Columbia**
	Phone:	**604-533-4478** (Toll Free: **1-888-918-3388**)
	E-mail:	**monique@bayfield.ca**
	Fax:	**604-533-8909**
	Website:	**None**

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

The Offering

Securities offered:	**Class "A" Preferred Non-voting (redeemable*) Shares** (New investors without any shares must also purchase one Common Share for $1.00) * See Item 5.1 "Terms of Securities – Redemption of Shares"
Price per security:	**$1.00 per share**
Minimum offering:	**There is no minimum. You may be the only purchaser. Funds available under the offering may not be sufficient to accomplish our proposed objectives.**
Maximum offering:	**$5,000,000 (5,000,000 Shares)** plus proceeds from the sale of Common Shares.
Minimum subscription amount:	**$500 - if you are already an investor in our Shares** **$5,000 - if you are a new investor** (includes $1.00 for one Common Share)
Payment terms:	**The subscription price for Shares being purchased is payable in full by the applicable closing date.** See Item 5.2 "Subscription Procedure".
Proposed closing date(s):	**April 1, 2019 and the first business day of each month thereafter until the earlier of February 27, 2020 and the issuance of our October 31, 2019 annual financial statements.** If we do not require the funds, we may not have one or more of these closings.
Income tax consequences:	**There are important tax consequences to these securities. See Item 6 "Income Tax Consequences and Registered Plan Eligibility".**
Selling agent:	**Bayfield Investment Services Ltd. See Item 7.**

Resale Restrictions

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

Purchaser's Rights

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

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

TABLE OF CONTENTS

Item 1 – USE OF AVAILABLE FUNDS

1.1 Funds

The funds that will be available to us from the offering, together with the funds estimated to be available from other sources, are set out in the following table.

		Assuming	
	Description	**Minimum Offering**	**Maximum Offering**
A	Amount to be raised by this offering (1)	$ 500	$ 5,000,000
B	Selling commissions and fees (2)	0	0
C	Estimated offering costs (e.g. legal, accounting, audit, etc.)	40,000	50,000
D	**Available funds: D = A - (B+C)**	**($ 39,500)**	**$ 4,950,000**
E	Additional sources of funding required (available) (3)	11,312,300	11,312,300
F	Working capital (or deficiency) (4)	0	0
G	**Total: G = (D+E) - F**	**$ 11,272,800**	**$ 16,262,300**

(1) Excluding proceeds from the sale of Common Shares.

(2) We do not currently pay any commissions or fees to our selling agent, Bayfield Investment Services Ltd., however, we may pay it or other exempt market dealers or registered securities dealers a commission or fee in respect of subscriptions originated by them. See Item 7 "Compensation Paid to Sellers and Finders".

(3) Maximum possible balance available under our credit facility as at the date of this Offering Memorandum. The amount actually available depends on the amount of qualifying mortgage loans we hold, therefore, the full amount of the credit facility may not be available. See Item 2.2 "Description of Our Business – Credit Facility".

(4) We do not have, as at the date of this Offering Memorandum, and do not expect to have, significant working capital (as substantially all of our cash on hand is generally loaned to borrowers) or a working capital deficiency.

1.2 Use of Available Funds

We intend to use the funds available to us from the offering and from other sources, as estimated in Item 1.1 "Funds", as set out in the following table.

Description of Intended Use of Available Funds (1) (Listed in order of priority)	**Assuming Minimum Offering**	**Assuming Maximum Offering**
Investment in residential, commercial, development and bare land mortgages (2)	$ 11,272,800	$ 16,262,300
TOTALS	**$ 11,272,800**	**$ 16,262,300**

(1) Our revenue from operations has been, and we expect it to continue to be, sufficient to cover our operating costs.

(2) Full or partial repayment of our credit facility from the net proceeds of the offering will allow us to borrow additional funds under the facility and invest it in mortgages. See Item 2.2 "Description of Our Business – Credit Facility" and Item 4.2 "Current and Long Term Debt".

1.3 Reallocation

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

Item 2 – OUR BUSINESS

2.1 Structure

We were incorporated as a company under the *Company Act* (British Columbia) on April 12, 1990. On October 11, 2005, we became subject to the *Business Corporations Act* (British Columbia), which superseded the *Company Act*.

2.2 Description of Our Business

Overview

We are a "mortgage investment corporation" (a "**MIC**"). Our business involves making loans secured by mortgages on real estate in Canada. Our borrowers are located in British Columbia, Alberta and Manitoba.

As a MIC, we make a diversified range of real estate secured loans, principally residential loans supplemented by a small number of other real estate (commercial, development and bare land) loans, all secured by first and second mortgages, and a very small number of third mortgages, on real estate properties. We earn most of our income from the interest paid pursuant to these mortgages along with renewal fees, pre-payment penalties, performance bonuses and other fees and charges related to such mortgages. Any additional income is earned from short term rental of properties we acquire from foreclosures under mortgages held by us and capital gains when such properties are sold.

We provide mortgage financing to borrowers whose applications do not necessarily fall within the lending and investing guidelines of conventional lenders. As a result of the additional risk, due diligence and administration associated with these mortgages, we charge a rate of interest that is higher than conventional lenders. When borrowers default under their mortgage loans, we work through the foreclosure process with the goal of minimizing any significant losses.

We are registered (licenced) as a mortgage broker in British Columbia. The Office of the Registrar of Mortgage Brokers at the (British Columbia) Financial Institutions Commission regulates the mortgage brokering and lending activities of MICs under the *Mortgage Brokers Act* (British Columbia). The Registrar and the *Mortgage Brokers Act* do not regulate the capital raising and investment marketing activities of MICs which are subject to securities legislation and regulation.

We are also licenced as a mortgage broker in Alberta. The Real Estate Council of Alberta (RECA) regulates the mortgage brokering and lending activities of MICs in Alberta. In Manitoba, we are exempt from registration and licencing or carry on business through registered or licenced mortgage brokers. We may change the provinces in which we make loans depending on financial results from each province.

Taxation of MICs

Under the Canada *Income Tax Act* (the "**Tax Act**"), a MIC is not taxed on its net income earned and net capital gains realized during a financial year if such net income and one-half of such net capital gains (being our "**taxable capital gains**") are distributed to the MIC's shareholders within 90 days of the MIC's financial year end. Therefore, to qualify as a MIC and receive this favourable tax treatment, we annually distribute all of our net income and taxable capital gains to our Preferred Shareholders. The annual distribution is paid, at the election of each Preferred Shareholder, in cash or in further Preferred Shares within 90 days of our financial year end. **These distributions are taxed as interest income in the hands of our Preferred Shareholders and not as dividends** as described in Item 6 "Income Tax Consequences and Registered Plan Eligibility".

Businesses We are Permitted to Conduct as a MIC

To qualify as a MIC we are restricted by the Tax Act to carrying on the following activities:

(a) our business must be passive and of an investment nature (accordingly, we cannot manage or develop residential or commercial real estate properties other than incidental management thereof – such as management of properties acquired by foreclosure); and

(b) our only business can be the investing of funds.

Furthermore, such investments are subject to the following restrictions:

(a) at least 50% of the cost amount of all of our assets must consist of bank deposits or debts secured on Canadian homes or housing projects;

(b) no more than 25% of the cost amount of all of our assets can consist of ownership of, or lease interests in, real estate unless acquired through foreclosure;

(c) we cannot invest our funds in

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

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

  (iii) shares of corporations not resident in Canada;

(d) our net leveraging (the ratio of the amount of our outstanding liabilities to the amount by which the cost of our assets exceeds our liabilities) cannot exceed a 3:1 ratio unless more than two-thirds of our investments are in residential mortgages and bank deposits, in which case it is entitled to be no more than a 5:1 ratio. (The terms of our credit facility, however, impose more stringent restriction on our leverage as described under "Credit Facility" below.)

Investment Policy

Our investment policy is intended to enable us to qualify for the special tax treatment afforded to MICs under the Tax Act. For this reason, we will loan most of our funds as residential mortgage loans and the balance will be held in bank deposits. We may also lend our funds as construction, commercial and bare land mortgage loans, however, we are restricted by our lending guidelines with respect to the amount of the loan compared to the value of the property (the "loan to value" or "LTV" ratio) of this type of lending. No funds will be loaned in respect of any property in which our directors or officers have a direct or indirect interest.

We believe the types of mortgage loans which we have made, and intend to make, are consistent with the criteria for a MIC under the Tax Act. While we meet these criteria we should be accorded the "flow through" tax treatment given to MICs. That treatment results in us not being taxed on any of our net income or taxable capital gains, all of which are distributed to our Preferred Shareholders effective as of the end of each financial year. **Pursuant to the Tax Act, such distributions are taxed, as interest income in the hands of our Preferred Shareholders and not as dividends.**

Operating Policy

Any residential loans made by us must be secured by first or second mortgages although, in very few cases, we may accept third mortgages as security (for such third mortgage loans, both the first and second mortgages are usually held by the same financial institution). Loans are limited to a maximum of 75% of the loan to value ratio of the mortgaged property less the amount of any prior mortgages.

Commercial, development and bare land mortgages made by us must be secured by first or second mortgages and the LTV must not exceed 65%.

No single mortgage can be made that would exceed 5% of our capital and all commercial mortgages, in the aggregate, cannot exceed 10% of the value of our mortgage portfolio.

Appraisals by accredited appraisers are required for most mortgage loans and, in most cases, such appraisals must be carried out by an independent appraiser. Commercial properties must be appraised by a member of the Accredited Appraiser Canadian Institute and require an environmental report. If the loan to value ratio of a residential property is less than 50%, a current market analysis may be used in place of an appraisal. The loans are only made where such appraisals or valuations and all other relevant materials including, where appropriate, credit, financial and environmental reports are satisfactory to our Manager and, if required, three directors.

Our Manager may approve loans up to $1,000,000 if secured by a first mortgage and up to $500,000 if secured by a second or third mortgage. Three directors, acting as a Credit Committee, must approve, in writing, all other loans. All commercial mortgages must be approved in writing by three of our directors.

The maximum term of our loans can be up to three years but generally will be made for only a one year term. Our loans are always renewable on the following conditions:

(a) the mortgage is paid up and in good standing;

(b) the loan satisfies an annual review, usually made six to eight weeks prior to the expiry date of the mortgage term, of the borrower's payment history, the value of the home and property securing the loan and the amount of equity of the borrower;

(c) if the review is favourable, an offer of renewal is sent to the borrower, who has four to six weeks to elect whether to accept the renewal terms failing which, the borrower must obtain new financing and repay the loan. Should the borrower be unable to pay off the loan, the loan is usually renewed; and

(d) the interest rates, payment amounts and penalties for any renewal fluctuate in accordance with market conditions.

When we make loans secured by property outside the Lower Mainland area of British Columbia we significantly increase the requirements potential borrowers must meet to ensure protection of our capital. On that basis we have made, and will make, loans in other parts of British Columbia and in Alberta and Manitoba.

The majority of the loans we make require principal and interest payments, although occasionally we make loans on an interest only payment basis. All mortgages, regardless of payment type, are monitored daily. As a result, we become aware of any collection problems well in advance of loan maturity.

Our policy on loan impairment and bad debts is as follows:

(a) any bad debt or write-off is recorded when it occurs. For example, if a foreclosure results a loss, the loss is recorded in our financial statements at that time; and

(b) impairment provision and allowances are anticipated, calculated and applied prior to our financial year end.

The type of insurance which we require to be in place depends on the property securing the loan, as follows:

(a) residential properties (including strata titled condominiums) must have "all perils" homeowner insurance;

(b) commercial properties (other than strata titled condominiums) must have "all perils" commercial insurance;

(c) development properties must have builders risk (construction) insurance; and

(d) bare land must have liability insurance.

Title insurance is required on all mortgages exceeding $20,000 and all taxes, levies and assessments must be fully paid on all properties. Loans cannot be secured by mortgages on commercial properties unless the properties also have a residential component.

From time to time, one or more of our directors carry out random "spot" checks of our files to ensure that we follow our Operating Policy in making our loans.

Credit Facility

We have arranged a revolving credit facility with Canadian Western Bank ("**CWB**"). This credit facility allows us, if our outstanding mortgage loans satisfy the terms of the facility, to borrow additional funds. We then use those funds to make further mortgage loans. By this "leveraging" of our capital base, we can increase our income with minimal risk. Our policy is to borrow no more than 100% of the total value of our current assets and eligible mortgages.

The credit facility with CWB allows us to borrow up to the lesser of $20,000,000 and the aggregate of 75% of our eligible first residential mortgages, 75% of our eligible second residential mortgages in "major cities", 65% of our eligible second residential mortgages in all other approved areas and 65% (up to a maximum of $3,000,000) of our eligible commercial mortgages. Funds borrowed are repayable on demand with interest at CWB prime rate plus 1.00% per year.

Under the credit facility, "major cities" include the substantial communities in Greater Vancouver Regional District, the Fraser Valley, the Greater Victoria area and central Vancouver Island, the Sunshine Coast and the Thomson-Okanagan in British Columbia, Calgary, Edmonton and their surrounding communities in Alberta and Winnipeg and Brandon in Manitoba. Mortgages not eligible under the credit facility consist of:

(a) mortgages more than 60 days in arrears of any payments;

(b) mortgages without an appraisal;

(c) mortgages not renewed within 30 days of maturity;

(d) mortgages ranking third or lower;

(e) mortgages securing loans with a loan to value ratio of more than 75%;

(f) syndicated or shared mortgages other than syndicated or shared mortgages between us and a related MIC not exceeding $1,500,000;

(g) mortgages on mobile homes, pubs, gas stations, properties exceeding five acres, raw land, project developments, hotels and motels and mobile home parks;

(h) mortgages with a term exceeding five years;

(i) mortgages securing construction loans; and

(j) mortgages on properties with structures not covered by earthquake insurance in the Greater Vancouver Regional District and the Fraser Valley and on Vancouver Island.

Furthermore, any portion of a mortgage exceeding $1,000,000 ($1,500,000 if the mortgage is syndicated with Versatile Mortgage Corp., an affiliated MIC) cannot be included in any of our mortgage categories. We cannot have more than 40% of our loans secured by mortgages on commercial properties. We sometimes make loans to parties that do not qualify as eligible mortgages.

We are required to provide CWB with audited financial statements within 120 days of our financial year end and unaudited monthly financial statements, a portfolio report and a certificate of compliance within 20 days of each month end.

While we are permitted by the Tax Act to leverage our capital (our debt to tangible net worth ratio) up to a 3:1 ratio (or in certain circumstances, a 5:1 ratio), CWB restricts our borrowing such that the leveraging is not more than a 0.75:1 ratio (tested monthly). CWB further requires us to maintain our minimum tangible net worth at not less than $20,000,000 (tested monthly), an interest coverage ratio (net income plus borrowing costs and amortization divided by debt payment obligations) of 2.00:1 (tested annually) and a current ratio (current assets divided by current liabilities) of not less than 2:1 (tested monthly).

The credit facility is secured by security agreements over all of our assets and assignments of our accounts receivable, mortgage monies due and insurance, all having first priority in favour of CWB.

Each quarter, a CWB representative audits not less than 10 of our mortgages, at least 20% of our mortgage portfolio or 100% of all new loans since the last audit, or all three.

We believe that we have complied, and are currently in compliance, with all of the requirements of our credit facility.

We pay CWB an administration fee for the facility of $1,500 per month, an annual renewal fee of $2,500 and, if our indebtedness under the credit line falls below $10,000,000, a stand-by fee of 0.25% per year in respect of the unused portion of the credit line.

Competition

Our competitors are principally other MICs, but also include commercial lenders and financial institutions such as banks, Overall, the MIC lending business continues to increase in number of MICs and competitiveness of those MICs each year. There are already a significant number of MICs operating with varying levels of success and many of these MICs compete for the same borrowers. This has resulted, and could result in further, downward pressure on lending rates and the resulting rates of return to investors in MICs.

Credit Committee

When required, an *ad hoc* committee of three of our Board of Directors acts as a Credit Committee. While their backgrounds are varied, all of our directors have the necessary skills that enable them to carry out their duties, such as experience in banking, real estate and finance. Directors are not paid any fee for their services when acting as members of the Credit Committee.

Manager

We have retained Bayfield Mortgage Professionals Ltd. to manage our mortgage investments and administer our business. Bayfield is registered as a mortgage broker in British Columbia, licenced as a mortgage broker in Alberta and Manitoba, and is wholly-owned by one of our directors, Gordon H. J. Wintrup.

Bayfield was retained pursuant to a Management Agreement dated January 1, 2016. The Agreement expires on January 1, 2021, is non-assignable and may be terminated by either party on one year notice.

Pursuant to the Management Agreement, Bayfield provides mortgage investment and administration services to us, including:

(a) sourcing, processing and administering mortgage loans on our behalf within investment parameters set out in our Credit Guidelines;

(b) carrying out the day-to-day administration of our business;

(c) providing financial services, including monthly reports on our operations to us;

(d) communicating with mortgage brokers carrying on business with us and answering their queries;

(e) preparing accounting information for, and co-ordinating with, our auditor in connection with the preparation of our annual financial statements;

(f) providing marketing and business development assistance and services to us; and

(g) furnishing us with all necessary administrative services including providing office space, clerical staff and maintaining books and records, as required.

Bayfield is paid a monthly fee for its services equal to 0.125% (1.50% per year) of our total assets (being the aggregate outstanding principal amounts due under all mortgages held by us (less our provisions for losses) plus cash and term deposits) as of the last working day of each month. This fee is used to partially pay (Bayfield also has management agreements with another MIC which also pays fees to Bayfield on the same basis) the wages of Bayfield's employees and to reimburse Bayfield for the cost of providing our office space, telephone, power, stationery, Internet service and other office expenses.

We are also required to reimburse Bayfield for its reasonable and necessary out-of-pocket disbursements (excluding wages and the cost of office space, telephone, power, Internet service and maintenance of our books and records) incurred in connection with administering our business. Such disbursements are only paid once approved by us.

We have agreed to indemnify Bayfield from all claims incurred in respect of the origination, administration and servicing of our mortgage portfolio except those caused by Bayfield's negligence or willful misconduct.

2.3 Development of Our Business

Since its inception in 1990, our business has grown steadily as a result of our prudent and conservative lending practices. We believe this growth has resulted in acceptable rates of return on our invested capital relative to alternative investment opportunities for our shareholders. When borrowers default under their mortgage loans, we work through the foreclosure process with the goal of minimizing any significant losses. This has allowed us to provide fairly consistent rates of return for our shareholders commensurate with market conditions. During our two most recently completed financial years there have not been any unusual events or conditions that have favourably, or adversely, influenced the development of our business.

As at February 28, 2019, we held 238 mortgages as security for loans totalling approximately $47.6 million with a weighted effective interest rate of 9.3% per year (for comparative amounts as at our last two financial year ends, see Note 4 of our financial statements at the end of this Offering Memorandum) as follows:

Mortgage Ranking	Number	Percent*	Principal Amount
First	110	65.54	$ 31,177,814
Second	126	34.28	16,306,863
Third	2	0.18	83,944
Totals	**238**	**100.00**	**$ 47,568,621**
Less allowance for loan impairment			$ 175,000
Totals			**$ 47,393,621**
Average mortgage balance			**$ 199,868**
Weighted average annual interest rate			**9.344%**

* Of total principal amount

Mortgage Type	First Mortgages	Second Mortgages	Third Mortgages	Totals
Residential	$ 28,299,491	$ 15,453,661	$ 83,944	**$ 43,837,096**
Residential land	1,055,288	608,386	0	**1,663,674**
Mixed Use	580,878	0	0	**580,878**
Commercial	1,242,157	244,816	0	**1,486,973**
Totals	**$ 31,177,814**	**$ 16,306,863**	**$ 83,944**	**$ 47,568,621**

Mortgage Location	First Mortgages			Second Mortgages			Third Mortgages		
	No.	%*	Principal	No.	%*	Principal	No.	%*	Principal
British Columbia	89	58.50	$ 27,829,102	96	30.05	$ 14,296,109	1	0.05	$ 25,415
Alberta	20	6.62	3,146,838	28	4.23	2,010,754	1	0.13	58,529
Manitoba	1	0.42	201,874	0	0	0	0	0	0
Totals	**110**	**65.54**	**$ 31,177,814**	**124**	**34.28**	**$ 16,306,863**	**2**	**0.18**	**$ 83.844**

* Of total principal amount

The properties were distributed between large metropolitan areas (Vancouver, Victoria, Calgary, Edmonton and Winnipeg and their surrounding communities) and mid-sized and larger communities (such as Kelowna and Abbotsford, British Columbia and Red Deer and Lethbridge, Alberta). All of the loans were secured by mortgages on residential properties, although we do, from time to time, make loans secured by mortgages on commercial, development and bare land properties.

The ratio of the value of each loan to the appraised value of the property varies, but rarely exceeds 75%.

As at the end of our last financial year on October 31, 2018, there

- was one significant mortgage that represented 2.20% of the total outstanding principal our mortgage portfolio. All other mortgages have a value below 2.00% of the balance of our mortgage portfolio;

- were six mortgages (2.53% of our mortgages) with outstanding principal totalling $1,582,768 (3.50% of our total outstanding principal) in foreclosure, and

- were six delinquent mortgage (2.53%% of our mortgages) with outstanding principal totalling $1,437,575 (3.18% of our total outstanding principal).

Mortgages classified as “delinquent” are mortgages for which interest and principal payments are at least 60 days in arrears. Mortgages classified as “impaired” are mortgages for which interest and principal payments are at least 90 days in arrears and for which the underlying security is considered inadequate to recover all costs. Estimated realizable amounts are determined by the estimated fair market value of the security underlying the mortgages after deducting estimated costs of realization. The impairment is based on valuations by independent appraisers accredited by professional institutes with recent experience in the location of the property being valued and by direct sales comparisons where the fair value is based on comparisons to recent sales of properties of similar types, locations and quality.

The average rate of return which our shareholders receive on their investments is determined annually by our auditor as at our October 31st financial year end. The effective annual yield on adjusted share capital for our shareholders for the past five financial years is set out in the following table.

2018	2017	2016	2015	2014
8.56%	9.12%	7.65%	6.35%	6.27%

Since the inception of our business, the average rate of return assuming re-investment of distributions into shares, has been 9.24%. All of our cash distributions for the five financial years shown were, and we expect future distributions to continue to be, funded from our operating activities and funds re-invested through our share re-investment plan, and none were funded from bank borrowings, share subscriptions from our investors or other sources.

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

2.4 Long Term Objectives

We have two long term objectives.

Firstly, to continue the orderly and consistent development of our business and consistent growth of our earnings and assets and operations in accordance with prudent commercial lending practices while minimizing both risk to our capital base and the number of foreclosures which must be completed when borrowers default under their mortgage loans.

Secondly, to continue to achieve a return on capital on the order of 6% to 8% per year.

There cannot be any assurance, however, that we will meet either objective. See Item 8 "Risk Factors".

2.5 Short Term Objectives and How We Intend to Achieve Them

Our objectives for the next 12 months are the same as our long term objectives set out in Item 2.4 "Long Term Objectives". We intend to meet those objectives for the next 12 months as set out in the following table.

What we must do and how we will do it	**Target completion date or, if not known, number of months to complete**	**Our cost to complete**	
		Minimum Offering	Maximum Offering
Carry out the offering as described in this Offering Memorandum.	Next 12 months	$ 40,000	$ 50,000
Use the offering proceeds and other available funding to provide mortgage loans with a reasonable and manageable level of risk in accordance with our existing lending practices	Next 12 months	$ 11,272,800	$ 16,262,300

2.6 Insufficient Funds

There is no assurance that (i) any of the offering will be sold, (ii) the proceeds of the offering, if any, will be sufficient to accomplish our proposed objectives, or (iii) alternative financing will be available. If none of the offering is sold, we will continue to use our existing capital and cash flows to carry on our current business.

2.7 Material Agreements

We are currently a party to the following contracts with related parties and material contracts:

(a) Management Agreement dated January 1, 2016 with Bayfield Mortgage Professionals Ltd. See Item 2.2 "Description of Our Business – Manager"; and

(b) Credit Facility Agreement dated October 23, 2014 and amendments dated March 29, 2016 and November 28, 2016, Revolving Credit Agreement dated December 20, 2016 and various security agreements, each with CWB. See Item 2.2 "Description of Our Business – Credit Facility".

Item 3 – INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 Compensation and Securities Held

The following table discloses the compensation paid to, and securities held by, each of our directors, officers and promoters and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of our voting securities (a "**Principal Holder**").

Name & Municipality of Principal Residence	Positions Held & Date Appointed	Compensation Paid and Payable Last Year (Current Year)	Number, Type & Percentage of Our Securities held [(1)] after completion of the: Minimum Offering	Maximum Offering [(2)]
CARPENTER, Daryl Peter Surrey, BC	Vice-President March 22, 2016 Director March 4, 2008	0 (0)	1 common (0.48%) 215,673 preferred (0.56%)	1 common (0.48%) 215,673 preferred (0.49%)
CARPENTER, Robert Dale Langley, BC	Director February 26, 2001	0 (0)	1 common (0.48%) 214,467 preferred (0.55%)	1 common (0.48%) 214,467 preferred (0.49%)
HOOGE, Gary Anthony Langley, BC	President March 22, 2016 Director March 4, 2008	0 (0)	1 common (0.48%) 859,721 preferred (2.22%)	1 common (0.48%) 859,721 preferred (1.96%)
KOVACS, Randall Joseph Langley, BC	Director March 25, 2015	0 (0)	1 common (0.48%) 171,859 preferred (0.44%)	1 common (0.48%) 171,859 preferred (0.39%)
MATHARU, Inderjit Singh Surrey, BC	Treas., Sec'y & Director March 28, 2013	0 (0)	1 common (0.48%) 25,808 preferred (0.07%)	1 common (0.48%) 25,808 preferred (0.06%)
VELDHUIS, Mike Koen Gerard Vancouver, BC	Director March 7, 2006	0 (0)	1 common (0.48%) 183,340 preferred (0.47%)	1 common (0.48%) 183,340 preferred (0.42%)
WINTRUP, Gordon Howard James Langley, BC	Director February 26, 1991	$ 45,000[(3)] ($ 45,000) [(3)]	1 common (0.48%) 131,990 preferred (0.34%)	1 common (0.48%) 131,990 preferred (0.30%)

(1) Shares beneficially held, directly or indirectly, or over which control or direction is exercised, by each person and does not include shares held jointly with a spouse. Amounts are subject to variation depending on the share purchases and redemptions during the term of the offering.

(2) Calculated on the basis of the number of shares of each class held and assuming a minimum of 500, a maximum of 5,000,000 Preferred Shares and no Common Shares are sold. The final allocation between Preferred Shares and Common Shares of the shares issued and the total number of shares issued will depend on the number of subscriptions from new and existing investors. We are unaware whether our directors and officers will purchase any shares in the offering.

(3) Mr. Wintrup receives compensation from Bayfield Mortgage Professionals Ltd. in respect of services provided through Bayfield for us and another MIC, Versatile Mortgage Corp. Of this compensation, approximately 50% is attributable to us and the other 50% attributable to Versatile. The first amount shown is the compensation attributable to us in our most recently completed financial year and the amount shown in parentheses is the expected compensation for the current financial year. See Item 2.2 "Description of Our Business – Manager" for a description of how the remuneration paid by us to Bayfield is calculated. No compensation is paid by us directly to Mr. Wintrup.

3.2 Management Experience

The principal occupations of our directors and executive officers over the past five years and any relevant experience in a business similar to ours are set out in the following table.

Name & Position	Principal Occupation and Related Experience
CARPENTER, Daryl Peter Vice-President & Director	Property Manager since 1994 and land developer since 1997. President and owner of Metropolitan Property Management Inc., a commercial and industrial property management and leasing company, since January 2006. General Manager of Resland Development Corp., a land development company with projects in Western Canada and Arizona.
CARPENTER, Robert Dale Director	President and founder of Resland Development Corp., a land development company with projects in Western Canada and Arizona, since June 1988. Formerly director of Langley Hospital Foundation. Residential construction from 1972 to 1985.

Name & Position	Principal Occupation and Related Experience
HOOGE, Gary Anthony President & Director	Residential realtor with over 30 years experience.
KOVACS, Randall Joseph Director	Professional Engineer with over 30 years experience. President and CEO of Gage-Babcock & Associates Ltd, (fire protection consulting engineers) since 2000. Formerly director of Common Cents Capital Corporation, a MIC acquired by Upton in 2014.
MATHARU, Inderjit Singh Treasurer, Secretary & Director	Mortgage Broker in British Columbia Mortgage Agent in Alberta and Manitoba Member of Mortgage Professionals Canada, Canadian Mortgage Brokers Association (British Columbia), Alberta Mortgage Brokers Association and MIC Managers Association of BC. Vice President of Bayfield Mortgage Professionals Ltd. since 2007 Treasurer, Secretary, a director and 50% owner of Bayfield Investment Services Ltd. since January 9, 2019
VELDHUIS, Mike Koen Gerard Director	President of RPC Strategies Inc., a consulting company specializing in assisting in start-up financing of junior public companies, since October 2008. Director and co-founder of Aroway Energy Inc., a TSX Venture listed oil and gas exploration company, since October 2011. Formerly Account Manager at GE Commercial Finance specializing equity based lending in the forestry, mining and construction industries.
WINTRUP, Gordon Howard James Director	Mortgage Broker in British Columbia Mortgage Agent in Alberta and Manitoba Member of British Columbia MIC Managers Association, Mortgage Professionals Canada, Canadian Mortgage Brokers Association (British Columbia), Alberta Mortgage Brokers Association and MIC Managers Association of BC. President and owner since 1972 of Bayfield Mortgage Professionals Ltd., a mortgage brokerage firm with over 70 mortgage agents in British Columbia, Alberta and Manitoba. President, a director and 50% owner of Bayfield Investment Services Ltd. since July 18, 2008 Founded first MIC in 1984 and is currently a director and the owner of our Manager (which is also the manager for one other MIC). Formerly Manager of Laurentide Financial Corporation and Credit Manager with the Bank of Montreal during the 1960s.

3.3 Penalties, Sanctions and Bankruptcy

None of our directors, executive officers or control persons or issuers of which they were a director, executive officer or control person at the time, has been any time during the last 10 years:

(a) subject to any penalty or sanction;

(b) subject to any cease trading order in effect for more than 30 consecutive days; or

(c) the subject of any 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.

3.4 Loans

We are not indebted to any of our directors, management, Principal Holders or promoters, nor are any of them indebted to us, for any loans.

Item 4 – CAPITAL STRUCTURE

4.1 Share Capital

Our share capital is set out in the following table.

Description of Security (1)	Number Authorized to be Issued	Price per Security	Number outstanding as at the date of this Offering Memorandum	Number outstanding after the Minimum Offering (2)	Number outstanding after the Maximum Offering (2)
Common Shares	unlimited	$1.00	207	207	207
Class "A" Preferred Non-voting Shares	unlimited	$1.00	38,770,804	38,771,304	43,770,804

(1) There are not any options, warrants or other securities convertible into Common Shares or Preferred Shares.

(2) Assuming no Common Shares and a minimum of 500 and a maximum of 5,000,000 Preferred Shares are sold. The final amount of, and allocation between, Common Shares and Preferred Shares issued will depend on the number of new and existing investors and amount of subscriptions received.

4.2 Current and Long Term Debt

Our current and long term indebtedness is set out in the following table.

Description of Debt & Whether Secured (1)	Interest Rate (annual)	Repayment Terms	Amount Outstanding as at the Date of this Offering Memorandum
Current			
Demand Loan	CWB Prime + 1.00%	Interest payable monthly & Principal repayable on demand	$ 8,687,663
Long Term			
Term Loans	–	–	0

(1) All loans are secured as described in Item 2.2 "Description of Our Business – Credit Facility".

4.3 Prior Sales

Within the past 12 months, we have issued the following Common Shares and Preferred Shares (and no securities convertible into or exchangeable for Common Shares or Preferred Shares) as set out in the following table.

Date of Issuance	Type of Security Issued	Number of Securities Issued	Price per Security	Total Funds Received
April 2, 2018	Preferred	316,000	$1.00	316,000
	Common	4	$1.00	4
May 1, 2018	Preferred	1,709,486	$1.00	1,709,486
	Common	4	$1.00	4
June 1, 2018	Preferred	247,617	$1.00	247,617
	Common	1	$1.00	1
July 2, 2018	Preferred	1,020,700	$1.00	1,020,700
	Common	2	$1.00	2
August 1, 2018	Preferred	348,142	$1.00	348,142
	Common	3	$1.00	3
September 4, 2018	Preferred	50,000	$1.00	50,000
	Common	3	$1.00	3
October 1, 2018	Preferred	1,255,508	$1.00	1,255,508
	Common	8	$1.00	8
October 31, 2018 (1)	Preferred	1,841,024	$1.00	1,841,024
November 1, 2018	Preferred	1,690,415	$1.00	1,690,415
	Common	5	$1.00	5
December 3, 2018	Preferred	355,079	$1.00	355,079
	Common	3	$1.00	3
Totals	**Preferred**	**8,833,971**	**$1.00**	**$ 8,833,971**
	Common	**33**	**$1.00**	**$ 33**

(1) Issued in lieu of cash payment for the balance of the annual distribution of our net profits and taxable capital gains for the preceding financial year. The election whether to receive Preferred Shares or a cash payment is made by our investors.

4.4 Redemption History

During our last two financial years and subsequent period to the date of this Offering Memorandum, we have redeemed the following Common Shares and Preferred Shares:

Financial Year	Redemption Requests							
	Outstanding at Financial Year Start		Received during Financial Year		Paid Out during Financial Year		Outstanding at Financial Year End	
	Number of Requests	Amount to be Redeemed	Number of Requests	Amount to be Redeemed	Number of Requests	Amount to be Redeemed	Number of Requests	Amount to be Redeemed
Common Shares								
2017	0	$ 0	6	$ 6	6	$ 6	0	$ 0
2018	0	$ 0	5	$ 5	5	$ 5	0	$ 0
2019 (1)	0	$ 0	2	$ 2	2	$ 2	1	$ 1
Preferred Shares								
2017	0	$ 0	20	$ 639,679	20	$ 639,679	0	$ 0
2018	0	$ 0	21	$ 2,424,453	21	$ 2,424,453	0	$ 0
2019 (1)	0	$ 0	17	$ 1,615,198	17	$ 1,615,198	0	$ 0

(1) Financial period from November 1, 2018 to the date of this Offering Memorandum.

We paid all redemption requests in full using our cash on hand and, if necessary, funds available from our credit facility. We expect redemptions to continue approximately as they have for the last two financial periods and do not expect that such redemptions will cause any adverse effect on our operations or payment of income distributions.

Item 5 – SECURITIES OFFERED

5.1 Terms of Securities

The securities being offered for sale by this Offering Memorandum are Class "A" Preferred Non-voting shares with a par value of $1.00 each (a "**Preferred Share**") in our share capital. Each new investor must also purchase one common share with a par value of $1.00 (a "**Common Share**") in our share capital.

All of our shares issued to date are, and those issued pursuant to this Offering Memorandum shall be, fully paid and non-assessable.

Voting

Each Common Share has one vote at every meeting of shareholders. Our Preferred Shares do not have any right to vote except in respect of any amendment to their special rights and privileges.

Distribution of Profits

Within 90 days after the end of each financial year, we distribute, effective as of the financial year end, all of our net profits and taxable capital gains for that financial year to our Preferred Shareholders. The distributions may be made by the issuance of further Preferred Shares or by way of cash, or a combination of both, as elected by the shareholder.

Our Common Shares are not entitled to receive any distributions of our net profits or net capital gains.

Restrictions on Ownership

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

Redemption of Shares

You can require us to redeem some or all of your Preferred Shares by sending us a request for redemption by registered mail or courier to our registered office (at MacCallum Law Group LLP, 6345 – 197th Street, Langley, British Columbia, V2Y 1K8) so that it is received by us on or before July 31st (90 days before our financial year end of October 31st) or January 30th (90 days before our six month period end of April 30th). Within 90 days of receiving such request, we shall redeem your shares. Our Common Shares are not redeemable unless all of your Preferred Shares are also being redeemed.

If you redeem your Preferred Shares you will receive, within 90 days of our next following financial year end, their book value as at the date of such redemption plus any unpaid cash distributions. Since the inception of our business, the book value of our shares has been $1.00 per share. It is possible, however, that the book value could be less than $1.00 per share. See Item 8 "Risk Factors – What are the risks of investing in MICs?" Since we must annually distribute all of our profits it is unlikely you will receive more than $1.00 per Preferred Share redeemed.

If a planned redemption would result in us not meeting the requirements for a MIC under the Tax Act or the solvency requirements of the *Business Corporations Act*, we will only redeem such number of shares as may be necessary for us to continue to meet such requirements.

After appropriate notice to redeem Preferred Shares has been given to us, any unpaid cash distributions on the shares to be redeemed will only be paid in cash and may not be used to reinvest in further Preferred Shares.

Each redemption of our shares is subject to legal fees of $60 plus PST and GST, payable by the shareholder.

Transferability

Both our Preferred and Common Shares are subject to restrictions on transfer:

(a) contained in our Articles (our corporate charter); and

(b) imposed by applicable securities legislation (see Item 10 "Resale Restrictions").

Our Articles provide that a shareholder cannot transfer any of their Preferred Shares without the consent of our Board of Directors. We permit transfers to the shareholder's RRSP, TFSA, Registered Retirement Income Fund (RRIF), Deferred Profit Share Plan (DPSP), Registered Pension Plan (RPP) and Registered Education

Savings Plan (RESP) or other similar plan created by a province or the Canadian government (collectively, "**Registered Plans**") or a Registered Plan owned by the shareholder's spouse.

The Tax Act requires MICs to have no fewer than 20 shareholders and no one shareholder (including the shareholder's spouse and children under 18, and companies controlled by any of them and the shareholder) to hold no more than 25% of its issued shares. Accordingly, our Articles also prohibit any transfer of shares if it would result in us having fewer than 20 shareholders, in any one shareholder holding more than 25% of our issued shares or any other situation that would be contrary to such Act.

Each transfer of our shares is subject to legal fees of $60 plus PST and GST, payable by the shareholder.

Conversion

Neither our Common Shares nor our Preferred Shares are convertible into any other form of share or security.

Liquidation Entitlement

If we are liquidated, dissolved or wound-up, the proceeds after payment of all expenses and outstanding indebtedness will be paid to our Preferred Shareholders in proportion to (and up to) the amount paid to us for their Preferred Shares. If any net proceeds remain, our Common Shareholders will share in the remaining proceeds in proportion (and up to) the amount paid to us for their Common Shares. Finally, if any net proceeds still remain, our Common Shareholders and Preferred Shareholders shall equally split such remaining proceeds in proportion to the number of shares (Common and Preferred) held. Since we pay out all of our net profits and taxable capital gains each year, it is possible that on a liquidation, dissolution or winding-up our shareholders may not be paid the full amount paid for their shares.

Amendment of Terms

The terms of our Common Shares and Preferred Shares may be amended by a vote of not less than three-quarters of our Common Shareholders and Preferred Shareholders, respectively, representing at least three-quarters of the outstanding Common Shares or Preferred Shares, as applicable.

5.2 Subscription Procedure

If you wish to subscribe for our Preferred Shares (new investors must also subscribe for one Common Share), please complete and sign a Subscription Agreement, and all schedules thereto, in the form accompanying this Offering Memorandum and **return the agreement to**

> **Bayfield Investment Services Ltd.**
> Unit 101, 19909 – 64th Avenue
> Langley, British Columbia V2Y 1G9

together with a certified cheque, bank draft or money order payable to us our solicitors, "MacCallum Law Group LLP, In Trust", for the number of shares you wish to purchase.

All subscription funds will be held for at least two business days after receipt. Closing will occur effective on or about the date(s) set out on the cover of this Offering Memorandum. The original share certificates are kept by our solicitors with our corporate records unless you subscribe for your shares through a Registered Plan, in which case the original share certificates are sent to the financial institution administering your Registered Plan. We will provide you with a copy of your share certificate for your records on your request.

There are no conditions that must be met by us before any closing occurs, however, we may, in our sole discretion, establish minimum and maximum subscription amounts by investors or accept or reject any subscription. Furthermore, if we do not require additional funds at any time, we may elect not to have a closing on one or more of the dates set out on the cover of this Offering Memorandum. If a subscription is not accepted, in whole or in part, we will return all or part of your subscription funds, without interest or deduction, as applicable.

Item 6 – INCOME TAX CONSEQUENCES AND REGISTERED PLAN ELIGIBILITY

6.1 Caution

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

6.2 Description of Income Tax Consequences

The following information has been prepared with assistance from our auditor, Grant Thornton LLP, Chartered Professional Accountants.

Tax Payable by Us

In general, a MIC does not pay income tax as long as it distributes its net income and any taxable capital gains to its shareholders within 90 days after each financial year end. **When our net income and any taxable capital gains are distributed to you, tax on the net income component of that distribution is payable by you as if you had received interest income and the tax on the capital gain component is payable in accordance with the usual capital gains tax rules.**

Tax Payable by You

The distributions you receive on your Preferred Shares, whether you take such distributions in cash or as new Preferred Shares, may result in you having to pay tax. The result depends on how your Preferred Shares are held.

Preferred Shares held in a Registered Plan

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

Preferred Shares held outside of Registered Plans

If you are an individual and hold your Preferred Shares outside of a Registered Plan you must declare distributions paid to you by us as taxable interest and if the distribution includes a capital gain component, the tax payable on that component is subject to the usual capital gains tax. This is the case whether the distributions were paid to you in cash or through additional Preferred Shares. The amount of the distribution you receive is based on the number of Preferred Shares you own. The nature of the distribution (that is, whether it is taxed as interest or as a capital gain) depends on how we initially received the funds – as interest or a capital gain. After the end of each calendar year we will issue a T5 reporting slip to you indicating how much of your distributions are income and how much are capital gains.

Redeeming Shares

If you redeem your Preferred Shares you will generally receive $1.00 per share redeemed. If, however, we do not have sufficient funds to pay such amount you may receive less than $1.00 per share in which case you will realize a capital loss. Since we must annually distribute all of our net profits and taxable capital gains, it is unlikely you will receive more than $1.00 per Preferred Share redeemed.

In general, the capital loss will be equal to the difference between the amount you receive on the redemption (less any costs of the redemption) and the adjusted cost base ("**ACB**") of the shares (which is calculated in accordance with the requirements set out in the Tax Act). Capital losses may be applied (depending on your circumstances) to capital gains to reduce your overall tax payable. We will provide you with details on the proceeds from your redemption of our shares. However, in order to calculate your capital loss, you need to know the ACB of your shares before the redemption.

6.3 Eligibility for RRSPs and Other Registered Plans

Our Preferred Shares, if issued on the date hereof and the investor, together with the investor's related parties, owns less than 10% of our shares, would be qualified investments under the Tax Act and the regulations thereunder for Registered Plans. In addition, the Preferred Shares, if issued on the date hereof, would not constitute "foreign property" for the purpose of the tax imposed under Part XI of the Tax Act on the Registered Plans, registered investments and certain other tax exempt entities, including most RPPs and registered pension funds. RRSPs, RESPs and TFSAs are not subject to the foreign property rules.

Item 7 – COMPENSATION PAID TO SELLERS AND FINDERS

We intend to sell our Preferred Shares through Bayfield Investment Services Ltd., which has applied to the British Columbia Securities Commission to become an exempt market dealer. Bayfield's President, 50% shareholder and one of its two directors is Gordon H. J. Wintrup (he is also one of our directors) and its Treasurer, Secretary, 50% shareholder and the second of its two directors is Inderjit S. Matharu (he is also our Treasurer, Secretary and one of our directors).

We do not currently pay any commissions or fees to Bayfield as our selling agent.

We may agree to pay commissions and referral fees to other exempt market dealers and registered securities dealers in consideration of their referral of qualified investors who purchase our Preferred Shares through the Offering. Such commissions and referral fees will be negotiated on a case-by-case basis and may involve up-front cash commissions, "trailing" fees (paid over time while the investor continues to hold our Preferred Shares), the amounts of which will not exceed commissions and fees normally paid in the securities industry. Such commissions and fees would be deducted, for fixed fees and commissions, from the subscription funds provided by an investor and, for trailing fees, from income distributions paid to such investor.

Item 8 – RISK FACTORS

Our Corporate Constitution may not comply with the Tax Act requirements for a MIC.

We are intended to be, and have always operated as, a MIC under the Tax Act. Specifically, we have distributed all of our income and taxable capital gains to our shareholders after each financial year.

We have recently been advised that, if a MIC has both preferred and common shares (as we do), the Tax Act requires the MIC's preferred shares be paid any dividends to which they are entitled, then its common shares be paid a like amount per share, and finally the common and the preferred shares split any remaining dividends on a pari passu (that is, proportional) basis. This requirement is usually satisfied by a “pari passu clause” in the MIC’s corporate constitution (that is, in our Articles). During a recent review of our Articles, it was determined they do not provide for pari passu payment of dividends as described above.

Rather than having a pari passu clause, some MICs have a class of voting shares that are not paid dividends and a class of non-voting shares that are paid dividends. The terms of each class of shares are drafted so that both classes of shares are treated as “common shares” for the purposes of the Income Tax Act – even though one class is entitled to dividends as if it were a preferred share – and a pari passu clause is not required.

We are currently in discussions with tax counsel, corporate counsel and other experts, regarding the optimal route and procedure to rectify this issue. We expect that, in the next few months, we will apply to the British Columbia Supreme Court to rectify our Articles and possibly our share structure (retroactive to the date we were incorporated) to comply with the foregoing requirements for a MIC under the Tax Act. **UNTIL THAT RECTIFICATION PROCESS IS COMPLETED, THERE IS A RISK THAT THE BENEFITS AVAILABLE TO US AS A MIC MAY NOT BE AVAILABLE TO OUR INVESTORS WHICH, IF IT WERE TO OCCUR, WOULD RESULT IN A SIGNIFICANT REDUCTION ON THE RETURN ON THEIR INVESTMENT.**

Nature of a Mortgage Investment Company

When you invest in a MIC you do so by buying its shares. The MIC then invests the money raised from you and a group of investors with similar investment objectives in mortgages that are professionally managed by the MIC and its manager.

As a result, when you buy shares of a MIC you are indirectly buying these underlying mortgages. The value of your investment is determined by the performance of these underlying mortgages so you and the investors in the MIC share in any gains or losses generated by the MIC from these mortgages.

Generally, you can sell your shares back to the MIC (in other words, the MIC will redeem your shares) in order to take your money out of the MIC. When you sell you shares back to the MIC, the value of your original investment may have increased or decreased.

How risk is related to return

Generally, there is a strong relationship between the amount of risk associated with a particular investment, and that investment’s long-term potential to increase in value.

Investments that have a lower risk also tend to have lower returns because factors that can affect the value of the investment, the risks, are well known or are well controlled and have already been worked into the price of the investment. On the other hand, investments that could have potentially higher returns if conditions for success are favourable also risk generating equally higher losses if conditions become unfavourable. This is because the factors affecting the value of such investments are unknown or difficult to control.

What are the risks of investing in MICs?

Like any investment, there are risks associated with investing in MICs. The specific risks that can apply to us are explained below.

Your Investment is Not Guaranteed

Unlike bank deposits and guaranteed investment certificates (GICs) or money you have deposited in a bank account, your investment in a MIC is not guaranteed by the Canada Deposit Insurance Corporation, by any other government insurer or by us.

The Security for Our Loans will Fluctuate in Value

The value of a MIC's investments (that is, the loans it has made) and the value of the security for those investments (that is, the properties against which the mortgages securing the loans are registered) will change from time to time. While we endeavour to minimize our exposure to such fluctuations (and the resulting risk to our investors) by restricting our loans to 75% (or less) of the value of the security for such loans, there is a risk that the value of such security can significantly decrease in a falling real estate market. If the value of such security decreases to less than the outstanding amount due under the corresponding loan, the value of the loan would be adversely affected or impaired, which could reduce the value of your shares upon a redemption or the amount of income distributed to you.

There are a myriad of factors that can affect the value of real estate and a MIC's loans, including:

- current economic conditions, in particular, the value of real estate;
- changes in interest rates;
- changes in governmental regulation;
- events in financial markets; and
- financial conditions of the borrowers to which the MIC has advanced funds.

Your Investment could Decrease in Value

As a result of the changing value of the loans and corresponding mortgages, the value of your investment in a MIC could decrease over time, and there is no guarantee that when we redeem your shares they will be worth the price you paid for them.

Your Investment is Subject to Changes in Interest Rates

MICs are subject to interest rate risk. Our mortgage investments earn a fixed rate of interest. When interest rates rise, existing investments in mortgages become less valuable because new mortgages will pay the new, higher rate of interest. Conversely, if interest rates fall, the value of an existing mortgage with a higher rate of interest will rise.

Our Borrowers are or could become a Bad Credit Risk

Our borrowers often have incomes that are seasonal or fluctuate or they may have been refused credit from banks and other traditional financial institutions. Accordingly, our borrowers may be considered to be higher risk and, as a result, there is a risk they may not be able to, or may refuse to, pay back their loans when due. We believe our lending policy is conservative and anticipate that minimal losses will be incurred, Furthermore, if a loss does occur, it will be spread over all of our capital. Nevertheless, such losses could amount to a reduction in anticipated return on your investment or, in the worst circumstances, result in you losing your entire investment.

We might be Unable to Redeem Your Shares

Under exceptional circumstances, we may suspend your right to redeem your Preferred Shares for example, if the redemption would render us insolvent or if it would cause us not to meet the requirements for a MIC under the Tax Act.

Preferred Shareholders have Restricted Voting Rights Risk

Shareholders who own only Preferred Shares are not able to vote at annual general meetings of our shareholders in respect of the election of directors and the appointment of an auditor. Only Common Shareholders are entitled to vote on such matters. However, matters specifically affecting the rights of Preferred Shareholders are subject to approval by a vote of the Preferred Shareholders.

Our Shares are Subject to Restrictions on Resale

Our Preferred Shares are not traded on any stock exchange and may not be resold to third parties, therefore, you cannot liquidate your investment through selling your Preferred Shares. See Item 10 "Resale Restrictions".

The Loss of our Manager could Adversely Affect Our Business

We rely solely on Bayfield Mortgage Professionals Ltd. to administer investments for us. The loss of Bayfield would require us to retain another manager, possibly at a higher cost and on a less successful basis than Bayfield. This would have a material adverse effect on the rate of return obtained on our capital and, therefore, on the value of your investment in our Preferred Shares.

Conflicts of Interest faced by our Manager could Adversely Affect Our Business

Bayfield Mortgage Professionals Ltd. also manages the mortgage portfolios of another MIC. This MIC may compete with us for the same mortgages. As a result, we might not acquire as many profitable mortgages than if Bayfield managed only our business. This would have a material adverse effect on the rate of return obtained on our capital and, therefore, on the value of your investment in our Preferred Shares.

Conflicts of Interest faced by our Selling Agent could Adversely Affect Our Fundraising

Bayfield Investment Services Ltd. also intends to act as the selling agent of another MIC. This MIC may compete with us for the same investors. As a result, we might not receive as much investment funds than if Bayfield raised funds only for us. This would have a material adverse effect on the amount of capital raised and possibly the rate of return obtained on such capital and, therefore, on the value of your investment in our Preferred Shares.

A Change in Tax Legislation could Adversely Affect Our Business

We have been created to comply with the MIC requirements of the Tax Act. Our Preferred Shares are intended to appeal to individuals having Registered Plans such as RRSPs, RRIFs, TFSAs and RESPs. While it is not anticipated the provisions of the Tax Act respecting such Registered Plans will change, there is always the possibility that it could be altered so that the Preferred Shares would no longer be eligible investments for Registered Plans. Such changes could have an adverse effect on your investment.

We intend our business to be operated so that it complies at all times with the current requirements for MICs under the Tax Act. Failure to meet such requirements could have a material adverse effect on our financial performance.

The provisions of the Tax Act could be changed so that our net profits and taxable capital gains could be taxable in our, rather than your, hands. This could affect the value of your investment, especially if you own our Preferred Shares in a Registered Plan.

Risk of Dealing with Trustees

We will deal with the trustees of Registered Plans as necessary but we will not undertake any responsibility for the administration of any self-directed Registered Plans by such trustees. The trust company of your Registered Plan may impose conditions upon us with which we are unable or unwilling to comply. As a result, your trustee may refuse to allow our Preferred Shares to be an eligible investment for your Registered Plan.

Item 9 – REPORTING OBLIGATIONS

9.1 Continuous Disclosure

We are not a "reporting issuer" under applicable securities legislation, nor will we become a reporting issuer following the completion of the offering. **Consequently, we are not required to send you any documents on an annual or ongoing basis**. Since we are not, and will not become, subject to the continuous disclosure requirements of such securities legislation, we are not required to issue press releases or to send to you our interim and annual financial statements, management's discussion and analysis respecting such statements or annual reports.

The *Business Corporations Act* (British Columbia) requires us to hold a general meeting of our Common Shareholders in each calendar year and, at the meeting, to provide them with audited financial statements for the previous financial year. Instead of providing our annual financial statements at the meeting, we mail them to our Common Shareholders and also our Preferred Shareholders together with the notice for our annual general meeting of Common Shareholders held in the fall of each year. At the same time, we send a letter to all shareholders reporting on our previous year's business.

From time to time, we may send out on our own accord, or in response to a request from one or more shareholders, further information to all shareholders such as a reporting letter and interim financial statements.

9.2 Access to Corporate and Securities Information about Us

Since we are not a reporting issuer and our Preferred Shares are not publicly traded, no corporate or securities information about us is available from a government, regulatory authority, stock exchange or quotation and trade reporting system. Some securities information about this and previous offerings is available from the British Columbia Securities Commission at www.bcsc.bc.ca. Further information about us is available from Bayfield Mortgage Professionals Ltd. at the phone and fax numbers and e-mail address set out on the front cover.

Item 10 – RESALE RESTRICTIONS

10.1 Overview

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 Description of Restricted Period

Unless permitted under securities legislation, you cannot trade the securities before the date that is four months and a day after the date we become a reporting issuer in any province or territory of Canada.

We are not a reporting issuer in any Canadian province or territory, we will not become a reporting issuer upon completion of the offering and we do not anticipate becoming a reporting issuer. Accordingly, the resale restriction on our Preferred Shares and Common Shares you acquire under this Offering Memorandum may never expire.

Item 11 – PURCHASERS' RIGHTS

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

11.1 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 second business day after you sign the agreement to buy the securities.

11.2 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:

(a) us to cancel your agreement to buy these securities; or

(b) for damages against us, our directors as at the date of this Offering Memorandum and every signatory 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 (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and three years after you signed the agreement to purchase the securities.

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

11.3 Contractual Rights of Action in the Event of a Misrepresentation

If you are resident outside of Canada and the securities legislation where you are resident does not provide a comparable statutory right and there is a misrepresentation in this Offering Memorandum, you have a contractual right to sue us

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

(b) for damages.

This contractual right to sue is available to you whether or not you relied on the misrepresentation. However, in an action for damages, the amount you may recover will not exceed the price that you paid for your securities and will not include any part of the damages that we prove does not represent the depreciation in value of the securities resulting from the misrepresentation. We have a defence if we prove that you knew of the misrepresentation when you purchased the securities.

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

Item 12 – FINANCIAL STATEMENTS

Following are our audited financial statements for our last completed financial year.

Grant Thornton

Financial Statements

Upton Capital Corp.

October 31, 2018

Contents

Management Responsibility Statement

The management of Upton Capital Corp. is responsible for preparing the financial statements, the notes to the financial statements and other financial information contained in this annual report.

Management prepares the financial statements in accordance with International Financial Reporting Standards. The financial statements are considered by management to present fairly the management's financial position and results of operations.

The Company, in fulfilling its responsibilities, has developed and maintains a system of internal accounting controls designed to provide reasonable assurance that management assets are safeguarded from loss or unauthorized use, and that the records are reliable for preparing the financial statements.

The financial statements have been reported on by Grant Thornton LLP, Chartered Professional Accountants, the shareholders' auditors. Their report outlines the scope of their examination and their opinion on the financial statements.

Mr. Gary Hooge, President
March 6, 2019

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
Suite 1600
333 Seymour Street
Vancouver, BC
V6B 0A4

T +1 604 687 2711
F +1 604 685 6569
www.GrantThornton.ca

To the Shareholders of
Upton Capital Corp.

We have audited the accompanying financial statements of Upton Capital Corp., which comprise the statement of financial position as at October 31, 2018, and the statements of income and comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Upton Capital Corp. as at October 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Vancouver, Canada
March 6, 2019

Chartered Professional Accountants

Upton Capital Corp.
Statement of Financial Position

October 31	2018	2017
Assets		
Cash	**$ 88,632**	$ 44,070
Accounts receivable (Note 9)	**1,282,973**	2,973
Interest receivable	**257,075**	283,633
Property acquired through foreclosure (Note 5)	**150,500**	-
Mortgages receivable (Note 4)	**45,086,539**	45,461,585
Prepaid expenses	**2,244**	2,244
Total assets	**$ 46,867,963**	$ 45,794,505
Liabilities		
Bank indebtedness (Note 6)	**$ 8,466,504**	$ 16,109,933
Accounts payable (Note 10)	**63,712**	78,178
Deposits (Note 7)	**-**	130,000
Dividends payable (Note 8)	**2,684,532**	2,386,142
Preferred shares (Note 9)	**35,659,222**	27,096,275
Total liabilities	**46,873,970**	45,800,528
Shareholders' deficiency		
Share capital (Note 9)	**197**	181
Deficit	**(6,204)**	(6,204)
	(6,007)	(6,023)
Total liabilities and shareholders' deficiency	**$ 46,867,963**	$ 45,794,505

Related party transactions (Note 10)

Subsequent events (Note 15)

Rate of return (Note 14)

On behalf of the board

______________________ Director ______________________ Director

See accompanying notes to the financial statements.

Upton Capital Corp.
Statements of Income and Comprehensive Income

Year ended October 31	**2018**	2017
Revenue		
Interest income	**$ 4,261,300**	$ 3,617,187
Fees	**124,850**	143,650
Gain on property acquired through foreclosure (Note 5)	**-**	30,538
	4,386,150	3,791,375
Expenses		
Management fees (Note 10)	**730,964**	633,738
Bank charges and interest	**613,705**	477,301
Mortgage losses (Note 4)	**246,154**	154,351
Property maintenance	**30,232**	3,491
Insurance	**28,000**	20,720
Professional fees	**26,870**	48,136
Line of credit charges	**20,500**	61,139
Office	**3,965**	2,441
Marketing expenses	**1,228**	2,916
Licences and dues	**-**	1,000
	1,701,618	1,405,233
Income before other item	**2,684,532**	2,386,142
Other item		
Dividend expense (Note 8)	**(2,684,532)**	(2,386,142)
Net income and comprehensive income	**$ -**	$ -

Upton Capital Corp.
Statement of Changes in Equity
Year ended October 31

	Share Capital	Deficit	Total
Balance, October 31, 2016	$ 173	$ (6,204)	**$ (6,031)**
Net income and comprehensive income	-	-	**-**
Proceeds from issuance of shares	14	-	**14**
Redemption of shares	(6)	-	**(6)**
Balance, October 31, 2017	181	(6,204)	**(6,023)**
Net income and comprehensive income	-	-	**-**
Proceeds from issuance of shares	21	-	**21**
Redemption of shares	(5)	-	**(5)**
Balance, October 31, 2018	**$ 197**	**$ (6,204)**	**$ (6,007)**

Upton Capital Corp.
Statement of Cash Flows

Year ended October 31	2018	2017
Operating		
Net income and comprehensive income	$ -	$ -
Items not affecting cash		
Interest income	(4,261,300)	(3,617,187)
Dividends	2,684,532	2,386,142
Mortgage losses	246,154	154,351
Gain on property acquired through foreclosure	-	(30,538)
Interest expense	613,705	477,301
	(716,909)	(629,931)
Change in non-cash operating working capital		
Accounts receivable	(1,280,000)	16,577
Deposits	(130,000)	80,000
Accounts payable	(14,466)	13,520
	(1,424,466)	110,097
Cash flows related to interest		
Interest received	4,287,858	3,593,870
Interest paid	(613,705)	(477,301)
Dividend paid	(450,763)	(418,030)
	3,223,390	2,698,539
	1,082,015	2,178,705
Financing		
Common shares issued	21	14
Common shares redeemed	(5)	(6)
Preferred shares issued	9,052,021	2,001,721
Net proceeds (repayment of) from bank debt	(7,643,429)	6,839,614
Preferred shares redeemed	(2,424,453)	(639,679)
	(1,015,845)	8,201,664
Investing		
New mortgages funded	(16,693,302)	(24,113,345)
Mortgages repaid	16,822,194	13,481,647
Investment property acquired by foreclosure	(150,500)	-
Proceeds on sale of property	-	260,699
	(21,608)	(10,370,999)
Decrease in cash	44,562	9,370
Cash		
Beginning of year	44,070	34,700
End of year	$ 88,632	$ 44,070

See accompanying notes to the financial statements.

1. Nature of operations

Upton Capital Corp., (the "Company") is a mortgage investment corporation pursuant to Section 130.1 of the Income Tax Act. It was incorporated under the British Columbia Companies Act in 1990 and is also registered in Alberta and Manitoba. The primary mandate of the Company is to invest its pooled funds into residential first, second and third mortgages and to provide a return to its shareholders that will exceed the bank's prime lending rate by 2% - 4% per annum.

The address of the Company's registered office is Suite 101 19909 64 Avenue, Langley, BC V2Y 1G9.

2. Basis of presentation

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

These annual financial statements were authorized for issuance by the Board of Directors on March 6, 2019.

Basis of measurement
These financial statements are prepared on the historical cost basis, except for financial instruments classified as fair value through profit or loss that have been measured at fair value.

Functional and presentation currency
These financial statements are presented in Canadian dollars, which is also the Company's functional currency.

Use of estimates and judgments
The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period.

Significant areas requiring the use of management estimates relate to the valuation of mortgages, provisions for impaired loans and properties held for sales.

Management believes that its estimates are appropriate, however, actual results could differ from the amounts estimated. Estimates and underlying assumptions are reviewed annually and revisions to accounting estimates are recognized in the period in which the estimate is revised and any future periods affected.

3. Summary of significant accounting policies

Mortgages receivable

Mortgages receivable are classified as loans and receivables and are recorded at amortized cost, less allowances for loan impairment.

Specific allowances are established for individual mortgages identified as impaired, whereby the Company reduces the carrying value of these mortgages to their estimated net realizable value. Mortgages classified as impaired include mortgages for which interest and principal payments are 90 days in arrears and the underlying security is considered inadequate to recover all costs. Estimated realizable amounts are determined by the estimated net fair market value of the security underlying the mortgages after deducting costs of realization.

The Company capitalizes all maintenance and foreclosure costs with the intention of recovering these costs upon subsequent payout of the mortgage providing that sufficient equity is estimated to exist in the underlying security.

Revenue recognition

Interest income on mortgages is recorded using the accrual method except when a loan is considered impaired. Interest income on impaired loans is recorded on a cash basis.

Discounts and fees collected on mortgage advances are amortized on a monthly basis until the maturity date. Fees collected due to mortgage term violations are recognized when they are charged.

Interest penalties received as a result of loan prepayments are recognized as income in the year in which the prepayment is made.

In foreclosure situations, the Company will carefully review the situation with these mortgages and recognize any impairment when it arises.

Property acquired through foreclosure

Real estate acquired through foreclosure is classified as investment property when, at the year end, there are circumstances preventing management from making an active plan to sell within a twelve month period. Once these circumstances are resolved, an active plan to sell will be initiated and the property will be classed as held for sale.

The valuation of other property is measured at the lower of its carrying amount and its fair value less cost to sell. All costs to hold the property prior to sale are included in the carrying amount. Impairment losses and subsequent reversals are recognized in net and comprehensive income in the period in which they occur. Investment property is not depreciated.

3. Summary of significant accounting policies (continued)

Income taxes

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

Dividends

Dividends on new shares are calculated on a pro-rated monthly basis.

Financial instruments

All financial instruments are initially recognized on the statement of financial position at fair value at acquisition. Measurement in subsequent periods depends on whether the financial instrument has been classified as fair value through profit or loss, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. During the year, there has been no reclassification of financial instruments.

The financial instruments classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized in net income. The Company does not have any financial instruments classified as fair value through profit or loss.

Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. The Company does not have any financial assets classified as available-for-sale.

The financial assets classified as loans and receivables are initially measured at fair value, then subsequently carried at amortized cost. The Company's financial assets classified as loans and receivables include cash, accounts receivable, interest receivable and mortgages receivable.

The financial assets classified as held-to-maturity are initially measured at fair value, then subsequently carried at amortized cost. The Company does not have any held-to-maturity financial assets.

Financial instruments classified as other financial liabilities are initially measured at fair value, then subsequently carried at amortized cost. Other financial liabilities include bank indebtedness accounts payable, deposits, dividends payable and preferred shares.

3. Summary of significant accounting policies (continued)

Standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2018

Certain new standards, amendments and interpretations have been published that are mandatory for the Company, that the Company decided not to early adopt. The standards, amendments and interpretations that will be relevant to the Company are:

IFRS 15 Revenue from Contracts with Customers will replace IAS 18 Revenue, IAS 11 Construction Contracts and some revenue related interpretations. IFRS 15 establishes a new control-based revenue recognition model, changes the basis for deciding whether revenue is to be recognized over time or at a point in time, and improves disclosures about revenue.

IFRS 15 provides more detailed guidance on contracts involving the delivery of two or more goods and services as to when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price and when to combine contracts. IFRS 15 also provides guidance on how to treat arrangements with variable pricing, such as performance based pricing and how revenue can be constraint. In addition, IFRS 15 provides guidance on time value of money as to when to adjust a contract price for a financing component. The Company is currently in the process of assessing the impact of IFRS 15 on the financial statements for 2019.

IFRS 9 Financial Instruments is the first of a multi-phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. It addresses the classification, measurement and derecognition of financial assets and financial liabilities.

IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into two classifications – those measured at amortized cost and those measured at fair value. Classification is made at the time the financial asset is initially recognised when the entity becomes a party to the contractual provisions of the instrument. The transition guidance is complex and mainly requires retrospective application.

Most of the requirements in IAS 39 for the classification and measurement of financial liabilities have been carried forward unchanged to IFRS 9. Where an entity chooses to measure its own debt at fair value, IFRS 9 now requires the amount of the change in fair value due to changes in the issuing entity's own credit risk to be presented in other comprehensive income. An exception to the new approach is made where the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss, in which case all gains or losses on that liability are to be presented in profit or loss.

The requirements in IAS 39 related to derecognition of financial assets and financial liabilities have been incorporated unchanged into the new version of IFRS 9.

IFRS 9 does not require the restatement of comparative-period financial statements for the initial application of the classification and measurement requirements, but instead requires modified disclosures on transition. The Company is currently in the process of completing an internal review of accounting processes and controls to assess the impact on the Company's financial statements.

4. Mortgages receivable

The portfolio consists of the following:

	No.	%	**2018**	No.	%	2017
First mortgages	102	62.30	**$ 28,175,789**	96	58.56	$ 26,740,647
Second mortgages	131	36.09	**16,323,235**	139	39.33	17,970,196
Third mortgages	4	1.61	**728,722**	6	2.11	960,157
			45,227,746			45,671,000
Less allowance for loan impairment			**141,207**			209,415
			$ 45,086,539			$ 45,461,585

	2018	2017
The average mortgage balance is	**$ 190,620**	$ 188,637
The weighted average interest rate is	**8.92 %**	9.20 %

At October 31, 2018 there were six mortgages in foreclosure totaling $1,582,768 (2017 - ten mortgages in foreclosure totaling $1,404,372) and six delinquent mortgages totaling $1,437,575 (2017 - three delinquent mortgages totaling $309,901).

Management anticipates some losses will occur, therefore a loan impairment provision for $141,207 has been recorded for the current year (2017 - $209,415).

The impairment is based on valuations by independent appraisers accredited by professional institutes with recent experience in the location of the property being valued and by direct sales comparisons where the fair value is based on comparisons to recent sales of properties of similar types, locations and quality.

The majority of the mortgages are residential mortgages registered against properties in the major urban centres of British Columbia, Alberta and Manitoba.

At October 31, 2018 the significant mortgage represents 2.20% (2017 - 2.16%) of the mortgage portfolio. All other mortgages have a value below 2% of the portfolio balance.

The mortgages bear interest at fixed rates, which are within the Company's guidelines and are consistent with the equity based lending market.

Following the analysis of the mortgages receivable showing the diversification of the mortgages by the type of property the mortgage has been advanced upon and the location of the mortgage. Also included is an analysis of the delinquent mortgages, allowance for loan impairment and losses expended during the year.

4. Mortgages receivable (continued)

Type of mortgage

	First mortgages	Second mortgages	Third mortgages	**2018**	2017
Residential	$ 25,723,651	$ 15,411,904	$ 384,974	**$ 41,520,529**	$ 43,191,279
Residential land	1,077,828	594,902	-	**1,672,730**	1,391,928
Mixed use	493,398	32,748	343,748	**869,894**	387,257
Commercial	880,912	283,681	-	**1,164,593**	700,536
	$ 28,175,789	$ 16,323,235	$ 728,722	**$ 45,227,746**	$ 45,671,000

Location analysis

	First mortgages	Second mortgages	Third mortgages	**2018**	2017
British Columbia	$ 24,427,826	$ 14,376,453	$ 326,492	**$ 39,130,771**	$ 38,847,355
Alberta	3,545,883	1,946,782	402,230	**5,894,895**	6,619,894
Manitoba	202,080	-	-	**202,080**	203,751
	$ 28,175,789	$ 16,323,235	$ 728,722	**$ 45,227,746**	$ 45,671,000

Delinquent mortgages

	First mortgages	Second mortgages	Third mortgages	**2018**	2017
Foreclosure	$ 961,495	$ 621,273	$ -	**$ 1,582,768**	$ 1,404,372
90+ days arrears	1,152,435	285,140	-	**1,437,575**	309,901
	$ 2,113,930	$ 906,413	$ -	**$ 3,020,343**	$ 1,714,273

Impairment allowance

	2018	2017
Balance, beginning of the year	**$ 209,415**	$ 27,692
Current year impairment allowances	**115,000**	209,415
Allowances applied to losses	**(33,208)**	(27,692)
Allowance transferred to investment property	**(150,000)**	-
	$ 141,207	$ 209,415

4. Mortgages receivable (continued)

Mortgage losses

	2018	2017
Increase in impairment allowance	**$ 115,000**	$ 209,415
Loss of foreclosure	**60,000**	19,540
Unrecoverable costs	**89,840**	504
Recovery of prior year losses	**(18,686)**	(75,108)
	$ 246,154	$ 154,351

Principal repayments based on contractual maturity dates are as follows:

	2018	2017
Mortgage contracts expiring within 12 months	**$ 41,654,150**	$ 45,461,585
Mortgage contracts expiring over 12 months	**3,432,389**	-
	$ 45,086,539	$ 45,461,585

5. Property acquired through foreclosure

	2018	2017
Cold Lake, AB	**$ 150,500**	$ -

The investment property was acquired through foreclosure and is carried at the lower of the carrying amount and fair value less the estimated cost to sell. The property is classified and disclosed net of allowance for losses.

Allowance for losses

	2018	2017
Balance, beginning of the year	**$ -**	$ -
Allowance transferred from mortgage receivable	**150,000**	-
Increase in impairment allowance	**60,000**	-
Balance, end of year	**$ 210,000**	$ -

Property (losses) gains

	2018	2017
Investment properties - gain on sale of property	**$ -**	$ 45,992
Investment properties - loss on sale of property	**-**	(15,454)
	$ -	$ 30,538

6. Bank indebtedness

The Company has a credit facility with Canadian Western Bank for a demand operating loan to a maximum of $20,000,000. Interest is charged at the bank's prime lending rate plus 1.00% per annum. The maximum amount of the loan shall not exceed the aggregate of 75% of eligible residential first mortgages and residential second mortgages in major cities, and 65% of other eligible mortgages. The credit facility is secured by a commercial security agreement covering all eligible mortgages in the portfolio.

At October 31, 2018, $8,466,504 had been drawn (2017 - $16,109,933 was drawn).

7. Deposits	2018	2017
Preferred share purchase	$ -	$ 130,000

Deposits consist of monies received for a preferred share purchase that occurred subsequent to year end.

8. Dividends payable

The Company follows a dividend policy in accordance with the provisions of the Income Tax Act related to Mortgage Investment Corporations. Dividends are paid on an annual basis after the year end and will be paid at $0.0856 per share (2017 - paid at $0.0912 per share).

Dividends previously declared on the preferred shares of the Company were distributed as follows:

	2018	2017
Dividends payable, beginning of year	$ 2,386,142	$ 1,824,753
Dividends paid in cash	(450,763)	(418,030)
Dividends paid in shares	(1,935,379)	(1,406,723)
Dividends declared during the year	2,684,532	2,386,142
	$ 2,684,532	$ 2,386,142

9. Share capital

Authorized

Unlimited Common voting shares with a par value of $1.00 each.
Unlimited Class A redeemable, non-voting preferred shares with a par value of $1.00 each.

	2018		2017	
	Shares	**Amount**	Shares	Amount
Shares outstanding, beginning of year	181	**$ 181**	173	$ 173
Issued	21	**21**	14	14
Repurchased	(5)	**(5)**	(6)	(6)
Shares outstanding, end of year	197	**$ 197**	181	$ 181

	2018		2017	
	Shares	**Amount**	Shares	Amount
Shares outstanding, beginning of year	27,096,275	**$ 27,096,275**	24,328,021	$ 24,328,021
Issued	9,052,021	**9,052,021**	2,001,210	2,001,210
Redeemed	(2,424,453)	**(2,424,453)**	(639,679)	(639,679)
Dividends issued as shares	1,935,379	**1,935,379**	1,406,723	1,406,723
Shares outstanding, end of year	35,659,222	**$ 35,659,222**	27,096,275	$ 27,096,275

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

The Company follows the IFRS recommendations for accounting for financial instruments, therefore issued share capital which is redeemable at the request of the shareholder and has the attributes of a financial liability is presented as such.

Included in accounts receivable are funds receivable from the lawyer's trust account for the issuance of $1,280,000 preferred shares.

10. Related party transactions

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

The Company has contracted Bayfield Mortgage Professionals Ltd. to manage the mortgage portfolio for a fee which is calculated at 1/12 of 1.5% of the mortgage portfolio per month plus GST. Bayfield Mortgage Professionals Ltd. is owned by Gordon Wintrup, a shareholder and director in the Company.

Management fees for the fiscal year total $730,964 (2017 - $633,738) and an amount of $63,712 (2017 - $60,119) was unpaid at the year end. Unpaid amounts are in the normal course of business, non-interest bearing and were paid within 30 days of the year end.

Directors, officers and related family members who have investments in the Company received $187,266 (2017 - $201,125) in dividend income. In all cases, the dividends received were based on the same criteria as all other investors holding the same class of shares in the Company.

At October 31, 2018 and 2017, each director owned one voting common share and an aggregate total of 4.91% (2017 - 9.17%) of the non-voting preferred shares.

11. Fair value of financial instruments

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

Level 1 - quoted prices in active markets for identical investments

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the investment, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 - inputs for the investments that are not based on observable market data

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

As at October 31, 2018 and 2017, there are no financial instruments carried at fair value and consequently, no financial instruments categorized into Levels 1, 2 or 3 or transfers between Level 1 and 2 for the year then ended.

12. Financial instruments

The Company's financial instruments consist of cash, interest receivable, accounts receivables, mortgages receivable, bank indebtedness, accounts payable, dividends payable, deposits and preferred shares. The Company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Company's risk exposure and concentration as of October 31, 2018.

Credit risk
Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk in that the mortgagor will fail to discharge the obligation causing the Company to incur a financial loss. In order to reduce its credit risk, the Company ensures that the collateral value of the security fully protects first, second and subsequent mortgage advances and that there is a viable exit strategy for each loan. Credit risks policies include the following:

- General mortgage policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity and loan administration;
- Mortgage lending limits and criteria set by the Board of Directors;
- Review of mortgages by the Board of Directors; and
- Mortgage delinquency controls regarding procedures followed for loans in arrears.

An allowance for doubtful mortgages is established based upon factors surrounding the delinquency of specific accounts other information. The Company has a significant number of mortgages which minimizes concentration of credit risk.

Specific credit risk information on concentration of credit risk in various geographical locations, economic activities and delinquent mortgages is detailed in Note 4.

Liquidity risk
Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company's management oversees the liquidity risk to ensure the Company has access to enough readily available funds to cover its financial obligations as they come due.

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

The Company manages liquidity risk by:
- Continuously monitoring actual daily cash flows and longer-term forecasted cash flows;
- Maintaining adequate liquidity support facilities, such as lines of credit and bankers acceptances; and,
- Monitoring the maturity profiles of financial assets.

The Company is exposed to this risk mainly in respect of its receipt of funds from its mortgages and other related sources share purchases and redemptions, and accounts payable.

An analysis of mortgage due dates is provided in Note 4; all other sources of funds have terms of less than 12 months.

12. Financial instruments (continued)

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises four types of risk: interest rate risk, fair value risk and other price risk. The Company is mainly exposed to interest rate risk and other price risk.

Interest rate risk
Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The mortgages receivable are advanced for mainly one year terms, with the rate of interest fixed for that term. Interest rates on mortgages receivable reflect credit risk and prime interest rates. Upon renewal of the mortgage, the Company has the option of adjusting the interest rate to respond to changes in credit risk or the prime interest rate.

In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company is also exposed to interest rate risk through its floating interest rate bank indebtedness and credit facilities.

If interest rates on debt had been one percent point higher (lower) during the year ended October 31, 2018, earnings would have been reduced (increased) by approximately $137,264 (2017 - $135,768) during the year.

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

Other price risk
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company does not hold financial instruments traded in the active market.

Included in other price risk is the real estate property that provides the underlying security for mortgages receivable. The Company aims to minimize other price risk through maintaining sufficient loan to value ratios on the advance of mortgages.

13. Capital management

The Company's objective when managing capital is to continue operations as a going concern so that it can provide its shareholders with a safe, superior-yielding and liquid investment that also qualifies as an eligible investment for Registered Retirement Savings Plan, Registered Retirement Income Funds and Tax-Free Savings Accounts.

The Company defines capital as being the funds raised through bank indebtedness and the issuance of common and preferred shares of the Company. The overall objective of capital management is to ensure that the Company has sufficient capital to maintain its operations based on current activities and expected business developments in the future and to provide a return to the shareholders commensurate with the risk of the business and comparable to other similar companies.

The Company is required to comply with Section 130.1(6) of the Income Tax Act which defines the requirements for Mortgage Investment Corporations. These guidelines give specific externally imposed capital requirements. During the year the Company complied with these requirements.

Under the Company's bank credit facilities, the Company is required to comply with certain financial covenants including a borrowing base condition and a quarterly debt to tangible net worth requirement. At October 31, 2018, the Company is in compliance with all financial covenants.

14. Rate of return

The effective annual yield on adjusted share capital for the 2018 fiscal year is 8.56% (2017 - 9.12%).

The weighted average share capital for the 2018 fiscal year was 31,364,120 (2017 - 26,164,859).

The average rate of return since inception (1990) is 9.24%.

15. Subsequent events

Subsequent to year end, there were 211,095 redemptions and 180,000 preferred share issuance during the first 30 days of the 2019 fiscal year end.

Item 13 – DATE AND CERTIFICATE

Dated: **March 7, 2019**

This Offering Memorandum does not contain a misrepresentation.

The Issuer

(signed) GARY A. HOOGE President (chief executive officer)	(signed) INDERJIT MATHARU Treasurer (chief financial officer)

On Behalf of the Directors

(signed) GORDON H. J. WINTRUP Director	(signed) ROBERT D. CARPENTER Director