

OFFERING MEMORANDUM

Date: April 1, 2010

**THE ISSUER:**

Name: ACCREDIT MORTGAGE LTD.  
Head office: 101 – 835 View Street  
Victoria, B.C. V8W 3W8  
Phone #: 250-361-4775  
E-mail address: [info@greatpacificmortgage.com](mailto:info@greatpacificmortgage.com)  
Fax #: 381-1914

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' SHARES OF ACCREDIT MORTGAGE LTD.  
Price per security: ONE (\$1.00) DOLLAR PER CLASS 'A' SHARE  
Minimum offering: \$0.00: you may be the only purchaser  
Maximum offering: \$30,000,000.00  
Minimum subscription amount: There is no minimum subscription amount an investor must invest.  
Payment terms: Upon subscription  
Proposed closing date(s): No earlier than two (2) days after subscription and no later than thirty (30) days after subscription  
Income Tax consequences: There are important tax consequences to these securities. See item 6.  
Selling agent? NO

**RESALE RESTRICTIONS:**

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

**PURCHASER'S RIGHTS:**

You have 2 business days to cancel your agreement to purchase 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.

**NO SECURITIES REGULATORY AUTHORITY HAS ASSESSED THE MERITS OF THESE SECURITIES OR REVIEWED THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.**

**THIS IS A RISKY INVESTMENT. SEE ITEM 8.**

**Warning:** A holder of shares in the Issuer, Accredited Mortgage Ltd., is not entitled to borrow money from the Issuer or covenant the payment of money borrowed from the Issuer. Accordingly, the purchaser hereby represents and warrants to the Issuer that (s)he is not currently a borrower of money from, or a covenantor for the payment of money borrowed from, Accredited Mortgage Ltd. and (s)he will not, as long as (s)he is a holder of shares in Accredited Mortgage Ltd., become such a borrower or covenantor.

**Item 1: USE OF NET PROCEEDS:****1.1 Net Proceeds -**

		Assuming min. offering	Assuming max. offering
A	Amount to be raised by this offering	\$ 0.00	\$ 30,000,000.00
B	Selling commissions and fees	\$ 0.00	\$ 0.00
C	Estimated offering costs (e.g., legal, accounting, audit.)	\$ 0.00	\$ 0.00
D	Net proceeds: D = A -(B+C)	\$ 0.00	\$30,000,000.00

**1.2 Use of Net Proceeds** -Using the following table, provide a detailed breakdown of how the issuer will use the net proceeds. If any of the net proceeds will be paid to a related party, disclose in a note to the table the name of the related party, the relationship to the issuer, and the amount. If the issuer has a working capital deficiency, disclose the portion, if any, of the net proceeds to be applied against the working capital deficiency

Description of intended use of net proceeds listed in order of priority	Assuming min. offering	Assuming max. offering
At least 50% of the net proceeds will be invested in residential mortgages and residential construction mortgages or held in cash or deposits with approved depositories	\$ n/a	\$20,000,000.00
Up to 50% of the net proceeds may be invested in industrial and commercial mortgages	\$ n/a	\$10,000,000.00

**1.3 Reallocation** - We intend to spend the net proceeds as stated. We will reallocate funds only for sound business reasons.

**1.4 Working Capital Deficiency** – The Issuer has no working capital deficiency.

**Item 2: BUSINESS OF ACCREDIT MORTGAGE LTD.:**

**2.1 Structure** – Accredited Mortgage Ltd. (the "Issuer") was incorporated under the Company Act (British Columbia) on May 26, 1994 under the name ACCREDIT MORTGAGE LTD., and was transitioned under the Business Corporations Act (British Columbia) on October 27, 2004. The registered and records offices of the Issuer are at 101 – 835 View Street, Victoria, British Columbia, V8W 3W8. The Issuer was registered as an extra provincial corporation in Alberta under the Alberta Business Corporations Act on March 26, 2001. The Alberta Attorney for the Issuer is Victor L. Lirette, Barrister and Solicitor, 3200, 10180 – 101 Street, Edmonton, Alberta, T5J 3W8.

The Issuer is registered to carry on business as a Mortgage Investment Corporation ("MIC") in the Province of British Columbia. The Issuer may register, where required, to carry on business as a MIC in other provinces of Canada, when business conditions justify the expansion.

**2.2 Our Business** – The Issuer operates as a MIC under the Income Tax Act (Canada). Its business is to obtain a stable source of income by investing in a portfolio of residential, commercial, construction and other mortgages. The Issuer may employ leverage, as permitted by applicable legislation, by issuing debt obligations up to a maximum of five times the book value of its assets.

**2.3 Development of Business** – The Issuer has contracted Great Pacific Mortgage & Investments Ltd. to source qualified investments and invest money in mortgages on behalf of the Issuer and administer same.

**2.4 Long Term Objectives** – To provide a stable rate of return to its shareholders.

**2.5 Short Term Objectives and How We intend to Achieve Them -**

(a) To provide a stable rate of return to its shareholders.

(b) The Issuer has contracted Great Pacific Mortgage & Investments Ltd. to source qualified investments and invest money in mortgages on behalf of the Issuer and administer the portfolio.

**2.6 Insufficient Proceeds** - Not applicable.

**2.7 Material Agreements** –The following are the material contracts entered into by the Issuer, other than in the ordinary course of business:

**2.7.1 Financial Services Contract** dated January 30, 2006 (the “Financial Services Contract”) between Great Pacific Mortgage & Investments Ltd., as service provider (the “Service Provider”) and the Issuer under which the Service Provider is solely responsible for sourcing mortgage investment and managing the operations of the Issuer in accordance with its investment policies and is responsible, among other things, for:

- a) originating and administering mortgages and other security interest in real property;
- b) providing financial services for the operations of the Issuer including operating and administering general security agreements and other forms of security of the Issuer; and
- c) providing administrative services required by the Issuer in carrying on business as a MIC.

The Financial Services Contract has an indefinite term, but may be terminated upon one of the following events:

- a) if any proceedings in insolvency, bankruptcy, receivership or liquidation be taken against either party;
- b) if either party makes an assignment for the benefit of any creditors or commits an act of bankruptcy within the meaning of the Bankruptcy Act (Canada);
- c) upon 90 days written notice by either party; or
- d) by mutual consent, in writing, of the Issuer and the Service Provider.

The Financial Services Provider is not liable to the Issuer for any loss caused by the Service Provider in carrying out its duties under the Financial Services Contract unless the loss resulted from the negligence, wilful misconduct or dishonesty of the Service Provider, its officers, employees or agents in the performance of its duties. Furthermore, the Issuer has agreed to indemnify and save the Service Provider harmless in the event that the Service Provider suffers a loss of any nature whatsoever in connection with the performance of its duties under the Financial Services Contract, except where such loss resulted from the negligence, wilful misconduct or dishonesty of the Service Provider or its officers, employees or agents.

The Directors of the Service Provider are Rory H. Campbell, Jeffery A. Moses and Walter R. Neufeld who collectively have over 50 years experience in the fields of portfolio management, development, construction, subdivision and related fields.

**Expenses and Financial Services Fees:** The Financial Services Contract provides that in consideration of the services provided by the Service Provider as described above, the Issuer has agreed to pay the Service Provider an annual fee not to exceed two (2.0%) per cent of the yearly outstanding balance of the Mortgage Portfolio (the “Financial Services Fee”). This fee is paid monthly on the 1<sup>st</sup> day of each month on the basis of the principal balance outstanding in the Mortgage Portfolio on the last business day of the preceding month. If need be, there shall be a reconciliation and, if applicable, payment to the Service Provider after the yearly yield to the Shareholders is determined.

The Service Provider will bear the cost of administration of the mortgages in the issuer’s asset portfolio and other expenses as provided for in the Financial Services Contract.

Financial services provided to the issuer and expenses incurred by or on behalf of the issuer in connection with all matters, other than Financial services in connection with the Issuer’s daily operations will be for the account of the Issuer.

**Item 3 DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS:**

**3.1 Compensation and Securities Held** - Using the following table, provide the specified information about each director, officer and promoter of the issuer and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the issuer (a “principal holder”). If the principal holder is not an individual, state in a note to the table the name of any person or company that, directly or indirectly, beneficially owns or controls more than 50% of the voting rights of the principal holder.

Name and municipality of principal residence	Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by issuer in the most recently completed financial year (or, if the issuer has not completed a financial year, since inception) and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the issuer held after completion of min. offering	Number, type and percentage of securities of the issuer held after completion of max. offering
598016 B.C. Limited	Principal Holder Since July 2000	Nil	68,000 Class "B" shares (25% of the Class "B" shs of the Issuer) 144,708 Class "A" shares (0.21% of the Class "A" shs of the Issuer)	68,000 Class "B" shares (25% of the Class "B" shs of the Issuer) 144,708 Class "A" shares (0.21% of the Class "A" shs of the Issuer)
Lone Eagle Holdings Ltd.	Principal Holder Since Jan. 2003	Nil	68,000 Class "B" shares (25% of the Class "B" shs of the Issuer) 281,996 Class "A" shares (0.40% of the Class "A" shs of the Issuer)	68,000 Class "B" shares (25% of the Class "B" shs of the Issuer) 281,996 Class "A" shares (0.40% of the Class "A" shs of the Issuer)
598018 B.C. Limited	Principal Holder Since July 2000	Nil	68,000 Class "B" shares (25% of the Class "B" shs of the Issue) 301,193 Class "A" shares (0.43% of the Class "A" shs of the Issuer)	68,000 Class "B" shares (25% of the Class "B" shs of the Issuer) 301,193 Class "A" shares (0.43% of the Class "A" shs of the Issuer)
652329 B.C. Limited	Principal Holder Since Dec. 2002	Nil	68,000 Class "B" shares (25% of the Class "B" shs of the Issuer) 63,950 Class "A" shares (0.09% of the Class "A" shares of the Issuer)	68,000 Class "B" shares (25% of the Class "B" shs of the Issuer) 63,950 Class "A" shares (0.09% of the Class "A" shares of the Issuer)
Paul E. Croy	Director Since March 1, 2005	\$6,000.00	15,990 Class "A" shares (0.02% of the Class "A" shares of the Issuer)	15,990 Class "A" shares (0.02% of the Class "A" shares of the Issuer)
Rory H. Campbell	Director – Since May 1994 President - since Dec. 2001	Nil	611,398 Class "A" shares (0.87% of the Class "A" shs of the Issuer)	611,398 Class "A" shares (0.87% of the Class "A" shs of the Issuer)
Jeffery A. Moses	Director Treasurer Since May 1994	Nil	318,148 Class "A" shares (0.45% of the Class "A" shares of the Issuer)	318,148 Class "A" shares (0.45% of the Class "A" shares of the Issuer)
Walter R. Neufeld	Director Secretary Since May 1994	Nil	436,285 Class "A" shares (0.63% of the Class "A" shares of the Issuer)	436,285 Class "A" shares (0.63% of the Class "A" shares of the Issuer)

## Notes to Table:

1. Rory H. Campbell directly or indirectly beneficially owns or controls more than 50% of the voting rights of 598016 B.C. Ltd.
2. Walter R. Neufeld directly or indirectly beneficially owns or controls more than 50% of the voting rights of

Lone Eagle Holdings Ltd.

3. Jeffery A. Moses directly or indirectly beneficially owns or controls more than 50% of the voting rights of 598018 B.C. Ltd.

4. No one person or corporation directly or indirectly beneficially owns or controls more than 50% of the voting rights of 652329 B.C. Limited.

**3.2 Management Experience** - Using the following table, disclose the principal occupations of the directors and senior officers over the past five years. In addition, for each individual, describe any relevant experience in a business similar to the issuer's.

Name	Principal occupation and related experience
RORY H. CAMPBELL	Mortgage Broker
WALTER R. NEUFELD	Mortgage Broker
JEFFERY A. MOSES	Mortgage Broker
PAUL E. CROY	Mortgage Broker

**3.3 Penalties, Sanctions and Bankruptcy**

(a) There is no penalty or sanction that has been in effect during the last 10 years against  
 (i) a director, senior officer or control person of the issuer, or  
 (ii) an issuer of which a person or company referred to in (i) above was a director, senior officer or control person at the time,  
 other than a Consent Order under the Mortgage Brokers Act against Walter Rodney Neufeld and Great Pacific Mortgage & Investments Ltd. for late filing of applications under such Act for registration as a Mortgage Investment Corporation. Costs of \$823.50 and an administrative penalty of \$2,000.00 were paid by Walter Rodney Neufeld in October 2003.

(b) No declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, that has been in effect during the last 10 years with regard to any  
 (i) director, senior officer or control person of the issuer, or  
 (ii) issuer of which a person or company referred to in (i) above was a director, senior officer or control person at that time.

**Item 4 CAPITAL STRUCTURE**

**4.1 Share Capital**

Description of security	Number authorized to be issued	Number outstanding as at [a date not more than 30 days prior to the offering memorandum date]	Number outstanding after min. offering	Number outstanding after max. offering
Class "A"	500,000,000	69,864,279	69,864,279	99,864,279
Class "B"	500,000,000	272,000	272,000	272,000

**4.2 Long Term Debt** - Using the following table, provide the required information about outstanding long term debt of the issuer. If the securities being offered are debt securities, add a column to the table disclosing the amount of debt that will be outstanding after both the minimum and maximum offering. If the debt is owed to a related party, indicate that in a note to the table and identify the related party.

Description of long term debt (including whether secured)	Interest rate	Repayment terms	Amount outstanding at [a date not more than 30 days prior to the offering memorandum date]
\$5,000,000.00 Line of Credit CIBC	Prime + 3%	As per agreement	\$ 0

**4.3 Prior Sales** -If the issuer has issued any securities of the class being offered under the offering memorandum (or convertible or exchangeable into the class being offered under the offering memorandum) within the last 12 months, use the following table to provide the information specified. If securities were issued for assets or services, describe in a note to the table the assets or services that were provided.

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
Since Apr. 1, 2009 to Mar. 31, 2010 Various dates of issuance	Class "A" Shares	710,099	\$1.00 per Class "A" share	\$710,099
Since Apr. 1, 2009 to Mar. 31, 2010 – date of issuance – Dec. 31/09	Class "A" Shares	1,791,417	\$1.00 per Class "A" share	Nil – Dividends paid by way of shares

## **Item 5 SECURITIES OFFERED**

### **5.1 Terms of Securities:**

(a) Each Class "A" share carries one vote. Each Class "B" (note: Class "B" Shares are NOT the subject of this Offering Memorandum) share carries 1,000 votes.

(b) There are no conversion or exercise prices.

(c) There are no redemption or retraction rights specified in the Articles. There will be no charge for the first redemption of shares by a Shareholder during any calendar year. All subsequent redemptions by the Shareholder, during the same calendar year, will be subject to a \$50.00 administration fee.

(d) The holders of all the Class "A" shares are entitled to receive pari passu all of the regular dividends declared by the directors, usually quarterly. Dividends are payable in cash or in shares, or partly in cash and partly in shares, at the option of the shareholder. The Directors may declare a dividend on one class of shares to the exclusion of another class of shares.

### **5.2 Subscription Procedure:**

(a) All subscribers for Class "A" Shares will be required to execute:

- (i) the Subscription Agreement with the Issuer. A copy of the Subscription Agreement is provided herewith;
- (ii) the Risk Acknowledgment Form. A copy of the Risk Acknowledgment Form is provided herewith.

(b) The consideration paid by subscribers for Class "A" Shares will not be negotiated until midnight of the second business day after the subscriber signs the Subscription Agreement and pays the consideration required thereunder.

(c) Conditions to closing: receipt of Subscription Price as per the Subscription Agreement signed by the Issuer and the subscriber.

## **Item 6 INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY**

### **6.1 Tax Consequences:**

**YOU SHOULD CONSULT YOUR OWN PROFESSIONAL ADVISERS TO OBTAIN ADVICE ON THE INCOME TAX CONSEQUENCES THAT APPLY TO YOU.**

The following is a summary, reviewed and updated by Lee and Sharpe, Chartered Accountants, of the income tax consequences under the laws of Canada of acquiring, holding and disposing of the Shares of a MIC. The income tax consequences may not be the same for all investors but may vary depending on a number of factors, including whether the investor is an individual, a trust or a corporation, the province of residence of the investor, and whether the investors' Shares are characterised as capital property. The following discussion of the income tax consequences is therefore of a general nature only, is not intended to constitute a complete analysis of all the income tax consequences and should not be interpreted as legal or tax advice to any particular investors.

The comments in this summary are restricted to the case of an investor who acquires Shares as capital property and who is resident in Canada for the purposes of the Income Tax Act (Canada) (the "Tax Act"). The summary does not take into account tax laws of a province or territory of Canada or of any jurisdiction outside Canada.

This summary is based upon the current provisions of the Tax Act consolidated as of February 1, 2004.

## **6.2 Scheme of Provisions**

The Tax Act contains a number of provisions that enable investors to "pool" their funds through investing in special corporations that are treated in a manner that avoids the two-tiered taxation normally applicable to shareholders of a Company in respect of distributions of that company's profits. This result is achieved by effectively treating these special corporations as a conduit so that an investor is put in the same position from an income tax perspective as if the corporation's investment had been made directly by the investor.

A MIC is one of these special types of corporations.

## **6.3 Definition of a MIC**

A number of requirements must have been met throughout the year in order for a corporation (herein referred to as the "Issuer") to qualify as a MIC under the Tax Act for that year. If the following requirements are met throughout a particular year, a corporation will qualify for MIC status that year:

- (a) **Canadian Corporation** - the Issuer must have been a Canadian corporation, which generally means a corporation incorporated and resident in Canada.
- (b) **Undertaking** - the Issuer's only undertaking was the "investing of funds of the Issuer". The Issuer cannot have managed or developed any real property.
- (c) **A holder of shares in the Issuer, Accredited Mortgage Ltd., is not entitled to borrow money from the Issuer or covenant the payment of money borrowed from the Issuer. Accordingly, the purchaser hereby represents and warrants to the Issuer that (s)he is not currently a borrower of money from, or a covenantor for the payment of money borrowed from, Accredited Mortgage Ltd. and (s)he will not, as long as (s)he is a holder of shares in Accredited Mortgage Ltd., become such a borrower or covenantor.**
- (d) **50% Asset Test** - at least 50% of the "cost amount", as defined in the Tax Act, to the Issuer of all of its property must have consisted of the Issuer's money, debts owing to the Issuer that were secured on certain specified residential properties, and any deposit standing to the Issuer's credit in the records of a bank or other certain specified financial institutions.
- (e) **25% Asset Test** - the "cost amount" to the Issuer of all of its real property including leasehold interest in such property, other than real property acquired by foreclosure or otherwise after default made on a mortgage, hypothecation or agreement for sale of real property, must not have exceeded 25% of the "cost amount" to the Issuer of all of its property. The limit is designed to ensure that the primary intention of the Issuer's investment was directed towards residential mortgages.
- (f) **Prohibited Foreign Investment** - none of the property of the Issuer consists of debts owing to the Issuer that were secured on real property situated outside Canada, debts owing to the Issuer by non resident persons unless secured on real property situated in Canada, shares of the capital stock of Issuers not resident in Canada, real property situated outside Canada, or any leasehold interest in real property situated outside Canada.

(g) **Shareholder Requirements** - the Issuer must have at least 20 shareholders, and no one shareholder held more than 25% of the issued shares of any class of the capital stock of the Issuer. For the purposes of this requirement, a registered pension plan or a deferred profit sharing plan is counted as four shareholders. A trust governed by a registered retirement savings plan is counted as one shareholder.

(h) **Classes of Shareholders** - any holders of preferred shares (as defined in the Tax Act) of the Issuer must have the right after payment to them of their dividends, and payment of dividends in a like amount per share to the holders of common shares of the Issuer, to participate *pari passu* with the holders of the common shares in any further payment of dividends.

(i) **Debt to Equity Ratio** - the Issuer is restricted to borrowing a maximum of three times its equity capital unless at least two-thirds of the book value of its investments are mortgages secured on Canadian residential property, the company's money, and specified deposits, in which case the maximum borrowing is five times its equity capital.

#### **6.4 Taxation of Issuer**

This discussion, and the discussion that follows under subsequent headings, is based on the assumption that the Issuer qualifies as a MIC under the Tax Act at all relevant times.

A MIC, as a general rule, is subject to tax on the same basis as any Canadian public corporation. However, special rules relating to a MIC enable it to reduce its federal taxable income in the year if, during the year or within 90 days after the end of the year, it distributed all of its capital gains arising in the year by way of "capital gains dividends" and all of its other income by way of taxable dividends. More specifically, the Issuer is entitled to deduct from its federal taxable income the total of:

- (a) all taxable dividends, other than capital gains dividends, paid by the Issuer during the year (to the extent not deductible in computing income of the previous year) or within 90 days after the end of the year to the extent that those dividends will not be deductible for the Issuer in computing its income for the preceding year; and
- (b) one half of all capital gains dividends paid by the Issuer during the period commencing 91 days after the commencement of the year and ending 90 days after the end of the year.

If all of the Issuer's federal taxable income for the year is distributed in this manner, no federal tax is payable by the Issuer for that year. The elimination of provincial tax depends on relevant provincial legislation. For example, in British Columbia no corporate income tax would be payable if the Issuer's federal taxable income was zero because the Issuer's income taxes for British Columbia's income tax purposes is calculated by reference to its taxable income for federal tax purposes.

Because of the permitted deductions outlined above, the Issuer is not entitled to the deduction in respect of taxable dividends the Issuer receives from other taxable Canadian corporations.

The Issuer must elect in order to distribute its capital gains as capital gains dividends. The election must be made in a prescribed manner and by a prescribed time. The total capital gains dividends that may be paid by the Issuer for a year is limited to the extent of twice the Issuer's "taxable capital gains" for the year less its allowable capital losses for the year and any "net allowable capital losses" of prior years that are carried forward and deducted in the year. A special tax is imposed on the Issuer if the capital gains dividends exceed this limit. However, there is a special election procedure, whereby this tax can be avoided in certain circumstances if the excess of the dividend is elected to be treated as a separate taxable dividend.

#### **6.5 Taxation of Shareholders**

(a) **Capital Gains Dividends** - a capital gains dividend received by a Canadian resident shareholder is not included as dividend income of the shareholder, but rather is deemed to be a capital gain of the shareholder for the year from "a disposition of capital property".

Thus, with respect to capital gains realised by the Issuer, the Issuer serves effectively as a conduit

only interposed between the investor and the underlying investment. The result is only achieved, however, if the property capital gains dividends are paid by the Issuer within the required time, and the proper elections are made by the Issuer in prescribed form and by the proper time. If the capital gains dividends are not paid in this manner, the capital gains realised by the Issuer are taxable to the Issuer as they would be in the case of any public company. Because the Issuer will have no "capital dividend account", the combined corporate and shareholder tax (when the amounts are paid out to the Investor as taxable dividends) could be significantly greater than if the conduit mechanism was used.

(b) **Taxable Dividends (Other than Capital Gains Dividends)** - dividends other than capital gains dividends paid by the Issuer are not included in the income of a shareholder as taxable dividends, but rather are deemed to have been received by the shareholder as interest income payable on a bond issued by the Issuer after 1971. Accordingly, the "gross-up/dividend tax credit" mechanism provided in the Tax Act does not apply to taxable dividends paid by the Issuer to Canadian resident individual shareholders. Canadian resident corporate shareholders are not entitled to deduct the amount of a taxable dividend received from a MIC in computing taxable income.

If the Issuer distributes all of its income, it is again effectively treated as a conduit between the investor and the underlying investment, at least with respect to rental and interest income earned. As is the case with capital gains dividends, if the Issuer does not distribute all of its income within the required time by way of taxable dividends, the income remains taxable in the Issuer in the same manner as any other public corporation. When amounts are subsequently distributed to the shareholders through the payment of taxable dividends, the combined corporate and shareholder tax may be significantly higher than if the conduit mechanisms was used.

(c) **Disposition of Shares** - assuming the Shares are capital property to the investor, the usual rules in determining capital gains and capital losses apply on the disposition of those Shares as would apply on similar shares of any other public corporation. Certain taxpayers, such as securities dealers and those who have acquired the Shares in the course of a business of buying and selling shares or in a transaction that is an "adventure in the nature of trade", would not be considered to be holder of the Shares as capital property.

One half of any capital gain that is realised on the disposition of the Shares will be included in the shareholder's income. Any amount that is deemed to be interest or a capital gains dividend on the redemption or other acquisition of the Shares by the Issuer is not included in determining the proceeds of disposition of the Shares for capital gains purposes.

(d) **Deferred Income Plans** - the Shares are qualified investments for trusts governed by Registered Retirement Savings Plans, Deferred Profit Sharing Plans and Registered Retirement Income Funds at the particular time if the Issuer qualified as a MIC under the Tax Act, and if, throughout the calendar year in which the particular time occurs, the Issuer does not hold as part of its property any indebtedness, whether by way of mortgage or otherwise of a person who is an annuitant, a beneficiary or an employer, as the case may be, under the governing plan trust, or of any other person who does not deal at arm's length with that person.

(e) **Non-Resident Shareholders** - shareholders who are considered to be non-resident of Canada are subject to the following rule in the Tax Act:

Any taxable dividends paid from the Issuer to a non-resident shareholder would be subject to a Canadian withholding tax at a maximum rate of 25% of the taxable dividend paid.

This rate may be reduced if Canada has ratified a bilateral income tax treaty with the country in which the shareholder is resident.

#### **6.6 RRSP Eligibility.**

The Issuer has received an opinion from Aaltje van Grootheest (van Akker), Barrister and Solicitor, that as long as a Buyer meets specific criteria, namely:

(a) the number of the Buyer's Class "A" shareholdings do not constitute more than 25% of the outstanding Class "A" Shares, and

(b) the Buyer has not borrowed any monies from the Issuer,

and as long as the Issuer remains a MIC, the Class "A" Shares constitute a "qualified investment" as defined in subsection 146(1) or 146.3(1) of the Income Tax Act (Canada), and are eligible to be included in the Buyer's Registered Retirement Savings Plan.

**Item 7 COMPENSATION PAID TO SELLERS AND FINDERS**

If you wish to purchase Class "A" Shares from a dealer, you will elect to pay sales charges under either of the following options:

- a) Depending upon negotiations with your dealer, you may be charged by the dealer a sales commission ranging from 0% to 5% of the total price you pay for your Class "A" Shares. You will, at the time of purchase, pay your dealer the amount of sales commission agreed upon with your dealer (the "Sales Charge Option"), or
- (b) The Company will pay to your dealer a sales commission of 3% of the total price you paid for your Class "A" Shares. If you redeem your Class "A" Shares within the first year of purchase, you will pay to the Company a charge of 4.5% of the total price you paid for your Class "A" Shares. This charge declines annually by 0.5% until the charge is 0% at the end of year six. (the "Deferred Sales Charge Option")

If you purchase Class "A" Shares from a dealer, the Company may elect to pay compensation to the dealer as follows:

- (a) The Company may pay to a dealer, on a quarterly basis, a trailing commission of 1/2 of 1% per annum of average shareholdings of the Class "A" Shares you acquired under the Sales Charge Option.
- (b) The Company may pay to a dealer, on a quarterly basis, a trailing commission of 1% per annum on average of shareholdings of the Class "A" Shares you acquired under the Deferred Sales Charge Option.

**Item 8 RISK FACTORS:**

Describe in order of importance, starting with the most important, the risk factors material to the issuer that a reasonable investor would consider important in deciding whether to buy the issuer's securities.

- (a) Investment Risk -
  - no market or an illiquid market for the securities,
  - resale restrictions, and
  - subordination of debt securities.
- (b) Issuer Risk -
  - dependence on key employees, suppliers or agreements,
  - litigation, and
  - political risk factors.
- (c) Industry Risk -
  - downturn in economy,
  - environmental and industry regulation,
  - product obsolescence, and
  - competition.

**Item 9 REPORTING OBLIGATIONS:**

9.1 Documents that will be sent to purchasers on an annual or on-going basis:

- annual audited financial statements, and
- quarterly dividend reports.

9.2 The issuer is required to file Reports of Exempt Distributions with the British Columbia Securities Commission, and/or another applicable Securities Commission on a regular basis, as distributions dictate. Certain information about such reports are available on the Commission's website: [www.bcsc.bc.ca](http://www.bcsc.bc.ca)

**Item 10 RESALE RESTRICTIONS:**

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

10.2 Restricted Period: Unless permitted under securities legislation, you cannot trade the securities before the date that is four months and a day after the date the Issuer becomes a reporting issuer in any

province or territory of Canada.

10.3 You may never be able to sell these securities.

**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 2nd 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) the Issuer to cancel your agreement to buy these securities, or

(b) for damages against (i) the Issuer, (ii) every director of the issuer as at the date of this Offering Memorandum, and (iii) every person who has signed 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 first had knowledge of the facts giving rise to the cause of action. You must commence your action for damages within 3 years after the date of the transaction that gave rise to the cause of action.

**Item 12 FINANCIAL STATEMENTS:**

Include all financial statements required in the offering memorandum immediately before the certificate page of the offering memorandum.

Included herewith: Financial Statements for the last four years ending September 30, 2009.

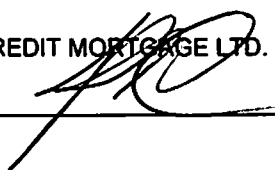
**CERTIFICATE**

Dated: April 1, 2010

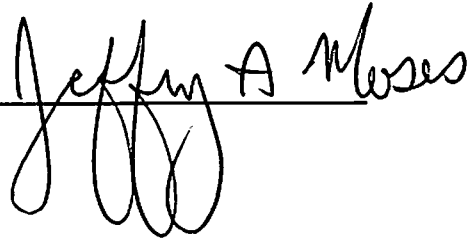
**THIS OFFERING MEMORANDUM DOES NOT CONTAIN A MISREPRESENTATION.**

ACCREDIT MORTGAGE LTD.

Per: \_\_\_\_\_

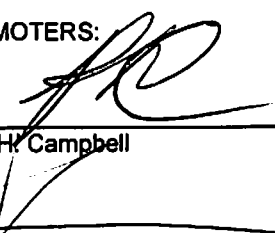


Per: \_\_\_\_\_



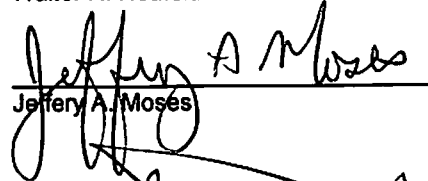
PROMOTERS:

\_\_\_\_\_  
Rory H. Campbell

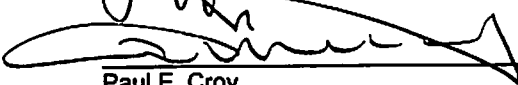


\_\_\_\_\_  
Walter R. Neufeld

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Jeffery A. Moses



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Paul E. Croy



**ACCREDIT MORTGAGE LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**AUDITORS' REPORT**

To the Directors of Accredited Mortgage Ltd.

We have audited the consolidated balance sheet of Accredited Mortgage Ltd. as at September 30, 2009 and the consolidated statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Mortgage Brokers Act, we report that no trust funds were handled or received and no funds were received that should have been held in trust during the year.

Victoria, B.C.  
November 26, 2009

*Lee and Sharpe*  
Chartered Accountants

**ACCREDIT MORTGAGE LTD.**

**CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS**

**YEAR ENDED SEPTEMBER 30, 2009**

	2009	2008
REVENUE	<u>\$ 7,719,943</u>	<u>\$12,008,652</u>
EXPENSES		
Financial services fees (Note 14)	1,596,785	1,441,842
Provision for mortgage losses (Note 7)	1,121,860	3,643,881
Bad debt	801,424	87,191
Interest	251,831	35,318
Professional fees	103,267	59,851
Office and sundry	26,410	33,857
Insurance	12,762	9,780
Directors fees	6,000	5,700
Bank charges	<u>5,634</u>	<u>3,729</u>
	<u>3,925,973</u>	<u>5,321,149</u>
NET INCOME FOR THE YEAR	3,793,970	6,687,503
RETAINED EARNINGS (DEFICIT), beginning of year	<u>(587,048)</u>	<u>1,650,114</u>
	3,206,922	8,337,617
Class A dividends paid	(5,670,616)	(8,182,105)
Class B dividends paid	<u>-</u>	<u>(742,560)</u>
RETAINED EARNINGS (DEFICIT), end of year	<u>\$ (2,463,694)</u>	<u>\$ (587,048)</u>

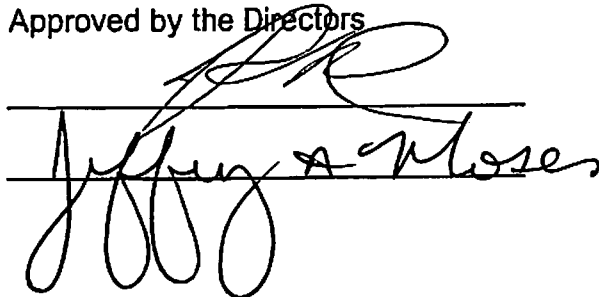
(See accompanying notes)

**ACCREDIT MORTGAGE LTD.**  
(Incorporated under the laws of British Columbia)

**CONSOLIDATED BALANCE SHEET - SEPTEMBER 30, 2009**

	2009	2008
<b>ASSETS</b>		
Current		
Cash	\$ 165,143	\$ 617,295
Interest receivable (including \$646,860 allowance for doubtful accounts)	3,120,823	3,889,430
Real estate held for resale (Note 6)	17,957,192	-
Prepaid expenses	9,165	8,325
Mortgages receivable (including \$3,335,000 provision for mortgage losses - Note 7)	<u>50,749,738</u>	<u>71,805,104</u>
	<u>\$72,002,061</u>	<u>\$76,320,154</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current		
Bank indebtedness (Note 8)	\$ 4,464,385	\$ -
Demand loan (Note 9)	641,000	-
Accounts payable and accrued liabilities	240,427	8,400
Interest received in advance (Note 10)	-	692,173
Refundable performance bonus (Note 11)	<u>62,100</u>	<u>83,600</u>
	<u>5,407,912</u>	<u>784,173</u>
Shareholders' equity		
Share capital (Note 12)	69,057,843	76,123,029
Retained earnings (deficit)	<u>(2,463,694)</u>	<u>(587,048)</u>
	<u>66,594,149</u>	<u>75,535,981</u>
	<u>\$72,002,061</u>	<u>\$76,320,154</u>

Approved by the Directors

  
 \_\_\_\_\_  
 Jeffrey A. Moses

(See accompanying notes)

**ACCREDIT MORTGAGE LTD.**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**YEAR ENDED SEPTEMBER 30, 2009**

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	\$ 3,793,970	\$ 6,687,503
Items not affecting cash:		
Bad debt	801,424	87,191
Provision for mortgage losses	<u>1,121,860</u>	<u>3,643,881</u>
	<u>5,717,254</u>	<u>10,418,575</u>
Cash provided by (used for) non-cash working capital items:		
Interest receivable	(32,817)	(2,550,159)
Real estate held for resale	(17,957,192)	-
Prepaid expenses	(840)	(209)
Accounts payable and accrued liabilities	232,026	440
Interest received in advance	(692,173)	247,690
Refundable performance bonus	<u>(21,500)</u>	<u>(23,000)</u>
	<u>(12,755,242)</u>	<u>8,093,337</u>
<b>CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>		
(Increase) decrease in mortgages receivable	<u>19,933,506</u>	<u>(22,269,471)</u>
<b>CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES</b>		
Proceeds from demand loan	641,000	-
Cash dividends paid	(3,144,676)	(4,027,844)
Shares issued for cash	4,414,141	19,032,228
Shares redeemed for cash	<u>(14,005,266)</u>	<u>(9,385,162)</u>
	<u>(12,094,801)</u>	<u>5,619,222</u>
<b>INCREASE (DECREASE) DURING THE YEAR</b>	(4,916,537)	(8,556,912)
<b>CASH POSITION, beginning of year</b>	<u>617,295</u>	<u>9,174,207</u>
<b>CASH POSITION, end of year</b>	<u>\$ (4,299,242)</u>	<u>\$ 617,295</u>
<b>REPRESENTED BY:</b>		
Cash	\$ 165,143	\$ 617,295
Bank indebtedness	<u>(4,464,385)</u>	<u>-</u>
	<u>\$ (4,299,242)</u>	<u>\$ 617,295</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION:</b>		
Cash paid for interest	<u>\$ 259,577</u>	<u>\$ 35,318</u>

(See accompanying notes)

# ACCREDIT MORTGAGE LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

### Note 1 - Nature of Business

The Company was incorporated on May 26, 1994 under the Business Corporations Act of British Columbia for the purpose of operating as a Mortgage Investment Corporation (MIC) as defined in the Income Tax Act.

### Note 2 - Basis of Consolidation

These consolidated financial statements include the accounts of the parent company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated on consolidation.

### Note 3 - Significant Accounting Policies

#### Mortgages Receivable

Mortgages are recorded at cost, less any provision for losses on mortgages that are identified as impaired or in default.

#### Provision for mortgage losses

A provision for mortgage losses is recorded against mortgages identified as impaired to reduce them to their estimated realizable amounts. Impairment is assessed on a mortgage by mortgage basis taking into account experience, credit quality, payment in arrears and specific problem situations. Estimated realizable amounts are determined by reference to mortgage collection experience and the estimated value of security underlying the mortgages after deducting costs for realization.

#### Real estate held for resale

Real estate held for resale is carried at the lower of cost and net realizable value. Changes in net realizable value are recognized as an expense or a recovery in the period in which the write down or the reversal occurs.

#### Revenue Recognition

Interest is accrued on mortgage investments in the period in which the interest becomes payable under the terms of the mortgage. Interest is not accrued on mortgages that are identified as impaired. Other fees, including mortgage fees, are recognized as income as related services are provided.

## ACCREDIT MORTGAGE LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

#### Note 3 - Significant Accounting Policies - continued

##### Income taxes

As long as the Company remains classified as a mortgage investment corporation under the Income Tax Act, taxable income is reduced by dividends paid during the year or within 90 days of year end. As a result, the Company can distribute its net earnings to shareholders without the payment of corporation income tax.

##### Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Significant estimates, which are subject to measurement uncertainty include the determination of mortgage impairments, the provision for mortgage losses and the determination of mortgage fair value.

##### Future accounting pronouncements

The Accounting Standards Board ("AcSB") of the CICA confirmed that Canadian GAAP for publicly accountable enterprises will converge with International Financial Reporting Standards ("IFRS") effective in the calendar year 2011. IFRS will replace current Canadian GAAP for these enterprises. The conversion to IFRS may be required for the Company for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Management is in the process of determining what potential changes these new standards may require in its financial reporting.

#### Note 4 - Capital Risk Management

The Company manages its capital structure in order to support ongoing operations while focusing on its primary objectives of preserving shareholder capital and generating a stable cash dividend to shareholders. The Company defines its capital structure to include Class A and Class B shares.

The Company reviews its capital structure on an ongoing basis and adjusts this structure in response to mortgage investment opportunities, the availability of capital, and anticipated changes in general economic conditions. As at September 30, 2009, the Company was required to obtain bank approval before redeeming any Class A shares.

ACCREDIT MORTGAGE LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

Note 5 - Financial Instruments

Fair value of financial instruments

The Company's financial instruments consist of cash, interest receivable, mortgages receivable, accounts payable and accrued liabilities, interest received in advance and refundable performance bonus. The carrying amount of these financial assets and liabilities approximate their fair value, unless otherwise noted.

Interest rate risk

Interest rate risk arises from the possibility that at the end of a term a mortgage will be re-priced to a prevailing interest rate lower than the original one. This risk is mitigated by the fact that the Company is generally not subject to market pressure in respect of interest rates because there is no specific market for mortgages of similar type, term and credit risk.

Credit risk

Credit risk arises from the possibility that mortgagors may experience financial difficulty and be unable to fulfil their mortgage commitments. The Company mitigates this risk by having well established lending policies in place to ensure that mortgages are well secured (mostly using charges on collateral property, guarantees, and charges on the properties being mortgaged) and by limiting its exposure to any one mortgagor.

The Company is exposed to credit risk as it has \$12,928,964 (2008 - \$17,541,307) owing from one corporate group. The average individual receivable balance (mortgage and interest) in the Company's portfolio as at September 30, 2009 was \$1,406,033 (2008 - \$1,312,714) and the largest individual balance receivable was \$8,323,006 (2008 - \$8,000,000).

ACCREDIT MORTGAGE LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

Note 6 - Real Estate Held For Resale

Real estate held for resale consists of four properties acquired during the fiscal year by foreclosure. These properties are owned by wholly owned subsidiaries of the parent company.

Note 7 - Mortgages Receivable

Interest Rates	Number of Mortgages	Amortized Cost	Current Value
8-11%	1	\$ 977,568	\$ 977,568
12-13%	16	30,608,878	30,608,878
14-15%	22	19,495,490	19,495,490
16-17%	1	3,002,802	3,002,802
Provision	-	(3,335,000)	(3,335,000)
	<u>40</u>	<u>\$ 50,749,738</u>	<u>\$ 50,749,738</u>

The mortgage portfolio consists of mortgages with terms to maturity ranging from 3 to 12 months.

As at September 30, 2009 mortgages totaling \$24,404,499 (2008 - \$4,600,298) were past due (from 3 to 17 months past due) but not impaired. Management has determined that these mortgages were not impaired due to the presence of collateral security and the expectation of future payment.

As at September 30, 2009 mortgages totaling \$16,947,428 (2008 - \$24,426,425) were in various stages of foreclosure. Management has recorded a provision for mortgage losses in the amount of \$3,335,000 (2008 - \$5,645,000) to recognize situations where full recovery is uncertain.

## ACCREDIT MORTGAGE LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

#### Note 8 - Bank Indebtedness

The Company maintains an operating line facility with the Canadian Imperial Bank of Commerce. This operating line facility, authorized to a maximum of \$6,000,000, can not exceed 15% of the carrying amount of total issued share capital. It is secured by all property of the Company owned now and in the future. The purpose of this credit facility is to assist with liquidity for interim mortgage fund investments only. The operating line is not to be used for shareholder redemptions without prior consent of the bank.

The interest rate is bank prime rate plus 3.0% per annum.

The aggregate balance of the loans outstanding under this facility shall not exceed 75% of eligible assigned mortgages.

#### Note 9 - Demand Loan

Demand loan with Coast Capital Savings Credit Union bears interest at bank prime rate plus 2.5% per annum, is repayable by sale proceeds from lot sales, and is secured by a charge on certain real estate of the Company. The loan is due May 1, 2010.

#### Note 10 - Interest Received In Advance

Interest is received in advance on certain mortgages. This interest is taken into revenue monthly based on the terms of the specific mortgage.

#### Note 11 - Refundable Performance Bonus

The amount of the refundable performance bonus is determined pursuant to contracts with each borrower and is received by the Company when each mortgage is issued. The bonus is repaid to the borrower when the mortgage is repaid. In the event that the mortgage defaults, the bonus is forfeited by the borrower and is recognized as revenue by the Company. Funds held as refundable performance bonuses are non-interest bearing.

**ACCREDIT MORTGAGE LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2009**

**Note 12 - Share Capital**

**Authorized**

500,000,000 Class A voting shares without par value, one vote per share.  
 500,000,000 Class B voting shares without par value, 1,000 votes per share.

<b>Issued</b>	<b>2009</b>	<b>2008</b>
69,053,683 Class A shares (Note 13)	\$69,053,683	\$76,118,869
272,000 Class B shares	<u>4,160</u>	<u>4,160</u>
	<u>\$69,057,843</u>	<u>\$76,123,029</u>

**Note 13 - Changes In Share Capital**

Details of changes in the issued Class A shares are as follows:

	<b>Number</b>	<b>2009 Amount</b>	<b>2008 Amount</b>
Balance, beginning of year	76,118,869	\$76,118,869	\$61,574,983
Stock dividends	2,525,939	2,525,939	4,896,820
Shares issued for cash	4,414,141	4,414,141	19,032,228
Shares redeemed for cash	<u>(14,005,266)</u>	<u>(14,005,266)</u>	<u>(9,385,162)</u>
Balance, end of year	<u>69,053,683</u>	<u>\$69,053,683</u>	<u>\$76,118,869</u>

**Note 14 - Related Party Transactions**

The Company and Great Pacific Mortgage Investments Ltd. (GPMI) share common officers and directors. GPMI provides financial services to the Company for an annual fee of 2% of the assets under management.

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

**ACCREDIT MORTGAGE LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2009**

**Note 15 - Subsequent Events**

Subsequent to year-end, the following events occurred:

Mortgages totaling \$320,000 were approved and issued.

The Company paid out a first charge against security of a mortgage receivable for \$997,650.

The Company transferred a mortgage to a subsidiary which then foreclosed on the mortgage and took title to the underlying security valued at \$3,400,000. An offer has been received to purchase the shares of the subsidiary.

**Note 16 - Commitments**

As at year end, the Company was committed to funding \$333,500, representing the remaining balance of draw mortgages already issued. This amount was drawn subsequent to year-end.

ACCREDIT MORTGAGE LTD.  
CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

**LEE and SHARPE**  
CHARTERED ACCOUNTANTS

**AUDITORS' REPORT**

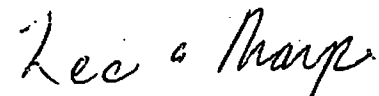
To the Directors of Accredited Mortgage Ltd.

We have audited the consolidated balance sheet of Accredited Mortgage Ltd. as at September 30, 2007 and the consolidated statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year. As required by the British Columbia Mortgage Brokers Act, we report that no trust funds were handled or received and no funds were received that should have been held in trust during the year.

Victoria, B.C.  
November 15, 2007



Chartered Accountants

ACCREDIT MORTGAGE LTD.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED SEPTEMBER 30, 2007

	2007	2006
INCOME	<u>\$ 9,176,401</u>	<u>\$ 7,032,680</u>
EXPENSES		
Financial services fees	1,141,404	868,946
Provision for mortgage losses	585,090	788,972
Interest	30,858	63,808
Office and sundry	20,597	10,964
Bank charges	20,282	6,320
Professional fees	12,902	20,939
Insurance	9,119	8,719
Directors fees	2,400	2,400
License fees	<u>1,000</u>	<u>-</u>
	<u>1,823,652</u>	<u>1,771,068</u>
NET INCOME FOR THE YEAR	7,352,749	5,261,612
RETAINED EARNINGS, beginning of year	<u>-</u>	<u>-</u>
	7,352,749	5,261,612
Less dividends paid		
Class A dividends paid	(6,610,189)	(4,829,132)
Class B dividends paid	<u>(742,560)</u>	<u>(432,480)</u>
RETAINED EARNINGS, end of year	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes)

**ACCREDIT MORTGAGE LTD.**  
(Incorporated under the laws of British Columbia)


**CONSOLIDATED BALANCE SHEET - SEPTEMBER 30, 2007**

	2007	2006
<b>ASSETS</b>		
Current		
Cash	\$ 9,174,207	\$ 304
Interest receivable	1,339,275	1,617,826
Income taxes recoverable	-	955
Prepaid expenses	<u>8,115</u>	<u>7,496</u>
	10,521,597	1,626,581
Mortgage advances (including \$2,001,119 provision for mortgage losses - Note 8)	<u>53,266,705</u>	<u>47,833,673</u>
	<u>\$63,788,302</u>	<u>\$49,460,254</u>

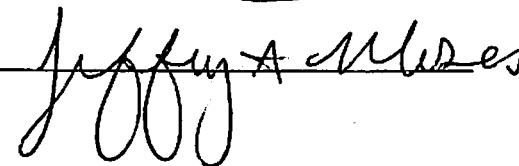
**LIABILITIES AND SHAREHOLDERS' EQUITY**

Current		
Demand revolving loan (Note 2)	\$ -	\$ 868,152
Accounts payable and accrued liabilities	7,959	6,500
Dividends payable	1,650,117	960,966
Interest received in advance (Note 3)	444,483	321,063
Refundable performance bonus (Note 4)	<u>106,600</u>	<u>113,500</u>
	<u>2,209,159</u>	<u>2,270,181</u>
Shareholders' equity		
Share capital (Note 5)	<u>61,579,143</u>	<u>47,190,073</u>
	<u>\$63,788,302</u>	<u>\$49,460,254</u>

Approved by the Directors


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ACCREDIT MORTGAGE LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2007

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	\$ 7,352,749	\$ 5,261,612
Cash provided by (used for) non-cash working capital items		
Interest receivable	278,551	(1,227,191)
Income taxes recoverable	955	10,505
Prepaid expenses	(620)	(281)
Mortgage advances	(5,433,033)	(15,822,090)
Property held for resale	-	1,375,828
Accounts payable and accrued liabilities	1,460	-
Dividends payable	689,151	280,965
Mortgage payable	-	(1,091,982)
Interest recieved in advance	123,420	(389,858)
Refundable performance bonus	<u>(6,900)</u>	<u>16,000</u>
	<u>3,005,733</u>	<u>(11,586,492)</u>
<b>CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES</b>		
Shares issued for cash	17,633,679	14,746,278
Shares redeemed for cash	<u>(6,864,116)</u>	<u>(4,252,629)</u>
	<u>10,769,563</u>	<u>10,493,649</u>
<b>CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>		
Cash dividends paid	<u>(3,733,241)</u>	<u>(2,884,199)</u>
<b>INCREASE (DECREASE) DURING THE YEAR</b>	10,042,055	(3,977,042)
CASH, beginning of year	<u>(867,848)</u>	<u>3,109,194</u>
CASH, end of year	<u>\$ 9,174,207</u>	<u>\$ (867,848)</u>

(See accompanying notes)

ACCREDIT MORTGAGE LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

Note 1 - Significant Accounting Policies

(a) Mortgage Advances

Mortgages are recorded at lower of actual amount of funds advanced and net realizable value.

(b) Revenue Recognition

Interest earned and not received as at the year end is accrued in the current year as interest receivable and recognized as revenue if collection is reasonably assured.

(c) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Note 2 - Banking Arrangement

Canadian Imperial Bank of Commerce

The 364 day committed operating line facility is due on demand, secured by assignment of mortgages and bears interest at bank prime rate plus 1.5% per annum on the amounts drawn less than or equal to \$4,000,000 and prime rate plus 1.25% per annum on the amounts drawn greater than \$4,000,000 to a maximum balance of \$10,000,000.

Note 3 - Interest Received In Advance

Interest is received in advance on certain mortgages. This interest is taken into revenue monthly based on the terms of the specific mortgage.

ACCREDIT MORTGAGE LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

Note 4 - Refundable Performance Bonus

The refundable performance bonus is a contracted amount received by the Company as compensation when each mortgage is issued. The bonus is repaid to the borrower when the mortgage is repaid. In the event the mortgage defaults, the amount is taken into revenue at that time. Amounts held as refundable performance bonus are non-interest bearing.

Note 5 - Share Capital

Authorized

500,000,000 Class A voting shares without par value  
500,000,000 Class B voting investment shares without par value

Issued

61,574,983 Class A shares (Note 6)	61,574,983	47,185,913
272,000 Class B shares	<u>4,160</u>	<u>4,160</u>
	<u>61,579,143</u>	<u>47,190,073</u>

Note 6 - Changes In Share Capital

Details of changes in the issued Class A shares are as follows:

	Number	2007 Amount	2006 Amount
Balance, beginning of year	47,185,913	\$47,185,913	\$34,314,851
Stock dividends	3,619,507	3,619,507	2,377,413
Shares issued for cash	17,633,679	17,633,679	14,746,278
Shares redeemed for cash	<u>(6,864,116)</u>	<u>(6,864,116)</u>	<u>(4,252,629)</u>
Balance, end of year	<u>61,574,983</u>	<u>\$61,574,983</u>	<u>\$47,185,913</u>

ACCREDIT MORTGAGE LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 7 - Related Party Transactions

Financial services fees were paid to Great Pacific Mortgage and Investments Ltd., a related party:

	2007	2006
	<u>\$ 1,141,404</u>	<u>\$ 868,946</u>

Accredit Mortgage Ltd, and Great Pacific Mortgage Investments Ltd. share common management. These transactions are in the normal course of business and are measured at the exchange amount. The exchange amount is the amount of consideration established and agreed to by the related parties.

Note 8 - Provision For Mortgage Losses

Management has set up a cumulative provision for mortgage losses in the amount of \$2,001,119. Management has reviewed the mortgage portfolio and identified twelve mortgages where the probability of full recoverability is uncertain.

	2007	2006
Mortgage advances	\$55,267,824	\$49,260,407
Less provision for mortgage losses	<u>(2,001,119)</u>	<u>(1,426,734)</u>
Net mortgage advances	<u>\$53,266,705</u>	<u>\$47,833,673</u>

Note 9 - Principles Of Consolidation

The consolidated financial statements include the accounts of Accredit Mortgage Ltd. and its wholly-owned subsidiary 609196 B.C. Ltd. The subsidiary is inactive and has no assets or liabilities. Any significant intercompany transactions and balances have been eliminated on consolidation.

ACCREDIT MORTGAGE LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

Note 10 - Income Taxes

The Company qualifies under Subsection 130.1(6) of the Income Tax Act of Canada as a Mortgage Investment Corporation that is entitled to deduct in computing its net income for income tax purposes, all dividends paid by the corporation during the fiscal year or within the first ninety days following the fiscal year.

Note 11 - Capital Tax

The Company is not liable for capital tax as its total taxable capital is less than the capital deduction (exemption) under Section 181.5 of the Income Tax Act.