Offering Memorandum

Date:	April 17, 2015

The Issuer

Name:	**Cambridge Mortgage Investment Corporation**
Head office:	Address: Suite 201 - 595 Howe Street, Vancouver, BC Canada V6C 2T5
	Phone #: (604) 484-8199
	E-mail address: info@peetcowan.com
	Fax #: (604) 484-8198
Currently listed or quoted?	**These securities do not trade on any exchange or market**.
Reporting issuer?	No
SEDAR filer?	No

The Offering

Securities offered:	Up to 20,000,000 Class “B” Preferred Non-Voting Shares
Price per security:	$1.00 per Share
Minimum/Maximum offering:	0 / $20,000,000.00
	There is no minimum. You may be the only purchaser. Funds available under the offering may not be sufficient to accomplish our proposed objectives.
Minimum subscription amount:	There is no minimum subscription amount an investor must invest.
Payment terms:	The subscription price for Shares purchased is payable in full on the applicable closing of the offering.
Proposed closing date(s):	The board of directors will determine the closing date(s) as subscriptions are received.
Income tax consequences:	There are important tax consequences to these securities. See item 6 “Income Tax Consequences and RSP Eligibility.
Selling agent?	Yes. See item 7 “Compensation Paid to Sellers and Finders”.

Resale restrictions

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

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 “Purchaser’s 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”.

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

Item 1: Use of Available Funds

1.1 *Funds*

The funds that will be available to Cambridge Mortgage Investment Corporation ("Cambridge") from this offering, together with the funds that will be available from other sources, are set out in the following table.

	Description	Assuming min. offering	Assuming max. offering
A.	Amount to be raised by this offering	$0.00	$20,000,000.00
B.	Selling commissions and fees	$0.00	$200,000.00 per year(1)
C.	Estimated offering costs (e.g., legal, accounting, audit.)	$30,000.00	$230,000.00
D.	Available funds: D = A - (B+C)	($30,000.00)	$19,770,000.00
E.	Additional sources of funding available	$9,562,877.00(2)	$9,562,877.00(2)
F.	Working capital deficiency	$0.00(3)	$0.00(3)
G.	Total: G = (D+E) – F	$9,532,877.00	$29,332,877.00

(1) The compensation payable, where applicable, to a seller or finder will be an amount equal to up to 1% of the gross purchase price of the number of Preferred Shares, subscribed for by an investor who has purchased their Preferred Shares through a seller or finder, per year for each year that such investor retains those Preferred Shares. See item 7 – Compensation Paid to Sellers and Finders.

(2) This amount includes: (a) the balance of the maximum amount available under our credit facility with Canadian Western Bank as at the date of this Offering Memorandum (See Item 2.2 "Description of our Business – Credit Facility"); (b) $616,530.00 available in current cash reserves held by Cambridge; and (c) additional funds which are available from operating profits.

(3) At a date that is not more than 30 days prior to the date of this Offering Memorandum.

1.2 *Use of Available Funds -*

Description of intended use of available funds listed in order of priority	Assuming min. offering	Assuming max. offering
Investment in mortgage in British Columbia, Alberta and Saskatchewan	**$9,532,877.00**	**$29,332,877.00**

(1) As in previous years, operating fees, expenses and taxes for fiscal year 2013 have been paid by operating revenues received during that year. We expect this to continue in the future.

1.3 *Reallocation*

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

Item 2: Business of Cambridge Mortgage Investment Corporation

2.1 *Structure*

We are a corporation incorporated under the British Columbia Business Corporations Act on February 19, 2007.

2.2 *Our Business*

<u>Overview</u>

We are a "mortgage investment corporation" (hereinafter defined as a "MIC") that does, and since its inception, meet the requirements to qualify as a MIC under the *Income Tax Act* (Canada). Our business is to make a diversified range of residential and other loans secured by first and second mortgages, and a very small number of third mortgages, on real estate properties located primarily in British Columbia. On occasion, however, we will make loans secured by real estate in other provinces in circumstances where we determine that we will receive adequate security for such extra-provincial loans. We earn most of our income from the interest paid on these mortgages. The balance of our 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.

<u>Taxation of a MIC</u>

Under the *Income Tax Act*, a MIC is not taxed on its net income if such income is distributed annually to its shareholders. Therefore, to qualify as a MIC and receive this favourable treatment, we distribute all of our net income to holders of our Class B Non-voting Preferred Shares (hereinafter defined as "Preferred Shares") by way of dividends. The dividend is paid quarterly, and at the election of each holder of Preferred Shares (hereinafter defined as a "Preferred Shareholder"), may be received in cash or in additional Preferred Shares. These dividends are not treated as capital dividends and are subject to tax as described in Item 6 "Income Tax Consequences and RRSP Eligibility".

<u>Business Restrictions of a MIC</u>

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

(a) our business must be passive and of an investment nature (therefore, we cannot actively manage or develop residential or commercial real estate properties); and

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

Furthermore, the investments that we as a MIC can make 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:

(1) real estate located outside Canada or in leasehold interests in such real estate;

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

(3) shares of corporations not resident in Canada; and

(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 our net leveraging cannot exceed a 5:1 ratio.

Rate of Return on Investment

The average return which our shareholders receive on their investments is determined annually by our directors as at our December 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:

Dividends paid in (1)	2014	2013	2012	2011	2010
	7.179	7.41	8.412	8.00	8.18

(1) The factors which affect the amount of such return are described in Item 8 "Risk Factors". The rates of return are averages for all of our Preferred Shareholders and may not reflect the return received by any one Preferred Shareholder. There is no guarantee that such rates of return will continue or that Preferred Shareholders will receive similar returns in future years.

Management of Cambridge Mortgage Investment Corporation

To provide for the management of our business we entered into a management agreement dated as of February 19, 2007 with Cowan Financial Services Inc. (“CFS”). That management agreement was amended and later assigned to Peet & Cowan Financial Services Inc. (“Peet & Cowan”) pursuant to an assignment and assumption agreement dated February 1, 2010. The management of our business is now governed by an Amended and Restated Management Agreement between Cambridge and Peet & Cowan dated as of January 19, 2012 (hereinafter defined as the “Management Agreement”). Peet & Cowan carries on its business as “Peet and Cowan Financial Services”, is a registered mortgage broker under the *Mortgage Brokers Act* (British Columbia) and is wholly-owned by Jonathon Cowan, Francis Peet & CFS.

The Management Agreement has a one year term, and automatically renews annually for further one year terms without any further action required by us or Peet & Cowan. The Management Agreement may be terminated by either party on 30 days written notice. Under this Management Agreement, Peet & Cowan is required to provide mortgage investment and management services to us, including:

(a) identifying potential investment opportunities that are applicable to a MIC;

(b) administering mortgage loans on our behalf within investment parameters established by our Board of Directors;

(c) carrying out our day-to-day administration;

(d) providing monthly reports on our operations to our Board of Directors;

(e) communicating with our shareholders and answering shareholder questions;

(f) preparing accounting information for our auditor; and

(g) furnishing us with all necessary administrative services including providing office space, administrative staff, maintaining books and records and managing all matters required in connection with the services set out under the Management Agreement.

The Management Agreement provides that Peet & Cowan will be paid a management fee for its management services of in an amount equal to 1.5% per cent of total mortgage receivables of Cambridge Mortgage Investment Corporation under management by Peet & Cowan to be calculated monthly and paid monthly. In circumstances where it deems appropriate, Peet & Cowan may reduce the amount it is entitled to receive for any given month.

Investment Strategy

Our investment strategy is specifically intended to qualify for the special tax treatment afforded to MICs under the *Income Tax Act.* For this reason, the majority of our funds are invested in residential mortgage loans, with any balance held in bank deposits. At times we also invest our funds in construction, commercial and interim mortgage loans; however, this is not our primary investment focus. No funds are ever loaned to one of our principals or officers. We ensure that the types of mortgage loans we have invested in, and will continue to invest in, are consistent with the criteria for a MIC under the *Income Tax Act.* By adhering to these *Income Tax Act* criteria, we should be accorded the 'flow through' tax treatment given to MICs which results in no tax obligations arising in respect of our net income, all of which is distributed in the form dividends to our Preferred Shareholders. See item 6 "Income Tax Consequences and RRSP Eligibility".

We currently have a revolving demand credit facility with Canadian Western Bank ("CWB") which enables us to increase our earnings to our Preferred Shareholders. Provided we maintain CWB's capital requirements, we can make mortgage loans using the available credit facility funds which enables us to leverage our capital base. See "Credit Facility" below.

Operation Policy

The residential loans we make are primarily secured by first or second mortgages, although in very few cases we may accept a third mortgage; however these third mortgages are most often granted as part of an "inter alia" mortgage which secures multiple properties. It is our mandate that the mortgage loans we make have a loan to appraised property market value ratio of not more than 75%, however, the lending committee has the discretion to approve mortgage loans that exceed this ratio when they deem it beneficial to do so. Most mortgage loans have a 12 month term, although occasionally we may grant a loan that has a longer repayment term.

Prior to approving any mortgage loans, we assess the security being provided to us by reviewing a qualified independent appraisal of the subject property, along with such other materials we deem appropriate including credit reports, financial records of the borrower and economic considerations that may affect the market value of the property.

As part of our prudent lending practices, we also limit the amount of funds we will lend to any one borrower or property in order to limit our risk exposure.

Credit Facility

We have established a revolving credit facility (the "CWB Facility") with CWB that has a borrowing limit not to exceed the Margin Requirement, as defined below.

"Margin Requirement" is defined as all advances outstanding under the CWB Facility not to exceed the lesser of:

1. The loan limit of $10,000,000.00; or
2. The aggregate amount of the margined value based on:
   (a) 75% of 1st Residential Mortgages Receivable, as defined below, (capped at $1,000,000.00 per single name exposure); and
   (b) 65% of 2nd Residential Mortgages Receivable (capped at $500,000.00 per single name exposure

   not to exceed 55% of all the Eligible Mortgage Receivables.

"Residential Mortgages Receivable" : Eligible Mortgage Receivables less any existing charges in priority on Eligible Mortgage Receivables and less Ineligible Mortgages.

"Eligible Mortgage Receivable": a residential 1st or 2nd mortgage on completed properties, including single family detached residences, condominiums, townhouses and multi-unit apartment buildings, limited to the following areas: Western Canada (British Columbia, Alberta, Saskatchewan and Manitoba) where CWB would provide conventional residential mortgage financing (properties located within a 50 km radius to a major metropolitan area in Western Canada and within all other metropolitan cities where CWB maintains a Retail Branch), provided that the mortgages are:

(a) in favor of Cambridge;
(b) completed by an arms-length 3rd party;
(c) with an amortization not exceeding 25 years; and
(d) reducing and interest only payment mortgages.

"Ineligible Mortgages": any residential and commercial mortgages receivable that satisfy one or more of the following criteria:

(a) any mortgage that is 60 days or more in arrears;
(b) any mortgage with no appraisal;
(c) any mortgage not renewed within 30 days of maturity;
(d) any mortgage outside of the regions mentioned in the definition of Eligible Mortgage Receivable;
(e) any mortgage where the total loan to value ratio exceeds 75%;
(f) any mortgage in 3rd position or higher;
(g) any syndicated or shared mortgages;
(h) any mortgages over construction, industrial, raw land, recreational development or leased land, mobile homes, acreages in excess of 5 acres, agricultural land, senior assisted living, commercial and hotel strata units, hotels, motels and mobile home parks;
(i) any mortgages with property taxes, strata fees or condo fees in arrears that exceed 60 days; and

(j) any mortgages in foreclosure or legal action.

As at April 17, 2015 our current loan balance is $Nil with $8,946,347.00 of available credit. Interest is payable on the CWB Facility at an interest rate equal to CWB's prime lending rate +0.95%.

The following security has been granted to CWB to secure the Credit Facility:

a) a general security agreement providing a first security interest in all present and after acquired property of Cambridge;
b) a general assignment of mortgages for the entire right, title and interest of Cambridge in and arising out of any mortgage or charge of real property in favor of Cambridge as mortgagee in the amount of $10,000,000.00;
c) a general assignment of mortgage receivables;
d) an assignment of proceeds payable under the mortgages held by Cambridge;
e) a general assignment of insurance interest for the entire right, title and interest of Cambridge in and arising out of any mortgage or charge of real property in favor of Cambridge as mortgagee; and
f) an assignment and postponement of creditor's claim from the directors and principal shareholders.

2.3 *Development of Business*

Since incorporation, and particularly in our 2012 and 2013 fiscal years and subsequently, our business has grown steadily as a result of our conservative and targeted lending practices. We believe this approach has delivered acceptable rates of return to our shareholders while minimizing the risk to our invested capital. During our two most recently completed financial years there have not been any unusual events that have favourably, or adversely, influenced the development of our business.

Our mortgage portfolio as at April 17, 2015 consisted of 145 active mortgage secured loans as follows:

Mortgages by Region

British Columbia:	109 (1)
Alberta:	33
Manitoba:	2
Ontario:	1

(1) Approximately 80% of our mortgages in British Columbia are secured by properties in the Vancouver/Lower Mainland area.

Loan to Value Ratio of Mortgages as at September 17, 2014

	Current LTV	Balance	Running Total	% of Total Participation	# of Loans
<.51	50% or Lower	$16,875,064.20	16,875,064.20	42.69%	57
<.56	51% - 55%	$605,000.00	17,480,064.20	1.53%	7
<.61	56% - 60%	$4,810,000.00	22,290,064.20	12.17%	13
<.66	61% - 65%	$8,541,589.59	30,831,653.79	21.61%	24
<.71	66% - 70%	$4,354,315.71	35,185,969.50	11.01%	19
<.76	71% - 75%	$1,644,000.00	36,829,969.50	4.16%	15
<.81	76% - 80%	$941,200.00	37,771,169.50	2.38%	6
>=.81	81% or More	$1,760,000.00	39,531,169.50	4.45%	4
	Total	**$39,531,169.50**		**100.00%**	**145**

Summary of Mortgages by Type of Mortgage as at September 17, 2014

Type		Prospectus Compliance	% of Total Participation	Balance	# of Loans
Not Specified		n/a	4.14%	$1,635,000.00	5
Apartment/Condo	APT	n/a	12.51%	$4,945,300.00	17
Construction	CNST	n/a	18.31%	$7,238,615.71	19
Commercial	COM	n/a	5.53%	$2,185,000.00	7
Co Op	COP	n/a	0.82%	$325,000.00	1
Half Duplex	HFDUP	n/a	2.98%	$1,180,000.00	2
Vacant Land	LND	n/a	12.81%	$5,062,346.62	9
Leasehold	LSE	n/a	0.38%	$150,000.00	1
Multiple Family Dwel	MUL	n/a	2.05%	$810,000.00	2
Rural/Acreage	RUR	n/a	0.23%	$90,000.00	1
Single Family Dwellg	SFD	n/a	38.14%	$15,076,907.17	73
Townhome	TWN	n/a	1.77%	$698,000.00	8
		Total	**100.00%**	**$39,531,169.50**	**145**

Interest Charged on Active Mortgages as at September 17, 2014 (by 100 basis points)

Interest	# of Loans	Balance	% of Total Participation	Average % of Interest Rate
6% or Lower	0	$0.00	0.00%	0.00%
6.01% - 7%	4	$3,010,000.00	7.61%	6.91%
7.01% - 8%	21	$7,110,547.33	17.99%	7.81%
8.01% - 9%	49	$14,146,339.84	35.79%	8.74%
9.01% - 10%	38	$8,776,415.71	22.20%	9.71%
10.01% - 11%	16	$3,899,166.62	9.86%	10.54%
11.01% - 12%	10	$1,561,200.00	3.95%	11.86%
12.01% - 13%	6	$927,500.00	2.35%	12.95%
13.01% - 14%	1	$100,000.00	0.25%	13.99%
14.01% or Greater	0	$0.00	0.00%	0.00%
Total	**145**	**$39,531,169.50**	**100.00%**	**9.06%**

2.4 *Long Term Objectives* –

We have two long term objectives. The first is to continue the development of our business and take a measured approach to increase the capital base invested in Cambridge Mortgage Investment Corporation such that we hope to have $60,000,000 under management within 3 years. The cost to achieve this objective will be the costs associated with the preparation and filing of this Offering Memorandum, including professional fees and compensation paid to sellers and finders where applicable, together with the expenses set out in item 1.2 herein. We will ensure that such capital growth occurs at a measured rate that will enable us to source and invest in prudent mortgage loans, in order to maximize our Preferred Shareholders capital rate of return while minimizing risk. Our second objective is to continue to achieve a return on capital in the order of 6.725% to 8.25% per year. The cost to achieve this objective will be the management fees, professional fees, interest and bank charges and licenses and dues as set out in item 1.2 herein. There cannot be any assurance, however, on the actual rate of future returns.

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

Our objectives for the next 12 months are to increase our capital base by $10,000,000.00 by selling up to 10,000,000 of our Preferred Shares. As of the date of this Offering Memorandum:

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
Increase our capital base by $10,000,000.00 and provide mortgage loans with a reasonable and manageable level of risk in accordance with our lending practices.	Next 12 months	$30,000.00	$130,000.00(1)

(1) Up to $130,000 if 10,000,000 Preferred Shares were sold by Sellers or Finders who are entitled to receive a commission from us in accordance with commission rate payable as set out in item 7 – Compensation Paid to Sellers and Finders.

2.6 ***Insufficient Funds***

Not applicable.

2.7 ***Material Agreements***

We are currently a party to the following material contracts:

(a) Amended and Restate Management Agreement between ourselves and Peet & Cowan dated January 19, 2012. See Item 2.2 "Description of our Business – Investment Manager";

(b) Overdraft Lending Agreement with CWB dated May 27, 2014, and the corresponding security agreements required thereunder. 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 and officers and each person who, directly or indirectly, beneficially owns or controls more than 10% of our voting securities (a "Principal Holder").

Name and municipality of principal residence	Positions held and the date of obtaining that position	Compensation paid by us in the most recently completed financial year (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
Jonathon Cowan,	Director, President,	0(1)	25 Class A	25 Class A

Vancouver, BC	Secretary, Principal Holder since Feb. 19, 2007	(0)[(1)]	Voting (25%)	Voting (25%)
Francis Peet, North Vancouver, BC	Director, Vice-President since Jan. 13, 2012 Principal Holder since Feb. 19, 2007	0[(1)] (0)[(1)]	25 Class A Voting (25%)	25 Class A Voting (25%)
Michael Atmore, West Vancouver, BC	Principal Holder, since Feb. 19, 2007	0[(2)] (0)[(2)]	25 Class A Voting (25%)	25 Class A Voting (25%)
Randy Mueller, West Vancouver, BC	Principal Holder, since Feb. 19, 2007	0 (0)	25 Class A Voting (25%)	25 Class A Voting (25%)

(1) While Mr. Cowan and Mr. Peet do not receive any direct compensation from us, they are controlling shareholders of Peet & Cowan, which receives management fees from us. See item 2 "Business of Cambridge Mortgage Investment Corporation – Our Business – Management of Cambridge Management Investment Corporation". During the 2014 fiscal year we paid to Peet & Cowan mortgage broker commissions of $458,075.00 and management fees of $483,943.00.

(2) While Mr. Atmore does not receive any direct compensation from us, Lunny Atmore LLP acts as our legal counsel and receives professional fees from us for legal services rendered to Cambridge Management Investment Corporation. During the 2014 fiscal year we paid to Lunny Atmore LLP legal fees of $14,969.00.

3.2 *Management Experience*

The following table discloses the principal occupations of our directors and executive officers over the past five years and their relevant experience in businesses similar to ours.

Name	Principal occupation and related experience
Jonathon Cowan	Registered Mortgage Broker since 1993. Director, President and Secretary of Cambridge Mortgage Investment Corporation since February 19, 2007. Principal of Peet & Cowan Financial Services Inc. since February 1, 2010. Director and President of Peet & Cowan Financial Services Inc. since February 1, 2010. Principal of Cowan Financial Services Inc. since November 30, 1995. Director, President & Secretary of Cowan Financial Services Inc. since November 30, 1995.
Francis Peet	Registered Mortgage Broker since 1986. Director and Vice-President of Cambridge Mortgage Investment Corporation since January 13, 2012. Principal of Peet & Cowan Financial Services Inc. since February 1, 2010. Director and Secretary of Peet & Cowan Financial Services Inc. since February 1, 2010.

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 at 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) 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, promoters and principal holders, nor are any of them indebted to us.

Item 4: Capital Structure

4.1 *Share Capital*

Our share capital is set out in the following table:

Description of security	Number authorized to be issued	Price per security	Number outstanding as at the date of this Offering Memorandum	Number outstanding after min. offering	Number outstanding after max. offering
Class "A" voting shares	unlimited	$1.00	100	100	100
Class "B" non-voting Preferred Shares(1)	unlimited	$1.00	39,364,105	39,364,105	59,364,105
Options	0	N/A	N/A	N/A	N/A
Warrants	0	N/A	N/A	N/A	N/A
Convertible Securities	0	N/A	N/A	N/A	N/A

(1) See item 5.1 – "Securities Offered – Terms of Securities" for the material terms of the Preferred Shares.

(2) We note that the difference in the number of Class "B" Shares issued by us as of December 31, 2014 and April 17, 2015 is a result of newly issued Class "B" Shares as well as Class "B" Shares redeemed during that period.

4.2 *Long Term Debt*

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

Description of long term debt & whether secured	Interest rate	Repayment terms	Amount outstanding at April 17, 2015
Demand Loan[(1)]	CWB Bank Prime + 0.95%	Interest payable monthly & principal repayable on demand	$0.00

(1) See item 2.2 – "Description of Our Business – Credit Facility".

4.3 *Prior Sales*

Within the last 12 months, we have issued the following Class "B" Non-voting Preferred Shares:

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
07-Apr-14	Class "B" Non-voting Preferred Shares	40,000	$1.00	$40,000.00
10-Apr-14	Class "B" Non-voting Preferred Shares	220,482	$1.00	$220,482.00
17-Apr-14	Class "B" Non-voting Preferred Shares	264,000	$1.00	$264,000.00
30-Apr-14	Class "B" Non-voting Preferred Shares	20,000	$1.00	$20,000.00
2-May-14	Class "B" Non-voting Preferred Shares	1,100,000	$1.00	$1,100,000.00
26-May-14	Class "B" Non-voting Preferred Shares	200,000	$1.00	$200,000.00
3-Jun-14	Class "B" Non-voting Preferred Shares	450,000	$1.00	$450,000.00
9-Jun-14	Class "B" Non-voting Preferred Shares	1,000,000	$1.00	$1,000,000.00
18-Jun-14	Class "B" Non-voting Preferred Shares	50,000	$1.00	$50,000.00
25-Jun-14	Class "B" Non-voting Preferred Shares	50,000	$1.00	$50,000.00
25-Jun-14	Class "B" Non-voting Preferred Shares	750,000	$1.00	$750,000.00
25-Jun-14	Class "B" Non-voting Preferred Shares	650,000	$1.00	$650,000.00
27-Jun-14	Class "B" Non-voting Preferred Shares	70,000	$1.00	$70,000.00
30-Jun-14	Class "B" Non-voting Preferred Shares	30,000	$1.00	$30,000.00
11-Jul-14	Class "B" Non-voting Preferred Shares	500,000	$1.00	$500,000.00
18-Jul-14	Class "B" Non-voting Preferred Shares	15,000	$1.00	$15,000.00
24-Jul-14	Class "B" Non-voting Preferred Shares	575,000	$1.00	$575,000.00

14-Aug-14	Class “B” Non-voting Preferred Shares	15,000	$1.00	$15,000.00
15-Aug-14	Class “B” Non-voting Preferred Shares	1,087,719	$1.00	$1,087,719.00
18-Aug-14	Class “B” Non-voting Preferred Shares	15,000	$1.00	$15,000.00
20-Aug-14	Class “B” Non-voting Preferred Shares	50,000	$1.00	$50,000.00
27-Aug-14	Class “B” Non-voting Preferred Shares	50,000	$1.00	$50,000.00
29-Aug-14	Class “B” Non-voting Preferred Shares	53,000	$1.00	$53,000.00
2-Sep-14	Class “B” Non-voting Preferred Shares	130,000	$1.00	$130,000.00
8-Sep-14	Class “B” Non-voting Preferred Shares	550,000	$1.00	$550,000.00
10-Sep-14	Class “B” Non-voting Preferred Shares	79,500	$1.00	$79,500.00
24-Sep-14	Class “B” Non-voting Preferred Shares	158,000	$1.00	$158,000.00
2-Oct-2014	Class “B” Non-voting Preferred Shares	350,000	$1.00	$350,000.00
27-Oct-2014	Class “B” Non-voting Preferred Shares	50,000	$1.00	$50,000.00
10-Nov-2014	Class “B” Non-voting Preferred Shares	1,450,000	$1.00	$1,450,000.00
19-Nov-2014	Class “B” Non-voting Preferred Shares	25,000	$1.00	$25,000.00
3-Dec-2014	Class “B” Non-voting Preferred Shares	10,000	$1.00	$10,000.00
5-Dec-2014	Class “B” Non-voting Preferred Shares	300,000	$1.00	$300,000.00
10-Dec-2014	Class “B” Non-voting Preferred Shares	90,000	$1.00	$90,000.00
19-Jan-2015	Class “B” Non-voting Preferred Shares	11,000	$1.00	$11,000.00
21-Jan-2015	Class “B” Non-voting Preferred Shares	150,000	$1.00	$150,000.00
23-Jan-2015	Class “B” Non-voting Preferred Shares	200,000	$1.00	$200,000.00
28-Jan-2015	Class “B” Non-voting Preferred Shares	50,000	$1.00	$50,000.00
19-Feb-2015	Class “B” Non-voting Preferred Shares	90,000	$1.00	$90,000.00
26-Feb-2015	Class “B” Non-voting Preferred Shares	8,500	$1.00	$8,500.00
26-Feb-2015	Class “B” Non-voting Preferred Shares	10,000	$1.00	$10,000.00
9-Mar-2015	Class “B” Non-voting Preferred Shares	80,000	$1.00	$80,000.00
12-Mar-2015	Class “B” Non-voting Preferred Shares	250,000	$1.00	$250,000.00
17-Mar-2015	Class “B” Non-voting Preferred Shares	40,000	$1.00	$40,000.00
17-Mar-2015	Class “B” Non-voting Preferred Shares	100,000	$1.00	$100,000.00
24-Mar-2015	Class “B” Non-voting Preferred Shares	55,000	$1.00	$55,000.00
24-Mar-2015	Class “B” Non-voting Preferred Shares	73,000	$1.00	$73,000.00
27-Mar-2015	Class “B” Non-voting Preferred Shares	30,000	$1.00	$30,000.00
30-Mar-2015	Class “B” Non-voting Preferred Shares	104,710	$1.00	$104,710.00
31-Mar-2015	Class “B” Non-voting Preferred Shares	3,000	$1.00	$3,000.00
9-Apr-2015	Class “B” Non-voting Preferred Shares	150,000	$1.00	$150,000.00
10-Apr-2015	Class “B” Non-voting Preferred Shares	337,000	$1.00	$337,000.00
17-Apr-2015	Class “B” Non-voting Preferred Shares	100,000	$1.00	$100,000.00
17-Apr-2015	Class “B” Non-voting Preferred Shares	352,700	$1.00	$352,700.00
TOTALS	Class “B” Non-voting Preferred Shares	12,642,611	$1.00	$12,642,611

(1) Shares issued by way of share dividends in respect of our income from our last financial year ended December 31, 2014.

Item 5 - Securities Offered

5.1 Terms of Securities

The securities being offered for sale by this Offering Memorandum are Class “B” Non-voting Preferred shares without par value 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

Our Preferred Shares do not have any right to vote except in respect of any amendment to their special rights and privileges or as required by law.

Conversion

Neither our Class “A” Voting Common shares (hereinafter defined as “Common Shares”) nor our Preferred Shares are convertible into any other form of share or security.

Dividends

All our profits available for the payment of dividends are paid to the holders of our Preferred Shares within 10 days of the end of each fiscal quarter during the year. The payment of dividends may be made by the issuance of further Preferred Shares or by way of cash, as decided by the Preferred Shareholder.

Preferred Shareholders will be entitled to receive dividends in respect of Preferred Shares owned at the end of each of our fiscal quarters. Any Preferred Shareholder not holding a Preferred Share at the end of the fiscal quarter does not share in the dividends for that quarter. Preferred Shares received from us as dividends entitle that shareholder to receive dividends on such shares in the ensuing (but not the previous) fiscal quarter.

Holders of our Common Shares are not entitled to dividends.

Liquidation Entitlement

If we are liquidated, dissolved or wound-up, the proceeds after payment of all expenses and outstanding indebtedness will be paid to the holders of our Preferred Shares in proportion to (and up to) the amount paid to us for their Preferred Shares. If any net proceeds remain, then the holders of our Common Shares 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 remain, the holders of the Common Shares and Preferred Shares shall equally split such remaining proceeds in proportion to the number of shares (Common or Preferred) held. Since we pay out all of our net profits 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.

Transferability

Our shares (both Common Shares and Preferred Shares) are subject to restrictions on transfer:

(a) contained in our Articles (our corporate charter) which require any transfers to be approved by our directors;

(b) contained in our Articles to comply with the provisions of the *Income Tax Act* respecting MICs (described below); and

(c) imposed by applicable securities legislation (see item 10 – “Resale Restrictions”).

The *Income Tax Act* requires that a MIC may not have fewer than 20 shareholders and that no one shareholder, together with their spouse, children under the age of 18 and companies controlled by any of them, may hold more than 25% of a MIC’s issued shares. Accordingly, our Articles also prohibit any transfer of shares if such transfer would result in us having fewer than 20 shareholders or in any one shareholder, together with their spouse, children under the age of 18 and companies controlled by any of them, holding more than 25% of our issued shares.

Redemption Rights

The Company, may upon giving notices as provided in the Company’s Articles, and subject to the provisions of the *Business Corporations Act* (British Columbia), redeem at any time or from time to time the whole or any part of any class of shares pursuant to the Act in such proportions of the class of shares of the Company as the Directors may specify, on payment of the redemption price for each share to be redeemed (herein called the “Redemption Price”). The Redemption Price for Preferred Share shall be the amount paid up hereon plus any declared but unpaid dividends hereon.

Retraction Rights

Subject to the provisions of the *Business Corporation Act* (British Columbia) and applicable securities laws, a Preferred Shareholder may with respect to any Preferred Shares that are registered in their name, by giving written notice to the Company (the “Redemption Notice”), request that the Company redeem the whole or any part of the Preferred Shares held by such Preferred Shareholder. Upon receipt by the Company of the Redemption Notice, the Preferred Shareholder shall thereafter cease to have any rights with respect to those Shares tendered for redemption (other than to receive the redemption payment and the right to receive the pro rata share of any distribution thereon, which have accrued up to and including the date of redemption (as defined below)). Preferred Shares shall be considered to be tendered for redemption on the date that the Company has, to the satisfaction of the Directors, received the Redemption Notice (the “Notice Date”).

On the last business day of the calendar month which is two full months following the month in which the Redemption Notice is received by the Company (the "Date of Redemption"), the Company will be required to redeem the Preferred Shares specified in the Redemption Notice. The redemption price for each Preferred Share to be redeemed will be the book value of the Preferred Shares calculated using the unaudited monthly balance sheet for the month during which the Redemption Notice is given plus the pro rata share of any dividend distributions on such redeemed Preferred Shares which have accrued up to and including the Date of Redemption, which price is to be paid within 10 days of the Date of Redemption.

The Company will not redeem Preferred Shares for which Redemption Notices are given if: (i) redemption of the aggregate number of Preferred Shares subject to the Redemption Notices would result in the Company having redeemed a number of Preferred Shares during the period of time since the start of the most recent fiscal year which is greater than 35% of the Preferred Shares issued and outstanding (as at the beginning of the fiscal year during which the last of such Redemption Notices are given); or (ii) redemption of the aggregate number of Preferred Shares subject to the Redemption Notices given in a calendar month would result in the Company having redeemed a number of Preferred Shares on the corresponding Date of Redemption which is greater than 5% of the Preferred Shares issued and outstanding (as at the beginning of the fiscal year during which such Redemption Notices are given). The Directors may, in their sole discretion, waive either or both of the aforementioned limitations for any Date of Redemption, and failing such waiver, Preferred Shares which are subject to Redemption Notices given in any one calendar month will be redeemed on a basis which is pro rata to the number of Preferred Shares subject to such Redemption Notices.

Notwithstanding the foregoing, the Company shall not be required to redeem Preferred Shares if to do so would cause the Company to cease qualifying as a MIC or jeopardize the ability of the Company to maintain reasonable profitability in its portfolio of mortgages. The Act does not permit the Company to make any payment to purchase or redeem any Preferred Shares issued by it if there are reasonable grounds for believing that the Company is, or would after payment be insolvent.

5.2 Subscription Procedure

If you wish to subscribe for our Preferred Shares, please complete and sign a Subscription Agreement, and all schedules thereto, in the form accompanying this Offering Memorandum and return the agreement to us together with a certified cheque, bank draft or money order payable to our solicitors, in trust, for the number of shares you wish to purchase.

All subscription funds will be held by our solicitors in trust pending and (as required by law) for a period of at least two business days after the closing of the offering of Preferred Shares to which such subscription funds relate. Closing will occur as determined by our directors, and share certificate(s) will follow by mail in a week or two following closing.

There are no conditions to any closing occurring, however, we reserve the right to not accept any or all subscription funds received, in which case we will return the applicable Subscription Agreement(s) and funds, without interest or deduction.

Item 6 - Income Tax Consequences and RRSP 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 Michael J Welters of Bull, Housser & Tupper LLP.

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

This summary does not apply to an investor (i) that is a “specified financial institution” (as defined in the Tax Act) or a “financial institution” (as defined in section 142.2 of the Tax Act); (ii) an interest in which constitutes a “tax shelter investment” (within the meaning of the Tax Act); or (iii) who reports its Canadian tax results in a “functional currency” (which excludes Canadian dollars).

The summary contained in this section is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations. It is not intended to be and should not be interpreted as legal or tax advice to any particular individual. Individuals are urged to consult with their own tax advisors regarding the income tax considerations to them of acquiring, holding and disposing of the Common Shares, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.

This summary is based on the assumption that Cambridge will at all times meet certain conditions imposed on Cambridge under the Tax Act in order to qualify as a MIC thereunder. These conditions will generally be satisfied if, throughout a taxation year of Cambridge:

(i) Cambridge was a Canadian corporation as defined in the Tax Act;

(ii) Cambridge’s only undertaking was the investing of funds and it did no manage or develop any real property;

(iii) no debts were owing to Cambridge that were secured on real property situated outside Canada;

(iv) no debts were owing to Cambridge by non-residents unless such debts were secured on real property situated in Canada;

(v) Cambridge did not own shares of non-resident corporations;

(vi) Cambridge did not hold real property, or any leasehold interest in such property, located outside of Canada;

(vii) the cost amount of Cambridge ‘s property consisting of debts secured by mortgages on houses or on property included within a housing project as those terms are defined in the National Housing Act), together with cash on hand and deposits with a bank or any other corporation whose deposits are insured by the Canada Deposit Insurance Corporation or with a credit union (collectively, the "Qualifying Property") was at least 50% of the cost amount to it all of its property;

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

(ix) Cambridge had at least 20 shareholders and no person was a "specified shareholder", meaning that no shareholder (or related person) may hold more than 25% of the shares of any class of Cambridge at any time in the taxation year;

(x) holders of preferred shares, if any, had a right, after payment to the of their preferred dividends, and payment of dividends in a like amount per share to the holders of the common shares, to participate pari passu with the holders of common shares in any further payment of dividends;

(xi) where at any time in the year the cost amount to Cambridge of its Qualifying Property as defined in (vii) above was less than two-thirds of the cost amount to it of all of its property, Cambridge's liabilities did not exceed three times the amount by which the cost amount to it of all of its property exceeded its liabilities; and

(xii) where the requirement in (xi) is not met in that the cost amount of its Qualifying Property equaled or was greater than two-thirds of the cost amount of all its property, Cambridge's liabilities did not exceed five times the amount by which the cost amount to it of all its property exceeded its liabilities.

If Cambridge were at any time to cease to qualify as a MIC, the income tax considerations would be materially different from those described below.

Tax Payable by Us

Provided that Cambridge remains a MIC throughout the year, Cambridge will be entitled to deduct the full amount of all taxable dividends (other than capital gains dividends) which it pays during the year or within 90 days after the end of the year to the extent that such dividends were not deductible by Cambridge in computing its income for the preceding year.

As well, a MIC may declare a capital gains dividend in an amount equal to the gross amount of its capital gains and is entitled to deduct a portion of such dividend from its taxable income. The combination of Cambridge’s deduction for capital gains dividends and the shareholder's deemed capital gain allows Cambridge to flow capital gains through to a shareholder on a tax-efficient basis.

Cambridge intends to declare dividends and capital gains dividends each year in sufficient amounts to reduce its taxable income to nil. To the extent that it does not do so, Cambridge will be taxed at the highest corporate rates.

Tax Payable by You

So long as Cambridge qualifies as a MIC under the Tax Act, any dividends, other than a capital gains dividend, received from Cambridge by a shareholder will be deemed to be interest income (or, in certain cases, as capital gains) for income tax purposes. The nature of the dividend (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. This is the case whether our dividends were paid to you in cash or through the issuance of additional Preferred Shares. The amount of the dividend you receive is based on the number of Preferred Shares you own. Each year we will issue a T5 reporting slip to you indicating how much of your dividends 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 pay out all of our profits as dividends 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 *Income 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 Plans

The Preferred Shares will be qualified investments for a trust governed by a Registered Retirement Savings Plan ("RRSP"), Registered Retirement Income Fund (RRIF), Deferred Profit Share Plan (DPSP), Registered Education Savings Plan (RESP) or Tax Free Savings Account (TFSA) (each, a "Registered Plan") at a particular time if Cambridge qualifies as a MIC under the Tax Act at such particular time and if throughout the calendar year in which the particular time occurs, Cambridge does not hold as part of its property any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant under the particular plan or of any other person who does not deal at arm's length with that person. If the Preferred Shares cease to be a qualified investment for a Registered Plan, the Registered Plan will be subject to a penalty tax.

Notwithstanding that the Preferred Shares may be qualified investments for a trust governed by an RRSP, RRIF or TFSA, the annuitant of an RRSP or RRIF, or the holder of a TFSA, will be subject to a penalty tax if such securities are a "prohibited investment" for the RRSP, RRIF or TFSA. The Preferred Shares will generally be a "prohibited investment" if the annuitant of an RRSP or RRIF, or the holder of a TFSA, does not deal at arm's length with Cambridge for purposes of the Tax Act or the annuitant of an RRSP or RRIF, or the holder of the TFSA, has a "significant interest" (within the meaning of the Tax Act) in Cambridge or a corporation, partnership or trust with which Cambridge does not deal at arm's length for purposes of the Tax Act. A "significant interest" in a corporation generally means ownership of 10% or more of the issued shares of any class of the capital stock of the corporation (or of any related corporation), either alone or together with persons with which the shareholder does not deal at arm's length for purposes of the Tax Act.

Item 7 - Compensation Paid to Sellers and Finders

In some cases we may pay compensation to an individual who acts as a seller of our Preferred Shares or finder for an investor who wishes to purchase our Preferred Shares. The compensation payable, where applicable, to a seller or finder will be an amount equal to up to 1% of the gross purchase price of the number of Preferred Shares, subscribed for by an investor who has purchased their Preferred Shares through a seller or finder, per year for each year that such investor retains those Preferred Shares. Since the maximum amount of Preferred Shares available under this Offering Memorandum is 20,000,000, we may pay up to $200,000.00 in commissions per year on gross proceeds raised.

Item 8 - Risk Factors

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's investment 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 Preferred Shares back to the MIC (in other words, the MIC will redeem your shares) in order to take you 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 know 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. Below we explain the specific risks that can apply to us.

<u>Your Investment is Not Guaranteed</u>: Unlike 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.

<u>Your Investment will Fluctuate in Value</u>: The value of a MIC's underlying investments changes from day today, which in turn affects the value of the MIC. Some of the factors that can affect the value of a MIC's investments include:

(i) current economic conditions;

(ii) changes in interest rates;

(iii) events in financial markets; and

(iv) financial conditions of the borrowers to which the MIC has advanced funds.

As a result of the changing value of the underlying mortgages, the value of your investment in a MIC can go up or down over time, and there is no guarantee that when you sell or redeem your shares in the MIC they will be worth the price you paid for them.

<u>Fluctuations in the Residential Real Estate Market</u>: The primary security component of a MIC is the underlying value of the residential real estate granted as mortgage security to a MIC by borrowers. The fair market value of residential real estate fluctuates from time to time. In order to mitigate this risk as

much as possible, we continually monitor the residential real estate market and its forecasts and adjust our underwriting criteria to take into account fluctuations in the fair market value of real estate.

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 may become a Bad Credit Risk: When you invest in a MIC you are essentially making a loan to the borrower (usually a homeowner) or the business borrowing the money. The risk is that they may not be able or refuse to pay back this loan when it becomes due.

While we believe our lending policy is conservative and minimal losses are anticipated, if a loss does occur it will be spread over all of our capital. Such losses could amount to a reduction in anticipated return or investment or in the worst circumstances result in an investor losing their entire investment or failing to receive return their investment as expected.

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 *Income Tax Act*.

Our Shares are Subject to Restrictions on Resale: There is no market for the Preferred Shares, the Preferred Shares are not traded on any stock exchange and they may not be resold by Preferred Shareholders to third parties. Therefore, you cannot liquidate your investment through selling your Preferred Shares. See item 10 "Resale Restrictions".

The Loss of our Investment Manager could Adversely Affect Our Business: We rely solely on our Investment Manager to review suitable investments for us. The loss of our Investment Manager would require us to retain another manager to perform such services at a possibly higher cost to us and with less successful investments than our current Investment Manager. 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.

A Change in Tax Legislation could Adversely Affect Our Business: We have been created to comply with the MIC requirements of the *Income 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 *Income Tax Act* as it pertains to such registered-funds will change, there is always the possibility that it could be altered so that the Preferred Shares would not longer be eligible investments for such funds. 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 *Income Tax Act*. Failure to meet such requirements could have a material adverse effect on our financial performance.

The provisions of the *Income Tax Act* could be changed so that our profits 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 funds by trustees. The trust company of your registered fund 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 Fund.

Estimates and Assumptions: Preparation of our financial statements requires us to use estimates and assumptions. Accounting for estimates requires us to use our judgment to determine the amount to be recorded on our financial statements in connection with these estimates. If the estimates and assumptions are inaccurate, we could be required to write down our recorded values. On an ongoing basis, we re-evaluate our estimates and assumptions. However, the actual amounts could differ from those based on estimates and assumptions.

Item 9 - Reporting Obligations

9.1 Continuous Reporting Documents

The *Business Corporations Act* (British Columbia) governs how we conduct our corporate affairs (as opposed to our business affairs).

That Act requires us to provide our shareholders with audited financial statements for each financial year. The statements must be sent to our Class A Voting Shareholders in connection with our annual general meeting of Class A Voting Shareholders held in the fall of each year. All shareholders are welcome to view the audited financial statements on request. We also provide all of holders of our Preferred Shares quarterly reports reporting on our ongoing 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 Information about Us

Since our Preferred Shares are not publicly traded, no corporate or securities information is available from a government, regulatory authority, stock exchange or quotation and trade reporting system. However, information is available from us at the phone and fax numbers and e-mail address set out on the front cover.

Item 10 - Resale Restrictions

10.1 Overview

These Preferred Shares 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 Preferred Shares 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.

Currently we do not have any intention to become a reporting issuer in any Canadian province or territory or a SEDAR (the System for Electronic Document Analysis and Retrieval established by the Canadian Securities Administrators for reporting (public) companies in Canada) filer.

10.3 Manitoba Resale Restrictions

Unless permitted under securities legislation, you must not trade the securities without the prior written consent of the regulator in Manitoba unless:

a) we have filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or

b) you have held the securities for at least 12 months.

The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

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.

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.

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 the issuance to you of the Preferred Shares. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and three years after the issuance to you of the Preferred Shares.

3. Contractual Rights of Action in the Event of a Misrepresentation

If 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 financial years completed December 31, 2014 and 2013.

Item 13 – Date and Certificate

Dated April 23, 2015.

This Offering Memorandum does not contain a misrepresentation.

Jonathon Cowan, President and Secretary

Francis Peet, Vice-President

On behalf of the Board of Directors

Jonathon Cowan, Director

Francis Peet, Director

Cambridge Mortgage Investment Corp.

Financial Statements

Years Ended December 31, 2014 and 2013

Financial Statements of

CAMBRIDGE MORTGAGE INVESTMENT CORPORATION

Year ended December 31, 2014

KPMG LLP
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cambridge Mortgage Investment Corporation

We have audited the accompanying financial statements of Cambridge Mortgage Investment Corporation, which comprise the statement of financial position as at December 31, 2014, the statements of income and comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cambridge Mortgage Investment Corporation as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants

April 14, 2015
Vancouver, Canada

CAMBRIDGE MORTGAGE INVESTMENT CORPORATION

Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
Assets		
Current assets:		
Cash	$ 903,729	$ 1,496,395
Current portion of mortgages receivable (note 4)	31,021,289	24,115,598
	31,925,018	25,611,993
Mortgages receivable (note 4)	6,424,031	3,228,046
Other assets	13,047	13,048
Total assets	$ 38,362,096	$ 28,853,087
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	$ -	$ 197,833
Demand loan (note 5)	405,579	2,145,000
Accounts payable and accrued liabilities (note 7(b))	92,808	112,391
Deferred revenue	249,666	59,399
	748,053	2,514,623
Redeemable preferred shares (note 6)	37,614,039	26,338,460
	38,362,092	28,853,083
Shareholders' equity:		
Common shares (note 6)	4	4
Total liabilities and shareholders' equity	$ 38,362,096	$ 28,853,087

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

Approved:

CAMBRIDGE MORTGAGE INVESTMENT CORPORATION

Statement of Income and Comprehensive Income

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Interest income	$ 2,957,360	$ 2,239,122
Fee and commission income	675,231	451,763
Fee and commission expense (note 7(a))	(509,388)	(429,958)
Net fee and commission income	165,843	21,805
Other income	57,893	25,972
Operating income before mortgage impairment expense	3,181,096	2,286,899
Mortgage impairment expense	(108,421)	(11,142)
Operating income	3,072,675	2,275,757
Operating expenses:		
General and administrative	182,589	134,060
Management fees (note 7(b))	483,943	329,464
Professional fees (note 7(c))	186,666	92,903
	853,198	556,427
Net income	2,219,477	1,719,330
Distributions to preferred shareholders	2,219,477	(1,719,330)
Net income and comprehensive income for the year	$ -	$ -

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

CAMBRIDGE MORTGAGE INVESTMENT CORPORATION
Statement of Changes in Shareholders' Equity

Year ended December 31, 2014, with comparative information for 2013

	Common shares	Retained earnings	Total shareholders' equity
Balance at December 31, 2012	$ 4	$ -	$ 4
Net income and comprehensive income for the year	-	-	-
Balance at December 31, 2013	4	-	4
Net income and comprehensive income for the year	-	-	-
Balance at December 31, 2014	$ 4	$ -	$ 4

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

CAMBRIDGE MORTGAGE INVESTMENT CORPORATION

Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash flows from operating activities:		
Net income and comprehensive income for the year	$ -	$ -
Adjustments for:		
Interest income	(2,957,360)	(2,239,122)
Reinvested distributions	503,143	438,421
	(2,454,217)	(1,800,701)
Gross change in mortgages receivable	(10,120,928)	(4,680,269)
Change in allowance for credit losses	108,421	(116,989)
Change in other assets	1	431
Change in accounts payable and accrued liabilities	(19,583)	38,644
Change in deferred revenue	190,267	(478,397)
	(12,296,039)	(7,037,281)
Interest received	2,868,191	2,264,610
Net cash used in operating activities	(9,427,848)	(4,772,671)
Cash flows from investing activities:		
Net sale of short-term investments	-	1,202
Net cash from investing activities	-	1,202
Cash flows from financing activities:		
Borrowings from (repayment of) demand loan	(1,739,421)	2,145,000
Proceeds from issuance of redeemable preferred shares	20,827,061	9,038,634
Payments on redemption of redeemable preferred shares	(10,054,625)	(5,102,279)
Net cash from financing activities	9,033,015	6,081,355
Net increase (decrease) in cash	(394,833)	1,309,886
Cash, beginning of year	1,298,562	(11,324)
Cash, end of year	$ 903,729	$ 1,298,562
Cash consists of:		
Cash	$ 903,729	$ 1,496,395
Bank indebtedness	-	(197,833)
Cash, end of year	$ 903,729	$ 1,298,562

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

1. Reporting entity:

Cambridge Mortgage Investment Corporation (the "Company") is a private company incorporated on February 19, 2007 pursuant to the laws of the Province of British Columbia, Canada. On December 1, 2009, the Company registered as an extra provincial corporation in the Province of Alberta. The Company is domiciled in Canada and its head office is located at 595 Howe Street, Vancouver, British Columbia.

The objective of the Company is to originate and manage long-term income generation through a portfolio of interests in mortgages underwritten on real property. The Company qualifies as a mortgage investment corporation ("MIC") under the Income Tax Act (Canada) and, as such, is able to make distributions to its shareholders on a pre-tax basis.

2. Basis of presentation:

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The significant accounting policies applied in the preparation of the financial statements are set out in note 3.

The financial statements were authorized for issue by the Manager of the Company (see note 7(b)) on April 14, 2015.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Estimates and assumptions subject to significant estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements relate to the valuation of mortgages receivable (note 4).

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Interest income:

Interest income, for all interest bearing financial instruments, is recognized using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest method includes all fees and costs paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition of a financial asset.

Interest income presented in the statement of income and comprehensive income represents interest on mortgages receivable measured at amortized cost, calculated on an effective interest basis.

(b) Fees and commission:

Fees and commission income and expense are recognized using the effective interest method when such fees and commissions are integral to the effective interest rate on the related financial instrument.

Other fees and commission income and expense, including pre-payment fees and other miscellaneous fees are recognized as the related services are performed.

(c) Income taxes:

The Company qualifies as a MIC for Canadian income tax purposes. A MIC is a special purpose corporation defined under Section 130.1 of the Income Tax Act (Canada) and is generally able to deduct in computing its income for a taxation year, the amount of income for that year and amounts that within 90 days of year end are distributed to its shareholders. Accordingly, shareholders who receive any amounts as, or on account of, a taxable dividend, other than a capital gains dividend, will be subject to Canadian income or withholding tax.

The Company intends to make distributions to the extent necessary to reduce its taxable income each year to nil so that it has no income taxes payable under Part I of the Income Tax Act (Canada) and to elect to have distributions be capital gains dividends to the maximum extent allowable.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

3. Significant accounting policies (continued):

(c) Income taxes (continued):

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(d) Financial instruments:

(*i*) Financial assets:

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss.

The Company's financial assets are comprised of cash and mortgages receivable.

Loans and receivables:

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

Loans and receivables comprise cash and mortgages receivable.

3. Significant accounting policies (continued):

(d) Financial instruments (continued):

(*i*) Financial assets (continued):

Available-for-sale financial assets:

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Unquoted equity securities whose fair value cannot reliably be measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognized in net earnings using the effective interest method. The Company does not receive dividends on the investments in which it invests, nor is the Company exposed to foreign exchange gains or losses on these investments.

Other fair value changes are recognized in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognized in other comprehensive income are reclassified to net earnings as a reclassification adjustment.

Available-for-sale financial assets comprise investments.

(*ii*) Financial liabilities:

The Company initially recognizes financial liabilities on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company has the following financial liabilities: bank indebtedness, demand loan, accounts payable and accrued liabilities, and redeemable preferred shares.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(*iii*) Share capital:

Common shares:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Redeemable preferred shares:

Redeemable preferred shares are classified as a liability, as they are redeemable at the option of the holder (note 6).

3. Significant accounting policies (continued):

(e) Impairment:

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

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of an amount due to the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Company considers evidence of impairment for mortgages receivable at both a specific mortgage and collective level. All individually significant mortgages receivable are assessed for specific impairment on a regular basis. All individually significant mortgages receivable found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Mortgages receivable that are not individually significant are collectively assessed for impairment by grouping together mortgages receivable with similar risk characteristics.

Mortgages receivable where interest or principal is contractually past due 90 days are automatically recognized as impaired, unless management determines that the loan is fully secured, or in the process of collection and the collection efforts are reasonably expected to result in either repayment of the loan or restoring it to current status.

In assessing collective impairment, the Company uses analysis of past performance and the level of allowance already in place, adjusted for management's judgment as to whether current economic and credit conditions are such that actual losses are likely to be greater or less than suggested by past performance.

Impairment losses on available-for-sale investments are recognized by transferring the cumulative loss that has been recognized in other comprehensive income to net earnings as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to net earnings is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in net earnings. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

3. Significant accounting policies (continued):

(e) Impairment (continued):

If, in a subsequent period, the fair value of an impaired available-for-sale investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in net earnings, the impairment loss is reversed, with the amount of the reversal recognized in net earnings. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

(f) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(g) New standards and interpretations issued but not yet adopted:

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

IFRS 9, *Financial Instruments*, will replace the guidance in IAS 39, *Financial Instruments: Recognition and Measurement*, and consists of three separate phases, which include classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 15, *Revenue from Contracts with Customers*, provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2017 with early adoption permitted.

4. Mortgages receivable:

(a) An analysis of the Company's mortgages receivable, net of the allowance for credit losses is as follows:

	2014	2013
Mortgages receivable	$ 37,344,597	$ 27,223,669
Accrued interest	410,227	321,058
	37,754,824	27,544,727
Allowance for credit losses:		
Specific	(44,800)	-
Collective	(264,704)	(201,083)
	(309,504)	(201,083)
Total mortgages receivable	$ 37,445,320	$ 27,343,644

Mortgages receivable bear interest at fixed rates ranging from 6.95% to 13.99% (2013 - 6.75% to 13.99%) per annum, payable on a monthly basis. The mortgages are secured by charges on real property. The terms of the mortgages are either one year, or less than one year, with the exception of six (2013 - five) mortgages as at December 31, 2014, for which the terms are between one and two years.

(b) Allowance for credit losses:

The movement in the allowance for credit losses in respect of mortgages receivable during the year was as follows:

			Mortgage impairment expense			2014	2013
	Beginning balance	Write-offs	Recoveries	Collective	Specific	Ending balance	Ending balance
Allowance for credit losses	$ 201,083	$ -	$ -	$ 63,621	$ 44,800	$ 309,504	$ 201,083

The allowance accounts in respect of mortgages receivable are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at which point the amounts are considered irrecoverable and are written off against the mortgage receivable directly. During the years ended December 31, 2014 and 2013, the Company did not identify any irrecoverable amounts for which a write-off was necessary.

(c) Impaired loans:

The Company holds collateral against mortgages receivable in the form of a charge over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a mortgage is renewed, or is individually assessed as impaired.

4. Mortgages receivable (continued):

(c) Impaired loans (continued):

A receivable is considered past due when a payment has not been received by the contractual due date. Mortgages receivable that are past due are not classified as impaired if they are either: (*i*) less than 90 days past due unless there is information to the contrary that an impairment event has occurred; or (*ii*) fully secured and collection efforts are reasonably expected to result in repayment.

As at December 31, 2014, one (2013 - nil) mortgage was past due and impaired. A specific provision of $44,800 (2013 - nil) has been recorded against the mortgage receivable as noted in note 4(b).

As at December 31, 2014, four (2013 - six) mortgages receivable, with a total carrying value of $1,980,000 (2013 - $1,028,296), were past due but not impaired. As at December 31, 2014, an estimate of the fair value of collateral and other security enhancements held against these mortgages receivable is $4,192,500 (2013 - $1,956,700), which is based on the appraised value of the mortgages properties, less the principal balance of any first mortgages held. Individually, each of these four (2013 - six) mortgages receivable's fair value of collateral and other security enhancements exceeded their carrying values.

5. Demand loan:

During the year ended December 31, 2014, the Company entered into a revolving demand facility with a financial institution authorized to a maximum of $10,000,000 (2013 - nil). The facility bears interest at a variable rate of prime plus 0.95% (2013 – nil). The financial institution has sole discretion over the amounts provided and may cancel or restrict the availability of any unutilized portion at any time. The Company's cash flow coverage under the agreement may not exceed a ratio of less than 2:1, to be measured monthly and at the end of each fiscal year. The Company may not, without the consent, provide any mortgage to any person, or affiliate of such person, if the aggregate amount of such mortgages would exceed 10% of the total mortgage portfolio.

The facility is secured by a general security agreement, a floating charge on all present and after-acquired real property of the Company and a first ranking security interest in all personal property of the Company.

As at December 31, 2014, the Company has a balance owing of $405,579 (2013 - nil) on the facility with the financial institution.

During the year ended December 31, 2014, the Company repaid the balance owing and terminated its previous demand loan facility (2013 - $2,145,000).

6. Share capital:

(a) Authorized:

Unlimited number of Class A common shares without par value
Unlimited number of Class B preferred shares without par value

(b) Issued:

	2014	2013
Common shares:		
400 (2013 - 400) Class A common shares	$ 4	$ 4
Preferred shares:		
37,614,039 (2013 - 26,338,460) Class B redeemable preferred shares	$ 37,614,039	$ 26,338,460

(c) Redeemable preferred shares:

The preferred shares are redeemable at the option of the holder or at the option of the Company at a redemption price equal to $1.00 per share and are, therefore, classified as financial liabilities in the statement of financial position. There is no maximum with regard to what percentage of the preferred shares then issued and outstanding can be redeemed in any given fiscal year; however, redemptions are subject to the Company having sufficient cash to exercise such redemptions.

The Company intends to distribute all of its net earnings and net realized capital gains, if any, to the preferred shareholders. Distributions are payable annually in arrears on or before the 90th day following year end.

During the year ended December 31, 2014, the Company issued 21,330,204 (2013 - 9,477,055) preferred shares at $1.00 per share for total proceeds of $21,330,204 (2013 - $9,477,055), of which 503,143 (2013 - 438,421) related to reinvested distributions. A total of 10,054,625 (2013 - 5,102,279) preferred shares were redeemed at $1.00 per share.

As at December 31, 2014, 1,542,168 (2013 - 1,331,032) of the redeemable preferred shares are held by related parties of the Company at a cost of $1.00 per share. During the year ended December 31, 2014, the Company issued 252,136 (2013 - 137,740) preferred shares to related parties at $1.00 per share, of which 71,636 (2013 - 73,748) related to reinvested distributions. Of the total redemptions, 41,000 (2013 - 45,734) related to transactions effected by related parties.

7. Related party transactions:

(a) Commissions:

Commissions are fees paid to the originating broker. The originating broker is, in most cases, Peet & Cowan Financial Services Inc. (the "Manager"), an affiliated company.

During the year ended December 31, 2014, $458,075 (2013 - $401,013) in commissions were paid to the Manager and is included in fee and commission expense in the statement of income and comprehensive income.

(b) Management fees:

The Company does not have and does not expect to have any employees. In order to obtain ongoing administrative and management services, the Company has entered into a management agreement with the Manager, to manage and oversee the Company's day-to-day operations. The Company has committed to paying the Manager an annual management fee equal to 1.5% of total mortgages receivable, to be calculated and paid on a monthly basis.

At December 31, 2014, there are nil in payables (2013 - $34,000) to the Manager.

(c) Legal fees:

During the year ended December 31, 2014, $14,969 (2013 - $18,147) in legal fees were paid to a legal firm in which one of the partners is also a shareholder of the Company. These amounts have been included in professional fees in the statement of income and comprehensive income.

8. Financial instruments:

(a) Fair value:

The Company's financial instruments consist of cash, mortgages receivable, bank indebtedness, demand loan, accounts payable and accrued liabilities, and redeemable preferred shares. The fair values of these accounts approximate their carrying values because of the short-term nature of these instruments.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Unadjusted market prices in active markets for identical assets and liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are not based on observable market data.

The level in the fair value hierarchy within which the fair value is categorized shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

8. Financial instruments (continued):

(a) Fair value (continued):

As at December 31, 2014, the Company has no financial instruments measured at fair value (2013 - nil).

(b) Financial risk management:

(*i*) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as the majority of the Company's mortgage receivables are short-term.

(*ii*) Credit risk:

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises from the Company's mortgages receivable. The Company mitigates this risk by having well established lending policies in place, ensuring mortgages are well secured, and limiting its exposure to any one borrower.

(*iii*) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company manages liquidity by ensuring, as far as possible, that it will have sufficient liquidity under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Manager prepares a yearly budget and cash flow forecasts, and actively monitors the Company's liquidity position.

The Company also has available a demand loan facility available to use for liquidity management (see note 5).

(c) Capital management:

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders. The Company includes the redeemable preferred shares and equity, comprising of issued common shares and retained earnings, in the definition of capital. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to invest in mortgages in order to provide a return to its preferred shareholders. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity. The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital management strategy during the year ended December 31, 2014.

Financial Statements of

CAMBRIDGE MORTGAGE INVESTMENT CORPORATION

Year ended December 31, 2013

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Canada

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cambridge Mortgage Investment Corporation

We have audited the accompanying financial statements of Cambridge Mortgage Investment Corporation, which comprise the statement of financial position as at December 31, 2013, the statements of income and comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cambridge Mortgage Investment Corporation as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants

April 23, 2014
Vancouver, Canada

CAMBRIDGE MORTGAGE INVESTMENT CORPORATION

Statement of Financial Position

December 31, 2013, with comparative information for 2012

	2013	2012
Assets		
Current assets:		
Cash	$ 1,496,395	$ -
Investments (note 6)	-	1,202
Current portion of mortgages receivable (note 4)	24,115,598	18,269,422
	25,611,993	18,270,624
Mortgages receivable (note 4)	3,228,046	4,302,452
Other assets	13,048	13,479
Total assets	$ 28,853,087	$ 22,586,555
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	$ 197,833	$ 11,324
Demand loan (note 5)	2,145,000	-
Accounts payable and accrued liabilities (note 8(b))	112,391	73,747
Deferred revenue	59,399	537,796
	2,514,623	622,867
Redeemable preferred shares (note 7)	26,338,460	21,963,684
	28,853,083	22,586,551
Shareholders' equity:		
Common shares (note 7)	4	4
Total liabilities and shareholders' equity	$ 28,853,087	$ 22,586,555

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

Approved:

CAMBRIDGE MORTGAGE INVESTMENT CORPORATION
Statement of Income and Comprehensive Income

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Interest income	$ 2,239,122	$ 1,567,087
Fee and commission income	451,763	218,399
Fee and commission expense (note 8(a))	(429,958)	(136,201)
Net fee and commission income	21,805	82,198
Other income	25,972	9,963
Operating income before mortgage impairment expense	2,286,899	1,659,248
Mortgage impairment recovery (expense)	(11,142)	36,325
Operating income	2,275,757	1,695,573
Operating expenses:		
General and administrative	134,060	76,938
Professional fees (note 8(c))	92,903	92,822
Management fees (note 8(b))	329,464	233,579
	556,427	403,339
Net income	1,719,330	1,292,234
Distributions to preferred shareholders	(1,719,330)	(1,292,234)
Net income and comprehensive income for the year	$ -	$ -

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

CAMBRIDGE MORTGAGE INVESTMENT CORPORATION

Statement of Changes in Shareholders' Equity

Year ended December 31, 2013, with comparative information for 2012

	Common shares	Retained earnings	Total shareholders' equity
Balance at December 31, 2011	$ 4	$ -	$ 4
Net income and comprehensive income for the year	-	-	-
Balance at December 31, 2012	4	-	4
Net income and comprehensive income for the year	-	-	-
Balance at December 31, 2013	$ 4	$ -	$ 4

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

CAMBRIDGE MORTGAGE INVESTMENT CORPORATION

Statement of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash flows from operating activities:		
Net income and comprehensive income for the year	$ -	$ -
Adjustments for:		
Mortgage interest income	(2,239,122)	(1,567,087)
	(2,239,122)	(1,567,087)
Gross change in mortgages receivable	(4,680,269)	(10,277,151)
Change in allowance for credit losses	(116,989)	(36,325)
Change in other assets	431	(432)
Change in accounts payable and accrued liabilities	38,644	(697,160)
Change in deferred revenue	(478,397)	437,396
	(7,475,702)	(12,140,759)
Interest received	2,264,610	1,412,327
Net cash used in operating activities	(5,211,092)	(10,728,432)
Cash flows from investing activities:		
Net sale of short-term investments	1,202	1,581
Net cash from investing activities	1,202	1,581
Cash flows from financing activities:		
Borrowings from line of credit	2,145,000	-
Proceeds from issuance of redeemable preferred shares	9,038,634	12,027,809
Reinvested distributions	438,421	512,318
Payments on redemption of redeemable preferred shares	(5,102,279)	(2,665,218)
Net cash from financing activities	6,519,776	9,874,909
Net increase (decrease) in cash	1,309,886	(851,942)
Cash, beginning of year	(11,324)	840,618
Cash, end of year	$ 1,298,562	$ (11,324)
Cash consists of:		
Cash	$ 1,496,395	$ -
Bank indebtedness	(197,833)	(11,324)
Cash, end of year	$ 1,298,562	$ (11,324)

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

1. Reporting entity:

Cambridge Mortgage Investment Corporation (the "Company") is a private company incorporated on February 19, 2007 pursuant to the laws of the Province of British Columbia, Canada. On December 1, 2009, the Company registered as an extra provincial corporation in the Province of Alberta. The Company is domiciled in Canada and its head office is located at 595 Howe Street, Vancouver, British Columbia.

The objective of the Company is to originate and manage long-term income generation through a portfolio of interests in mortgages underwritten on real property. The Company qualifies as a mortgage investment corporation ("MIC") under the Income Tax Act (Canada) and, as such, is able to make distributions to its shareholders on a pre-tax basis.

2. Basis of presentation:

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The significant accounting policies applied in the preparation of the financial statements are set out in note 3.

The financial statements were authorized for issue by the Manager of the Company (see note 8(b)) on April 23, 2014.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis, except for investments, which are measured at fair value.

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Estimates and assumptions subject to significant estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements relate to the valuation of mortgages receivable (note 4).

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Interest income:

Interest income, for all interest bearing financial instruments, is recognized using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest method includes all fees and costs paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition of a financial asset.

Interest income presented in the statement of income and comprehensive income represents interest on mortgages receivable measured at amortized cost, calculated on an effective interest basis.

(b) Fees and commission:

Fees and commission income and expense are recognized using the effective interest method when such fees and commissions are integral to the effective interest rate on the related financial instrument.

Other fees and commission income and expense, including pre-payment fees and other miscellaneous fees are recognized as the related services are performed.

(c) Income taxes:

The Company qualifies as a MIC for Canadian income tax purposes. A MIC is a special purpose corporation defined under section 130.1 of the Income Tax Act (Canada) and is generally able to deduct in computing its income for a taxation year, the amount of income for that year and amounts that within 90 days of year end are distributed to its shareholders. Accordingly, shareholders who receive any amounts as, or on account of, a taxable dividend, other than a capital gains dividend, will be subject to Canadian income or withholding tax.

The Company intends to make distributions to the extent necessary to reduce its taxable income each year to nil so that it has no income taxes payable under Part I of the Income Tax Act (Canada) and to elect to have distributions be capital gains dividends to the maximum extent allowable.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

3. Significant accounting policies (continued):

(c) Income taxes (continued):

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(d) Financial instruments:

(*i*) Financial assets:

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss.

The Company's financial assets are comprised of cash, investments and mortgages receivable.

Loans and receivables:

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

Loans and receivables comprise cash and mortgages receivable.

3. Significant accounting policies (continued):

(d) Financial instruments (continued):

(*i*) Financial assets (continued):

Available-for-sale financial assets:

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Unquoted equity securities whose fair value cannot reliably be measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognized in net earnings using the effective interest method. The Company does not receive dividends on the investments in which it invests, nor is the Company exposed to foreign exchange gains or losses on these investments.

Other fair value changes are recognized in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognized in other comprehensive income are reclassified to net earnings as a reclassification adjustment.

Available-for-sale financial assets comprise investments.

(*ii*) Financial liabilities:

The Company initially recognizes financial liabilities on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company has the following financial liabilities: bank indebtedness, demand loan, accounts payable and accrued liabilities, and redeemable preferred shares.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(*iii*) Share capital:

Common shares:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Redeemable preferred shares:

Redeemable preferred shares are classified as a liability, as they are redeemable at the option of the holder (note 7).

3. Significant accounting policies (continued):

(e) Impairment:

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

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of an amount due to the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Company considers evidence of impairment for mortgages receivable at both a specific mortgage and collective level. All individually significant mortgages receivable are assessed for specific impairment on a regular basis. All individually significant mortgages receivable found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Mortgages receivable that are not individually significant are collectively assessed for impairment by grouping together mortgages receivable with similar risk characteristics.

Mortgages receivable where interest or principal is contractually past due 90 days are automatically recognized as impaired, unless management determines that the loan is fully secured, or in the process of collection and the collection efforts are reasonably expected to result in either repayment of the loan or restoring it to current status.

In assessing collective impairment, the Company uses analysis of past performance and the level of allowance already in place, adjusted for management's judgment as to whether current economic and credit conditions are such that actual losses are likely to be greater or less than suggested by past performance.

Impairment losses on available-for-sale investments are recognized by transferring the cumulative loss that has been recognized in other comprehensive income to net earnings as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to net earnings is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in net earnings. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

3. Significant accounting policies (continued):

(e) Impairment (continued):

If, in a subsequent period, the fair value of an impaired available-for-sale investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in net earnings, the impairment loss is reversed, with the amount of the reversal recognized in net earnings. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

(f) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(g) Adoption of new accounting standards:

IFRS 13 – *Fair Value Measurement*:

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurement in other IFRSs.

In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively from January 1, 2013 and has not provided any comparative information for new disclosures. The adoption of IFRS 13 did not have any impact on the Company's reported financial results or financial position. However, there were certain new and revised disclosures as set out in note 9(a).

(h) New standards and interpretations issued but not yet adopted:

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2013 and have not been applied in preparing these financial statements. None of these are expected to have an effect on the financial statements of the Company, with the exception of IFRS 9, *Financial Instruments.*

IFRS 9, *Financial Instruments*, will replace the guidance in IAS 39, *Financial Instruments: Recognition and Measurement*, and will be completed and implemented in three separate phases, which includes classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

3. Significant accounting policies (continued):

(h) New standards and interpretations issued but not yet adopted (continued):

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. On November 19, 2013, IFRS 9 was formally amended to remove the January 1, 2015 effective date, and the IASB tentatively decided that the mandatory effective date of IFRS 9 will be no earlier than annual periods beginning on or after January 1, 2017.

The Company has yet to assess the impact of the new standard on its financial statements.

4. Mortgages receivable:

(a) An analysis of the Company's mortgages receivable, net of the allowance for credit losses is as follows:

	2013	2012
Mortgages receivable	$ 27,223,669	$ 22,543,400
Accrued interest	321,058	346,546
	27,544,727	22,889,946
Allowance for credit losses:		
Specific	-	(134,005)
Collective	(201,083)	(184,067)
	(201,083)	(318,072)
Total mortgages receivable	$ 27,343,644	$ 22,571,874

Mortgages receivable bear interest at fixed rates ranging from 6.75% to 13.99% (2012 - 6.75% to 13.95%) per annum, payable on a monthly basis. The mortgages are secured by charges on real property. The terms of the mortgages are either one year, or less than one year, with the exception of five (2012 - ten) mortgages as at December 31, 2013, for which the terms are between one and two years.

(b) Allowance for credit losses:

The movement in the allowance for credit losses in respect of mortgages receivable during the year was as follows:

	Beginning balance	Write-offs	Mortgage impairment expense Recoveries	Collective	Specific	2013 Ending balance	2012 Ending balance
Allowance for credit losses	$ 318,072	$ (128,131)	$ (11,513)	$ 17,016	$ 5,639	$ 201,083	$ 318,072

4. Mortgages receivable (continued):

(b) Allowance for credit losses (continued):

The allowance accounts in respect of mortgages receivable are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at which point the amounts are considered irrecoverable and are written off against the mortgage receivable directly. During the years ended December 31, 2013 and 2012, the Company did not identify any irrecoverable amounts for which a write-off was necessary.

(c) Impaired loans:

The Company holds collateral against mortgages receivable in the form of a charge over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a mortgage is renewed, or is individually assessed as impaired.

A receivable is considered past due when a payment has not been received by the contractual due date. Mortgages receivable that are past due are not classified as impaired if they are either: *(i)* less than 90 days past due unless there is information to the contrary that an impairment event has occurred; or *(ii)* fully secured and collection efforts are reasonably expected to result in repayment.

As at December 31, 2013, nil (2012 - two) mortgages, with a total carrying value of nil (2012 - $489,640), were past due and impaired. A specific provision of nil (2012 - $134,005) has been recorded against the mortgages receivable as noted in note 4(b).

As at December 31, 2013, six (2012 - five) mortgages receivable, with a total carrying value of $1,028,296 (2012 - $929,881), were past due but not impaired. As at December 31, 2013, an estimate of the fair value of collateral and other security enhancements held against these mortgages receivable is $1,956,700 (2012 - $3,049,650), which is based on the appraised value of the mortgages properties, less the principal balance of any first mortgages held. Individually, each of these six (2012 - five) mortgages receivable's fair value of collateral and other security enhancements exceeded their carrying values.

5. Demand loan:

The Company maintains a revolving demand facility with RBC authorized to a maximum of $5,000,000 (2012 - $3,000,000). The facility bears interest at a variable rate of prime plus 1.40% (2012 - prime plus 1.40%) under an amending agreement dated July 4, 2013. RBC has sole discretion over the amounts provided and may cancel or restrict the availability of any unutilized portion at any time. The Company's aggregate borrowings under the agreement to preferred shares may not exceed a ratio of 0.25:1, to be measured at the end of each fiscal quarter and the Company may not, without the consent of RBC, provide any mortgage to any person, or affiliate of such person, if the aggregate amount of such mortgages would exceed 10% of the total mortgage portfolio.

5. Demand loan (continued):

The facility is secured by a general security agreement, a floating charge on all present and after-acquired real property of the Company and a first ranking security interest in all personal property of the Company. A letter of undertaking is also in place to ensure each property on which the Company has a registered mortgage is covered by fire insurance, with loss payable to the Company, and to ensure that property tax is maintained on a current basis.

As at December 31, 2013, the Company has a balance owing of $2,145,000 (2012 - nil) on the facility with RBC.

6. Investments:

As at December 31, 2013, the Company holds nil (2012 - $1,202) in mutual funds with RBC.

7. Share capital:

(a) Authorized:

Unlimited number of Class A common shares without par value
Unlimited number of Class B preferred shares without par value

(b) Issued:

	2013	2012
Common shares:		
400 (2012 - 400) Class A common shares	$ 4	$ 4
Preferred shares:		
26,338,460 (2012 - 21,963,684) Class B redeemable preferred shares	$ 26,338,460	$ 21,963,684

(c) Redeemable preferred shares:

The preferred shares are redeemable at the option of the holder or at the option of the Company at a redemption price equal to $1.00 per share and are, therefore, classified as financial liabilities in the statement of financial position.

There is no maximum with regard to what percentage of the preferred shares then issued and outstanding can be redeemed in any given fiscal year; however, redemptions are subject to the Company having sufficient cash to exercise such redemptions.

The Company intends to distribute all of its net earnings and net realized capital gains, if any, to the preferred shareholders. Distributions are payable annually in arrears on or before the 90th day following year end.

7. Share capital (continued):

(c) Redeemable preferred shares:

During the year ended December 31, 2013, the Company issued 9,477,055 (2012 - 12,540,127) preferred shares at $1.00 per share for total proceeds of $9,477,055 (2012 - $12,540,127), of which 438,421 (2012 - 512,318) related to reinvested distributions. A total of 5,102,279 (2012 - 2,665,218) preferred shares were redeemed at $1.00 per share.

As at December 31, 2013, 1,331,032 (2012 - 1,239,026) of the redeemable preferred shares are held by related parties of the Company at a cost of $1.00 per share. During the year ended December 31, 2013, the Company issued 137,740 (2012 - 273,256) preferred shares to related parties at $1.00 per share, of which 73,748 (2012 - 46,256) related to reinvested distributions. Of the total redemptions, 45,734 (2012 - 618,477) related to transactions effected by related parties.

8. Related party transactions:

(a) Commissions:

Commissions are fees paid to the originating broker. The originating broker is, in most cases, Peet & Cowan Financial Services Inc., an affiliated Company.

During the year ended December 31, 2013, $401,013 (2012 - $121,441) in commissions were paid to Peet & Cowan Financial Services Inc. and is included in fee and commission expense in the statement of comprehensive income.

(b) Management fees:

The Company does not have and does not expect to have any employees. In order to obtain ongoing administrative and management services, the Company has entered into a management agreement with Peet & Cowan Financial Services Inc. (the "Manager"), to manage and oversee the Company's day-to-day operations. The Company has committed to paying the Manager an annual management fee equal to 1.5% of total mortgages receivable, to be calculated and paid on a monthly basis.

At December 31, 2013, there are $34,000 in payables (2012 - nil) to the Manager.

(c) Legal fees:

During the year ended December 31, 2013, $18,147 (2012 - $26,084) in legal fees were paid to a legal firm in which one of the partners is also a shareholder of the Company. These amounts have been included in professional fees in the statement of comprehensive income.

9. Financial instruments:

(a) Fair value:

The Company's financial instruments consist of cash, investments, mortgages receivable, bank indebtedness, demand loan, accounts payable and accrued liabilities, and redeemable preferred shares. The fair values of these accounts approximate their carrying values because of the short-term nature of these instruments.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Unadjusted market prices in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are not based on observable market data

The level in the fair value hierarchy within which the fair value is categorized shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

As at December 31, 2013, the only financial instrument measured at fair value was the Company's investments. This financial asset was measured using Level 1 inputs. The fair value of the Company's investments as at December 31, 2013 is nil (2012 - $1,202), which approximates its cost (see note 6).

During the years ended December 31, 2013 and 2012, there were no transfers between levels in the fair value hierarchy.

(b) Financial risk management:

(*i*) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as the majority of the Company's mortgage receivables are short-term.

(*ii*) Credit risk:

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises from the Company's mortgages receivable. The Company mitigates this risk by having well established lending policies in place, ensuring mortgages are well secured, and limiting its exposure to any one borrower.

9. Financial instruments (continued):

(b) Financial risk management (continued):

(*iii*) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company manages liquidity by ensuring, as far as possible, that it will have sufficient liquidity under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's management prepares a yearly budget and cash flow forecasts, and actively monitors its liquidity position.

The Company also has available a demand loan facility available to use for liquidity management (see note 5).

(c) Capital management:

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders. The Company includes the redeemable preferred shares and equity, comprising of issued common shares and retained earnings, in the definition of capital. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to invest in mortgages in order to provide a return to its preferred shareholders. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity. The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital management strategy during the year ended December 31, 2013.