

Form 45-106 F2
Offering Memorandum for Non-Qualifying Issuers

Date: January 15, 2018

THE ISSUER

Name: Kensington Realfund Corporation (the "Issuer")
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Qualicum Beach, BC V9K 1S4
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Currently listed or quoted? These securities do not trade on any exchange or market.

Reporting issuer? No

SEDAR filer? No

THE OFFERING

Securities offered: 1,000,000 Class B Non-Voting common shares

Price per security: \$100.00 per Share

Minimum/Maximum offering: Up to \$100,000,000 (of which \$ 5,800,000.00.) has already been subscribed for as of March 1, 20182 **There is no minimum offering. You may be the only purchaser. Funds available under the offering may not be sufficient to accomplish our proposed objectives**

Payment terms: To be arranged on a per subscription basis

Proposed closing date(s): Closings will take place periodically at the Issuer's discretion.

Income Tax consequences: There are important tax consequences to these securities. See item 6, Income Tax Consequences.

Minimum subscription amount: Minimum initial investment of \$35,000.00.

Payment Terms: To be arranged on a per subscription basis

Proposed Closing Date: Closings will take place periodically at the Issuer's discretion.

Selling agent? No

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

Purchaser's Rights You have two (2) business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum you have the right either to sue for damages or to cancel the agreement. See item 11, Purchasers Rights.

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

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Item 1 Use of Available Funds

1.1 Funds — The net proceeds of the offering that will be available to the Issuer after the offering are as follows:

#	Item	Assuming min. offering	Assuming max. offering
A	Amount to be raised by this offering	\$ 0	\$ 100,000,000
B	Selling commissions and fees	\$ 0	\$ 5,000,000
C	Estimated offering costs (e.g. legal, accounting, audit)	\$ 0	\$25,000
D	Available Funds: D = A — (B + C)	\$ 0	\$ 94,975,000
E	Additional sources of funding required	\$0	Nil
F	Working Capital Deficiency	\$0	Nil
G	Total: G=(D+E)-F	\$0	94,975,000

1.2 Use of Available Funds — A detailed breakdown of how the Issuer will use the net proceeds is as follows:

Description of intended use of available funds listed in order of priority	Assuming min. offering	Assuming max. offering
Invest in mortgages secured by real estate property located in Canada. From time to time funds not invested in mortgages will be placed in short-term Canadian Deposit Insurance Corporation insured investments (e.g. bank deposits, GICs)	\$ 0	\$94,975,000
Yearly Management Fees ¹	\$ 0	\$0

1. See item 2.6, Material Agreements, Management Services Agreement

1.3 Reallocation — The Issuer intends to spend the available funds as stated. The Issuer will reallocate funds only for sound business reasons.

ITEM 2 BUSINESS OF KENSINGTON REALFUND CORPORATION

2.1 Structure — Kensington Realfund Corporation is a corporation, which was incorporated under its current name under the British Columbia *Companies Act* on February 26, 1997. On August 18 2005, the Issuer transitioned under the British Columbia *Business Corporations Act* (the "**Act**").

Effective January 1, 2006 and in order to comply with the provisions of the Act, the Issuer replaced, by a special resolution in writing of the shareholders of the Issuer entitled to attend and vote at a meeting the shareholders of the Issuer, their then current articles with Articles that comply with the Act. The resolution and new articles were filed on April 18, 2007.

The Issuer may register extra-provincially in the future to conduct business in other Canadian jurisdictions as may be approved by the Issuer's directors.

2.2 Our Business — The Issuer currently qualifies and, under its Articles of Incorporation, is required to remain qualified as a "Mortgage Investment Corporation" ("**MIC**") under the Income Tax Act (Canada) (the "**Tax Act**"). This effectively enables the Issuer to operate as a tax-free "flow through" conduit of profit to its shareholders since it does not pay income taxes on net earnings from which dividends are paid.

The Issuer's business objective is to obtain a secure stream of income by optimizing its investment portfolio within the MIC criteria mandated by the Tax Act. These criteria provide, among other things, that one of the primary investments a MIC may make is mortgage loans secured by residential real estate. The Tax Act's MIC criteria are discussed in further detail below.

The Issuer's primary business is earning income through investing in residential mortgages. There is an established need for real estate mortgage financing that is not readily provided by banks, trust companies, credit unions and other traditional lenders. Short-term mortgage financing is a continuing needs of individuals, builders, and real estate developers and, because of their need for flexibility and quick response, they often require the services of private lenders and organizations such as the Issuer. The Issuer's primary revenue source has been, and will continue to be, interest earned on mortgage investments. Mortgages may generate additional revenue for the Issuer, including bonuses, due diligence charges, administrative set-up fees, renewal (mortgage extension) and discharge fees, mortgage guarantees and mortgage stand-by fees.

The Tax Act's MIC criteria permit revenue sources other than mortgages, including, among other things, equity investments in real estate, and investments in stocks and securities of Canadian companies. Notwithstanding its ability to invest in the array of investments allowed under the Tax Act, it is the Issuer's policy to invest its non-CDIC (e.g. bank deposit) holdings in mortgages secured by Canadian real estate property, primarily residential real estate property. A MIC's only permitted undertaking under the Tax Act criteria is the investing of its funds, and it is specifically prohibited from managing or developing real property.

The Issuer's manager, Mid-Island Mortgage & Savings (Qualicum) Ltd. (the "**Manager**"), is licensed under the Mortgage Brokers Act (BC), and has many years of experience, either itself or through its personnel, as a property manager, mortgage broker, builder, property developer, project manager and trustee, and in arranging the financing of various business enterprises. These qualifications and experience place the Manager in an advantageous position to provide MIC-related management, administrative, advisory, development, real estate marketing and mortgage brokerage and financing services to the Issuer, and the Issuer has engaged the Manager to do so. The Manager's personnel also have substantial networks of established relationships with experienced owners, builders, developers, appraisers, property managers, bankers, and others active in the real estate industry. The Issuer believes the Manager is therefore suitably qualified to locate and recommend investment opportunities for the Issuer. The Manager has provided these services to the Issuer since it began its MIC activities in 1997. See item 2.6 "Material Agreements" for a discussion of the management agreement between the Issuer and the Manager.

From time to time, the Issuer may pay referral fees to officers, directors, and employees of the Issuer or the Manager for raising investment capital and/or providing mortgages for the Issuer to invest in.

The Tax Act's MIC Criteria

Section 130.1 of the Tax Act sets out the criteria governing a MIC and, in summary, says that in order to qualify as a MIC for a taxation year a company must have met the following criteria throughout that taxation year:

1. Its only undertaking was the investing of its funds, and it did not manage or develop real property;
2. It did not invest in:
 - (a) mortgages or property outside Canada;
 - (b) shares of companies not resident in Canada; or
 - (c) real property or leasehold interests outside Canada;
3. It had at least twenty (20) shareholders, and no one shareholder together with related parties to that shareholder held between them more than 25% of the issued shares of any class of shares of the company;
4. At least 50% of the company's assets were comprised of:
 - (a) loans secured on houses or on property included in a housing project, as those terms are defined in the National Housing Act (Canada)*;
 - (b) deposits insured by the Canada Deposit Insurance Corporation ("**CDIC**");
 - (c) deposits in a credit union; and/or
 - (d) cash

*The National Housing Act (Canada) provides that: "house" means a building or movable structure intended for human habitation containing not more than two family housing units, together with the land, if any, on which the building or movable structure is situated; and that "housing project" means a project consisting of one or more houses, one or more multiple-family dwellings, housing accommodation of the hostel or dormitory type, one or more condominium units or any combination thereof, together with any public space, recreational facilities, commercial space and other buildings appropriate to the project, but does not include a hotel.

5. No more than 25% of the company's assets consisted of real property (excluding real property acquired by foreclosure);
6. The MIC did not exceed, generally speaking, a 3:1 debt-equity ratio, or a 5:1 debt-equity ratio if more than two-thirds (2/3rds) of the company's property consisted of Residential Mortgages and/or deposits secured by the Canada Deposit Insurance Corporation or credit union deposits. Section 130.1 of the Income Tax Act authorizes a MIC to borrow funds and leverage its capital in certain ratios related to the type of assets held. Provided one-half of MIC assets comprise a combination of residential mortgages and/or CDIC insured investments the MIC is authorized to borrow up to a maximum of three (3) times the amount of its assets. Provided two-thirds of MIC assets comprise a combination of residential mortgages and/or CDIC insured investments the MIC is authorized to borrow up to a maximum of five (5) times the amount of its assets.

The Issuer believes that this leverage opportunity is important in terms of its dividend performance and the Issuer will maximize its leverage opportunity under the Act. The Issuer will borrow funds whenever funds are available provided it is economical and prudent to do so. These borrowings may take the form of Lines-of-Credit from banks and other lending institutions and/or promissory notes and other types of debt contracts with individuals and companies, as the case may be. It is probable that debt instruments will form part of a floating charge against the assets and equity of the Issuer, and in the event of liquidation or wind-up, will rank in priority to the outstanding shares of the Issuer.

As a MIC under the Tax Act the Issuer is entitled to deduct from its income the amount of taxable dividends it pays to its shareholders. The Issuer's Articles of Incorporation require it to pay as dividends substantially all of its net income and net realized capital gains every year and, as a result, the Issuer anticipates that it will not be liable to pay income tax in any year. The result is that the Issuer is a tax-free conduit of profit to its shareholders. Refer to item 6, Income Tax Consequences.

2.3 Development of Business-The Issuer began business in February 1997. Since that time the Issuer has been qualified as a MIC under the Tax Act and has been solely engaged in raising capital for investment in mortgages secured by real estate property located in British Columbia, Canada. In 1997, Stuart Gautier and Keith Rettinger recognized that the private mortgage market and regulatory environment they had been working within for over two decades was changing. They concluded that a MIC would best address these changes so they founded Kensington Realfund Corporation. . Kensington has built investor confidence by conservative lending policies set down by Kensington's credit committee.

The Issuer has distributed a dividend every month since beginning MIC operations in 1997. Its average net return per year over this period for its Class B Shares has been 6.31% based on cash dividends.

Dividends fluctuate and are not guaranteed. The following table details the average yearly net dividend and historical cumulative dividend in each of the years since the Issuer made its first monthly dividend payment in March 1998.

Average Yearly CASH Dividend		
Year	Yearly Average	Historical Cumulative
1998	8.850 %	8.850 %
1999	9.616 %	9.267 %
2000	9.678 %	9.412 %
2001	9.387 %	9.406 %
2002	8.292 %	9.174 %
2003	8.725 %	9.097 %
2004	9.094 %	9.097 %
2005	9.893 %	9.198 %
2006	9.694 %	9.254 %
2007	10.279 %	9.358%
2008	9.092 %	9.333 %
2009	6.940 %	9.119 %
2010	5.856%	8.861%
2011	6.020%	8.654%
2012	5.444%	8.401%
2013	2.000%	8.006%
2014	2.000%	7.527%
2015	2.000%	7.103%
2016	2.000%	6.726%
2017	2.250%	6.316%

The rate of return the Issuer earns from its mortgage investments fluctuates with prevailing market demand for short-term mortgage financing. In some cases the Issuer's mortgage investments may not meet financing criteria for conventional mortgages from institutional sources and, as a result, these investments generally earn a higher rate of return than that normally attainable from conventional mortgage investments, The Issuer attempts to minimize risk by being prudent in its credit decisions and in assessing the value of the underlying Canadian real estate property offered as security.

In the 2017 fiscal year, the Issuer recognized a loan loss provision of **\$0.00**.

The following table sets out the composition of the Issuers mortgage portfolio as at January 15, 2018. Investors are cautioned that the mortgage portfolio set out below is provided for informational purposes only as the portfolio is subject to constant change.

The Mortgage Portfolio

Property Under Mortgage	Location	Priority Ranking	Loan Rate %*	Repayment Terms**	Due Date	Balance \$	LTV % ***	Note
Residential	Qualicum Beach	1st	8%	IO	9/1/18	\$150,000.00	61.22%	
Residential	Qualicum Beach	1st	6.5%	IO	7/1/18	\$202,500.00	75.00%	

Property Under Mortgage	Location	Priority Ranking	Loan Rate %*	Repayment Terms**	Due Date	Balance \$	LTV % ***	Note
Allowance for loan losses / % of Portfolio:						0.00		
Portfolio Total Net of Loss Provision						\$6,027,101.56		

*Effective Annual Percentage Rate may vary due to different compounding periods of the stated Nominal Interest Rate

**Terms: P = Principal, IO = Interest Only, P&I = Principal and Interest

*** The loan-to-value ratio (LTV) is at March 1, 2018.

Notes

Mortgages Portfolio Profile

Description		Amount	Count	%
By Type	Industrial	\$0	0	0.0%
	Office	\$0	0	0.0%
	Residential	\$5,906,809	28	98%
	Commercial	\$120,292	1	2%
		\$6,027,101	29	100.0%

Description		Amount	Count	%
By Province	BC	\$12,648,925	37	100.0%

Description		Amount	Count	%	Rate	LTV
By Rank	1st	\$5,349,125	22	88.75%	9.60%	55.35%
	2nd	\$1,190,597	7	11.25%	9.60%	67.77%
	3rd	\$0	0	0.0%	0.00%	0.00%
	Equity	\$0	0	0.0%	0.00%	0.00%
		\$6,027,101	29	100.0%		

2.4 Long-Term Objectives As in the past, over the long term the Issuer intends to qualify as a MIC, raise investment capital, and invest substantially all of its capital in Canadian mortgages, except for small residual amounts of capital maintained in short-term CDC insured deposits awaiting mortgage placement. As in the past, most of the mortgages the Issuer intends to invest in will be short-term mortgages secured by residential real estate property in Canada. As its capital base expands the Issuer may place some of its capital in longer-term mortgages. From time to time the Issuer may also invest in commercial mortgages but this type of mortgage is intended to be the exception rather than the rule. Over time, the Issuer anticipates expanding its mortgage base to other provinces in Canada, beyond BC and Alberta.

Lending opportunities are offered by referral sources developed by the Managers over their aggregate 50+ years in the mortgage industry on Vancouver Island. These sources include, but are not limited to, referrals from associate brokers, financial institutions, previous, existing customers, and word of mouth advertising. Direct media advertising may occasionally be utilized.

Loan applications are analyzed and approved by the manager. When assessing the merits of any application presented the primary focus is on the quality and value of the real estate security offered. Secondly weight is placed on the quality of the borrowers and their historic willingness and ability to honour their credit

commitments. Thirdly weight is placed on the subjective and un-provable data provided by the borrower or their agent.

Assessing the provided data to determine the balance of risk versus return is somewhat subjective. Successfully balancing the real estate security, borrower quality, the stated use of the borrowed funds, current market conditions and the feasibility of the borrower's plans for repayment against the return the Fund should receive for the risk is a skill gleaned from many years of experience provided by the Manager. Generally if the price is deemed too high so is the risk and the loan would be declined. As of this writing that approximate value would be Royal Bank of Canada Prime Rate plus 11%.

The general lending guidelines employed are as follows;

- 1 An appraisal prepared by an accredited appraiser, approved by the Manager is required for every loan. With rare exception this requirement may be waived due to the unavailability of an accredited appraiser in a timely fashion if in the Managers' opinion, due to their specific knowledge, the value is sufficient to meet the general requirements for the type of loan and security offered.
- 2 Loan to value maximum guidelines are:
 - a) 75% of value if the security is serviced with both municipal/strata water and sewage services.
 - b) 70% of value if the security is serviced with either municipal/strata water or sewage services.
 - c) 65% of value if the security is serviced with no municipal/strata water and sewage services.

The above guidelines are general caps on loan amounts and may be modified for specific situations where additional security or risk is identified by the Manager's investigations. However in no circumstance will a loan be advanced if its' amount is greater than 80% of the determined value of the real estate security, which is the maximum loan to value percentage employed by all major Canadian lending institutions.

- 3 As primarily equity lenders the least weight for granting credit is placed on the quality of the Borrower. All Borrowers for loans initiated by Kensington must authorize a Credit Investigation in order to qualify for credit. Once again due to the subjectivity of credit reporting quantifying the value of credit scores is subjective. The managers use their experience in analyzing the data to determine the creditworthiness of each Borrower. Information regarding the Borrower's income history is sought out and assessed for veracity.

2.5 Short-Term Objectives — Over the next twelve (12) months the Issuer's objective is to raise further equity capital, invest it pursuant to the Tax Act's MIC criteria with the intent of optimizing return (as described in more detail above under items 2.2, 2.3 and 2.4), and continue paying monthly dividends to its shareholders. The Issuer's goal over the next twelve (12) months is to increase its share capital base from its present amount of **\$5,739,109.** to \$100,000,000. The Issuer's business plan is not dependent on attaining this goal; it is simply a target. The Issuer anticipates that whatever funds are raised will be sufficient for the Issuer to continue implementing its business plan. The Issuer anticipates this to be the case even if no additional funds are raised.

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
While there is nothing the Issuer "must" do to carry out its business plan, since it already has a substantial capital base invested in compliance with the Tax Act's MIC criteria, the Issuer's goal over the next 12 months is to raise a total of \$100,000,000.00 in equity capital.	12 months Use of Available Funds.	See item 1

26 Material Agreements — The Issuer is a party to the following material agreements:

Management Services Agreement

The Issuer and Mid-Island Mortgage (Qualicum) Ltd. have entered into a Management Services Agreement dated November 10, 2007 under which the Manager administers the Issuer's business affairs on a day to day basis, provides a business office for, and ongoing advice to, the Issuer, raises investment capital for the Issuer, and, as may be required from time to time, provides the Issuer with real estate, mortgage and financing services. The Issuer also reimburses the Manager for its associated costs and expenses. Certain audit costs incurred in the preparation of this Offering Memorandum will be recorded as an expense in the fiscal year ended March 31, 2017. These auditing costs will be borne directly by the Issuer on a going forward basis. The Manager and the Issuer are related companies. Stuart J. Gautier controls the Manager (he holds over 50% of its voting shares) and is its sole director and president. He is also the founder, a promoter and a director of the Issuer.

In addition to reimbursing the Manager for its associated costs and expenses, the Issuer will pay the following fees to the Manager under the Management Services Agreement:

- 1 In respect of the Manager's general management and advisory services, a management fee of 1.75% per year, a monthly fee equal to 0.1458% of the aggregate sum of: a) the loan capital borrowed by the MIC, plus b) the paid up capital of the MIC's outstanding shares (together, the "**Aggregate Capital**"). This percentage fee will be reviewed by the parties from time to time, but in no case will there be a change in the fee unless the Manager and the Issuer agree in writing.
- 2 In respect of any property management, mortgage origination or brokerage, real estate marketing or capital raising services, these will be provided on an ad hoc basis upon agreement of the parties at the time, and the Issuer will pay the Manager as agreed between them at the time the particular service is initiated, but in no case will the Manager be paid a fee which is greater than fair market value for the service.

The Management Services Agreement is for an initial term of ten (10) years and is automatically renewable for further terms of ten (10) years each after the expiration of the initial term, subject to the provisions for termination. The Issuer may only terminate the Management Services Agreement, for cause, upon the affirmative vote of at least 75% of the Issuer's directors. The Manager may terminate the Management Services Agreement as follows:

- a) Immediately upon the winding up, bankruptcy or receivership of the Issuer, or
- b) Upon sixty (60) days notice to the Issuer.

Though the Issuer and the Manager expressly agree in the Management Services Agreement that neither the Management Services Agreement nor the relationship between the Issuer and the Manager establish the Manager as a fiduciary to the Issuer, the Manager has agreed that it will exercise its powers and discharge its duties under the Management Services Agreement honestly, in good faith and in what it reasonably believes to be in the best interests of the Issuer.

The Manager will be given reasonable advance notice of (and agendas, if available) and has the right to attend and be heard at all meetings of the Issuer's shareholders, the Issuer's board of directors and any committees established by the board of directors, and the Manager will be provided with copies of the minutes of any resolutions passed at all such meetings within a reasonable time after the meeting.

The Issuer acknowledges in the Management Services Agreement that the Manager and its shareholders, directors and officers have, or will have, interests and dealings in other companies, joint ventures, limited partnerships and/or MICs which are presently, or may in the future, be actively engaged in similar businesses as the Issuer. The Issuer agrees that neither the Manager nor its shareholders, directors or officers will be liable to the Issuer for any conflict of interest as a result of such other interests or dealings, and that such interests and dealings do not and will not constitute a breach of the Management Services Agreement even if competitive with the business of the Issuer, and even if the business opportunity could have been pursued by the Issuer.

The Manager will not be liable to the Issuer in respect of any loss or damage suffered by the Issuer, including any loss or diminution in the net assets (that is, the value of the Issuer's assets less its liabilities) of the Issuer, unless such loss or damage is a direct result of gross negligence, gross willful misconduct, or dishonesty by the Manager

in relation to its duties and responsibilities under the Management Services Agreement.

The Management Services Agreement also provides that the Issuer will indemnify the Manager and its directors, officers and employees from any claims arising in relation to the Manager's duties and responsibilities under the Management Services Agreement.

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

3.1 Compensation and Securities Held — The following table sets out the specified information about each director, officer and promoter of the Issuer and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Issuer (a "principal holder").

Name and municipality of principal residence	Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by Issuer in the most recently completed financial year 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 minimum offering	Number, type and percentage of securities of the issuer held after completion of maximum offering
Stuart Gautier Qualicum Beach, BC	President, February 26, 1997 Director, February 26, 1997	Paid last year: \$0 ¹ Anticipated this year: \$0	N/A	1 Class A Voting Shares (25%) 4223 Class B Non-Voting Shares
Margaret O'Connor Qualicum Beach, BC	Secretary October 1, 2013 Director, October 1, 2013	Paid last year: \$0 Anticipated this year: \$0	N/A	1 Class A Voting Shares (25%)
James David Gautier Kelowna, BC	Principle Holder October 1, 2013	Paid last year: \$0 Anticipated this year: \$0	N/A	1 Class A Voting Shares (25%)
Margaret Kerr Qualicum Beach, BC	Principle Holder October 1, 2013	Paid last year: \$0 Anticipated this year: \$0	N/A	1 Class A Voting Shares (25%) 3421 Class B Non-Voting Shares

1. Stuart Gautier controls the Manager. The Manager was paid \$82,808 in the most recently completed financial year and it is expected that the Manager will be paid a similar amount in the current financial year.

3.2 Management Experience — The principal occupations of the directors and executive officers over the past five (5) years and their experience relevant to the Issuer's business are as follows:

Name	Principal occupation and related experience
Stuart J. Gautier	Mortgage Investment Manager, General Manager of Mid-Island Mortgage (Qualicum) Ltd. & Mortgage Broker Licensee
Margaret O'Connor	Manager of Mid-Island Mortgage (Qualicum) Ltd. & Mortgage Broker Licensee
James David Gautier	CA, CPA
Margaret Kerr	Office Administrator of Mid-Island Mortgage & Savings (Qualicum) Ltd.

3.3 Penalties, Sanctions, and Bankruptcy

- (a) The following penalties or sanctions have been in effect during the last ten (10) years against (i) a director, executive officer, or control person of the Issuer, or (ii) an issuer in which a person or company referred to in (i) was a director, executive officer or control person at the time:

None

- (b) The following declarations of or voluntary assignments in bankruptcy, proposals under any bankruptcy or insolvency legislation, proceedings, arrangements or compromises with creditors or appointments of a receiver, receiver manager or trustee to hold assets, have been in effect during the last ten (10) years against

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

(ii) an issuer in which a person or company referred to in (i) was a director, executive officer or control person at the time:

None

3.4 Loans

None.

ITEM 4 CAPITAL STRUCTURE

- 4.1 **Share Capital** — The following table sets out information about the Issuer's outstanding securities, including options, warrants, and other securities convertible into Shares.

Description of Security	Number authorized to be issued	Number outstanding as at September 16 2011	Number outstanding after minimum offering	Number outstanding after maximum offering
Class A Voting Shares	5,000	400	400	5,000
Class B Non-Voting Shares	1,000,000	5,716	5,716	1,000,000

- 4.2 **Long-Term Debt** — The Issuer does not have any long-term debt.

- 4.3 **Prior Sales** — With in the last twelve (12) months the Issuer has issued the following securities (no securities were issued for other than cash):

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
January 2017	Class B Shares	0	\$100.00 per share	\$0
February 2017	Class B Shares	0	\$100.00 per share	\$0
March 2017	Class B Shares	0	\$100.00 per share	\$0
April 2017	Class B Shares	0	\$100.00 per share	\$0
May 2017	Class B Shares	0	\$100.00 per share	\$0
June 2017	Class B Shares	0	\$100.00 per share	\$0

July 2017	Class B Shares	0	\$100.00 per share	\$0
August 2017	Class B Shares	0	\$100.00 per share	\$0
September 2017	Class B Shares	0	\$100.00 per share	\$0
October 2017	Class B Shares	0	\$100.00 per share	\$0
November 2017	Class B Shares	0	\$100.00 per share	\$0
December 2017	Class B Shares	0	\$100.00 per share	\$0

ITEM 5 SECURITIES OFFERED

51 Terms of Securities — A description of the material terms of the securities being offered include:

- (a) **Voting** — The holders of Class B Shares are not entitled to notice of or to attend or vote at meetings of the Issuer.
- (b) **Redemption** — The Issuer in its sole discretion may redeem all or any portion of a shareholder's Class B Shares at any time upon payment of the Redemption Amount (defined below). Upon completion of the redemption process the redeemed Shares are cancelled.
 If not all of the outstanding Shares of any class or classes of Shares are to be redeemed the Shares to be redeemed may be selected at the discretion of the Directors and need not be selected either in proportion to the number of Shares registered in the name of each shareholder or from any or every particular shareholder.
 The amount to be paid by the issuer in respect of each Class B Share to be redeemed will be an amount equal to the paid up capital of the Share plus the aggregate of all dividends declared on the Share but unpaid plus the Share's pro rata share of any undistributed net income and net capital gains (the "**Redemption Amount**").
- (c) **Compassionate Early Redemption** — The Issuer, through the Manager, may consider applications for early redemption for compassionate reasons, but only under special circumstances, to the spouse of a deceased shareholder who holds the Issuer's Class B Shares.
 The decision as to whether or not to grant an early redemption is at the sole discretion of the Manager and otherwise dependent upon the Issuer's Articles legally permitting such early redemption.
 Should a shareholder pass away, the surviving spouse may apply to the Issuer for an early redemption of all or part of the deceased's Class B Shares, provided that the date of application for early redemption is at least ninety days prior to the original redemption date.
 The Manager may then consider redeeming the requested number of Class B Shares on or before the last day of the quarter immediately following the quarter in which the request for compassionate early redemption is made by the surviving spouse.
- (d) **Retraction Rights** — Subject to all applicable laws and any restrictions set forth in the articles of the Issuer, the Class B Shares have retraction rights, meaning their holders have a right to present all or some of their Class B Shares to the Issuer for cancellation and payment to the shareholders of the retracted Shares Redemption Amounts.

Shares acquired by way of re-invested dividends have the same retraction date as the date upon which the original Shares were subscribed. If any holder of Class B Shares wishes to have the Issuer redeem all or any part of its Class B Shares, such holder must give six months written notice thereof to the Issuer at its registered office indicating the number of Class B Shares to be so redeemed. Should a shareholder wish to present their shares to the Issuer for cancellation and payment of the Redemption Amount prior to the first anniversary of the date the shareholder purchased such Shares, the Issuer, through the Manager, may consider such application. Except in special circumstances, there will be a fee of 1.5% of the principle amount deposited for such early redemption.

The shareholders' right to retract their Shares is subject to section 28 of the Issuer's Articles of Incorporation which provides as follows:

S28. Mortgage Investment Corporation

Notwithstanding any other provisions of these Articles, so long as the Company is a Mortgage Investment Corporation, it SHALL NOT, nor shall its Directors, Officers or shareholders, be entitled to take advantage of any rights or privileges under these Articles which would have the effect of disqualifying the Company as a Mortgage Investment Corporation.

The most likely scenario where the directors would use their discretion to reject a retraction application is where the retraction would put the Issuer offside of the Tax Act's MIC criteria regarding shareholders, which requires that a MIC have at least twenty (20) shareholders, and no one shareholder together with related parties to that shareholder holds between them more than 25% of the issued Shares of any class of Shares of the MIC.

- (e) **Dividends** — The Issuer's Articles of Incorporation require it to pay out as dividends substantially all of its net income and net realized capital gains every year, subject to the directors' discretion. Under the Issuer's current policy investors may elect to receive dividends either in cash or in the form of additional Shares. When paying a Share Dividend, rather than paying the dividend in cash, the Issuer pays the dividend by issuing to the investor Shares of the same Class of Shares on which the dividend is being paid (the "**Dividend Shares**"). Dividend Shares will be issued at the price of \$100.00 per Dividend Share, or such other price per Dividend Share as the Issuer gives investors not less than ninety (90) days prior written notice of.

Investors may change their election as to cash or Share Dividends by giving the Issuer notice of their election change not less than sixty (30) days before the change in election is to take effect. For Dividend Shares the Retraction Date will be deemed the same date as the Retraction Date of the Shares originally subscribed and that gave rise to the Dividend Shares.

The Issuer reserves the right to amend or cancel its policy regarding Share Dividends.

- (f) **Pre-emptive Rights** — Except as otherwise required by law the holders of Class B Shares are not entitled as such to subscribe for, purchase, or receive any part of any issue of shares, bonds, debentures or other securities of the issuer.
- (g) **Liquidation, Dissolution, or Winding-Up** — In the event of the liquidation, dissolution or winding-up of the Issuer, whether voluntary or involuntary, or in the event of any other distribution of assets of the Issuer among its shareholders for the purpose of winding up its affairs, the Issuer will distribute the assets of the Issuer among the shareholders in the following priority:
- (i) First, all holders of every class of Shares will receive the return of the paid-up capital on their Shares. If there are insufficient assets to fully return the paid-up capital the assets will be distributed among all the shareholders pro rata in proportion to their paid-up capital;
 - (ii) Second, any remaining assets will be distributed among the holders of the different classes of Shares in the same proportions as if it were a dividend distribution, calculated on the basis of the paid-up capital on the books of the Issuer prior to the application of paragraph (i).

5.2 Subscription Procedure — Persons wishing to subscribe for Shares under this Offering may do so by completing the following three steps:

- (a) **Subscription Agreement** — Investors must complete the appropriate Subscription Agreement.
- (b) **Method for Payment** — A cheque or bank draft made payable to Kensington Realfund Corporation in an amount equal to \$100.00 multiplied by the number of Shares being subscribed.

- (c) **Submitting Subscriptions** — Investors may deliver the completed subscription form and payment to Kensington Realfund Corporation by mail, email or in person to.

Kensington Realfund Corporation
191 Fern Road West Qualicum Beach BC V9K 1S4
Phone: (250) 752-6944 Fax: (250) 752-5363
margaret@kensingtonrealfund.ca

- (d) **Two-Day Hold Period** — An investor's subscription funds will be held until midnight on the second (2nd) business day after the investor signs the Subscription Agreement.
- (e) **Acceptance of Subscriptions and Closings** — Subscriptions may be accepted by the Issuer, subject to the terms and conditions of the Subscription Agreement signed by the investor. Subscriptions will be received subject to prior sale and subject to rejection or allotment, in whole or in part, by the Issuer prior to any closing.

Subscriptions may be accepted or rejected by the Issuer in its sole discretion. The Issuer is not obligated to accept any subscription nor to accept subscriptions in the order the Issuer receives them. If the Issuer rejects a subscription, the subscription funds received will be returned to the Investor, without interest or deduction, along with notification of the rejection.

This Offering is not subject to any minimum subscription level, and there are no conditions of closing; therefore any funds received from an Investor are available to the Issuer and need not be refunded to the Investor. Closings will take place periodically at the Issuer's discretion.

This Offering may be nullified at the sole discretion of the Issuer. For example, the Issuer might choose to nullify the Offering upon the occurrence of events such as any material adverse change in the business, personnel, or financial condition of the Issuer or the Manager. If this Offering is nullified for any reason, the Subscription Agreements and cash funds received by the Issuer prior to the nullification will be returned to Investors without interest or deduction as if the Investors' subscriptions had been rejected (whether or not the subscription[s] had previously been accepted by the Issuer). A prospective Investor will become a shareholder upon execution of a Subscription Agreement, acceptance of the Subscription Agreement by the Issuer, payment of the subscription price, and entry of the Investor's name in the register of members of the Issuer as a shareholder.

- (f) **Investor Qualifications** — Investor qualifications differ between residents of British Columbia, New Brunswick, Nova Scotia, Newfoundland and Labrador and residents of Alberta, Manitoba, Northwest Territories, Nunavut, Prince Edward Island, Quebec and Saskatchewan
In British Columbia, New Brunswick, Nova Scotia, Newfoundland, and Labrador, an investor may purchase Shares if, before or at the time the investor signs the Subscription Agreement, the investor purchases as principal, the investor receives this Offering Memorandum and signs the Risk Acknowledgment form, and delivers it to the Issuer.

In Alberta, Manitoba, Northwest Territories, Nunavut, Prince Edward Island, Quebec and Saskatchewan, an investor may purchase Shares if the investor meets the requirements set out above for British Columbia residents, plus the investor either (i) is an "eligible investor"; or (ii) is acquiring Shares with an aggregate cost of not more than \$10,000. Under these Alberta, Manitoba, Northwest Territories, Nunavut, Prince Edward Island, Quebec and Saskatchewan criteria, an eligible investor is:

- (i) a person or company whose:
- (a) net assets, alone or with a spouse, in the case of an individual, exceed \$400,000; or
 - (b) net income before taxes exceeded \$75,000 in each of the two (2) most recent calendar years, and who reasonably expects to exceed that income level in the current calendar year, or
 - (c) net income before taxes alone or with a spouse, in the case of an individual, exceeded \$125,000 in each of the two (2) most recent calendar years, and who reasonably expects to exceed that income level in the current calendar year;
- (ii) a company of which a majority of the voting securities are beneficially owned by eligible investors or a majority of the directors are eligible investors;
- (iii) a general partnership of which all of the partners are eligible investors;

- (iv) a limited partnership of which the majority of the general partners are eligible investors;
- (v) a trust or estate in which all of the beneficiaries or a majority of the trustees or executors are eligible investors;
- (vi) an accredited investor¹, or
- (vii) a person who has obtained advice regarding the suitability of the investment and, if the person is resident in a jurisdiction of Canada, that advice has been obtained from an eligibility adviser.

ITEM 6 INCOME TAX CONSEQUENCES

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

6.2 No application has been made for an advance income tax ruling with respect to the investment described in this Offering Memorandum, nor is it intended that any application be made.

The Issuer has prepared the following commentary which it believes is a fair and adequate summary of the principal federal income tax consequences arising under the Tax Act to an Investor who is an individual resident in Canada who acquires Shares under this Offering Memorandum. The income tax consequences will not be the same for all Investors, but may vary depending on a number of factors including the province or provinces in which the Investor resides or carries on business, whether Shares acquired by him will be characterized as capital property, and the amount his taxable income would be but for his participation in this Offering.

The following discussion of the Canadian income tax consequences is of a general and limited nature only, is not intended to constitute a complete analysis of the income tax consequences, and should not be interpreted as legal or tax advice to any particular Investor. This summary does not address provincial or territorial laws of Canada or any tax laws of any jurisdiction outside of Canada. Each prospective Investor should obtain advice from the Investor's own independent tax advisor as to the federal and provincial income tax consequences of his or her acquisition of Shares; as such consequences can vary depending upon the particular circumstances of each Investor.

This summary is based on the Issuer's understanding of the current provisions of the Income Tax Act, the Regulations to the Tax Act, and the current administrative and assessing practices of Canada Revenue Agency, Taxation ("CRA").

This summary outlines the Canadian federal income tax consequences to an investor based on important facts and assumptions as set out by the Issuer in the Offering Memorandum and particularly on additional facts and assumptions as follows:

- (a) Investors are, and will not cease to be, individuals resident in Canada;
- (b) Investors acquire Shares pursuant to this Offering Memorandum and hold the Shares as capital property;
- (c) Investors hold Shares for the purpose of earning income and have a reasonable expectation of earning a profit from holding the Shares; and
- (d) The Issuer will qualify at all material times as a MIC for the purposes of the Income Tax Act.

It is incumbent upon prospective Investors to fully investigate and substantiate the expectations above and, with respect to the assumption stated in (c) above, it is incumbent on an Investor to investigate and substantiate the investor's expectation of earning a profit from holding Shares, having regard to his expected financing costs and any projections the investors may wish to obtain from the issuer.

There is no assurance that the Tax Act and related Regulations will not be amended in a manner that

¹ Accredited investors include banks, securities dealers and advisors, governments, individuals who have (i) net assets worth more than \$1,000,000, or (ii) net income before taxes in each of the last two (2) calendar years of more than \$200,000, or more than \$300,000 when combined with their spouse's income, and expects to exceed those income levels in the current calendar year; and a company or other business entity with net assets of at least \$5,000,000.

fundamentally alters the income tax consequences to Investors who acquire or dispose of Shares This summary does not take into account any changes in law, whether by way of legislative or judicial action.

There has been no application for an Advance Income Tax Ruling from CRA on any aspect of the transactions proposed in the Offering Memorandum, nor is it intended that such an application will be made. No opinion from the Issuer's legal counsel or accountants has been given with respect to these income tax considerations. The analysis contained herein is not all encompassing and should not be construed as specific advice to any particular Investor and is not a substitute for careful tax planning, particularly since certain of the income tax consequences of an investment will not be the same for all taxpayers. Regardless of tax consequences, a decision to purchase the Shares offered should be based on the merits of the investment as such and on an Investor's ability to bear any loss that may be incurred.

The Issuer

As a MIC the Issuer is subject to special rules under the Tax Act that permit the Issuer to be operated, in effect, as a tax-free "flow through" conduit of its profit to its shareholders. The income of the Issuer for purposes of the Tax Act includes interest earned and the taxable portion of any net realized capital gains. The Issuer is permitted to deduct from its net income all taxable dividends it pays to its shareholders, other than capital gains dividends, and the taxable portion of its net realized capital gains distributed to shareholders as capital gains dividends within the periods prescribed by the Tax Act. If and to the extent the Issuer has income after these and other applicable deductions, such income is subject to the prevailing tax rates applicable to a public corporation.

Shareholders

A. Dividends

Taxable dividends, except capital gains dividends, received by a Shareholder are taxable in the hands of the Shareholder as interest and not as dividends. Capital gains dividends received by a Shareholder are treated as capital gains of the Shareholder, one-half of which must be included as a "taxable capital gain" in computing the Shareholder's taxable income. As a result of the repeal of the \$100,000 capital gains exemption, such capital gains are no longer eligible for the capital gains exemption.

B. Dispositions

The cost to a Shareholder of his Shares (plus or minus certain adjustments required under the Tax Act) will be the adjusted cost base of the Shares at any particular time, against which a capital gain or capital loss will be measured on a sale or other deemed disposition of the Shares.

A Shareholder will be considered to have disposed of his Shares when he assigns or sells his Shares, his Share is the subject of a gift, he dies, or where the Issuer is wound up or otherwise terminated. A Share which is the subject of a gift or which is held by a Shareholder when he dies is generally deemed to be disposed of for proceeds equal to fair market value at that time. However, in certain circumstances a capital gain or capital loss will be deferred where gift or bequest transfers the Share to the Shareholder's spouse.

Generally a Shareholder will realize a capital gain (or sustain a capital loss) equal to the amount by which the proceeds received or deemed to have been received on the disposition of a Share exceed, or are exceeded by, the adjusted cost base of the Share.

Shareholders will include one-half of any capital gain in computing taxable income as a "taxable capital gain." Similar proportions of a capital loss will be "allowable capital loss" that may be used to offset taxable capital gain in the year that the capital loss is sustained. To the extent the allowable capital loss is not offset against taxable capital gain in that year, it may be carried back three (3) years and forward indefinitely to offset taxable capital gain realized in those years.

C. Interest on Money Borrowed to Purchase Shares

An Investor will generally be entitled to deduct from his income reasonable interest paid or payable with respect to monies borrowed to acquire Shares, provided he has a reasonable expectation of profit from holding the Shares. Interest expense deducted by an Investor will be included in computing his cumulative net investment losses.

After the disposition of a Share by a taxpayer reasonable interest expense on money borrowed for the purpose of acquiring that Share will generally continue to be deductible until the borrowing is repaid regardless of whether a gain or loss was realized on the disposition of the Share, except to the extent any proceeds of disposition attributable to that borrowed money are used to make personal expenditures by the taxpayer or are not otherwise used for the purpose of earning income.

Deferred Income Plans (e.g., RRSPs, RRIFs, Deferred Profit Sharing Plans)

A. Eligibility for Investment by Deferred Income Plans

As long as the Issuer is qualified as a MIC under the Tax Act the Shares will be qualified investments for trusts governed by a registered retirement savings plan ("RRSP"), deferred profit sharing plans and registered retirement income funds, provided the Issuer does not hold any debt of an annuitant or a related party.

B. Interest Expense Regarding RASP Contributions

Interest and other borrowing costs incurred by a Shareholder for contributing to an RRSP are not deductible. Therefore, if a Shareholder holds Shares in an RASP the Shareholder would not be eligible to deduct from his income any interest expense on money borrowed for acquiring the Shares held in the RASP.

C. Distributions Received From Issuer by RRSP

As noted, taxable dividends are deemed to be interest income to the Shareholder, which, together with one-half of capital gains dividends, are added to the Shareholder's taxable income if the Shares are held personally by the Shareholder. Such distributions paid on Shares held by an RRSP, however, will not be subject to tax in the hands of the RASP, provided the RASP has not borrowed money, or carried on business and the annuitant under the RASP is alive. An RRSP will not carry on business merely by holding Shares. The distributions paid to the RRSP will be taxable to the annuitant under the RASP on withdrawal of the funds from the RRSP, which must occur no later than the year the annuitant becomes 69 years old.

D. RRSP Contribution Limits

An individual may contribute cash or eligible property (such as a Share) to an RRSP in a calendar year or within sixty (60) days after the end of the year, and may claim a deduction for that calendar year to the extent that the amount contributed does not exceed the limits specified by CCRA. The amount of an individual's contribution will be equal to the fair market value of any property contributed as of the day of contribution. A seven (7) year carry forward of unused RRSP deduction room is available in the event contributions made to an RRSP for a particular year are less than the allowable contribution for that year.

The transfer of a Share to an RRSP will result in the deemed disposition for income tax purposes at an amount equal to the fair market value of the Share at the time of the transfer. For an individual Shareholder who holds a Share as capital property the disposition will result in a capital gain equal to the excess of the fair market value of the Share over its adjusted cost base. Should the fair market value of the Share be less than its adjusted cost base upon contribution to the RRSP, no capital loss will be allowed.

Funds or property withdrawn from an RRSP is taxable to the annuitant under the RRSP in the year of withdrawal. The amount of any non-qualified investment acquired by an RRSP in a year is included in the income of the annuitant for the year.

EACH PROSPECTIVE INVESTOR IS ADVISED TO SEEK INDEPENDENT ADVICE IN RESPECT OF THE INCOME TAX CONSEQUENCES OF HIS PARTICIPATION IN THE ISSUER, TAKING INTO ACCOUNT HIS OWN PARTICULAR CIRCUMSTANCES.

ITEM 7 COMPENSATION PAID TO SELLERS AND FINDERS

7.1 Type and Estimated Amount of Compensation — The Shares will be sold by the Manager, the Issuer, and their respective directors, officers and employees, and may be sold on a best effort basis by Agents authorized by the Issuer. In its discretion the Issuer may pay commissions to persons or companies selling Shares. This includes the officers, directors, and employees of the Issuer and the Manager, who may receive a commission in

respect of any Shares sold by them. Such commission may be paid in cash immediately upon the Issuer accepting the particular subscription, or paid over time. If the Offering is fully subscribed and the Issuer pays the maximum possible commission, the Issuer will pay \$5,000,000 in commissions.

The Issuer may enter into exclusive or non-exclusive agency agreements with agents under which the Agents would offer the Shares for sale to investors on a best efforts basis, and the Issuer would be responsible for payment of the agents' commissions. As of the date of this Offering Memorandum, no such agreements have been entered into.

7.2 Percentage of Gross Proceeds — The Issuer may pay a maximum of 5% of the Offering's gross proceeds in commissions.

ITEM 8 RISK FACTORS

This is a speculative Offering. The purchase of Shares involves a number of risk factors and is suitable only for Investors who are aware of the risks inherent in the real estate industry and who have the ability and willingness to accept the risk of loss of their invested capital and who have no immediate need for liquidity.

There is no assurance of any return on an Investor's investment.

The Issuer advises that prospective Investors should consult with their own independent professional legal, tax, investment, and financial advisors before purchasing Shares in order to determine the appropriateness of this investment in relation to their financial and investment objectives and in relation to the tax consequences of any such investment.

In addition to the factors set forth elsewhere in this Offering Memorandum prospective Investors should consider the following risks before purchasing Shares. Any or all of these risks, or other as yet unidentified risks, may have a material adverse effect on the Issuer's business and/or the return to the Investors.

8.1 Investment Risk — Risks that are specific to the Shares being offered under this Offering include the following:

- 1. No Market for Shares** There is no market through which the Shares may be sold, and the Issuer does not expect that any market will develop pursuant to this Offering or in the future. Accordingly, an investment in Shares should only be considered by Investors who do not require liquidity. The Shares are subject to onerous resale restrictions under applicable securities legislation. See item 10, Resale Restrictions, regarding resale restrictions applicable to the Shares.
- 2. Retraction Liquidity** — The Shares are retractable, meaning that Investors have the right to require the Issuer to redeem them, upon appropriate advance notice from the Investor to the Issuer. See item 5.1, Terms of Securities. The Issuer gives no assurance that any Investor will be able to retract any or all of their Shares at any time. Retraction and redemption of the Shares is subject to the Issuer having access to sufficient cash, or other liquid assets, and complying with applicable corporate and securities legislation, and is subject to the terms in this Offering Memorandum, all as determined solely by the Issuer. Retraction and redemption of the Shares is also subject to the discretion of the directors to act in the best interests of the MIC under the Tax Act. Accordingly this investment is unsuitable for those prospective Investors who may require liquidity.
- 3. Absence of Management Rights** — The Class B Shares being sold under this Offering do not carry voting rights, and consequently an Investor's investment in Shares does not carry with it any right to take part in the control or management of the Issuer's business, including the election of directors. In assessing the risks and rewards of an investment in Shares, potential Investors should appreciate that they are relying solely on the good faith, judgment and ability of the directors, officers and employees of the Issuer and the Manager to make appropriate decisions with respect to the management of the issuer, and that they will be bound by the decisions of the Issuer's and the Manager's directors, officers and employees. It would be inappropriate for Investors unwilling to rely on these individuals to this extent to purchase Shares.
- 4. Lack of Separate Legal Counsel** — The Investors, as a group, have not been represented by separate counsel. Neither counsel for the Issuer nor counsel for the Manager purport to have acted for the Investors nor to have conducted any investigation or review on their behalf,

8.2 Issuer Risk — Risks that are specific to the Issuer include the following:

1. **MIC Tax Designation** — Under the Issuer's articles the Issuer's directors are required to use their best efforts to ensure that the Issuer qualifies as a MIC pursuant to the Tax Act. As well, the issuer's Articles of Incorporation grant the directors the discretion to reject any applications for share dividends or share subscriptions, transfers, redemptions or retractions where, in the view of the directors, such would not be in the Issuer's best interests as a MIC under the Tax Act.

There can be no assurance, however, that the Issuer will be able to meet the Tax Act's MIC qualifications at all material times.

As a company qualified as a MIC the Issuer may deduct taxable dividends it pays from its income, and the normal gross-up and dividend tax credit rules will not apply to dividends paid by the Issuer on the Shares. Rather, the dividends will be taxable in the hands of shareholders as if they had received an interest payment. If for any reason the Issuer fails to maintain its MIC qualification in a particular year, the dividends paid by the Issuer on the Shares would cease to be deductible from the income of the Issuer for that year and the dividends it pays on the Shares would be subject to the normal gross-up and dividend tax credit rules. In addition, the Shares might cease to be qualified investments for trusts governed by RRSPs, Deferred Profit Sharing Plans and Registered Retirement Income Funds, with the effect that a penalty tax would be payable by the Investor.

2. **Reliance on Mid-Island Mortgage & Savings (Qualicum) Ltd.** — In accordance with the terms of the Management Services Agreement between the Issuer and the Manager, the Manager has significant responsibility for assisting the Issuer to conduct its affairs. Any inability of the Manager to perform competently or on a timely basis will negatively affect the Issuer.
3. **Key Personnel** — The operations of the Issuer and the Manager are highly dependent upon the continued support and participation of their key personnel. The loss of their services may materially affect the timing or the ability of the Issuer to implement its business plan. The Issuer's and Manager's management teams consist of several key personnel. In order to manage the Issuer and the Manager successfully in the future it may be necessary to further strengthen their management teams. The competition for such key personnel is intense, and there can be no assurance of success in attracting, retaining, or motivating such individuals. Failure in this regard would likely have a material adverse effect on the Issuer's business, financial condition, and results of operations.
4. **Conflict of Interest**-Conflicts of Interest exist, and others may arise, between Investors and the directors and officers of the Manager and the Issuer and their associates and affiliates. There is no assurance that any conflicts of interest that may arise will be resolved in a manner most favorable to Investors. Persons considering a purchase of Shares pursuant to this Offering must rely on the judgment and good faith of the directors, officers and employees of the Manager and the Issuer in resolving such conflicts of interest as may arise. The Issuer and its shareholders are dependent in large part upon the experience and good faith of the Manager. The Manager is entitled to and does act in a similar capacity for other companies with investment criteria similar to those of the Issuer. As such, there is a risk the Manager will not be able to originate sufficient suitable investment opportunities to keep the Issuer's funds fully invested. Also, the directors of the Issuer and the Manager are employed by or act in other capacities for other companies involved in mortgage and lending activities. See item 2.6, Material Agreements.
5. **Future Operations and Possible Need for Additional Funds** — The Issuer requires significant funds to carry out its business plan. In the event the Issuer is unable to raise sufficient funds by this Offering and/or future offerings and/or other debt or equity financing the Issuer may have insufficient funds available to implement its business plan, and Investors may receive no return on their Shares. Certain uninsurable or uninsured events may also occur which can substantially reduce the ability of the Issuer to carry on business in a profitable manner, including natural or man-made disasters. The Issuer anticipates that a substantial portion of the net proceeds of this Offering will be expended by the Issuer in investing in residential mortgages, and also anticipates that the net proceeds of the Offering and anticipated cash flow from operating revenues will be sufficient to carry out the Issuer's business plan. There can be no assurances, however, that the Issuer will generate sufficient cash flow from operations or that it will not encounter unexpected costs in connection with implementing its business plan and, consequently, there can be no assurances that the Issuer will not require additional financing. The Issuer has no current arrangements with respect to any other additional financing, and there can be no assurance that any such

additional financing can be obtained on terms acceptable to the Issuer, or at all. Failure to obtain additional financing would likely have a substantial material adverse effect on the Issuer. Moreover, in the event the Issuer was to obtain such additional financing, it could have a dilutive effect on Investors' participation in the revenues generated through the Issuer's operations.

8.3 Industry Risk — there are also risks faced by the Issuer because of the industry in which it operates. Real estate investment is subject to significant uncertainties due, among other factors, to uncertain costs of construction, development, and financing, uncertainty as to the ability to obtain required licenses, permits and approvals, and fluctuating demand for developed real estate. The anticipated higher returns associated with the Issuer's mortgage loans reflect the greater risks involved in making these types of loans as compared to long-term conventional mortgage loans. Inherent in these loans are completion risks as well as financing risks. In addition, prospective Investors should take note of the following:

1. **Insurance** — The Issuer's mortgage loans will not usually be insured in whole or in part. As well, there are certain inherent risks in the real estate industry, some of which the Issuer may not be able to insure against or which the Issuer may elect not to insure due to the cost of such insurance. The effect of these factors cannot be accurately predicted.
2. **Priority** — Financial charges for construction and other financing funded by conventional third party lenders may rank in priority to the mortgages registered in favor of the issuer. In the event of default by the mortgagor under any prior financial charge, the Issuer may not recover any or all of the monies advanced.
3. **Default** — If there is default on a mortgage it may be necessary for the Issuer, in order to protect the investment, to engage in foreclosure or sale proceedings and to make further outlays to complete an unfinished project or to maintain prior encumbrances in good standing. In such cases it is possible that the total amount recovered by the Issuer will be less than the total investment, resulting in loss to the Issuer. Equity investments in real property may involve fixed costs in respect of mortgage payments, real estate taxes, and maintenance costs, which could adversely affect the Issuer's income.
4. **Yield** — The yields on real estate investments, including mortgages, depend on many factors including economic conditions and prevailing interest rates, the level of risk assumed, conditions in the real estate industry, opportunities for other types of investments, legislation, government regulation and tax laws. The Issuer cannot predict the effect that such factors will have on its operations.
5. **Competition** — The earnings of the Issuer depend on the Issuer's ability, with the assistance of the Manager, to locate suitable opportunities for the investment and re-investment of the Issuer's funds and on the yields available from time to time on mortgages and other investments. The investment industry in which the Issuer operates is subject to a wide variety of competition from private businesses in Canada and the United States, many of whom have greater financial and technical resources than the Issuer. Such competition, as well as any future competition, may adversely affect the Issuer's success in the marketplace. There is no assurance that the Issuer will be able to successfully maintain its business plan or operate profitably. Existing competitors may have greater financial, managerial, and technical resources, and name recognition than the Issuer. Competitors may reduce the interest rates they charge, resulting in a reduction of the Issuer's share of the market, reduced interest rates on loans and reduced profit margins.
6. **Legislative Change** — The industry in which the Issuer operates is subject to a wide variety of legislation. Should any of the applicable legislation change it could potentially have a unilateral adverse impact on the Issuer.

ITEM 9 REPORTING OBLIGATIONS

9.1 The Issuer is not a reporting issuer as that term is defined in applicable securities legislation, nor will it become a reporting issuer following the completion of the Offering. As a result the Issuer will not be subject to the continuous disclosure requirements of such securities legislation. We are not required to send you any documents on an annual or ongoing basis. However, Investors will receive monthly statements reflecting their investment in the Issuer and monthly dividend cheque, if applicable, and will receive yearly T5 tax returns for cash investment income.

The Issuer's fiscal year commences on April 1 in each year and ends on March 31 of the following year. The Issuer

will prepare audited financial statements for each fiscal year and provide them to Investors upon request.

9.2 Corporate or securities filing information about the Issuer are available from the following website addresses:

British Columbia Securities Commission — www.bcsc.bc.ca
British Columbia Corporate Registry – www.bconline.com

9.3 Registration information is available from the following website address:

British Columbia Financial Institutes Commission – www.fic.jw.bc.ca

ITEM 10 RESALE RESTRICTIONS

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

10.2 Restricted Period - The Issuer is not:

- (a) a reporting issuer in any Canadian province or territory, nor
- (b) a SEDAR filer and a reporting issuer in any Canadian province or territory.

Unless permitted under securities legislation you cannot trade the securities before the date that is four (4) months and a day after the date the Issuer becomes a reporting issuer in any province or territory in Canada. The Issuer will not become a reporting issuer upon completion of this Offering, and does not currently anticipate becoming a reporting issuer. The resale restriction on the Shares may therefore never expire.

ITEM 11 PURCHASERS' RIGHTS

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

1 Two Day Cancellation Right - You can cancel your agreement to purchase these securities. To do so you must send a notice to the Issuer by midnight on the 2nd business day after you sign the agreement to buy the securities.

2. CONTRACTUAL Rights of Action in Event of a Misrepresentation

British Columbia Investors - Contractual Rights of Action in the Event of a Misrepresentation

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

- (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 the Issuer proves does not represent the depreciation in value of the securities resulting from the misrepresentation. The Issuer has a defense if it proves 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 (3) years after you signed the agreement to purchase the securities.

Financial Statements of

**KENSINGTON REALFUND
CORPORATION**

Year ended March 31, 2017



KPMG LLP
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Tel (250) 480-3500
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Kensington Realfund Corporation

We have audited the accompanying financial statements of Kensington Realfund Corporation, which comprise the statement of financial position as at March 31, 2017, the statements of comprehensive income, changes in shareholders' deficit 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 Kensington Realfund Corporation as at March 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

July 28, 2017
Victoria, Canada

KENSINGTON REALFUND CORPORATION

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Cash	\$ 212,182	\$ 1,296,293
Short-term investments	2,610,208	3,000,000
Interest receivable (note 4)	53,277	137,373
Property held for sale	89,254	227,254
Mortgage investments (note 4)	4,012,701	4,539,211
	<u>\$ 6,977,622</u>	<u>\$ 9,200,131</u>
Liabilities and Shareholders' Deficit		
Liabilities:		
Accounts payable and accrued liabilities	\$ 211,450	\$ 210,647
Dividends payable	5,999	6,409
Redeemable shares (note 6)	7,057,375	9,378,856
	<u>7,274,824</u>	<u>9,595,912</u>
Shareholders' deficit:		
Share capital (note 7)	400	400
Deficit	(297,602)	(396,181)
	<u>(297,202)</u>	<u>(395,781)</u>
Related party transactions (note 8)		
	<u>\$ 6,977,622</u>	<u>\$ 9,200,131</u>

See accompanying notes to financial statements.

KENSINGTON REALFUND CORPORATION

Statement of Comprehensive Income

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Interest revenue	\$ 361,880	\$ 581,396
Mortgage fees	43,837	39,694
Recovery (provision) for losses	3,325	(96,035)
	409,042	525,055
Expenses:		
Management fees	82,808	97,216
Professional fees	15,521	18,094
Bank charges and interest	6,452	6,541
Marketing	333	634
	105,114	122,485
Earnings before the undernoted items	303,928	402,570
Gain on redemption of shares (note 6)	98,664	34,454
Dividends on redeemable shares	(166,013)	(194,555)
Loss on property held for sale	(138,000)	-
	(205,349)	(160,101)
Comprehensive income for the year	\$ 98,579	\$ 242,469

See accompanying notes to financial statements.

KENSINGTON REALFUND CORPORATION

Statement of Changes in Shareholders' Deficit

Year ended March 31, 2017, with comparative information for 2016

	Share capital	Deficit	Total shareholders' deficit
Balance April 1, 2015	\$ 400	\$ (638,650)	\$ (638,250)
Total comprehensive income	-	242,469	242,469
Balance March 31, 2016	400	(396,181)	(395,781)
Total comprehensive income	-	98,579	98,579
Balance March 31, 2017	\$ 400	\$ (297,602)	\$ (297,202)

See accompanying notes to financial statements.

KENSINGTON REALFUND CORPORATION

Statements of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Comprehensive income for the year	\$ 98,579	\$ 242,469
Items not involving cash:		
Provision for losses	-	96,035
Gain on redemption of shares	(98,664)	(34,454)
Dividends paid through issuance of redeemable shares	92,930	117,819
Loss on property held for sale	138,000	-
	230,845	421,869
Changes in non-cash operating working capital:		
Decrease in interest receivable	84,096	147,883
Increase in accounts payable and accrued liabilities	803	186,514
	315,744	756,266
Financing:		
Decrease in dividends payable	(410)	(123)
Dividends paid in cash	(73,083)	(76,736)
Redemption of shares	(2,242,664)	(468,257)
	(2,316,157)	(545,116)
Investing:		
Investment in mortgage investments	(2,240,866)	(1,371,427)
Principal repayments on mortgage investments	2,767,376	5,066,981
Purchase of short-term investments	389,792	(3,000,000)
Proceeds on sale of property held for sale	-	281,981
Increase in property held for sale	-	(3,767)
	916,302	973,768
Increase (decrease) in cash	(1,084,111)	1,184,918
Cash, beginning of year	1,296,293	111,375
Cash, end of year	\$ 212,182	\$ 1,296,293

See accompanying notes to financial statements.

KENSINGTON REALFUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2017

1. Nature of operations:

Kensington Realfund Corporation (the "Corporation") was incorporated under the British Columbia Corporations Act on February 26, 1997.

The Corporation makes investments and operates its business in such a manner as to qualify as a mortgage investment corporation ("MIC") under the provision of the Canadian Income Tax Act in order to distribute dividends to its shareholders on a pre-tax basis. During the year ended March 31, 2014, the Corporation foreclosed on a mortgage investment and incurred costs to bring the real property to a saleable condition. The Corporation has sufficient non-capital losses such that no income tax liability would arise as a result of dividends not being deductible as interest expense.

The Corporation is domiciled in Canada and its registered office is located in Qualicum Beach, British Columbia.

2. Basis of preparation:

(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").

These financial statements were authorized for issuance by the Directors of the Corporation on July 28, 2017.

(b) Basis of measurement:

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

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the functional currency of the Corporation.

KENSINGTON REALFUND CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

2. Basis of preparation (continued):

(d) Use of estimates and judgements:

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, 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.

The most significant estimates that the Corporation is required to make relate to the impairment of the mortgage investments (note 4). These estimates may include assumptions regarding local real estate market conditions, interest rates and the availability of credit, cost and terms of financing, the impact of present or future legislation or regulation, prior encumbrances and other factors affecting the investments and underlying security of the investments.

The assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and uncertainty of predictions concerning future events. Accordingly, estimates of impairment are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated fair value could vary by a material amount.

3. Significant accounting policies:

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

(a) Short-term investments:

Short-term investments consist of guaranteed investment certificates with a maturity of greater than 91 days when acquired.

KENSINGTON REALFUND CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

3. Significant accounting policies (continued):

(b) Financial instruments:

The Corporation's financial assets are comprised of cash, short-term investments, interest receivable, property held for sale, and mortgage investments, all of which are classified as loans and receivables. The Corporation initially recognizes loans and receivables on the date that they are originated. Such financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

The Corporation 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 Corporation initially recognizes financial liabilities on the date that they are originated. The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. Accounts payable and accrued liabilities, dividends payable and redeemable shares have been classified as other financial liabilities. 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.

(c) Mortgage investments:

Mortgage investments are recognized initially at fair value. Subsequent to initial recognition, mortgage investments are measured at amortized cost using the effective interest method, less any impairment losses.

Mortgage credit quality is assessed at a specific and collective level for reasonable assurance of timely collection of the full amount of principal and interest. Impairment is assessed on a specific mortgage basis taking into account past experience, credit quality, payments in arrears, general economic conditions and real estate market conditions. When a mortgage is identified as impaired, the carrying amount becomes the lower of the recorded investment and the estimated realizable amount. Estimated realizable amounts are measured by discounting the expected future cash flows at the effective interest rate inherent in the mortgage. When the amount and timing of such cash flows cannot be estimated with reasonable reliability, estimated realizable amounts are based on the fair value of the security underlying the mortgages, net of expected costs of realization.

KENSINGTON REALFUND CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

3. Significant accounting policies (continued):

(c) Mortgage investments (continued):

All individually significant mortgages found not to be specifically impaired are then collectively assessed for impairment that has occurred but not yet been identified. Mortgages that are not individually significant are collectively assessed for impairment by grouping together mortgages with similar risk characteristics. In assessing the collective impairment, the Corporation 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.

Losses are recognized in the statement of comprehensive income and reflected in an allowance account against the mortgage investments. Interest on the impaired asset continues to be recognized through the unwinding of the discount if it is considered collectable. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(d) Property held for sale:

Property held for sale is comprised of assets acquired on foreclosure of mortgage investments and is stated at the lower of carrying amount and fair value less costs to sell.

(e) Revenue recognition:

Interest income on mortgage investments, loan origination and renewal fees are recognized on an accrual basis using the effective interest method. Accrued but uncollected interest is reversed whenever a loan is considered to have become impaired.

(f) Income taxes:

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 adjustment to tax payable in respect of previous years. As the Corporation is a MIC pursuant to the Income Tax Act, the Corporation is entitled to deduct from its taxable income, dividends paid to shareholders during the year or within 90 days of the end of the year to the extent the dividends were not deducted previously. The Corporation intends to maintain its status as a MIC and distribute dividends in the year and in future years to ensure that the Corporation is not subject to taxes.

KENSINGTON REALFUND CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

3. Significant accounting policies (continued):

(f) 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 the tax rates that are expected to be applied to 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 are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority or 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 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.

(g) Share capital:

Class A common shares are classified as equity. Incremental costs directly attributable to the issue of Class A common shares are recognized as a deduction from equity.

(h) Redeemable shares:

The Corporation classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. As such, redeemable shares are presented as a liability of the Corporation. The Class B shares are redeemable at a price equal to their original issue amounts plus the amount of dividends declared and unpaid and a pro-rata share of retained earnings (deficit) at the time notice of redemption is received. Dividends are recognized as an expense in profit or loss as accrued.

(i) Provisions:

A provision is recognized if, as a result of a past event, the Corporation 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 the 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 interest expense.

KENSINGTON REALFUND CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

3. Significant accounting policies (continued):

(j) Change in accounting policies:

New standards not yet adopted:

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended March 31, 2017. These include IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers*, effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, and IFRS 17, *Leases*, effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. These have not been applied in preparing these financial statements and the extent of impact has not yet been determined.

4. Mortgage investments and interest receivable:

At year end \$3,890,954 (2016 - \$4,415,663) of the total mortgage investments are residential and \$121,747 (2016 - \$123,548) are commercial. Mortgage investments of \$758,754 (2016 - \$700,675) have a due date of more than one year.

Mortgage investments are carried at the unpaid principal amount less an allowance for mortgage losses of nil (2016 - nil). On a periodic basis, management reviews the mortgage portfolio and the overall general real estate market. Management may consider increasing the allowance for potential future mortgage losses as deemed necessary, based on any payment arrears, known risks, historical mortgage loss and current economic conditions and trends.

March 31, 2017	Principal	Interest receivable
Performing mortgages	\$ 4,012,701	\$ 32,195

March 31, 2016	Principal	Interest receivable
Performing mortgages	\$ 3,174,202	\$ 26,446
Mortgages in arrears	1,365,009	110,927
	\$ 4,539,211	\$ 137,373

KENSINGTON REALFUND CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

4. Mortgage investments and interest receivable (continued):

The Corporation provides for specific losses based on a regular review of individual mortgages. In assessing the existence of impairment in value of mortgage investments, management compares the current fair market valuation data against data at the date of the initial appraised amount, monitors changes in market interest rates whereby increasing rates will affect the discount rate used in fair valuing properties and monitors monthly cash flows receivable to ensure repayment terms are being met. In addition, mortgage investments are issued on short terms thereby limiting the period of exposure to the negative impact of market conditions on their recoverability.

The Corporation invests in first and second mortgages having a principal amount of not more than 75% of the appraised value of the real property against which they are secured at the time the mortgage is approved for funding.

The Corporation holds security against loans and advances to customers in the form of first and second mortgage interests over the properties being developed. Estimates of fair value are based on the value of security at the time of borrowing and fluctuate based on the stage of development. The fair value of mortgage investments and maximum credit risk at the reporting date is best represented by the carrying amount of the mortgages above.

The Corporation believes that, other than the specific impairment allowances above, no general allowance for impairment is required based on the development stage of the outstanding mortgage investments and the historical credit worthiness of the borrowers.

Payments received on mortgages that have been classified as impaired are recorded first to recover collection costs, principal and any previous write offs or allowances, and then as interest income.

A mortgage will be classified back to performing status when it is determined that there is reasonable assurance of full and timely repayment of interest and principal in accordance with the terms and conditions of the mortgage, and that none of the criteria for classification of the mortgage as impaired continue to apply. A mortgage will be fully written off and the related allowance recognized when the underlying security is no longer considered collectible.

KENSINGTON REALFUND CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

5. Deferred income taxes:

The Corporation has non-capital losses of approximately \$600,000 (2016 - \$800,000) for income tax purposes that may be carried forward and used to offset future taxable income. The future income tax asset related to these temporary differences has not been recognized in these financial statements. These losses start expiring in 2028.

6. Redeemable shares:

The Corporation has authorized 1,000,000 Class B, non-voting, participating redeemable shares, with a par value of \$100 per share.

The Class B shares are redeemable at a price equal to their original issue amounts plus the amount of dividends declared and unpaid and a pro-rata share of retained earnings (deficit) at the time notice of redemption is received. During the year, the Corporation recognized \$164,180 in redemptions of Class B shares at a redemption price of \$94.75 per share and \$2,250,231 in redemptions of Class B shares at a redemption price of \$96.00 per share. A gain of \$98,664 was recognized in comprehensive income. Of these redemptions, \$201,638 were initiated but not completed prior to March 31, 2017 and have been reflected in accounts payable and accrued liabilities. Until the share value of Class B shares returns to \$100 per share, no new Class B shares will be issued. During 2017 and 2016, subscriptions represent dividends paid through issuance of redeemable shares.

	2017	2016
Balance, beginning of year	\$ 9,378,856	\$ 9,917,318
Subscriptions	92,930	117,819
Redemptions	(2,414,411)	(656,281)
Balance, end of year	\$ 7,057,375	\$ 9,378,856

7. Share capital:

	2017	2016
Authorized:		
5,000 Class A voting common shares without par value		
Issued:		
400 Class A common shares	\$ 400	\$ 400

KENSINGTON REALFUND CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

8. Related party transactions:

The Corporation and Mid-Island Mortgage & Savings (Qualicum) Ltd. ("Mid-Island") have certain Directors in common. The Corporation invests in mortgages managed by Mid-Island and, under the terms established by a management agreement, pays Mid-Island administrative fees up to 1.00% per annum of the aggregate capital.

The following transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

- (a) Accounts payable and accrued liabilities includes \$6,044 (2016 - \$7,943) due to Mid-Island.
- (b) During the year, the Corporation paid management fees of \$82,808 (2016 - \$97,216) to Mid-Island.
- (c) Directors, officers and related family members who have investments in the Corporation received \$15,148 (2016 - \$15,057) in dividends. These dividends were paid in the normal course of business consistent with all Class B shareholders.

The Corporation has no employees and there was no remuneration paid to Directors during the years presented.

9. Financial instruments:

The Corporation is exposed to various risks as a result of holding financial instruments. These risks have been categorized as interest rate risk, credit risk and liquidity risk. The Directors approve and monitor the risk management processes.

- (a) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation's earnings are subject to fluctuations in interest rates and the degree of volatility of these rates. The Corporation's interest rate risk exposure arises due to its cash, short-term investments, interest receivable and mortgage investments.

The Corporation manages its cash based on its cash flow needs in order to optimize its interest income and reduce its interest expense. The Corporation does not use derivative instruments to reduce its exposure to interest rate risk.

The Corporation does not account for any fixed rate financial assets and liabilities at fair value through profit or loss; therefore a change in interest rates at the reporting date would not affect equity and profit or loss.

KENSINGTON REALFUND CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

9. Financial instruments: (continued):

(b) Credit risk:

Credit risk is the risk that arises from the possibility that an entity to which the Corporation provides funding may not be able to repay their financial obligation. Credit risk arises from cash and cash equivalents, as well as credit exposures to clients, including outstanding interest and mortgage investments. The maximum exposure is equal to the carrying value of the financial assets as at the reporting date.

The Corporation's cash and term deposits are held with reputable financial institutions, and cash balances are insured by the Canada Deposit Insurance Corporation up to CDIC limits.

Credit risk for interest receivable and mortgage investments is the risk that the mortgagor will fail to discharge the obligation, causing the Corporation to incur a financial loss. Credit risk is reduced by ensuring that the collateral value of the security adequately protects the advances, that there is a viable exit strategy for each investment, that the mortgages are made to experienced borrowers and by limiting amounts advanced in relation to the value of the property secured. The mortgage portfolio is also diversified by location, property type and size of loan on any one property, which further manages credit risk.

(c) Liquidity risk:

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash. The Corporation's objective in managing liquidity risk is to maintain sufficient cash balances in order to meet its operational requirements at any point in time.

Management controls liquidity risk through cash flow projections used to forecast funding requirements for mortgage investments and anticipated redemption of Class B shares. The Corporation also has the ability to manage liquidity risk through control of Class B share redemptions and the payment of dividends on shares.

As at March 31, 2017, accounts payable and accrued liabilities and dividends payable are due within less than one year and, as such, the Corporation's management believes it is capable of and expects to settle each liability within the next fiscal year.

KENSINGTON REALFUND CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

9. Financial instruments: (continued):

(d) Fair value:

The carrying amounts of cash, short-term investments, interest receivable, accounts payable and accrued liabilities and dividends payable approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand. The fair value of financial instruments are valued using Level 2 inputs (other than quoted prices), observable for the asset or liability either directly or indirectly. The carrying value of impaired mortgages, after the allowance for impairment, approximates their fair value based on the process followed to estimate the realizable amount. The fair value of performing mortgages and mortgages in arrears approximate their carrying value because the mortgage investments are repayable at any time at the option of the borrower. Due to the uncertainty of the timing of redemption, the fair value of the redeemable shares is not readily determinable.

10. Capital management:

The Corporation's capital management objectives are to maintain a strong and efficient capital structure to provide liquidity to support lending operations and to safeguard its ability to continue as a going concern. In the management of capital, the Corporation includes the components of equity, redeemable shares, as well as cash.

The Corporation continually manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets to ensure the capital management objectives are met. To maintain or adjust its capital structure, the Corporation may adjust amounts paid as dividends to shareholders, issue new shares, acquire or dispose of assets or adjust the amount of cash held. The Corporation's dividend policy is to distribute sufficient dividends to shareholders throughout the fiscal year and within 90 days thereafter to reduce its taxable income to a negligible amount, after first deducting all known loss carry-forwards and other deductions against taxable income.

The Corporation is subject to externally imposed capital requirements as required under the provisions of the Canadian Income Tax Act in order to qualify as a mortgage investment corporation. The Corporation was in compliance with these capital requirements throughout the year. There has been no change with respect to the overall capital management strategy during the year ended March 31, 2017.

Dated January 15, 2018

This Offering Memorandum does not contain a misrepresentation.

KENSINGTON REALFUND CORPORATION

Per: "Stuart Gautier"
Stuart Gautier, President/Director

Per: "Margaret O'Connor"
Margaret O'Connor, Secretary/Director

SCHEDULE A — SUBSCRIPTION AGREEMENT - MIC COPY

TO: Kensington Realfund Corporation
 191 Fern Road West
 Qualicum Beach, BC V9K1S4
 (the "**Issuer**")

Account # **0**
 Share cert #

The undersigned (the "**Purchaser**," "**Investor**" or the "**Subscriber**") hereby subscribes for;

No. of Shares	Class of Shares	Subscription Price of Shares (@ \$100.00 Each)	Retractable By Investor*
0		\$	If any holder of Class B Shares wishes to have the Issuer redeem all or any part of its Class B Shares, such holder must give six months written notice thereof to the Issuer at its registered office indicating the number of Class B Shares to be so redeemed.
Total Shares:	Class B	Total Subscription Price:	*If the Investor does not provide the Issuer with the appropriate notice of retraction, the right of retraction is suspended until an additional time period has elapsed. Refer to the Offering Memorandum at " Retraction Rights " **The Issuer will fill in the appropriate date, once it is known when the Shares will be issued.

Pursuant to the Offering Memorandum of the Issuer dated January 15, 2018 that may be amended from time to time (the "**Offering Memorandum**"), receipt of a copy of which is hereby acknowledged. Unless otherwise defined in this Subscription Agreement, all of its capitalized terms have the same meaning as defined in the Offering Memorandum.

The undersigned herewith tenders to the Issuer the subscription price in the amount of \$100.00 per Share (the "**Subscription Price**") by way of cheque or bank draft payable to Kensington Realfund Corporation. Under the Issuer's current policy Investors can elect to receive dividends either in cash or as "Share Dividends." When paying a Share Dividend, rather than paying the dividend in cash, the Issuer "pays" the dividend by issuing Shares to the Investor of the same Class of Shares on which the dividend is being paid (the "**Dividend Shares**"). Dividend Shares will be issued at the price of \$100.00 per Dividend Share or such other price per Dividend Share as the Issuer gives Investors not less than ninety (90) days prior written notice of. Investors may change their election as to cash or Share Dividends by giving the Issuer notice of their election change not less than sixty (30) days before the change in election is to take effect. For Dividend Shares the Retraction Date will be deemed to be the same date as the Retraction Date of the Shares originally subscribed and which gave rise to the Dividend Shares. The Issuer reserves the right to amend or cancel its policy regarding *Share Dividends*,

The Investor hereby elects to receive dividends by way of the following type of dividends (i.e. either cash or Share Dividends) in respect of the following Class(es) of Shares (place an "✓" in the appropriate box)

Class of Shares	Cash Dividend Election	Share Dividend Election
B		

The Purchaser acknowledges and agrees that:

- (1) this subscription is subject to acceptance by the Issuer and to certain other conditions set forth in the Offering Memorandum; and
- (2) this subscription is given for valuable consideration, and is irrevocable.

The Purchaser acknowledges, represents, warrants, and declares that, as at the date of this Agreement and at the Closing, that:

- (a) no prospectus has been filed by the Issuer with any securities regulatory authority (the "**Commission**") in connection with the issuance of the Shares, the issuance is exempted from the prospectus requirement of the securities acts in all of the Provinces and Territories in Canada, (the "**Act**") or any regulations (the "**Regulations**") and rules (the "**Rules**") promulgated pursuant to the Act, and that:
 - (i) the Purchaser is restricted from using most of the civil remedies available under the Act, Regulations, and Rules;
 - (ii) the Purchaser may not receive information that would otherwise be required to be provided to the Purchaser under the Act, Regulations and Rules; and
 - (iii) the Issuer is relieved from certain obligations that would otherwise apply under the Act, Regulations and Rules;
- (b) the Purchaser has received and reviewed a copy of the Offering Memorandum;
- (c) if an individual, the Purchaser has attained the age of majority and has the legal capacity and competence to execute this Subscription Agreement and to take all actions required pursuant hereto;
- (d) if a corporation or body corporate, the Purchaser is duly incorporated and validly subsisting and has the legal capacity and competence to execute this subscription form and to take all action required pursuant hereto, and all necessary approvals by its directors, unit holders and members, or otherwise, have been given to authorize it to execute this subscription form and to take all actions required pursuant hereto;
- (e) the Purchaser is a resident of that Province or Territory set out below and therefore a "resident" of Canada as that term is defined in the ***Income Tax Act*** (Canada);
- (f) **no advice was given by, or sought by the undersigned from, the Issuer or Manager or any of their officers, directors, employees or agents, as to the merits of an investment in Shares of the Issuer;**
- (g) the Purchaser is purchasing the Shares as principal and no other person, corporation, firm or other organization will have a beneficial interest in the Shares, except if the Purchaser is a "portfolio manager" as defined in the Act, the Purchaser is deemed by the Act to be acting as principal when it purchases or sells as an agent for accounts that are fully managed by it;
- (h) other than as provided for in the Offering Memorandum, no person has made the Purchaser any written or oral representations:
 - i. that any person will resell or repurchase the Shares;
 - ii. that any person will refund the subscription price of Shares; as to the future price or value of Shares;
 - iii. or that the Issuer or the Shares will be listed and posted for trading on a stock exchange or
 - iv. that application has been made to list and post the Shares for trading on a stock exchange;
- (i) the Purchaser is aware of the characteristics of the Shares and of their speculative nature;
- (j) the Purchaser is familiar with the aims and objectives of the issuer, and has been informed of the nature of its activities;
- (k) the Purchaser has been informed of the proposed use of the proceeds of the

distribution of this offering of the Shares;

- (l) neither the Issuer nor any director of the Issuer has made any representation about the present or future value of the Shares, and, in completing this subscription for Shares, he or it may rely solely on the representations directly set out in this Subscription Agreement;
- (m) the Purchaser has sought and obtained competent independent advice regarding the purchase and resale of the Shares under the Act, Regulations and Rules, and any other applicable securities laws;
- (n) the entering into of this Subscription Agreement and the transactions contemplated hereby will not result in the violation of any of the terms and provisions of any law applicable to the Purchaser or of any agreement, written or oral, to which the Purchaser may be a party or by which the Purchaser is or may be bound; and
- (o) this Subscription Agreement has been duly executed and delivered by the Purchaser and constitutes a valid legally binding obligation that is enforceable against the Purchaser in accordance with its terms.

The Purchaser hereby ratifies and confirms those Agreements referred to in the Offering Memorandum as Material Contracts entered into, or to be entered into, by the Issuer. The Purchaser also acknowledges, ratifies, and confirms that the Issuer may pay a commission to the Issuer's and the Manager's directors, officers, and senior employees for their facilitation of the sale of Shares under the Offering Memorandum, and that such commissions do not represent a breach of the directors', officers', or senior employees' fiduciary duties.

The Purchaser acknowledges that:

1. the Shares are being purchased for investment purposes only and not with a view to resale or distribution;
2. the Issuer is not presently, and does not anticipate becoming, a reporting issuer as defined in the Act;
3. unless the Purchaser is otherwise exempted under the Act, Regulations or the Rules, the Purchaser will be required to hold the Shares until the Issuer becomes a "reporting issuer" as defined in the Act, Regulations and Rules, and once the Issuer becomes a reporting issuer the Shares will be subject to statutory holding periods for four (4) months. There is no assurance that the Issuer will become a reporting issuer;
4. there is no market for the Shares, and that none will exist on completion of the Issuer's offering, and that transfer and resale of the Shares is subject to the transfer restrictions set forth in the Issuer's Articles;
5. participation in the Issuer is subject to the acceptance of this Subscription Agreement by the Issuer and to certain other conditions set forth in the Offering Memorandum and the Issuer's Articles;
6. this subscription and all monies tendered herewith, without interest thereon, shall be returned to the undersigned at the address below if this Subscription is not accepted by the Issuer;
7. upon acceptance of the undersigned's subscription the Issuer will enter the undersigned into the Issuer's Register of Members evidencing the undersigned's ownership of Shares;
8. in consideration of the Issuer accepting the Subscription of the undersigned and conditional thereon, the undersigned:

- (I) acknowledges that no securities regulatory authority or similar authority has passed upon the merits of the Offering Memorandum;
- (II) acknowledges that there are substantial risks inherent in the Issuer's business of carrying out the activities of a company qualified as a Mortgage Investment Corporation under the Income Tax Act (Canada);
- (III) hereby irrevocably nominates, constitutes and appoints the President of the Issuer with full power of substitution as his true and lawful attorney and agent, with full power and authority in his name, place and stead, and for his use and benefit to do the following:
- (IV) while the Issuer is a non-reporting issuer, sign all required waivers under the Company Act of British Columbia waiving his right to subscribe for a pro-rata portion of any Shares to be allotted after the allotment and issuance of the Shares being subscribed for in this Agreement;
- (V) sign any pooling or escrow agreement or other similar or related documents in respect of the Shares subscribed for, as required by the Commission or any other regulatory authority having jurisdiction over the affairs of the Issuer;

This power of attorney is irrevocable, is a power coupled with an interest, shall survive the death, disability, incapacity, insolvency or other legal incapacity of the undersigned and shall survive the assignment by the undersigned of the whole or any part of the interest of the undersigned in the Issuer, and extends to the heirs, executors, administrators, successors, and assigns of the undersigned;

9. the Purchaser has had an opportunity to ask and have answered any and all questions with respect to the business and affairs of the Issuer, the Manager, the Shares and his Subscription for Shares;

10. if required by applicable securities laws the undersigned will execute and file, or assist the Issuer in filing, and hereby agrees that the issuer may file, such reports, undertakings and other documents with respect to the transaction provided for in this Subscription Agreement as may be required by any securities regulatory authority or other regulatory authority within the applicable time periods;

11. the undersigned covenants that by accepting the Shares at the Closing he will be representing and warranting that the foregoing representations and warranties are true as at the Closing as if the undersigned had made them at that time;

12. the covenants, representations and warranties contained herein shall survive the completion of the transaction provided for herein and shall continue in full force and effect; and

13. this subscription is governed by the laws of the Province of British Columbia. The contractual rights of action granted to the Subscriber pursuant to the Offering Memorandum of the Issuer are incorporated herein by reference and are contractually granted to the Subscriber by the Issuer.

Dated at on

Witness to Signature of Subscriber

Name of Witness (please print)

Signature of Subscriber

Name of Subscriber(s) (please print)

Address of Subscriber

\$
\$
\$
\$

Cash
Contribution
Purchase
Total

Social Insurance Number:
Telephone (home):
Birth Date:
Email Address:

Name of Registered Shareholder or Trustee:

RASP / SPRRSP / RRIF / LIRA / IPP / RESP / TFSA

Signature of Subscriber

Name of Subscriber(s) (please print)

Address of Registered Shareholder

Telephone:

Email:

Kensington Account Number:

Certificate Number(s):

Address of Subscriber

Social Insurance Number:
Telephone (home):
Birth Date:
Email Address:

Name of Agent Firm:

Name of Representative:

NOTES:

For Completion by the Issuer:

This subscription is accepted at Qualicum Beach, British Columbia by the Issuer, and the Issuer hereby acknowledges receipt of the Subscription Price for Shares this

KENSINGTON REALFUND CORPORATION

Per: _____

FORM 45-106F4 - RISK ACKNOWLEDGEMENT

I acknowledge that this is a risky investment:

- I am investing entirely at my own risk.
- No securities regulatory authority has evaluated or endorsed the merits of these securities or the disclosure in the offering memorandum.
- The person selling me these securities is not registered with a securities regulatory authority and has no duty to tell me whether this investment is suitable for me.
- I will not be able to sell these securities except in very limited circumstances.
- I may never be able to sell these securities.
- I could lose all the money I invest.

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I am investing \$0.00 [total consideration] in total; this includes any amount I am obliged to pay in future. Kensington Realfund Corporation will pay **\$0.00** of this to **N/A** as a fee or commission.

I acknowledge that this is a risky investment and that I could lose all the money I invest.

_____ Signature of Purchaser _____ Signature of Purchaser

Print name of Purchaser

Print Name of Purchaser

Date:

Date::

Sign 2 copies of this document. Keep 1 copy for your records.

You have 2 business days to cancel your purchase

To do so, send a notice to Kensington Realfund Corporation stating that you want to cancel your purchase. You must send the notice before midnight on the 2nd business day after you sign the agreement to purchase the securities. You can send the notice by fax or email or deliver it in person to Kensington Realfund Corporation at its business address. Keep a copy of the Notice for your records.

Kensington Realfund Corporation
191 Fern Rd. West,
Qualicum Beach, BC V9K 1S4
Phone: (250) 752-6944
Investor Fax: (250) 752-5363
Email: Margaret@kensingtonrealfund.ca

[Instruction: The purchaser must sign 2 copies of this form. The purchaser and the issuer must each receive a signed copy.]

Ontario Securities Commission Box 55
Suite 1903 — 20 Queen Street West
Toronto, ON M5H 3S8
Tel: (416) 593-8314
Toll Free (Ontario): 1-877-785-1555
Fax: (416) 593-8122
Website: www.osc.gov.on.ca
Inquiries: Inquiries@osc.gov.on.ca

Autorite des marches financiers
800, Square Victoria, 22e etage
CP 246, Tour de la Bourse
Montreal, QC H4Z 1G3
Tel Montreal: (514) 395-0337
Tel Quebec: (418) 525-0337
Toll Free: 1-877 525-0337
Fax: (514) 873-3090
WebSite: www.lautorite.qc.ca

Nova Scotia Securities Commission
Joseph Howe Building
2nd Floor, 1690 Hollis Street
PO Box 458
Halifax, NS B3J 2P8
Tel: (902) 424-7768
Fax: (902) 424-4625
Website: www.gov.ns.ca/nssc

New Brunswick Securities Commission
606 — 133 Prince William Street
Saint John, NB E2L 2B5
Tel: (506) 658-3060
Fax: (506) 658-3059
Website: www.nbsc-cvmnb.ca
Inquiries: information@nbsc-cvmnb.ca

Department of Government Services
Consumer & Commercial Affairs Branch
2nd Floor, West Block
Confederation Building
PO Box 6700
St. John's, NL A1B 4J6
Tel: (709) 729-4189
Fax: (709) 729-6187
Website: www.gov.nl.ca/gs

Securities Office
Consumer, Corporate and Insurance Services Division
Office of the Attorney General
95 Rochford Street
PO Box 2000
Charlottetown, PE C1A 7N8
Tel: (902) 368-4569
Fax: (902) 368-5283
Website: www.gov.pe.ca/securities

Registrar of Securities
Legal Registries Division
Department of Justice
Government of the Northwest Territories
1st Floor Stuart M. Hodgson Building
5009 — 49th Street
PO Box 1320
Yellowknife, NT X1A 2L9
Tel: (867) 920-3318
Fax: (867) 873-0243
Website: www.justice.gov.nt.ca/SecuritiesRegistry/SecuritiesRegistry.htm

Registrar of Securities
Corporate Affairs C-6
Community Services
PO Box 2703
Whitehorse, YT Y1A 3C6
Courier: 2130 Second Avenue, 3rd Floor
Whitehorse, YT Y1A 5H6
Tel: (867) 667-5225
Fax: (867) 393-6251

Registrar of Securities
Legal Registries Division
Department of Justice
Government of Nunavut
1st Floor, Brown Building
PO Box 1000 — Station 570
Iqaluit, NU X0A 0H0
Tel: (867) 975-6590
Fax: (867) 975-6594

SCHEDULE A — SUBSCRIPTION AGREEMENT - CLIENT COPY

TO: Kensington Realfund Corporation
 191 Fern Road West
 Qualicum Beach, BC V9K1S4
 (the "**Issuer**")

Account # Share
 cert #

The undersigned (the "**Purchaser**," "**Investor**" or the "**Subscriber**") hereby subscribes for;

No. of Shares	Class of Shares	Subscription Price of Shares (@ \$100.00 Each)	Retractable By Investor*
			If any holder of Class B Shares wishes to have the Issuer redeem all or any part of its Class B Shares, such holder must give six months written notice thereof to the Issuer at its registered office indicating the number of Class B Shares to be so redeemed.
Total Shares:	Class B	Total Subscription Price:	*If the Investor does not provide the Issuer with the appropriate notice of retraction, the right of retraction is suspended until an additional time period has elapsed. Refer to the Offering Memorandum at " Retraction Rights " **The Issuer will fill in the appropriate date, once it is known when the Shares will be issued.

pursuant to the Offering Memorandum of the Issuer dated January 15, 2018 that may be amended from time to time (the "**Offering Memorandum**"), receipt of a copy of which is hereby acknowledged. Unless otherwise defined in this Subscription Agreement, all of its capitalized terms have the same meaning as defined in the Offering Memorandum.

The undersigned herewith tenders to the Issuer the subscription price in the amount of \$100.00 per Share (the "**Subscription Price**") by way of cheque or bank draft payable to Kensington Realfund Corporation. Under the Issuer's current policy Investors can elect to receive dividends either in cash or as "Share Dividends." When paying a Share Dividend, rather than paying the dividend in cash, the Issuer "pays" the dividend by issuing Shares to the Investor of the same Class of Shares on which the dividend is being paid (the "**Dividend Shares**"). Dividend Shares will be issued at the price of \$100.00 per Dividend Share or such other price per Dividend Share as the Issuer gives Investors not less than ninety (90) days prior written notice of. Investors may change their election as to cash or Share Dividends by giving the Issuer notice of their election change not less than sixty (30) days before the change in election is to take effect. For Dividend Shares the Retraction Date will be deemed to be the same date as the Retraction Date of the Shares originally subscribed and which gave rise to the Dividend Shares. The Issuer reserves the right to amend or cancel its policy regarding *Share Dividends*,

The Investor hereby elects to receive dividends by way of the following type of dividends (i.e. either cash or Share Dividends) in respect of the following Class(es) of Shares (place an "✓" in the appropriate box)

Class of Shares	Cash Dividend Election	Share Dividend Election
B		

The Purchaser acknowledges and agrees that:

- (3) this subscription is subject to acceptance by the Issuer and to certain other conditions set forth in the Offering Memorandum; and
- (4) this subscription is given for valuable consideration, and is irrevocable.

The Purchaser acknowledges, represents, warrants, and declares that, as at the date of this

Agreement and at the Closing, that:

- (p) no prospectus has been filed by the Issuer with any securities regulatory authority (the "**Commission**") in connection with the issuance of the Shares, the issuance is exempted from the prospectus requirement of the securities acts in all of the Provinces and Territories in Canada, (the "**Act**") or any regulations (the "**Regulations**") and rules (the "**Rules**") promulgated pursuant to the Act, and that:
 - (i) the Purchaser is restricted from using most of the civil remedies available under the Act, Regulations, and Rules;
 - (ii) the Purchaser may not receive information that would otherwise be required to be provided to the Purchaser under the Act, Regulations and Rules; and
 - (iii) the Issuer is relieved from certain obligations that would otherwise apply under the Act, Regulations and Rules;
- (q) the Purchaser has received and reviewed a copy of the Offering Memorandum;
- (r) if an individual, the Purchaser has attained the age of majority and has the legal capacity and competence to execute this Subscription Agreement and to take all actions required pursuant hereto:
- (s) if a corporation or body corporate, the Purchaser is duly incorporated and validly subsisting and has the legal capacity and competence to execute this subscription form and to take all action required pursuant hereto, and all necessary approvals by its directors, unit holders and members, or otherwise, have been given to authorize it to execute this subscription form and to take all actions required pursuant hereto;
- (t) the Purchaser is a resident of that Province or Territory set out below and therefore a "resident" of Canada as that term is defined in the **Income Tax Act** (Canada);
- (u) **no advice was given by, or sought by the undersigned from, the Issuer or Manager or any of their officers, directors, employees or agents, as to the merits of an investment in Shares of the Issuer;**
- (v) the Purchaser is purchasing the Shares as principal and no other person, corporation, firm or other organization will have a beneficial interest in the Shares, except if the Purchaser is a "portfolio manager" as defined in the Act, the Purchaser is deemed by the Act to be acting as principal when it purchases or sells as an agent for accounts that are fully managed by it;
- (w) other than as provided for in the Offering Memorandum, no person has made the Purchaser any written or oral representations:
 - v. that any person will resell or repurchase the Shares;
 - vi. that any person will refund the subscription price of Shares; as to the future price or value of Shares;
 - vii. or that the Issuer or the Shares will be listed and posted for trading on a stock exchange or
 - viii. that application has been made to list and post the Shares for trading on a stock exchange;
- (x) the Purchaser is aware of the characteristics of the Shares and of their speculative nature;
- (y) the Purchaser is familiar with the aims and objectives of the issuer, and has been informed of the nature of its activities;
- (z) the Purchaser has been informed of the proposed use of the proceeds of the distribution of this offering of the Shares;

- (aa) neither the Issuer nor any director of the Issuer has made any representation about the present or future value of the Shares, and, in completing this subscription for Shares, he or it may rely solely on the representations directly set out in this Subscription Agreement;
- (bb) the Purchaser has sought and obtained competent independent advice regarding the purchase and resale of the Shares under the Act, Regulations and Rules, and any other applicable securities laws;
- (cc) the entering into of this Subscription Agreement and the transactions contemplated hereby will not result in the violation of any of the terms and provisions of any law applicable to the Purchaser or of any agreement, written or oral, to which the Purchaser may be a party or by which the Purchaser is or may be bound; and
- (dd) this Subscription Agreement has been duly executed and delivered by the Purchaser and constitutes a valid legally binding obligation that is enforceable against the Purchaser in accordance with its terms.

The Purchaser hereby ratifies and confirms those Agreements referred to in the Offering Memorandum as Material Contracts entered into, or to be entered into, by the Issuer. The Purchaser also acknowledges, ratifies, and confirms that the Issuer may pay a commission to the Issuer's and the Manager's directors, officers, and senior employees for their facilitation of the sale of Shares under the Offering Memorandum, and that such commissions do not represent a breach of the directors', officers', or senior employees' fiduciary duties.

The Purchaser acknowledges that:

- 5. the Shares are being purchased for investment purposes only and not with a view to resale or distribution;
- 6. the Issuer is not presently, and does not anticipate becoming, a reporting issuer as defined in the Act;
- 7. unless the Purchaser is otherwise exempted under the Act, Regulations or the Rules, the Purchaser will be required to hold the Shares until the Issuer becomes a "reporting issuer" as defined in the Act, Regulations and Rules, and once the Issuer becomes a reporting issuer the Shares will be subject to statutory holding periods for four (4) months. There is no assurance that the Issuer will become a reporting issuer;
- 8. there is no market for the Shares, and that none will exist on completion of the Issuer's offering, and that transfer and resale of the Shares is subject to the transfer restrictions set forth in the Issuer's Articles;
- 14. participation in the Issuer is subject to the acceptance of this Subscription Agreement by the Issuer and to certain other conditions set forth in the Offering Memorandum and the Issuer's Articles;
- 15. this subscription and all monies tendered herewith, without interest thereon, shall be returned to the undersigned at the address below if this Subscription is not accepted by the Issuer;
- 16. upon acceptance of the undersigned's subscription the Issuer will enter the undersigned into the Issuer's Register of Members evidencing the undersigned's ownership of Shares;
- 17. in consideration of the Issuer accepting the Subscription of the undersigned and conditional thereon, the undersigned:
 - (VI) acknowledges that no securities regulatory authority or similar authority has

- (VII) passed upon the merits of the Offering Memorandum; acknowledges that there are substantial risks inherent in the Issuer's business of carrying out the activities of a company qualified as a Mortgage Investment Corporation under the Income Tax Act (Canada);
- (VIII) hereby irrevocably nominates, constitutes and appoints the President of the Issuer with full power of substitution as his true and lawful attorney and agent, with full power and authority in his name, place and stead, and for his use and benefit to do the following:
- (IX) while the Issuer is a non-reporting issuer, sign all required waivers under the Company Act of British Columbia waiving his right to subscribe for a pro-rata portion of any Shares to be allotted after the allotment and issuance of the Shares being subscribed for in this Agreement;
- (X) sign any pooling or escrow agreement or other similar or related documents in respect of the Shares subscribed for, as required by the Commission or any other regulatory authority having jurisdiction over the affairs of the Issuer;

This power of attorney is irrevocable, is a power coupled with an interest, shall survive the death, disability, incapacity, insolvency or other legal incapacity of the undersigned and shall survive the assignment by the undersigned of the whole or any part of the interest of the undersigned in the Issuer, and extends to the heirs, executors, administrators, successors, and assigns of the undersigned;

18. the Purchaser has had an opportunity to ask and have answered any and all questions with respect to the business and affairs of the Issuer, the Manager, the Shares and his Subscription for Shares;

19. if required by applicable securities laws the undersigned will execute and file, or assist the Issuer in filing, and hereby agrees that the issuer may file, such reports, undertakings and other documents with respect to the transaction provided for in this Subscription Agreement as may be required by any securities regulatory authority or other regulatory authority within the applicable time periods;

20. the undersigned covenants that by accepting the Shares at the Closing he will be representing and warranting that the foregoing representations and warranties are true as at the Closing as if the undersigned had made them at that time;

21. the covenants, representations and warranties contained herein shall survive the completion of the transaction provided for herein and shall continue in full force and effect; and

22. this subscription is governed by the laws of the Province of British Columbia. The contractual rights of action granted to the Subscriber pursuant to the Offering Memorandum of the Issuer are incorporated herein by reference and are contractually granted to the Subscriber by the Issuer.

Dated at Qualicum Beach on

Witness to Signature of Subscriber

Name of Witness (please print)

Signature of Subscriber

Name of Subscriber(s) (please print)

Address of Subscriber

150
100
50
25
10

Cash
Contribution
Purchase
Total

Social Insurance Number:
Telephone (home):
Birth Date:
Email Address:

Name of Registered Shareholder or Trustee:

RASP / SPRRSP / RRIF / LIRA / IPP / RESP / TFSA

Signature of Subscriber

Name of Subscriber(s) (please print)

Address of Registered Shareholder
Telephone:
Email:
Kensington Account Number:
Certificate Number(s):

Address of Subscriber

Social Insurance Number:
Telephone (home):
Birth Date:
Email Address:

Name of Agent Firm:
Name of Representative:
NOTES:

For Completion by the Issuer:

This subscription is accepted at Qualicum Beach, British Columbia by the Issuer, and the Issuer hereby acknowledges receipt of the Subscription Price for Shares this

KENSINGTON REALFUND CORPORATION

Per: _____

FORM 45-106F4 - RISK ACKNOWLEDGEMENT

I acknowledge that this is a risky investment:

- I am investing entirely at my own risk.
- No securities regulatory authority has evaluated or endorsed the merits of these securities or the disclosure in the offering memorandum.
- The person selling me these securities is not registered with a securities regulatory authority and has no duty to tell me whether this investment is suitable for me.
- I will not be able to sell these securities except in very limited circumstances.
- I may never be able to sell these securities.
- I could lose all the money I invest.

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I am investing **\$0.00** [total consideration] in total; this includes any amount I am obliged to pay in future. Kensington Realfund Corporation will pay **\$0.00** of this to **N/A** as a fee or commission.

I acknowledge that this is a risky investment and that I could lose all the money I invest.

Signature of Purchaser

Signature of Purchaser

Print name of Purchaser

Print Name of Purchaser

Date:

Date:

Sign 2 copies of this document. Keep 1 copy for your records.

You have 2 business days to cancel your purchase

To do so, send a notice to Kensington Realfund Corporation stating that you want to cancel your purchase. You must send the notice before midnight on the 2nd business day after you sign the agreement to purchase the securities. You can send the notice by fax or email or deliver it in person to Kensington Realfund Corporation at its business address. Keep a copy of the Notice for your records.

Kensington Realfund Corporation
191 Fern Rd. West,
Qualicum Beach, BC V9K 1S4
Phone: (250) 752-6944
Investor Fax: (250) 752-5363
Email: Margaret@kensingtonrealfund.ca

[Instruction: The purchaser must sign 2 copies of this form. The purchaser and the issuer must each receive a signed copy.]

Ontario Securities Commission Box 55
Suite 1903 — 20 Queen Street West
Toronto, ON M5H 3S8
Tel: (416) 593-8314
Toll Free (Ontario): 1-877-785-1555
Fax: (416) 593-8122
Website: www.osc.gov.on.ca
Inquiries: Inquiries@osc.gov.on.ca

Autorite des marches financiers
800, Square Victoria, 22e etage
CP 246, Tour de la Bourse
Montreal, QC H4Z 1G3
Tel Montreal: (514) 395-0337
Tel Quebec: (418) 525-0337
Toll Free: 1-877 525-0337
Fax: (514) 873-3090
WebSite: www.lautorite.qc.ca

Nova Scotia Securities Commission
Joseph Howe Building
2nd Floor, 1690 Hollis Street
PO Box 458
Halifax, NS B3J 2P8
Tel: (902) 424-7768
Fax: (902) 424-4625
Website: www.gov.ns.ca/nssc

New Brunswick Securities Commission
606 — 133 Prince William Street
Saint John, NB E2L 2B5
Tel: (506) 658-3060
Fax: (506) 658-3059
Website: www.nbsc-cvmnb.ca
Inquiries: information@nbsc-cvmnb.ca

Department of Government Services
Consumer & Commercial Affairs Branch
2nd Floor, West Block
Confederation Building
PO Box 6700
St. John's, NL A1B 4J6
Tel: (709) 729-4189
Fax: (709) 729-6187
Website: www.gov.nl.ca/gs

Securities Office
Consumer, Corporate and Insurance Services Division
Office of the Attorney General
95 Rochford Street
PO Box 2000
Charlottetown, PE C1A 7N8
Tel: (902) 368-4569
Fax: (902) 368-5283
Website: www.gov.pe.ca/securities

Registrar of Securities
Legal Registries Division
Department of Justice
Government of the Northwest Territories
1st Floor Stuart M. Hodgson Building
5009 — 49th Street
PO Box 1320
Yellowknife, NT X1A 2L9
Tel: (867) 920-3318
Fax: (867) 873-0243
Website: www.justice.gov.nt.ca/SecuritiesRegistry/SecuritiesRegistry.htm

Registrar of Securities
Corporate Affairs C-6
Community Services
PO Box 2703
Whitehorse, YT Y1A 3C6
Courier: 2130 Second Avenue, 3rd Floor
Whitehorse, YT Y1A 5H6
Tel: (867) 667-5225
Fax: (867) 393-6251

Registrar of Securities
Legal Registries Division
Department of Justice
Government of Nunavut
1st Floor, Brown Building
PO Box 1000 — Station 570
Iqaluit, NU X0A 0H0
Tel: (867) 975-6590
Fax: (867) 975-6594