

OFFERING MEMORANDUM

Date: August 30, 2019

The Issuer

Name: **VANGUARD MORTGAGE INVESTMENT CORPORATION**
(the “Company” or the “Issuer”)

Head Office: Suite 208, 12877 76th Avenue,
Surrey, British Columbia, V3W 1E6
Tel: (604) 595-2625 Fax: (604) 595-2626
info@vanguardinvestment.ca

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

Reporting issuer? No. The Company is not a reporting issuer under applicable securities laws.

SEDAR filer? No. The Company does not make any filings on SEDAR.

The Offering

Securities offered: 20,000,000 Class A Preferred Shares

Price per security: \$1.00 per Class A Preferred Share

Minimum/Maximum offering: 0 / 20,000,000 (\$0 / \$20,000,000) Class A Preferred Shares

There is no minimum. You may be the only purchaser. Funds available under the Offering may not be sufficient to accomplish our proposed objectives.

Minimum subscription amount: The minimum initial subscription amount is 1,000 Class A Preferred Shares (\$1,000)

Payment terms: The full subscription price is due on closing.

Proposed closing date(s): Closing dates will be determined from time to time by the Company, as subscriptions are received.

Income tax consequences: There are important tax consequences to these securities. See Item 6 – “Income Tax Consequences”.

Selling agent? No. The Company has not appointed a selling agent for this Offering, but reserves the right to retain one or more selling agents during the course of this Offering. See Item 7.

Resale restrictions

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

Purchaser’s rights

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

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

You should thoroughly review this Offering Memorandum and are advised to consult with your own legal and tax advisors concerning this investment.

This Offering Memorandum does not constitute, and may not be used for or in conjunction with, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. You are directed to inform yourself of and observe such restrictions and all legal requirements of your jurisdiction of residence in respect of the acquisition, holding and disposition of the securities offered hereby.

The securities offered hereby will be issued only on the basis of information contained in this Offering Memorandum and provided by the Company in writing and no other information or representation is authorized or may be relied upon as having been authorized by the Company. Any subscription for the securities offered hereby made by any person on the basis of statements or representations not contained in this Offering Memorandum or so provided, or inconsistent with the information contained herein or therein, shall be solely at the risk of such person. Neither the delivery of this Offering Memorandum at any time nor any sale to you of any of the securities offered hereby shall, under any circumstances, constitute a representation or create any implication that there has been no change in the business and affairs of the Company since the date of the sale to you of the securities offered hereby or that the information contained herein is correct as of any time subsequent to that date.

Table Of Contents:

ITEM 1 - USE OF AVAILABLE FUNDS.....	6
1.1 FUNDS	6
1.2 USE OF AVAILABLE FUNDS	6
1.3 REALLOCATION	6
1.4 WORKING CAPITAL DEFICIENCY	6
ITEM 2 - BUSINESS OF THE COMPANY.....	6
2.1 STRUCTURE	6
2.2 OUR BUSINESS	7
2.3 DEVELOPMENT OF THE BUSINESS	9
2.4 LONG-TERM OBJECTIVES	10
2.5 SHORT TERM OBJECTIVES AND HOW WE INTEND TO ACHIEVE THEM	11
2.6 SUFFICIENCY OF FUNDS.....	11
2.7 MATERIAL AGREEMENTS	11
ITEM 3 - DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS.....	15
3.1 COMPENSATION AND SECURITIES HELD	15
3.2 MANAGEMENT EXPERIENCE.....	16
3.3 PENALTIES OR SANCTIONS	17
3.4 INTERESTS OF MANAGEMENT AND CONFLICTS OF INTEREST.....	17
ITEM 4 - CAPITAL STRUCTURE	17
4.1 SHARE CAPITAL	17
4.2 LONG TERM DEBT	18
4.3 PRIOR SALES	18
ITEM 5 - DESCRIPTION OF SECURITIES OFFERED.....	24
5.1 TERMS OF SECURITIES	24
5.2 SUBSCRIPTION PROCEDURE.....	27
ITEM 6 - INCOME TAX CONSEQUENCES.....	28
6.1 INDEPENDENT TAX ADVICE.....	28
6.2 INCOME TAX CONSEQUENCES	28
6.3 ELIGIBILITY FOR INVESTMENT BY DEFERRED INCOME PLANS	31
ITEM 7 - COMPENSATION PAID TO SELLERS AND FINDERS.....	32
ITEM 8 - RISK FACTORS	32
8.1 INVESTMENT RISK	32
8.2 COMPANY RISK	34
8.3 INDUSTRY RISK	35

ITEM 9 - REPORTING OBLIGATIONS.....	38
9.1 DOCUMENTS PROVIDED TO SHAREHOLDERS ANNUALLY OR ON AN ON-GOING BASIS	38
9.2 INFORMATION ABOUT THE COMPANY	38
ITEM 10 - RESALE RESTRICTIONS	38
10.1 GENERAL.....	38
10.2 RESTRICTED PERIOD.....	38
ITEM 11 - PURCHASER'S RIGHTS	39
ITEM 12 - FINANCIAL STATEMENTS	40
ITEM 13 - DATE AND CERTIFICATE.....	51

General:

CURRENCY

All dollar amounts stated in this Offering Memorandum are expressed in Canadian currency, except where otherwise indicated.

INTERPRETATION

Words importing the singular number only include the plural and vice versa, and words importing the masculine, feminine or neuter gender include the other genders. "Issuer", "Company", "We" or "Us" shall at all times refer to VANGUARD MORTGAGE INVESTMENT CORPORATION.

FORWARD LOOKING STATEMENTS

This Offering Memorandum includes forward-looking statements with respect to the Company, including, among other things, business operations, strategy and condition. These statements generally can be identified by the use of forward-looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe" or "continue", or the negative thereof, or similar variations. Although the management of the Company believes that the expectations reflected in such forward-looking statements are reasonable and represent the Company's expectations and belief at this time, such statements involve known and unknown risks and uncertainties which may cause the Company's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, including interest rates, business competition, changes in government regulations or in tax laws, as well as those factors discussed or referenced in Item 8 – Risk Factors.

DOCUMENTS INCORPORATED BY REFERENCE

Any documents of the type referred to in National Instrument 45-106 – *Prospectus Exemptions* to be incorporated by reference in an Offering Memorandum, including any marketing materials that are effective after the date of this Offering Memorandum and before the termination of the Offering, are deemed to be incorporated by reference in this Offering Memorandum. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Issuer at its registered office at 1800 – 355 Burrard St., Vancouver, BC, V6C 2G8.

Any statement contained in this Offering Memorandum or in a document incorporated or deemed to be incorporated by reference herein is deemed to be modified or superseded for the purposes of this Offering Memorandum to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded is not deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum.

Information contained or otherwise accessed through the Issuer's website or any website does not form part of this Offering Memorandum or the Offering.

Item 1 - Use of Available Funds

1.1 Funds

The funds available as a result of this offering would be as follows:

		Assuming min. Offering	Assuming max. Offering
A	Amount to be raised by this offering	\$0	\$20,000,000
B	Selling commissions and fees	\$0	\$0
C	Estimated offering costs (including legal, accounting, audit, etc.)	\$0	\$25,000
D	Net Proceeds: $D=A-(B+C)$	\$0	\$19,975,000
E	Additional sources of funding required	\$0	\$0
F	Working capital deficiency	\$0	\$0
G	Total: $G = (D + E) - F$	\$0	\$19,975,000

1.2 Use of Available Funds

We will use the available funds of this offering as follows:

Description of Intended Use of Net Proceeds	Assuming min. Offering	Assuming max. Offering
We will use the available funds to provide loans secured by mortgages and other permitted investments, which follow our “Investment Guidelines” set out in Item 2.2(c), below. ^[1]	\$0	\$19,975,000

Notes:

- The Company expects to pay the Manager approximately \$180,000 in Management Fees pursuant to the Management Agreement as described in Item 2.6.1, below. The Manager, Vanguard Asset Management Corporation, is a company incorporated in British Columbia, and its directors, Mohammad Eskandarpour, Jessie Dusangh and Henry Yong, are also the directors of the Company and the Manager is therefore a related party to the Company. In addition, the Company expects to pay its directors an aggregate of approximately \$30,000 as guarantee fees in consideration of them providing bank guarantees for the Company, as described in Item 2.6.7, below.

1.3 Reallocation

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

1.4 Working Capital Deficiency

As of August 30, 2019, the date of this Offering Memorandum, there is no working capital deficiency.

Item 2 - Business of the Company

2.1 Structure

The Company is a corporation that was incorporated under the *Business Corporations Act* (British Columbia) on February 24, 2011. The registered and records offices of the Company is located at 1800 – 355 Burrard St., Vancouver, BC, V6C 2G8. The head office of the Company is located at Suite 208, 12877 – 76th Avenue, Surrey, BC, V3W 1E6. The Company is registered under the *Mortgage Brokers Act* (British Columbia) and, if required, will register under equivalent legislation of any jurisdiction in which the Company carries on business in the future.

2.2 Our Business

(a) Overview

The Company currently satisfies all of the criteria of a mortgage investment corporation (“**MIC**”) under the *Income Tax Act* (Canada) (the “**Tax Act**”) and carries on the business (the “**Business**”) of providing loans to owners and developers of residential, commercial, office, industrial and other real estate projects which are secured by way of mortgages on such real estate projects. Such projects are generally located in urban or suburban centres in British Columbia. We will consider lending in other Provinces in Canada if our Board of Directors determines the lending to be appropriate. We do not intend to provide loans for mortgages against real property located outside of Canada.

We have developed administrative procedures and systems for offering prompt loan and mortgage approvals within time frames not generally available through institutional lenders. We focus our lending criteria on the critical issues that permits the Company to provide loans and loan amounts that are often not available through institutional lenders.

Operating as a MIC will qualify for special tax treatment pursuant to the Tax Act. As a MIC, the Company is allowed deductions from income in respect of dividends it pays. The Company intends to payout all of its net income and net realized capital gains as dividends and as a result does not anticipate paying any income tax. The Company’s Articles require that, as profits allow, the Directors shall pay all profits of the Company to the Class A Preferred Shareholders. (The holders of the Class B Common Shares do not have the right to receive any dividends.) Such dividends will be distributed quarterly based on a calendar year. The Class A Preferred Shareholders may elect to receive dividends by way of either cash or additional Class A Preferred Shares of the Company. For further information, see Item 6.2 – Income Tax Considerations. The Company may register to carry on business as a MIC in other provinces of Canada.

(b) Operations

We secure our loans by first, second and/or third mortgages on the real property being financed. Frequently, our loans are more complex, specialized or do not meet financing criteria for institutional lenders. As a result, the loans are expected to earn a higher rate of return than those generally attained by institutional lenders. The mortgage investments generally bear interest at a fixed rate.

We also receive commitment, renewal and/or discharge fees from borrowers, or similar payments in recognition of the specialized and complex type of the financing that we provide.

We minimize risk by verifying that:

- the collateral value of our mortgage security can generally protect the total indebtedness of any single borrower to the Company; and
- there is a commercially reasonable exit strategy for each loan.

We employ prudent portfolio diversification techniques and must meet the Investment Guidelines described below in Item 2.2(c).

Our mortgage investments typically fall into one of the following major loan categories:

- (i) Interim First Mortgage Loans – These are first mortgage loans secured on properties such as apartment, office and retail buildings, industrial properties, and warehouse projects. These also include loans to finance the acquisition of land, and the construction, development, redevelopment or renovation of residential, commercial office or industrial properties.

- (ii) Second Mortgage Loans – These are second mortgage loans to property owners to supplement the amount of equity which a borrower must provide in addition to its own financial resources and first mortgage financing. These loans are undertaken on a highly specific basis and must meet our investment guidelines.
- (iii) Third Mortgage Loans – These are third mortgage loans to property owners to supplement the amount of equity which a borrower must provide in addition to its own financial resources and first and second mortgage financing. These loans are undertaken on a highly specific basis and must meet our investment guidelines.

Loans to finance the acquisition and development of land may include loans for clearing, road construction, installation of sewer, water and utilities, and other improvements. As a result we may make loans to finance bonds, plans, permits, or progress advances for servicing. Since land servicing loans are made at an early stage of project development, they may involve higher risk and offer a higher rate of return to the Company.

Our loans are generally outstanding from 6 to 24 months. Interest is usually paid monthly or from construction draws. Any additional commitment and other fees are often deducted from our mortgage loan advances.

We intend to maintain our current status as a mortgage investment corporation under the *Income Tax Act* (Canada). As a result, at least 50% of our assets will be invested in residential mortgage loans against:

- single family dwellings;
- multiple unit residential developments;
- residential land and subdivisions; or
- deposits with institutions insured by Canada Deposit Insurance Corporation.

In the circumstances of large loans, we may hold only part of a mortgage loan and the balance may be held by other lenders in a syndicate or syndicate-like arrangement. By limiting our participation in large individual investments, we obtain the benefits of increased portfolio diversification. This also allows us to participate in the financing of larger real estate projects than our assets and Investment Guidelines would otherwise permit.

(c) Investment Guidelines

The following investment guidelines have been established by our Board of Directors to direct our mortgage investments:

- i. Investments must maintain the Company's status as a “**mortgage investment corporation**” or “**MIC**” (as otherwise referred) under the *Income Tax Act (Canada)*.
- ii. Investments must be secured by mortgages and/or other appropriate security interests in favour of the Company and registered in the appropriate land title or land registry office as a charge against the subject real property.
- iii. Except where the Board of Directors, in its sole discretion, determines it to be in the best interests of the Company, the sum of all first, second and/or third mortgage loans registered against the subject real property shall not exceed 80% of the real property's appraised value.
- iv. Unless otherwise determined by the Board of Directors, prior to funding any mortgage loan, the Company shall obtain a written appraisal with respect to all real property charged by the mortgage. Such appraisal must be carried out by a professional appraiser, insurance company,

bank, trust company, loan company or other person who carries out appraisals in connection with mortgage lending or servicing activities, if such person is, in the sole judgment of the Board of Directors, properly qualified to do the appraisal.

- v. In the absence of a written appraisal as considered in (iv), the Company shall only lend up to 60% of the value of any real property as assessed by a recognized governmental authority.
- vi. Mortgage terms shall generally not exceed 24 months and the total of any term extensions will not exceed an additional 24 months.
- vii. The Company will only make investments in Canada in jurisdictions in which the Company is lawfully authorized to make investments.
- viii. Cash not invested in mortgage loans will be maintained in government treasury bills or in the bonds, securities, notes, deposits or deposit instruments of any Canadian government, government agency or government corporation or in deposits or deposit instruments of Canadian chartered banks, credit unions, registered investment dealers or other CDIC insured financial institutions or in such other investments as may be approved by the Company's Directors.
- ix. Except where the Board of Directors, in its sole discretion, determines it to be in the best interests of the Company, individual loans shall not exceed the greater of \$1,500,000 or 5% of the total portfolio fund of the Company.

2.3 Development of the Business

We lend and intend to continue to lend primarily in real estate projects located in British Columbia which are secured by registered mortgages, although we will consider lending elsewhere in Canada provided that circumstances warrant such investment and provided that our Investment Guidelines will be met. Our emphasis will remain on urban centres and growth areas as determined from time to time by our Board of Directors. Our loan investments change continuously as mortgage loans in our portfolio are repaid and new opportunities emerge. We continue to seek sound mortgage investment opportunities through primary broker and other sources. For further financial details, see our financial statements, attached hereto as Item 12.

We may, from time to time, borrow additional funds from an institutional lender in an amount not exceeding one-half of our paid-up capital. We will only borrow where the interest rate spread would allow us to realize a profit, to increase returns to our shareholders and/or to bridge the gap between the timing of loan draws and repayments. Our operations are not contingent upon the use of a line of credit or obtaining any other debt financing. The successful use of leverage will depend upon our ability to borrow funds and to use those funds to make loans and other investments at rates of return higher than the cost to us of the borrowed funds.

The Company was incorporated on February 24, 2011. The total issued and outstanding Class A Preferred Shares were 35,174,974 on December 31, 2018 and 43,324,918 on August 30, 2019. All of the share subscriptions, redemptions and reinvestments from January 1, 2015 until August 30, 2019 are explained in the table below:

Summary of Class A Preferred Shares:

	Year Until August 30, 2019 ^[1]	Year ended December 31, 2018 ^[1]	Year ended December 31, 2017 ^[1]	Year ended December 31, 2016 ^[1]	Year ended December 31, 2015 ^[1]
	# and \$	# and \$	# and \$	# and \$	# and \$
Subscribed	14,968,732	16,823,613	5,777,222	7,642,892	4,346,542
Redeemed	7,819,002	2,616,934	1,683,309	1,800,471	2,833,211
Reinvestment	1,000,214	1,359,973	1,116,794	699,705	568,716
Net Shares Issued	8,149,944	15,566,652	5,210,708	6,542,126	2,082,046
Shares Outstanding	43,324,918	35,174,974	19,608,322	14,397,614	7,855,488

Notes:

1. Share numbers may not add due to rounding.

Many investors in the year to date were focused on short-term investments in the Company which resulted in significant redemptions. Management prefers longer-term investments so as to avoid the transaction costs associated with such significant redemptions. Accordingly, management is focusing efforts on investors with longer term horizons. As at August 30, 2019, there were 43,324,918 Class A Preferred Shares issued and outstanding.

As of June 30, 2019, the Company holds 57 mortgages (51 as of June 30, 2018) for an aggregate mortgage portfolio of \$40,604,434.93 (\$28,450,869.45 as of June 30, 2018). The outstanding principal on mortgages is secured by residential and land development mortgages. Mortgages are all located in British Columbia and carry an average interest rate of 10.34%. Of all current mortgages, 20 mortgages are in first position (51.75% of mortgage funds), 36 mortgages are in second position (48.09% of mortgage funds), and 1 mortgage is in third position (0.16% of mortgage funds). Of the first position mortgages, 3 mortgages are also secured in second position over an associated property. As of June 30, 2019 the overall average loan-to-value ratio for the funds is 61.47% (55.68% as of June 30, 2018).

As of June 30, 2019, one mortgage was in foreclosure with a total balance of \$808,170.97 (5 mortgages with a total balance of \$4,970,000.00 as of June 30, 2018), however Vanguard expects to recover the full amount due on the mortgage in foreclosure. As of June 30, 2019, the foreclosure has an average loan-to-value ratio of 63.89% and represents 1.99% of mortgage funds (average loan-to-value ratio of 66.18% representing 17.47% of mortgage funds as of June 30, 2018). As of June 30, 2019, the property underlying the mortgage in foreclosure had been sold with closing expected to occur in September, 2019.

2.4 Long-Term Objectives

The long term objectives of the Company beyond the next 12 months are to expand the Business by raising funds by way of Class A Preferred Share offerings, such as this Offering, and then to lend such funds in return for mortgage security on real property located in Canada. The objective of the lending activities is to provide a sustainable target net return for the Class A Preferred Shares which is superior to term deposits, GICs and money market funds.

2.5 Short Term Objectives and How We Intend to Achieve Them

Our objectives for the next 12 months through until August 30, 2020, are to raise capital under this Offering, and then invest and reinvest our available funds in accordance with our established lending policies. Prior to August 30, 2020, we intend to use some of our working capital as follows:

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
To invest and reinvest our existing capital	As we have an ongoing lending program, there is no target completion date for our business plan. We will make loans as our available funds and market circumstances permit.	\$180,000 Resulting from anticipated management fees, expenses and designated broker fees (See Item 2.6 “Material Contracts”, below.)
To raise additional capital under this Offering	August 30, 2019 to August 30, 2020	\$25,000
To invest and reinvest the additional capital under this Offering	As we have an ongoing lending program, there is no target completion date for our business plan. We will make loans as our available funds and market circumstances permit.	Included in costs for investing and reinvesting our existing capital, above.

2.6 Sufficiency of Funds

Should no additional capital be secured by way of this Offering, the objectives will continue with respect to investing and reinvesting available funds in accordance with established lending policies.

2.7 Material Agreements

2.7.1 Vanguard Asset Management Corporation

The Company has entered into an amended Management and Advisory Services Agreement (the “**Management Agreement**”) dated January 2, 2015 with Vanguard Asset Management Corporation (the “**Manager**”), a company incorporated in British Columbia, the directors of which are Mohammad Eskandarpour, Jessie Dusangh and Henry Yong. This Management Agreement replaces the earlier management agreement dated March 6, 2011. The Manager was incorporated under the *Business Corporations Act* (British Columbia) on March 2, 2011. The issued and outstanding common share capital of the Manager is held 25% by Mohammad Eskandarpour, the President, Chief Executive Officer, and Promoter of the Company; 25% by Meetra Eskandarpour (the daughter of Mohammad Eskandarpour); 25% by Henry Yong, a Director, the Vice-President and Promoter of the Company; and 25% by Jessie Dusangh, a Director, the Chief Financial Officer and Promoter of the Company. The head office of the Manager is located at Suite 208, 12877 76th Avenue, Surrey, BC, V3W 1E6.

The key terms and provisions of the Management Agreement are summarized as follows:

(a) Duties

Generally, the Manager has the following responsibilities:

- i. the Manager shall file all returns and manage the business of the Company in accordance with and in compliance with the laws of British Columbia and the federal laws of Canada and in accordance with the laws of any province that the Company may in the future carry on business;
- ii. the Manager shall provide all financial services for the operations of the Company including preparing monthly income financial statements as required;
- iii. provide staffing, management and administration services in office premises of the Manager to carry on its mortgage lending business including but not limited to providing the necessary office, computer and software services, staffing, telephone and electronic telecommunication services such as email and fax;
- iv. provide and update the Company's website;
- v. prepare monthly interim financial statements and facilitate the annual audit of the financial statements of the Company;
- vi. assist the Company in obtaining working capital either from investors or from financial institutions;
- vii. assist the Company in advertising and marketing of the Company's services to other mortgage brokers;
- viii. engage the services of third party service providers such as transfer agents, lawyers, accountants, IT providers and all other third party contractors necessary and advisable for the carrying on of the Company's mortgage investment business;
- ix. carry out the instructions of the Company with respect to enforcement of the Company's mortgage security;
- x. communicate with shareholders and investors as the need arises on behalf of the Company and to attend general meetings of shareholders of the Company;
- xi. arrange for and purchase all necessary administrative supply items such as stationery, paper, office supplies, printed materials, advertising pamphlets, flyers and materials, postage, couriers all other cost items necessary or convenient for the Company to carry on business; and
- xii. carry out any other duties as directed by the Board of Directors.

(b) Terms and Termination

The Management Agreement commenced on March 6, 2011, for a term of three (3) years and has and may continue to be renewed automatically for an indefinite number of successive three (3) year terms. The Management Agreement may be terminated by the occurrence of one of the following events:

- i. if the Manager makes an assignment for the benefit of any creditors or is petitioned into bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada);
- ii. if the Manager assigns or purports to assign the Management Agreement or any rights accruing hereunder without the prior written consent of the Company;

- iii. if the Manager fails to make payment to the Company of any monies due and owing to the Company as and when due;
- iv. if the Manager commits a material breach or default under the Management Agreement, other than the failure to pay money as set forth in (iii) above, the Company shall give the Manager notice in writing stipulating the breach or default by the Manager to remedy such breach or default and the Manager shall have a period of thirty (30) days from the date of the giving of such notice to remedy the default to which such notice relates or to compensate the Company for such breach;
- v. at any time during the term of the Management Agreement, if the Company gives the Manager six (6) months' notice of its intention to terminate this Management Agreement;
- vi. if the Company fails to make payment to the Manager of any monies due and owing to the Manager as and when due;
- vii. at any time during the term of the Management Agreement, if the Manager gives the Company six (6) months' notice of its intention to terminate this Management Agreement; or
- viii. by mutual consent, in writing, of the Company and the Manager.

(c) Additional Terms of the Agreement

The Agreement also contains terms relating to the standards of care and practices that the Manager must adhere to. Copies of the Management Agreement will be provided to each investor upon request.

(d) Expenses and Management Fees

- i. *Management Fees* – Effective with the amended Management Agreement entered into on January 2, 2015, the Company shall pay to the Manager the following compensation for all services rendered under the Management Agreement:
 - an annualized administration fee (the “**Administration Fee**”) of 2% of the value of the asset portfolio of the Company calculated monthly as 0.167% of the value of the asset portfolio on the final day of each month. This Administration Fee is payable on or before the 15th day of the following month.
 - any commitment, renewal and/or discharge fees or equivalent collected by the Company from any borrowers (collectively, the “**Loan Fees**”); generally, such fees are in the amount of 1-2% of the principal amount loaned by the Company for mortgage investments.
- ii. The payment by the Company of the Administration Fee and the Loan Fees (collectively, the “**Management Fee**”) shall be full compensation to the Manager for all services to be rendered by the Manager to the Company.
- iii. *Dispute and Resolution* – The Manager shall provide a written statement to the Issuer setting out the Management Fee and the Loan Fees for each month and the Company shall, within four (4) days, either pay the Management Fee and the Loan Fees as presented or notify the Manager that it is disputing calculation of the Management Fee and the Loan Commitment Fees. In the event that the dispute is not settled between the parties, the matter will be determined by a single arbitrator, agreed to between the parties.

Note: The aggregate amount of Management Fees paid for the year ending December 31, 2018 was \$320,399.90, and for the year ending December 31, 2017 was \$354,565.00. The aggregate amount of Management Fees paid in the six month period ending June 30, 2019 was \$282,502.31.

2.7.2 Designated Individual Broker Appointment Compensation

Effective July 1, 2014, the Manager and the Company have entered into a Designated Individual Agreement with Mr. Sandeep Dayal (the “**Designated Individual Agreement**”) for which the key terms and provisions are as follows:

- i. Mr. Dayal is appointed the Designated Individual of the Manager and the Company, as required under the British Columbia *Mortgage Brokers Act* (the “**Act**”) to fulfill the duties and responsibilities of the Manager and the Company under the Act;
- ii. Mr. Dayal shall be compensated as follows:
 - a. annual payment in the amount of \$15,000 (paid quarterly);
 - b. a mortgage sourcing fee of 2% of any amount invested in the Company by a subscriber originally sourced by Mr. Dayal; and
 - c. after the loan portfolio of the Company exceeds 35 loans, an amount of \$250 for each additional loan.
- iii. The Compensation Agreement continues until termination by either party, provided that the terminating party provides at least 30 days prior written notice to the other.

On June 30, 2014, the Company and Mr. Sandeep Dayal also entered into an Acknowledgement, Consent and Conflict Agreement with Dominion Lending Centres Commercial Capital Inc. to acknowledge that Mr. Dayal is acting as the Designated Individual of the Company while also a sub-mortgage broker with Dominion Lending Centres Commercial Capital Inc.

2.7.3 Directors and Officers Indemnity Agreement

The Company and each of the directors of the Company (the “**Directors**”) have entered into indemnity agreements, wherein the Company has agreed to indemnify each of the Directors in connection with the provision of their services to the Company, excluding gross misconduct or wilful misconduct.

2.7.4 Subordination Agreement

Each of the Class B shareholders of the Company and the Manager (collectively, the “**Related Parties**”) have entered into a subordination agreement under which the Related Parties have agreed to subordinate any and all indebtedness of the Company owed to them to the extent necessary to provide the Company with the unimpaired working capital required under the *Mortgage Brokers Act* (British Columbia) in order for the Company to be registered as a mortgage broker.

2.7.5 Services Agreement and License Agreement with Dolphin Enterprises Ltd.

New arrangements to manage the registration and transfer of investments have replaced the previously existing transfer agent agreement with Valiant Trust Company in respect of serving as the Company’s registrar, transfer agent and dividend dispersing agent of the Class A Preferred shares (which has now been terminated). The Licence Agreement and the Services Agreement, both dated January 26, 2015, have been entered into between the Manager and Dolphin Enterprises Ltd. These agreements provide for the licensing and servicing of the Mortgage and Investment software system and database developed by Dolphin. This is popular software utilized by numerous mortgage investment corporations to manage the registration and transfer of investments and to disperse dividends in addition to other administrative responsibilities. The Manager is in turn providing these services to the Company pursuant to the Management Agreement.

2.7.6 Overdraft Loan Agreement

The Company and Canadian Western Bank have entered into a demand overdraft lending agreement and commitment letter (as amended from time to time) which provides debt financing of up to \$8,000,000; all of which has floating rate interest of the prevailing “prime” lending rate plus 1.0%. The loan agreement is subject to certain margining requirements. In addition to certain personal guarantees by the principals and a corporate guarantee by the Manager, the loan agreement is secured by a general security agreement against the assets of the Company.

2.7.7 Guarantee Fee Agreements

As a result of the director personal guarantees required as part of the Company’s credit facility, the Company has entered into agreements with each of the three directors (Jessie Dusangh, Mohammad Eskandarpour and Henry Yong) providing their personal guarantee whereby each director is entitled to a monthly guarantee fee of 1/3 of 0.25% of up to the first \$3,666,666 of the Company’s month end bank indebtedness balance. During the year ended December 31, 2018, \$69,432 (year ended December 31, 2017 – \$53,000) of guarantee fees were paid under these agreements. During the six month period ended June 30, 2019, \$42,167 (six months ended June 30, 2018 – \$33,200) of guarantee fees were paid under these agreements.

Item 3 - Directors, Management, Promoters and Principal Holders

3.1 Compensation and Securities Held

The following table sets out information about each director, officer and promoter of the Company and each person who directly or indirectly beneficially owns or controls 10% or more of any class of voting securities of the Company (a “**Principal Holder**”):

Name and Municipality of Residence	Position(s) Held	Compensation anticipated to be paid for 2019	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
Mohammad Eskandarpour, Vancouver, BC	Director, President, Chief Executive Officer, and Promoter	Nil	33 Class B Voting Control Shares representing 18.33% of the Class B Voting Control Shares issued	33 Class B Voting Control Shares representing 18.33% of the Class B Voting Control Shares issued
Azar Eskandarpour, Vancouver, BC	None	Nil	40 Class B Voting Control Shares representing 22.22% of the Class B Voting Control Shares issued	40 Class B Voting Control Shares representing 22.22% of the Class B Voting Control Shares issued
Meetra Eskandarpour, Vancouver, BC	None	Nil	17 Class B Voting Control Shares representing 9.44% of the Class B Voting Control Shares issued	17 Class B Voting Control Shares representing 9.44% of the Class B Voting Control Shares issued

Henry Yong, Vancouver, BC	Director, Vice-President, and Promoter	Nil	17 Class B Voting Control Shares representing 9.44% of the Class B Voting Control Shares issued	17 Class B Voting Control Shares representing 9.44% of the Class B Voting Control Shares issued
Jessie Dusangh Delta, BC	Director, Secretary, Chief Financial Officer, and Promoter	Nil	17 Class B Voting Control Shares representing 9.44% of the Class B Voting Control Shares issued	17 Class B Voting Control Shares representing 9.44% of the Class B Voting Control Shares issued

Note, the following individuals have received compensation from the Manager for the year ended December 31, 2018, and for the six month period ended June 30, 2019 (all of which relates to activities for the Company):

	Compensation received from the Manager for the 6 month period ended June 30, 2019	Compensation received from the Manager for the year ended December 31, 2018	Compensation received from the Manager for the year ended December 31, 2017
Mohammad Eskandarpour ^[1] ^[2]	\$72,000.00	\$126,000.00	\$63,000.00
Jessie Dusangh ^[1] ^[2]	\$21,228.50	\$37,011.75	\$28,319.00
Henry Yong ^[1] ^[2]	\$6,900.00	\$13,351.82	\$19,857.00

Notes:

1. Compensation was received directly and/or through respective private companies owned and controlled by the compensated party.
2. It is anticipated these individuals will continue to receive compensation for the proceeding six month period ending December 31, 2019.

3.2 Management Experience

The Company has retained the Manager to advise the Company and to manage its operations in accordance with the Management Agreement. The name, municipality of residence and principal occupations of the directors and officers of the Manager and their principal occupations within the preceding five years are as follows:

Name	Principal Occupation and related experience for past 5 years
Mohammad Eskandarpour, Vancouver, BC	President, Chief Executive Officer, a director and founder of each of the Company and the Manager. Mohammad Eskandarpour holds a Bachelor of Commerce degree from Concordia University. He has been involved for over 15 years as an accountant in public practice. He is a director of Global Management Consulting Ltd., providing management and consulting for real estate companies. He is presently a project manager for a real estate development project in Calgary, Alberta.
Jessie Dusangh, Surrey, BC	Director and Chief Financial Officer of the Manager and the Company. Mr. Dusangh is a Chartered Accountant engaged in public practice in British Columbia since 1994, and has extensive public accounting experience in the real estate industry.
Henry Yong, Vancouver, BC	Director of the Manager. Mr. Yong has been active in residential and commercial real estate since 1993. Mr. Yong has, in his real

	estate ventures, engaged in real estate transactions with cumulative asset values totalling over \$400 million over the last 10 years. Until January 1, 2006, Mr. Yong was also licensed under the <i>Real Estate Act</i> (British Columbia) as a managing agent, which he did not renew as he now focuses on other financial and real estate endeavours.
--	---

3.3 Penalties or Sanctions

No penalty or sanction or any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors, appointment of a receiver, receiver manager or trustee to hold assets has been in effect during the last ten years with regard to any:

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

3.4 Interests of Management and Conflicts of Interest

The Company and the Manager have common directors, officers and shareholders. The Company and its shareholders are dependent largely upon the experience and good faith of the Manager.

The directors and officers of the Company and/or the Manager may be or become employed by or act in other capacities for other companies involved in mortgage and lending activities and will continue to be engaged in activities which may put them in conflict with the business strategy of the Company and/or the Manager. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. All decisions to be made by such directors and officers involving the Company are required to be made in accordance with their duties and obligations to act honestly and in good faith with a view to the best interests of the Company. In addition, such directors and officers are required to declare their interests in, and such directors are required to refrain from voting on, any matter in which they may have a material conflict of interest.

Item 4 - Capital Structure

4.1 Share Capital

The following table sets out information about the Company's authorized and outstanding securities. The Company does not currently have any outstanding options, warrants or other securities convertible into Class A Preferred Shares or Class B Common Shares:

Description of security	Number authorized to be issued	Number outstanding as at August 30, 2019	Number outstanding assuming completion of minimum offering	Number outstanding assuming completion of maximum offering
Class A Preferred Shares	Unlimited	43,324,918	43,324,918	63,324,918
Class B Common Shares	Unlimited	180	180	180

The key terms and provisions of the Class B Common shares, which are relevant to the Class A Preferred shares, are as follows:

- (i) Voting control resides with the Class B Common shares which are excluded from this Offer. Note that there are no voting rights associated with the Class A Preferred Shares save and except the circumstances in which the *Business Corporations Act* (British Columbia) provides voting rights to the shareholders of all class of shares in certain circumstances.
- (ii) Class B Common shares are not entitled to dividends.
- (iii) Class B Common shares have no redemption rights or retraction rights.
- (iv) In the event of liquidation, dissolution or winding up of the Company, the Class A Preferred shares have priority to receive their initial investment and to receive any declared but unpaid dividends.

4.2 Long Term Debt

The Company currently has no long-term debt. The demand overdraft loan agreement for \$8,000,000 in debt financing is described above in Item 2.6.6.

4.3 Prior Sales

From July 1, 2018 to August 30, 2019, the Company has issued the following securities (no securities were issued for other than cash or various reinvestments):

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
July 6, 2018	Class A Shares	90,000	\$1.00	\$90,000.00
July 10, 2018	Class A Shares	280,000	\$1.00	\$280,000.00
July 10, 2018	Class A Shares	1,500	\$1.00	\$1,500.00
July 11, 2018	Class A Shares	340	\$1.00	\$340.00
July 11, 2018	Class A Shares	500	\$1.00	\$500.00
July 12, 2018	Class A Shares	10,000	\$1.00	\$10,000.00
July 13, 2018	Class A Shares	57,500	\$1.00	\$57,500.00
July 17, 2018	Class A Shares	80,000	\$1.00	\$80,000.00
July 20, 2018	Class A Shares	109,000	\$1.00	\$109,000.00
July 25, 2018	Class A Shares	4,000,000	\$1.00	\$4,000,000.00
July 30, 2018	Class A Shares	51,000	\$1.00	\$51,000.00
July 30, 2018	Class A Shares	15,000	\$1.00	\$15,000.00
July 31, 2018	Class A Shares	5,000	\$1.00	\$5,000.00
August 3, 2018	Class A Shares	12,804	\$1.00	\$12,804.00
August 8, 2018	Class A Shares	340	\$1.00	\$340.00
August 13, 2018	Class A Shares	150,000	\$1.00	\$150,000.00
August 14, 2018	Class A Shares	4,257	\$1.00	\$4,257.00
August 17, 2018	Class A Shares	1,000	\$1.00	\$1,000.00
August 21, 2018	Class A Shares	25,000	\$1.00	\$25,000.00

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
August 27, 2018	Class A Shares	49,449	\$1.00	\$49,449.00
August 28, 2018	Class A Shares	49,000	\$1.00	\$49,000.00
August 29, 2018	Class A Shares	35,240	\$1.00	\$35,240.00
August 29, 2018	Class A Shares	5,500	\$1.00	\$5,500.00
September 4, 2018	Class A Shares	25,000	\$1.00	\$25,000.00
September 7, 2018	Class A Shares	5,000	\$1.00	\$5,000.00
September 10, 2018	Class A Shares	25,367	\$1.00	\$25,367.00
September 13, 2018	Class A Shares	57,713	\$1.00	\$57,713.00
September 21, 2018	Class A Shares	30,000	\$1.00	\$30,000.00
September 27, 2018	Class A Shares	25,920	\$1.00	\$25,920.00
September 28, 2018	Class A Shares	10,000	\$1.00	\$10,000.00
October 5, 2018	Class A Shares	5,500	\$1.00	\$5,500.00
October 5, 2018	Class A Shares	5,000	\$1.00	\$5,000.00
October 8, 2018	Class A Shares	11,917	\$1.00	\$11,917.24
October 9, 2018	Class A Shares	5,500	\$1.00	\$5,500.00
October 9, 2018	Class A Shares	9,000	\$1.00	\$9,000.00
October 9, 2018	Class A Shares	5,500	\$1.00	\$5,500.00
October 9, 2018	Class A Shares	10,000	\$1.00	\$10,000.00
October 10, 2018	Class A Shares	2,000,000	\$1.00	\$2,000,000.00
October 11, 2018	Class A Shares	100,000	\$1.00	\$100,000.00
October 12, 2018	Class A Shares	2,000,000	\$1.00	\$2,000,000.00
October 12, 2018	Class A Shares	62,000	\$1.00	\$62,000.00
October 26, 2018	Class A Shares	5,000	\$1.00	\$5,000.00
October 26, 2018	Class A Shares	120,000	\$1.00	\$120,000.00
November 1, 2018	Class A Shares	172,600	\$1.00	\$172,600.00
November 7, 2018	Class A Shares	57,500	\$1.00	\$57,500.00
November 7, 2018	Class A Shares	21,000	\$1.00	\$21,000.00
November 7, 2018	Class A Shares	26,900	\$1.00	\$26,900.00
November 7, 2018	Class A Shares	80,000	\$1.00	\$80,000.00
November 8, 2018	Class A Shares	4,000	\$1.00	\$4,000.00
November 9, 2018	Class A Shares	12,845	\$1.00	\$12,845.00
November 13, 2018	Class A Shares	51,500	\$1.00	\$51,500.00
November 14, 2018	Class A Shares	50,000	\$1.00	\$50,000.00
November 15, 2018	Class A Shares	53,933	\$1.00	\$53,933.00
November 16, 2018	Class A Shares	23,373	\$1.00	\$23,373.00
November 21, 2018	Class A Shares	16,120	\$1.00	\$16,120.00
December 6, 2018	Class A Shares	1,000,000	\$1.00	\$1,000,000.00
December 12, 2018	Class A Shares	37,431	\$1.00	\$37,431.00

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
December 12, 2018	Class A Shares	250,000	\$1.00	\$250,000.00
December 17, 2018	Class A Shares	20,000	\$1.00	\$20,000.00
December 20, 2019	Class A Shares	50,000	\$1.00	\$50,000.00
December 19, 2018	Class A Shares	5,000	\$1.00	\$5,000.00
December 18, 2018	Class A Shares	18,950	\$1.00	\$18,950.00
December 21, 2018	Class A Shares	100,000	\$1.00	\$100,000.00
December 21, 2018	Class A Shares	700,000	\$1.00	\$700,000.00
December 21, 2018	Class A Shares	12,000	\$1.00	\$12,000.00
December 24, 2018	Class A Shares	17,500	\$1.00	\$17,500.00
December 24, 2018	Class A Shares	400,000	\$1.00	\$400,000.00
January 2, 2019	Class A Shares	35,000	\$1.00	\$35,000.00
January 2, 2019	Class A Shares	18,752	\$1.00	\$18,752.00
January 4, 2019	Class A Shares	6,000	\$1.00	\$6,000.00
January 4, 2019	Class A Shares	6,000	\$1.00	\$6,000.00
January 11, 2019	Class A Shares	6,000	\$1.00	\$6,000.00
January 11, 2019	Class A Shares	6,000	\$1.00	\$6,000.00
January 11, 2019	Class A Shares	11,685	\$1.00	\$11,685.00
January 11, 2019	Class A Shares	6,000	\$1.00	\$6,000.00
January 14, 2019	Class A Shares	650,000	\$1.00	\$650,000.00
January 16, 2019	Class A Shares	100,000	\$1.00	\$100,000.00
January 17, 2019	Class A Shares	20,000	\$1.00	\$20,000.00
January 17, 2019	Class A Shares	50,000	\$1.00	\$50,000.00
January 17, 2019	Class A Shares	3,511	\$1.00	\$3,511.00
January 17, 2019	Class A Shares	1,706	\$1.00	\$1,706.00
January 17, 2019	Class A Shares	6,000	\$1.00	\$6,000.00
January 21, 2019	Class A Shares	200,000	\$1.00	\$200,000.00
January 23, 2019	Class A Shares	6,000	\$1.00	\$6,000.00
January 23, 2019	Class A Shares	6,000	\$1.00	\$6,000.00
January 23, 2019	Class A Shares	10,000	\$1.00	\$10,000.00
January 23, 2019	Class A Shares	21,900	\$1.00	\$21,900.00
January 25, 2019	Class A Shares	200,000	\$1.00	\$200,000.00
January 28, 2019	Class A Shares	5,143	\$1.00	\$5,143.09
January 28, 2019	Class A Shares	20,000	\$1.00	\$20,000.00
January 30, 2019	Class A Shares	10,000	\$1.00	\$10,000.00
February 1, 2019	Class A Shares	5,000	\$1.00	\$5,000.00
February 1, 2019	Class A Shares	275,000	\$1.00	\$275,000.00
February 7, 2019	Class A Shares	200,000	\$1.00	\$200,000.00
February 6, 2019	Class A Shares	1,250	\$1.00	\$1,250.00

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
February 7, 2019	Class A Shares	600,000	\$1.00	\$600,000.00
February 7, 2019	Class A Shares	100,000	\$1.00	\$100,000.00
February 15, 2019	Class A Shares	8,933	\$1.00	\$8,933.00
February 11, 2019	Class A Shares	25,848	\$1.00	\$25,848.00
February 19, 2019	Class A Shares	58,527	\$1.00	\$58,527.00
February 20, 2019	Class A Shares	14,000	\$1.00	\$14,000.00
February 20, 2019	Class A Shares	20,000	\$1.00	\$20,000.00
February 21, 2019	Class A Shares	1,000	\$1.00	\$1,000.00
February 21, 2019	Class A Shares	1,000	\$1.00	\$1,000.00
February 26, 2019	Class A Shares	15,000	\$1.00	\$15,000.00
February 26, 2019	Class A Shares	6,000	\$1.00	\$6,000.00
February 27, 2019	Class A Shares	48,000	\$1.00	\$48,000.00
February 28, 2019	Class A Shares	11,794	\$1.00	\$11,794.14
February 28, 2019	Class A Shares	3,764	\$1.00	\$3,764.00
February 28, 2019	Class A Shares	175,000	\$1.00	\$175,000.00
February 28, 2019	Class A Shares	25,000	\$1.00	\$25,000.00
February 28, 2019	Class A Shares	4,986	\$1.00	\$4,986.00
February 28, 2019	Class A Shares	72,938	\$1.00	\$72,938.00
February 28, 2019	Class A Shares	8,667	\$1.00	\$8,667.00
March 4, 2019	Class A Shares	5,000	\$1.00	\$5,000.00
March 4, 2019	Class A Shares	111,952	\$1.00	\$111,952.00
March 4, 2019	Class A Shares	32,520	\$1.00	\$32,520.00
March 6, 2019	Class A Shares	6,000	\$1.00	\$6,000.00
March 8, 2019	Class A Shares	63,500	\$1.00	\$63,500.00
March 11, 2019	Class A Shares	38,000	\$1.00	\$38,000.00
March 19, 2019	Class A Shares	5,000	\$1.00	\$5,000.00
March 19, 2019	Class A Shares	1,000	\$1.00	\$1,000.00
March 21, 2019	Class A Shares	8,596	\$1.00	\$8,596.00
March 22, 2019	Class A Shares	1,000,000	\$1.00	\$1,000,000.00
March 22, 2019	Class A Shares	250,000	\$1.00	\$250,000.00
March 22, 2019	Class A Shares	98,777	\$1.00	\$98,777.00
March 22, 2019	Class A Shares	1,000	\$1.00	\$1,000.00
March 22, 2019	Class A Shares	1,764	\$1.00	\$1,764.00
March 26, 2019	Class A Shares	9,500	\$1.00	\$9,500.00
March 26, 2019	Class A Shares	5,500	\$1.00	\$5,500.00
March 26, 2019	Class A Shares	6,000	\$1.00	\$6,000.00
March 26, 2019	Class A Shares	3,346	\$1.00	\$3,346.00
April 8, 2019	Class A Shares	5,000	\$1.00	\$5,000.00

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
April 8, 2019	Class A Shares	22,000	\$1.00	\$22,000.00
April 9, 2019	Class A Shares	19,948	\$1.00	\$19,948.00
April 10, 2019	Class A Shares	2,500	\$1.00	\$2,500.00
April 10, 2019	Class A Shares	5,000	\$1.00	\$5,000.00
April 10, 2019	Class A Shares	5,000	\$1.00	\$5,000.00
April 10, 2019	Class A Shares	40,661	\$1.00	\$40,661.00
April 15, 2019	Class A Shares	199,063	\$1.00	\$199,063.00
April 15, 2019	Class A Shares	209,815	\$1.00	\$209,815.00
April 15, 2019	Class A Shares	63,638	\$1.00	\$63,638.00
April 18, 2019	Class A Shares	5,000	\$1.00	\$5,000.00
April 18, 2019	Class A Shares	5,000	\$1.00	\$5,000.00
April 22, 2019	Class A Shares	63,500	\$1.00	\$63,500.00
April 22, 2019	Class A Shares	71,262	\$1.00	\$71,262.00
April 22, 2019	Class A Shares	100,000	\$1.00	\$100,000.00
April 29, 2019	Class A Shares	21,000	\$1.00	\$21,000.00
April 29, 2019	Class A Shares	7,500	\$1.00	\$7,500.00
May 1, 2019	Class A Shares	3,000	\$1.00	\$3,000.00
May 1, 2019	Class A Shares	63,500	\$1.00	\$63,500.00
May 1, 2019	Class A Shares	294,286	\$1.00	\$294,286.00
May 1, 2019	Class A Shares	117,510	\$1.00	\$117,510.00
May 6, 2019	Class A Shares	115,000	\$1.00	\$115,000.00
May 6, 2019	Class A Shares	36,592	\$1.00	\$36,592.00
May 7, 2019	Class A Shares	1,500	\$1.00	\$1,500.00
May 7, 2019	Class A Shares	306,000	\$1.00	\$306,000.00
May 14, 2019	Class A Shares	17,000	\$1.00	\$17,000.00
May 15, 2019	Class A Shares	11,500	\$1.00	\$11,500.00
May 16, 2019	Class A Shares	26,500	\$1.00	\$26,500.00
May 17, 2019	Class A Shares	50,000	\$1.00	\$50,000.00
May 24, 2019	Class A Shares	15,000	\$1.00	\$15,000.00
May 24, 2019	Class A Shares	90,000	\$1.00	\$90,000.00
May 28, 2019	Class A Shares	10,000	\$1.00	\$10,000.00
May 30, 2019	Class A Shares	54,333	\$1.00	\$54,333.00
May 31, 2019	Class A Shares	2,000	\$1.00	\$2,000.00
June 4, 2019	Class A Shares	186,000	\$1.00	\$186,000.00
June 4, 2019	Class A Shares	6,443	\$1.00	\$6,443.00
June 4, 2019	Class A Shares	6,000	\$1.00	\$6,000.00
June 6, 2019	Class A Shares	36,883	\$1.00	\$36,883.00
June 13, 2019	Class A Shares	56,329	\$1.00	\$56,329.00

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
June 18, 2019	Class A Shares	50,000	\$1.00	\$50,000.00
June 25, 2019	Class A Shares	200,000	\$1.00	\$200,000.00
June 28, 2019	Class A Shares	15,791	\$1.00	\$15,791.00
June 28, 2019	Class A Shares	250,000	\$1.00	\$250,000.00
July 3, 2019	Class A Shares	3,500,000	\$1.00	\$3,500,000.00
July 3, 2019	Class A Shares	1,000,000	\$1.00	\$1,000,000.00
July 9, 2019	Class A Shares	48,586	\$1.00	\$48,586.00
July 9, 2019	Class A Shares	48,356	\$1.00	\$48,356.00
July 8, 2019	Class A Shares	75,770	\$1.00	\$75,770.00
July 10, 2019	Class A Shares	11,122	\$1.00	\$11,122.00
July 10, 2019	Class A Shares	32,500	\$1.00	\$32,500.00
July 10, 2019	Class A Shares	19,891	\$1.00	\$19,891.00
July 11, 2019	Class A Shares	2,289	\$1.00	\$2,289.00
July 11, 2019	Class A Shares	72,915	\$1.00	\$72,915.00
July 12, 2019	Class A Shares	100,900	\$1.00	\$100,900.00
July 13, 2019	Class A Shares	6,000	\$1.00	\$6,000.00
July 15, 2019	Class A Shares	51,465	\$1.00	\$51,465.00
July 15, 2019	Class A Shares	5,000	\$1.00	\$5,000.00
July 15, 2019	Class A Shares	4,734	\$1.00	\$4,734.00
July 17, 2019	Class A Shares	7,721	\$1.00	\$7,721.00
July 19, 2019	Class A Shares	3,000	\$1.00	\$3,000.00
July 24, 2019	Class A Shares	10,000	\$1.00	\$10,000.00
July 24, 2019	Class A Shares	13,500	\$1.00	\$13,500.00
July 26, 2019	Class A Shares	17,000	\$1.00	\$17,000.00
July 29, 2019	Class A Shares	12,325	\$1.00	\$12,325.00
July 30, 2019	Class A Shares	200,000	\$1.00	\$200,000.00
August 13, 2019	Class A Shares	1,500,000	\$1.00	\$1,500,000.00
August 13, 2019	Class A Shares	35,000	\$1.00	\$35,000.00
August 16, 2019	Class A Shares	64,248	\$1.00	\$64,248.00
August 16, 2019	Class A Shares	4,900	\$1.00	\$4,900.00
August 20, 2019	Class A Shares	39,597	\$1.00	\$39,597.00
August 22, 2019	Class A Shares	200,000	\$1.00	\$200,000.00
August 22, 2019	Class A Shares	250,000	\$1.00	\$250,000.00
August 30, 2019	Class A Shares	30,000	\$1.00	\$30,000.00
Total:		27,700,231		\$27,700,231.47

From July 1, 2018 to August 30, 2019, there have also been aggregate redemptions of 8,908,319 Class A Preferred shares representing \$8,908,319.16. You may refer to Item 2.3 for a summary of all share subscriptions, redemptions and reinvestments from January 1, 2015 to August 30, 2019.

Item 5 - Description of Securities Offered

5.1 Terms of Securities

The Company is offering subscriptions of up to 20,000,000 Class A Preferred Shares at a price of \$1.00 per Class A Preferred Share for aggregate gross proceeds of \$20,000,000. The Company is authorized to issue up to an aggregate total of up to 200,000,000 Class A Preferred Shares.

The rights and restrictions of the Class A Preferred Shares are summarized as follows:

(a) Voting Rights

Holders of Class A Preferred Shares are not entitled to any voting rights for the election of directors nor for any other purpose and will not be entitled to notice of nor to attend or vote at meetings of the holders of Class B Common Shares of the Company save and except the circumstances in which the *Business Corporations Act* (British Columbia) provides voting rights to the shareholders of all class of shares in certain circumstances.

(b) Dividend Entitlement

Subject to the *Business Corporations Act* (British Columbia), the directors may from time to time declare and authorize the payment of dividends to the holders of Class A Preferred Shares, in such amounts, in such manner, on such payment and other terms and subject to such conditions as they determine in their sole discretion. The Class A Preferred shares are the only class of shares of the Company which are entitled to dividends.

If a holder of the Class A Preferred Shares has not held such shares for the full earnings period since the last dividend distribution date, then dividends on such shares will be prorated according to the portion of the period that the holder is a holder of such shares. Subject to the foregoing, the Company intends to declare dividends on a quarterly basis.

Subject to such working capital or reserve requirements as the Directors determine is necessary or desirable from time to time to meet the current and future expenses, liabilities, commitments and obligations of the Company and for the conduct, promotion and protection of the business and activities of the Company, its assets and shareholders, for income tax purposes, the Company currently intends to distribute as quarterly dividends substantially all of its net income. (See Item 6 – Income Tax Consequences.)

Under the Company's current policy, holders of Class A Preferred Shares may elect to receive dividends either in cash or in the form of additional Class A Preferred Shares. When paying a share dividend of Class A Preferred Shares, rather than paying in cash, the Company pays the dividend by issuing to the holder Class A Preferred Shares at a price of \$1.00 per share. Holders may change their election as to cash or share dividends by giving the Company sixty (60) days prior written notice of their election to change the form of dividend they wish to receive.

(c) Redemption Rights

The *Business Corporations Act* (British Columbia) does not permit the Company to make any payment to purchase or otherwise acquire Class A Preferred Shares issued by it if there are reasonable grounds for believing that: (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the Company's assets would after the payment be less than the aggregate of its liabilities and stated capital of all classes.

Subject to all applicable laws, the Company may redeem at any time and from time to time in its sole discretion, by providing a written redemption notice to a holder of Class A Preferred Shares, any of the then outstanding Class A Preferred Shares on payment in cash for each share of an amount equal to the redemption price which is equal to the par value of \$1.00 plus the pro rata share of any unpaid dividends thereon which have been declared payable but remain unpaid as at the time of calculation (the “**Redemption Price**”).

A redemption notice (the “**Redemption Notice**”) shall, at a minimum, specify the following: (a) the intent to redeem; (b) the date (the “**Redemption Date**”) on which the retraction is to take place, which date shall be: (i) if the aggregate proceeds realizable upon redemption is less than or equal to \$250,000, at least 30 days from the date of the Redemption Notice; or (ii) if the aggregate proceeds realizable upon redemption is greater than \$250,000, at least 90 days from the date of the Redemption Notice; (c) if part only of the Class A Preferred Shares held by the person to whom such notice is addressed is to be retracted, the number of shares to be redeemed; (d) that the original certificate(s) representing the Class A Preferred Shares to be redeemed is to be surrendered to the Company prior to the Redemption Date; and (e) the identity and location of the person to whom the certificate(s) representing the Class A Preferred Shares to be redeemed is to be sent or delivered for surrender.

If a part only of the Class A Preferred Shares represented by any certificate are redeemed, then the Directors of the Company may decide the manner in which the Class A Preferred Shares to be redeemed shall be selected and a new certificate for the balance shall be issued at the expense of the Company.

From and after the Redemption Date, the holder of the Class A Preferred Shares to be redeemed as aforesaid, shall thereafter cease to have any rights with respect to the Class A Preferred Shares to be redeemed other than the right to receive the Redemption Price therefor (as defined above).

On the Redemption Date, provided that the original certificates representing the Class A Preferred Shares called for redemption have been surrendered to the Company as specified in the Redemption Notice, or after the Redemption Date upon surrender to the Company of the original certificates representing the Class A Shares called for redemption, the Company shall pay or cause to be paid to or to the order of the registered holder of the Class A Preferred Shares to be redeemed the Redemption Price, and such Class A Preferred Shares shall thereupon be redeemed.

The Redemption Price payable in respect of the shares called for redemption shall be paid by direct deposit or cheque, drawn on a Canadian chartered bank or trust company in lawful money of Canada, payable at par to, or deposited to the account of, the registered holder of the shares called for redemption or payable or deposited as otherwise instructed in writing by such registered holder. Payments of the Redemption Price made by the Company are conclusively deemed to have been made when deposited by direct deposit or upon the mailing of a cheque in a postage pre-paid envelope addressed to the payee unless such cheque is dishonoured upon presentment. Upon such payment as set out above, the Company and its directors, officers and employees shall be discharged from all liability to the former registered holder in respect of the shares so retracted.

All Class A Preferred Shares retracted by the Company pursuant to this section shall be cancelled and such Class A Preferred Shares shall no longer be outstanding and shall not be re-issued.

(d) Retraction Rights

The *Business Corporations Act* (British Columbia) does not permit the Company to make any payment to purchase or redeem Class A Preferred Shares issued by it if there are reasonable grounds for believing that: (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the Company’s assets would after the payment be less than the aggregate of (i)

its liabilities; and (ii) the amount that would be required to pay the holders of shares that have a right to be paid, on a redemption or in a liquidation, rateably with or prior to the holders of the Class A Preferred Shares.

Subject to all applicable laws, a holder of Class A Preferred Shares may, with respect to any Class A Preferred Shares that have been registered in the name of the holder (“**Retractable Shares**”), by giving written notice to the Company (the “**Retraction Notice**”), request that the Company redeem the whole or any part of the Retractable Shares held by such holder within six (6) months of the date of the Retraction Notice (the “**Notice Date**”).

The Company will redeem the Retractable Shares specified in the Retraction Notice by the payment in cash for each share of an amount equal to the retraction price which is equal to the par value of \$1.00 plus the pro rata share of any unpaid dividends thereon which have been declared payable but remain unpaid as at the time of calculation (the “**Retraction Price**”).

Redemptions will be made by the Company according to the order in which notices are received.

(e) Restrictions on Redemptions and Retractions

To preserve the Company’s status as a mortgage investment corporation under the *Income Tax Act* (Canada), the Board of Directors shall be entitled to refuse to retract, redeem or repurchase Class A Preferred Shares if, subsequent to such retraction, redemption, repurchase or transfer, the Company would have less than the qualifying number of shareholders under the *Income Tax Act* (Canada). Any such refusal to redeem, repurchase or transfer shall continue until the Board of Directors is satisfied that such redemption, repurchase or transfer would not result in the number of shareholders falling below the minimum number of shareholders required under the *Income Tax Act* (Canada).

(f) Entitlement on Liquidation, Dissolution or Winding Up

In the event of the liquidation, dissolution or winding up of the Company, or in the event of a reduction or redemption of the Company’s capital stock or other distribution of property or assets of the Company among the shareholders for the purposes of winding up the Company’s affairs, the following priorities shall be maintained:

- (i) the holders of the Class A Preferred Shares shall have priority over the holders of Class B Common Shares to receive (pro rata according to the number of Class A Shares held) an amount equal to the Redemption Price of the Class A Preferred Shares held by them at the time of liquidation, dissolution or winding-up of the Company;
- (ii) after the payments above to the Class A Preferred shareholders, the Class B Common shareholders shall be entitled to receive the original amount subscribed for their Class B Common shares; and
- (iii) any further amount available for distribution shall be paid to the Class A Preferred Shareholders.

(g) Constraints on Transferability

Paragraph 130.1(6)(d) of the *Income Tax Act* (Canada) stipulates that to qualify as a MIC, a corporation must have at least twenty shareholders and no one shareholder may be a Specified Shareholder (defined below) of the corporation. A Specified Shareholder, as defined in the Act, would include a taxpayer who, alone or together with any person related to the taxpayer, owns, directly or indirectly, more than 25% of the issued shares of any class of the capital stock of the Company (a “**Specified Shareholder**”).

The *Income Tax Act* (Canada) states that a trust governed by a registered pension plan or a deferred profit sharing plan is counted as four shareholders for purposes of determining the number of shareholders and one shareholder for purposes of determining if a shareholder is a Specified Shareholder.

While the Class A Preferred Shares have redemption and retraction rights as described above, the Directors intend to refuse registration of an allotment or any transfer of shares which would result in the Company ceasing to meet the qualifications of a MIC.

As the Company is not currently a reporting issuer in the selling jurisdictions or in any other jurisdiction, the Class A Preferred Shares are subject to resale restrictions pursuant to applicable securities laws. (See Item 10 – Resale Restrictions.)

(h) No Pre-Emptive Rights

The Class A Preferred shareholders do not have any pre-emptive rights to subscribe for, purchase or receive any part of any issue of shares, bonds, debentures or other securities of the Company.

5.2 Subscription Procedure

We are offering to sell up to 20,000,000 Class A Preferred Shares until the earlier of the date that we receive subscriptions for the Maximum Offering and August 30, 2020. Where required by law, we are offering to sell Class A Preferred Shares under this Offering Memorandum to those purchasers who must receive a copy of this Offering Memorandum pursuant to securities exemptions under National Instrument 45-106 *Prospectus and Registration Exemptions* and British Columbia Instrument 32-517 *Exemption from Dealer Registration Requirement for Trades in Securities of Mortgage Investment Entities*. We are also offering to sell the Class A Preferred Shares to purchasers who are not required by law to receive the Offering Memorandum and who do not request a copy of this Offering Memorandum as well as to purchasers who may request but who are not required by law to receive a copy before purchasing any of the Class A Preferred Shares as set out in this Offering Memorandum. We may close the Offering on an earlier or later date as we may determine. Closings may occur from time to time, at our discretion, during the course of this Offering. **Please carefully review the accompanying subscription agreement to determine the securities exemption requirements that apply to you for your investment.**

You may subscribe for Class A Preferred Shares by returning to us at Suite 208, 12877 – 76th Avenue, Surrey, British Columbia, V3W 1E6, the following:

- i. a completed subscription agreement in the form accompanying this Offering Memorandum;
- ii. if you are subscribing under the Offering Memorandum exemption in National Instrument 45-106, a completed copy of a Risk Acknowledgement (Form 45-106F4) (also accompanying this Offering Memorandum) – you should keep a signed copy of this form;
- iii. a completed copy of a Risk Acknowledgement under BCI 32-517 (Appendix A to BCI 32-517); and
- iv. a cheque or bank draft in the amount of your investment payable to “Vanguard Mortgage Investment Corp.”.

We will hold your subscription funds in trust until midnight on the second business day after the day on which we received your signed subscription agreement. After this, we will utilize such funds in accordance with this Offering and, on your behalf, we will hold at our offices the Class A Preferred Shares that have been issued to you.

Despite the foregoing and in order to accommodate trustee administrative procedures, we may accept subscription agreements from trustees for Registered Retirement Savings Plans (RRSPs) or Deferred Profit

Savings Plans (DPSPs) under the *Income Tax Act* (Canada) without the accompanying payment. Whenever we do so, we will deliver the share certificates representing the purchased Class A Preferred Shares in exchange for payment of the subscription price.

We will collect, use and disclose your individual personal information in accordance with the Corporation's privacy policy and will obtain your consent to such collection, use and disclosure from time to time as required by our policy and the law. A copy of our current privacy policy will be provided to you with your subscription agreement and your consent will be sought at that time.

This offering is not subject to any minimum subscription level, and therefore any funds received from you are available to us and need not be refunded to you. We anticipate that there will be multiple closings under this offering up to an estimated final closing date within 15 months after the date of this Offering Memorandum. We may close the offering on such earlier or later date as we may determine in our sole discretion.

We reserve the right to accept or reject a subscription for the Class A Shares in whole or in part and the right to close the subscription books at any time without notice. Any investment funds for subscriptions that we do not accept will be promptly returned without interest after we have determined not to accept the investment funds.

You should carefully review the terms of the subscription agreement and the articles of the Company provided herewith for more detailed information concerning the rights and obligations of you and the Company. Execution and delivery of the subscription agreement will bind you to the terms thereof, whether executed by you or by an agent on your behalf. You should consult with your own professional advisors respecting this investment. (See Item 8 – Risk Factors.)

Item 6 - Income Tax Consequences

6.1 Independent Tax Advice

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

6.2 Income Tax Consequences

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

The summary contained in this section is of a general nature only and is not exhaustive of all possible Canadian federal income tax consequences. It is not intended to be and should not be interpreted as legal or tax advice to any particular subscriber. **YOU SHOULD CONSULT WITH YOUR OWN TAX ADVISOR REGARDING THE INCOME TAX CONSEQUENCES TO YOU OF ACQUIRING, HOLDING AND DISPOSING OF THE CLASS A SHARES INCLUDING THE APPLICATION AND EFFECT OF THE INCOME AND OTHER TAX LAWS OF ANY COUNTRY, PROVINCE, STATE OR LOCAL TAX AUTHORITY THAT ARE APPLICABLE TO YOU.**

This summary is based on the assumption that the Company meets certain conditions which are imposed by the *Income Tax Act* (Canada) on the Company in order for the Company to qualify as a mortgage investment corporation thereunder. These conditions will generally be satisfied if, throughout a taxation year of the Company:

- i. the Company was a Canadian corporation as defined in the *Income Tax Act* (Canada);
- ii. the Company's only undertaking was the investing of funds and it did not manage or develop any real property;
- iii. no debts were owed to the Company by non-residents unless such debts were secured on real property situated in Canada;
- iv. the Company did not own shares of non-resident corporations;
- v. the Company did not hold real property located outside of Canada or any leasehold interest in such property;
- vi. the Company did not loan funds where the security for such loans is real property located outside of Canada;
- vii. the cost amount of the Company's property represented by mortgages on houses or on property included within a housing project (as those terms are defined in the *National Housing Act*), together with cash on hand and deposits with a bank or any other corporation whose deposits are insured by the Canada Deposit Insurance Corporation or a credit union, (collectively, the "Qualifying Property") was at least 50% of the cost amount to it of all of its property;
- viii. the cost amount of real property (including leasehold interests therein but excluding real property acquired as a consequence of foreclosure or defaults on a mortgage held by the Company) owned by the Company did not exceed 25% of the cost amount to it of all of its property;
- ix. the Company had at least 20 shareholders (in its first taxation year the Company must have at least 20 shareholders on the last day of that year) and no person would have been a Specified Shareholder of the Company at any time in the taxation year;
- x. holders of Class A Shares had a right, after payment to them of their preferred dividends, and payment of dividends in a like amount per share to the holders of the Class B Common Shares to participate *pari passu* with the holders of Class B Common Shares in any further payment of dividends; and
- xi. the Company's liabilities did not exceed three times the amount by which the cost amount to it of all of its property exceeded its liabilities, where at any time in the year the cost amount to it of its Qualifying Property is less than $\frac{2}{3}$ of the cost amount to it of all of its property, or, where throughout the taxation year the cost amount to it of its Qualifying Property equalled or exceeded $\frac{2}{3}$ of the cost amount of all of its property, the Company's liabilities did not exceed five times the amount by which the cost amount to it of all of its property exceeded its liabilities.

It is intended, and this summary assumes, that these requirements will be satisfied so that the Company will qualify as a mortgage investment corporation at all relevant times. If the Company were not to qualify

as a mortgage investment corporation, the income tax consequences would be materially different from those described below.

Taxation of the Company

The Company will, in computing its taxable income, generally be entitled to deduct the full amount of all taxable dividends (other than capital gains dividends) which it pays during the year or within 90 days after the end of the year to the extent that such dividends were not deductible by the corporation in computing its income for the preceding year. As a mortgage investment corporation is deemed to be a public corporation, no capital dividends can be paid by the Company. However, a mortgage investment corporation may declare a capital gains dividend in an amount equal to the gross amount of its capital gains and is entitled to deduct one-half of such dividend from its taxable income. As discussed below, a capital gains dividend is taxed in the hands of a shareholder as a capital gain arising from a notional disposition of capital property. The combination of the Company's deduction for capital gains dividends and the shareholder's deemed capital gain will allow the Company to flow capital gains through to a shareholder on a tax efficient basis. As a public corporation, the Company will be subject to tax at the highest corporate rates. However, at this time the Company intends to declare dividends and capital gains dividends each year in sufficient amounts to reduce its taxable income to nil.

Taxation of Shareholders

Dividends other than capital gains dividends which are paid by the Company on the Class A Preferred Shares will be included in shareholders' incomes as bond interest. Capital gains dividends will be treated as realized capital gains of shareholders, and will be subject to the general rules relating to the taxation of capital gains. **SINCE THE DIVIDENDS RECEIVED ARE TAXED AS BOND INTEREST, THE NORMAL GROSS UP AND DIVIDEND TAX CREDIT RULES WILL NOT APPLY TO DIVIDENDS PAID BY THE COMPANY TO AN INDIVIDUAL AND TRUSTS ON A PREFERRED SHARE AND SHAREHOLDERS THAT ARE CORPORATIONS WILL NOT BE ENTITLED TO DEDUCT THE AMOUNT OF DIVIDENDS PAID BY THE COMPANY FROM THEIR TAXABLE INCOME.**

The cost to a subscriber of Class A Preferred Shares acquired pursuant to this Offering will equal the purchase price of the Class A Preferred Shares plus the amount of any other reasonable costs incurred in connection therewith. This cost will be averaged with the cost of all other Class A Preferred Shares held by the subscriber to determine the adjusted cost base of each Class A Preferred Share.

A disposition or a deemed disposition of Class A Preferred Shares (other than to the Company) will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition of the Class A Preferred Shares exceed (or are exceeded by) the adjusted cost base of the Class A Preferred Shares and the disposition costs. Amounts paid by the Company on the redemption or acquisition by it of a Class A Preferred Share, up to the paid-up capital thereof, will be treated as proceeds of disposition. Any amount paid by the Company on the redemption or acquisition of a Class A Preferred Share which is in excess of the paid-up capital of such Class A Preferred Share will be deemed to be a dividend and will be included in the income of a holder of Class A Preferred Shares, in accordance with the rules described above.

Fifty percent of any capital gain realized by a Shareholder (including capital gains deemed to be realized as a result of a receipt of a capital gains dividend) will be included in the Shareholder's income under the *Income Tax Act* (Canada) as a taxable capital gain. Subject to certain specific rules in the *Income Tax Act* (Canada), one-half of any capital loss realized in a taxation year may be deducted against any taxable capital gains realized by the shareholder in such year, in the three preceding taxation years or in any subsequent taxation year.

The taxable capital gains realized by a shareholder that is an individual may give rise to alternative minimum tax depending upon the shareholder's circumstances. A Shareholder that is a "Canadian Controlled Private Corporation" (as defined in the *Income Tax Act* (Canada)) may be liable to pay an additional refundable tax of 6.66% (six and two-thirds) on certain investment income, including amounts in respect of interest and taxable capital gains. The 6.66% (six and two-thirds) tax is to be added to such corporation's refundable dividend tax on-hand account and will be eligible for refund at a rate of \$1.00 for every \$3.00 of dividends paid by the Company.

6.3 Eligibility for Investment by Deferred Income Plans

This outline of the eligibility for investment by deferred income plans is prepared and provided entirely by the management of the Company for the circumstances of the Company. The Class A Preferred Shares will be qualified investments for a Registered Retirement Savings Plan ("RRSP"), Registered Educational Savings Plan ("RESP"), Deferred Profit Sharing Plan or a Registered Retirement Income Fund ("RRIF") (collectively a "**Deferred Income Plan**") at a particular time if the Company qualifies as a mortgage investment corporation under the *Income Tax Act* (Canada) at such particular time and if, throughout the calendar year in which the particular time occurs, the Company does not hold as part of its property any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer or a subscriber, as the case may be, under the relevant Deferred Income Plan or of any other person who does not deal at arm's length with that person. Deferred Income Plans will generally not be liable for tax in respect of any dividends received from the Company.

If the Company ceases to qualify as a mortgage investment corporation throughout any period of time, the Class A Shares of the Company will cease to qualify as investments for Deferred Income Plans throughout such period. A Deferred Income Plan will be subject to a penalty tax if it holds any non-qualified investments at the end of a month. The tax is equal to 1% of the fair market value at the time of acquisition of the non-qualified investment and is payable for each month end in which the non-qualified property is held.

If an RRSP or RRIF holds a non-qualified investment at any time during a particular year, the RRSP or RRIF will be subject to a tax under Part I of the *Income Tax Act* (Canada) on income attributable to the non-qualified investment. RESPs which hold non-qualified investments can have their registration revoked by the Canada Revenue Agency.

Notwithstanding that the Class A Shares may be qualified investments for a trust governed by an RRSP, RRIF or TFSA, the annuitant of an RRSP or RRIF, or the holder of a TFSA, will be subject to a penalty tax if such securities are a "**prohibited investment**" for the RRSP, RRIF or TFSA. The Class A Shares will generally be a "prohibited investment" if the annuitant of an RRSP or RRIF, or the holder of a TFSA, does not deal at arm's length with the Company for purposes of the *Income Tax Act* (Canada) or the annuitant of an RRSP or RRIF, or the holder of the TFSA, has a "**significant interest**" (within the meaning of the *Income Tax Act* (Canada)) in the Company or a corporation, partnership or trust with which the Company does not deal at arm's length for purposes of the *Income Tax Act* (Canada). A "significant interest" in a corporation generally means ownership of 10% or more of the issued shares of any class of the capital stock of the corporation (or of any related corporation), either alone or together with persons with which the shareholder does not deal at arm's length, as that phrase is understood, for purposes of the *Income Tax Act* (Canada). **Annuitants of RRSPs and RRIFs, and holders of TSFAs should consult their own advisors in this regard.**

The penalty taxes are referred to as the "prohibited investment tax" and the "advantage tax".

The prohibited investment and advantage tax applies if the annuitant of the RRSP or RRIF or holder of the TFSA, at any time, owns directly or indirectly 10% or more of any class of shares of the MIC. Shares of

the MIC held by persons not dealing at arm's length with the annuitant or holder are deemed to be owned by the annuitant or holder for the purpose of determining if the annuitant or holder owns directly or indirectly 10% or more of any class of shares. Non-arm's length individuals include related individuals. In other cases, it is a question of fact as to whether a person is dealing at non-arm's length with the annuitant of an RRSP or RRIF or holder of a TFSA.

The prohibited investment tax rate is equal to 50% of the fair market value of the prohibited investment.

The advantage tax may also apply to an investment in MIC shares held by an RRSP, RRIF or TFSA if an advantage is realized by the annuitant or holder. "**Advantage**" is a defined term in the *Income Tax Act* (Canada) and includes: (1) benefits accruing to the annuitant of an RRSP or RRIF or holder of a TFSA that would not have arisen in an open market in which parties deal with each other at arm's length; (2) benefits from swap transactions; and (3) benefits from RRSP strips. "**Swap transactions**" and "**RRSP strips**" are defined terms in the *Income Tax Act* (Canada) and are not discussed further in this Offering Memorandum. Other types of benefits are also included in the definition of "advantage" but the ones listed above are the most relevant to a MIC investment.

The amount of advantage tax payable is equal to the value of the benefit received.

The Company is making the foregoing tax disclosure, but it makes no other warranties or representations, implied or otherwise, with respect to taxation issues. Furthermore, the Company will not be monitoring whether the "prohibited investment tax" or the "advantage tax" may be applicable to any particular shareholder.

Item 7 - Compensation Paid to Sellers and Finders

No compensation will be paid by the Company to sellers or finders in connection with this Offering. However, the Manager reserves the right to pay in its sole and absolute discretion to authorized persons who locate and introduce investors to the Company, commissions or trailer fees in connection with the sale of the Class A Preferred Shares. If you acquire Class A Preferred Shares through a registered dealer or sales agent or your financial advisor, then you will be responsible to pay for any additional commissions or fees that may be negotiated between you and the dealer, agent or advisor.

Item 8 - Risk Factors

In addition to factors set forth elsewhere in this Offering Memorandum, potential subscribers should carefully consider the following factors, many of which are inherent to the ownership of the Class A Shares. The following is a summary only of the risk factors involved in an investment in the Class A Shares. Investors should consult with their own professional advisors to assess the income tax, legal and other aspects of an investment in the Class A Shares.

8.1 Investment Risk

(a) Speculative Investment

The purchase of Class A Preferred Shares is a speculative investment. You should buy them only if you can make a long term investment, have no need for immediate liquidity in your investment and are aware of the risk factors involved in such an investment. Real estate lending contains elements of risk and is subject to uncertainties such as the borrowers' costs of operation and financing and fluctuating demand for developed real estate.

(b) Marketability

While the Class A Preferred Shares have redemption rights (see Item 5.1 – Terms of Securities), there is no market for resale of the Class A Shares and consequently, it may be difficult or even impossible for you to sell them. In addition, the Class A Shares may not be readily acceptable as collateral for loans.

There are restrictions on resale of the Class A Preferred Shares by you. As we do not intend presently to qualify our securities for sale to the public by way of a prospectus or to become a reporting issuer, these resale restrictions might never expire and you should consult your own professional advisors in respect of resale of the Class A Shares. (See below under Item 10 – Resale Restrictions.)

(c) Right to Redeem Not Absolute

The Class A Preferred Shares have redemption rights (see Item 5.1 – Terms of Securities), meaning that holders of Class A Preferred Shares have the right to require the Company to redeem them upon appropriate advance notice from the holder to the Company, subject to certain circumstances. The Company gives no assurance that any such holder will be able to redeem any or all of their shares at any time. Redemption of the Class A Preferred Shares is subject to the Company having access to sufficient cash, or other liquid assets, and being in compliance with corporate and securities legislation, and is subject to the terms of this Offering Memorandum, all as determined solely by the Company. Redemption of the Shares is also subject to the discretion of the directors to act in the best interests of the Company to maintain the Company's status as a "mortgage investment company" under the *Income Tax Act* (Canada). Accordingly, investment in the Company's Class A Preferred Shares is unsuitable for those prospective investors who may require liquidity.

(d) No Voting Rights

The Class A Preferred Shares being offered for sale pursuant to this Offering Memorandum do not have voting rights, and consequently a shareholder's investment in Class A Preferred Shares does not carry with it any right to take part in the control or management of the Company's business, including the election of directors. In assessing the risks and rewards of an investment in Class A Preferred Shares, potential investors should appreciate that they are relying solely on the good faith, judgement and ability of the directors, officers and employees of the Company and the Manager to make appropriate decisions with respect to the management of the Company, and that they will be bound by the decisions of the Company's and Vanguard Asset Management Corp directors, officers and employees. It would be inappropriate for investors unwilling to rely, to this extent, on these individuals to purchase Class A Preferred Shares.

(e) Tax Designation

If, for any reason, the Company fails to maintain its qualification as a MIC under the *Income Tax Act* (Canada), dividends paid by the Company on the Class A Preferred Shares will cease to be deductible from the Company's income and the Class A Preferred Shares, unless listed on a prescribed stock exchange for the purposes of the *Income Tax Act* (Canada), may cease to be qualified investments for Deferred Income Plans. The *Income Tax Act* (Canada) imposes penalties for the acquisition or holding of non-qualified or ineligible investments in Deferred Income Plans (See Item 6 – Income Tax Consequences). **There can be no assurance that the Company will be able to meet the Income Tax Act's MIC qualifications at all material times.**

The normal gross-up and dividend tax credit rules do not apply to dividends paid on securities of the Company and corporate holders of the Class A Preferred Shares will not be entitled to deduct the amount

of any dividends paid on their Class A Preferred Shares from their taxable income. (See Item 6 – Income Tax Consequences.)

(f) No Guaranteed Return

There is no guarantee that an investment in Class A Preferred Shares will earn any positive return or any return at all in the short or long term. Moreover, the interest rates being charged for mortgages reflect the general level of interest rates and, as interest rates fluctuate, management of the Company expects that the aggregate yield on mortgage investments will also change.

8.2 Company Risk

(a) Risk of Leverage

Successful utilization of leverage, as contemplated by any bank line of credit or other financing as discussed in subparagraph 2.3 depends on our ability to borrow funds from outside sources and to use those funds to make loans and other investments at rates of return in excess of the cost to us of the borrowed funds. Leverage increases exposure to loss.

(b) Availability of Investments

Because the source of the Company's investments is through itself, the Company is exposed to adverse developments in the business and affairs of itself, to their management and financial strength, to their ability to operate its businesses profitably and to its ability to retain its mortgage broker licenses issued to it under applicable legislation.

The ability of the Company to make investments in accordance with its objectives and investment policies depends upon the availability of suitable investments and the amount of funds available. There can be no assurance that the yields on the mortgages currently invested in by the Company will be representative of yields to be obtained on future mortgage investments of the Company.

(c) Composition of the Mortgage Portfolio

The composition of the Company's mortgage portfolio may vary widely from time to time and may be concentrated by type of security, industry or geography, resulting in the mortgage portfolio being less diversified than anticipated. A lack of diversification may result in the Company being exposed to economic downturns or other events that have an adverse and disproportionate effect on particular types of security, industry or geography. **Until the aggregate funds under management of the Company grows large enough, similar lending concentrations may occur from time to time if the Company is presented with larger size investments of high returns if the Manager determines that there is acceptably low enough risk (see Item 2.3 – Development of the Business).**

(d) Conflicts of Interest

The directors and officers of the Company are also directors, officers and shareholders of the Manager. Consequently, conflicts may arise, between the investors in the Class A Preferred Shares of the Company and the directors and officers of the Manager. There is no assurance that any conflicts of interest that may arise will be resolved in a manner most favourable to the investors. Persons considering a purchase of Class A Preferred Shares pursuant to this Offering must rely on the judgement and good faith of the directors and officers of the Manager and the Company in resolving such conflicts of interest as they arise.

The Directors of the Company may vary the Company's Investment Guidelines. The Directors are also entitled to terminate the Management Agreement. It may be difficult for some of the Directors to exercise independent judgment about these and other matters.

(e) Lack of Separate Legal Counsel

Investors in the Class A Preferred Shares, as a group, have not been represented by separate legal counsel. Legal counsel for the Company and counsel for Vanguard Asset Management Corporation or any of their affiliates have not conducted any review or engagement on the behalf of such investors.

8.3 Industry Risk

(a) General Nature of Mortgage Loans

The Company's investments in mortgage loans will be secured by real estate. All real property investments are subject to elements of risk. Real property value is affected by general economic conditions, local real estate markets, the attractiveness of a property to purchasers or tenants, competition from other available properties and other factors. While independent appraisals are generally required before the Company makes any mortgage investments, the appraised values provided therein, even where reported on an "as is" basis are not necessarily reflective of the market value of the underlying real property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain conditions, including the completion, rehabilitation or lease-up improvements on the real property providing security for the investment. There can be no guarantee that these conditions will be satisfied and if, and to the extent, they are not satisfied, the appraised value may not be achieved. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.

The value of income producing real property may also depend on the credit worthiness and financial stability of the borrowers. The Company's income and funds available for distribution to security holders would be adversely affected if a significant number of borrowers were unable to pay their obligations to the Company or if the Company were unable to invest its funds in mortgages on economically favourable terms. On default by a borrower, the Company may experience delays in enforcing its rights as lender and may incur substantial costs in protecting its investment.

Certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made through the period of ownership of real property regardless of whether the property is producing income. The Company may be required to incur such expenditures to protect its investment, even if the borrower is not making debt service required of it under the mortgage.

Real property mortgage investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and for the perceived desirability of the investment. Such illiquidity may tend to limit the Company's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Company were required to liquidate its real property mortgage investments, the proceeds to the Company might be significantly less than the total value of its investment.

The Company will be subject to the risks associated with debt financing, including the risk that mortgage indebtedness secured by the properties of the Company will not be able to be refinanced or that the terms of re-financing will not be as favourable as the terms of existing indebtedness.

(b) Risks Associated with Mortgage Loans

You also should consider the following more specific risks in connection with our mortgage loans:

- i. *Insurance.* Our mortgage loans will not usually be insured by Canada Mortgage and Housing Corporation or any private mortgage insurer in whole or in part.
- ii. *Priority.* In the event of default under a mortgage, it may be necessary for us, 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 pay off or maintain prior encumbrances in good standing.
- iii. *Default.* Financial charges funded by first mortgage lenders may in some cases rank in priority to our mortgages. If there is an event of default by the borrower under any prior financing charge, we may be required to arrange a new first mortgage or pay out the first mortgage from our own assets in order to avoid adverse financial consequences to the Company.
- iv. *Credit Risk.* As with most mortgage investment companies, we provide financing to borrowers who may not meet financing criteria for conventional mortgages from institutional sources and, as a result, these investments generally earn a higher rate of return than what institutional lenders may receive. Credit risk is the risk that the mortgagor will fail to discharge the obligation, causing the Company to incur a financial loss. We minimize our credit risk primarily by ensuring that the collateral value of the security fully protects the advances, that there is a viable exit strategy for each loan and that loans are made to experienced developers and owners. In addition, we limit concentration risk by diversifying our mortgage portfolio by way of location, property type, maximum size of loan on any one property and maximum advances to any one borrower or connection.
- v. *Impaired Loans.* The Company may have from time to time one or more impaired loans in its investment portfolio, details of which are reported in the Company's financial statements. A loan is impaired where full recovery is considered to be in doubt based on a current evaluation of the security held by the Company and for which either a write-down has been taken or a specific loss provision has been established.
- vi. *Liquidity Risk.* Liquidity risk is the risk that we will encounter difficulty in raising funds to meet commitments associated with financial instruments. We control liquidity risk through cash flow projections used to forecast funding requirements on mortgage proposals, and anticipated redemption of Class A Shares.

In addition, in recognition of the risks which may be involved in our loans, we establish reserves against potential losses in amounts that we anticipate being deductible for income tax purposes under the *Income Tax Act (Canada)* as determined in consultation with the Company's auditors.

(c) Competition for Mortgage Loans

Our earnings depend on the ability of suitable opportunities for the investment of our funds and on the yields available from time to time on mortgages as well as the cost of borrowings. A wide variety of competing lenders and investors are active in the areas of lending in which we operate. Our yields on real estate loans, including mortgages, depend on many factors including economic conditions, the level of risk assumed, conditions in the real estate industry, opportunities for other types of investments, legislation, governmental regulation and tax laws. We cannot predict the effect which those factors will have on our Business.

(d) Renewal of Mortgages

There can be no assurances that any of the mortgages comprising the Company's mortgage portfolio from time to time can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to each mortgage comprising the mortgage portfolio, it is possible that the mortgagor, the mortgagee or both, will not elect to renew such mortgage. In addition, if the mortgages in the mortgage portfolio are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such mortgages will be subject to negotiations between the mortgagors and the mortgagees at the time of renewal.

(e) Failure to Meet Commitments

The Company may commit to making future mortgage investments in anticipation of repayment of principal outstanding under existing mortgage investments. In the event that such repayments of principal are not made in contravention of the borrowers' obligations, the Company may be unable to advance some or all of the funds required to be advanced pursuant to the terms of its commitments and may face liability in connection with its failure to make such advances.

(f) Environmental and Other Regulatory Matters

Although the Company generally obtains an evaluation of the property to be subject to the mortgage in the form of a "Phase I Environmental Audit", environmental legislation and policies have become an increasingly important feature of property ownership and management in recent years. Under various laws, the Company could become liable for the costs of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and wastes at or from a property, or disposed of at another location. The failure to effect remedial work may adversely affect an owner's ability to sell real estate or to borrow using the real estate as collateral and could result in claims against the owner.

The Company follows an environmental program, which includes policies and procedures to review and monitor environmental matters associated with its properties. This environmental policy usually includes a Phase I Environmental Audit when warranted, conducted by an independent and experienced environmental consultant, before advancing a loan or acquiring a mortgage.

(g) Changes in Legislation and Government Regulation

There can be no assurance that income tax laws and government incentive programs relating to the real estate industry will not be changed in a manner which adversely affects the Company or distributions received by its security holders.

Item 9 - Reporting Obligations

9.1 Documents Provided to Shareholders Annually or on an On-going Basis

The Company is not a reporting issuer in any province or territory of Canada. The Company will comply with the reporting requirements imposed on the Company under the *Business Corporations Act* (British Columbia). In addition, we will provide to our shareholders audited financial statements with fiscal year-end reports within 120 days after the fiscal year-end. (See Item 5 – Description of Securities Offered.)

9.2 Information About the Company

As provided under the *Business Corporations Act* (British Columbia), you may obtain certain information about the Company's incorporation, amendments to our constituting documents, directors, officers, annual corporate filings and other corporate information either from the British Columbia Registrar of Companies, 2nd Floor – 940 Blanshard Street (PO Box 9431 Stn. Prov. Govt), Victoria, BC, V8W 9V3 (telephone number 250-356-8658, telefax 250-356-9422, website www.fin.gov.bc.ca/registries/corppg) or the registered office of the Company at 1800 – 355 Burrard St., Vancouver, BC, V6C 2G8 (telephone number 604-682-7737, telefax 604-682-7131, website www.mltaikins.com). Information about the Company's status and filing under the *Securities Act* (British Columbia) can be obtained from the British Columbia Securities Commission (telephone number (604) 899-6500, toll-free 1-800 373-6393, telefax 604-899-6506, website at www.bcsc.bc.ca) and under the securities laws of any other jurisdiction from the securities regulator in that jurisdiction.

Item 10 - Resale Restrictions

10.1 General

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

Class A Preferred shares issued by the Company to an investor shall be legended with the following wording which applies to these securities:

“Unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the date the Company becomes a reporting issuer in any province or territory of Canada.”

Item 11 - Purchaser's 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.

British Columbia

If you are resident in British Columbia and received a copy of this Offering Memorandum in connection with your purchase of the Class A Preferred Shares, you have the statutory rights listed below.

For the purposes of this section, a “misrepresentation” is an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary in order to make any statement in the Offering Memorandum not misleading in light of the circumstances in which it was made.

For the purposes of this section, a “material fact” is a fact that significantly affects, or would reasonably be expected to significantly affect, the market price or value of the Class A Preferred Shares.

- (1) **Two Day Cancellation Right** – You can cancel your agreement to purchase Class A Preferred Shares. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the Class A Preferred Shares.
- (2) **Statutory Rights of Action in the Event of a Misrepresentation** – If there is a misrepresentation in this offering memorandum, you have a right to sue:
 - (a) Vanguard Mortgage Investment Corporation to cancel your agreement to buy these securities; or
 - (b) for damages against Vanguard Mortgage Investment Corporation and every director who was a director of the Company at the date of this Offering Memorandum and every person who signed this Offering Memorandum.

If you elect to exercise your right to cancel your agreement to purchase the Class A Preferred Shares (rescission) against the Company, you will not have a right of action for damages against the Company or any other person named in paragraph (b) above.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Class A Preferred Shares. In the case of an action for damages, the defendant will not be liable for all or any part of the damages that it proves does not represent a depreciation in value of the Class A Preferred Shares as a result of the misrepresentation relied upon and in no case will the amount recoverable in any action exceed the price at which the Class A Preferred Shares were offered to you under this Offering Memorandum.

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 (rescission) within 180 days after you signed the agreement to purchase the Class A Preferred Shares. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and 3 years after you purchased the Class A Preferred Shares.

Item 12 - Financial Statements

The following financial statements of the Company are attached hereto as Item 12 of this Offering Memorandum:

- (1) The audited financial statements of the Company for the 12 month period ending December 31, 2018 with the comparative 12 month period ended December 31, 2017; and
- (2) The unaudited financial statements of the Company for the 6 month period ending June 30, 2019 with the comparative 6 month period ended June 30, 2018.

VANGUARD MORTGAGE INVESTMENT CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2018

(Presented in Canadian Dollars)



200 – 1688 152 Street
Surrey, BC V4A 4N2
TEL 604.531.1154 | FAX 604.538.2613

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Vanguard Mortgage Investment Corporation

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 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 Vanguard Mortgage Investment Corporation as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

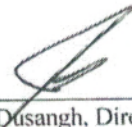
DMCL

Surrey, Canada
April 26, 2019

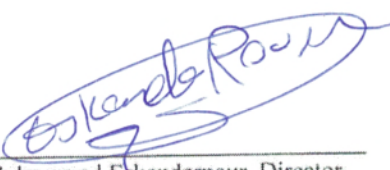
DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

VANGUARD MORTGAGE INVESTMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
(Presented in Canadian Dollars)

	December 31, 2018	December 31, 2017
ASSETS		
Lender fees receivable	\$ 1,750	\$ 2,700
Interest receivable	86,916	728,175
Other receivables	30,660	47,171
Deposit paid	-	270,211
Property acquired by foreclosure (note 6)	2,349,998	-
Mortgage investments (note 7)	34,758,793	23,735,420
	<u>\$ 37,228,117</u>	<u>\$ 24,783,677</u>
LIABILITIES AND EQUITY		
Bank indebtedness (note 5)	\$ 1,971,548	\$ 5,140,322
Accounts payable and accrued liabilities (note 10)	79,418	32,856
Deposits payable	2,000	2,000
Preferred shares (note 8)	35,174,971	19,608,319
Total liabilities	<u>37,227,937</u>	<u>24,783,497</u>
Capital stock (note 9)	180	180
Total equity	<u>180</u>	<u>180</u>
	<u>\$ 37,228,117</u>	<u>\$ 24,783,677</u>



Jessie Dusangh, Director



Mohammad Eskandarpour, Director

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

VANGUARD MORTGAGE INVESTMENT CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
(Presented in Canadian Dollars)

	Year ended December 31, 2018	Year ended December 31, 2017
Interest earned	\$3,877,589	\$ 2,879,958
Less: interest expense	(287,931)	(208,039)
Net interest income	3,589,658	2,671,919
General and administrative expenses (note 10, 11)	(1,471,820)	(1,161,257)
Operating profit	2,117,838	1,510,662
Dividends on preferred shares (note 12)	(2,117,838)	(1,510,662)
Net and comprehensive income	\$ -	\$ -

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

VANGUARD MORTGAGE INVESTMENT CORPORATION
STATEMENT OF CHANGES IN EQUITY
(Presented in Canadian Dollars)

	Number of shares	Amount	Retained earnings	Total
Balance at December 31, 2018, 2017 and 2016	180	\$ 180	\$ -	\$ 180

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

VANGUARD MORTGAGE INVESTMENT CORPORATION
STATEMENT OF CASH FLOWS
(Presented in Canadian Dollars)

	Year ended December 31, 2018	Year ended December 31, 2017
CASH FLOW PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net income	\$ -	\$ -
Change in non-cash operating working capital		
Lender fees receivable	950	1,750
Interest receivable	641,259	(404,288)
Other receivables	16,511	(30,500)
Mortgages advanced, net of repayments and property acquisition by foreclosure	(13,373,371)	(8,732,991)
Deposit paid	270,211	(270,211)
Accounts payable and accrued liabilities	46,562	(9,423)
Deposits payable	-	2,000
	(12,397,878)	(9,443,663)
FINANCING ACTIVITIES		
Issuance of preferred shares, net of redemptions	15,566,652	5,210,705
INCREASE (DECREASE) IN CASH	3,168,774	(4,232,958)
BANK INDEBTEDNESS, beginning	(5,140,322)	(907,634)
BANK INDEBTEDNESS, ending	\$ (1,971,548)	\$ (5,140,322)
Cash flows from operating activities include:		
Interest received	\$ 4,945,235	\$ 2,033,730
Interest paid	\$ 274,135	\$ 205,339
Dividends paid on preferred shares	\$ 2,117,838	\$ 1,510,662

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

VANGUARD MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Presented in Canadian dollars)

1. ORGANIZATION OF CORPORATION

Vanguard Mortgage Investment Corporation (the "Corporation") was incorporated under the BC Business Corporations Act on February 24, 2011 and is a Mortgage Investment Corporation ("MIC") under the Income Tax Act (Canada).

The head office, principal address and the registered and records office of the Corporation are located at 208 – 12877 76 Avenue, Surrey, British Columbia, V3W 1E6.

The Corporation's primary objective is to generate a reliable stream of income by investing its corporate funds in a portfolio of mortgages.

2. BASIS OF PRESENTATION

The financial statements were approved in accordance with a resolution of the Board of Directors on April 26, 2019.

Statement of compliance

These financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of measurement

These financial statements have been prepared on the historical cost basis, modified where applicable.

Functional and presentation currency

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

Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual amounts may differ from these estimates.

Significant judgment made by the Corporation relates of the classification of preferred shares between equity and liability (Note 8).

The most significant estimates that the Corporation is required to make relate to the impairment of the mortgage investments (Note 7). These estimates may include assumptions regarding local real estate market conditions, the impact of present or future legislation or regulation, prior encumbrances and other factors affecting the mortgages and underlying security of the mortgage investments.

VANGUARD MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Presented in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events. Accordingly, by their nature, 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

Revenue recognition

Interest and fee income is recognized in profit or loss using the effective interest rate method.

Income taxes

The Corporation is not subject to income taxes provided that all income is distributed to preferred shareholders by way of dividends, which are subject to income taxes.

Dividends

Dividends paid on preferred shares are accounted for as an expense of the Corporation and are comprised of the net investment income earned less all related costs.

Recognition and measurement of financial instruments

The Corporation classifies its financial instruments in the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

Upon initial recognition, each financial asset will be classified as either, FVTPL, amortized cost, or FVOCI. All equity instruments are measured at fair value. A debt instrument is recorded at amortized cost only if the entity is holding the instrument to collect contractual cash flows and the cash flows represent solely principal and interest. Otherwise it is recorded at FVTPL.

Impairment recognition is based on a forward-looking 'expected credit loss' (ECL) model. This requires considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets. Loss allowances are measured on either of the following bases:

- 12-month ECLs: These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: These are ECLs that result from all possible default events over the expected life of the financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

VANGUARD MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Presented in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Bank indebtedness, accounts payable, dividends and lender fees payable and preferred shares are classified as non-derivative financial liabilities. Preferred shares have been classified as a financial liability on the basis that the shares are redeemable at the option of the holder.

The Corporation does not have any derivative financial assets and liabilities.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

All fair value changes of liabilities designated as at FVTPL are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of change in the fair value is presented in profit or loss.

4. FINANCIAL INSTRUMENTS

The Corporation measures the fair value of its financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Corporation measures its financial instruments at amortized cost. Mortgage investments approximate their fair value due to their relatively short-term maturities and because market interest rates have not fluctuated significantly since the date at which the loan were entered into. The carrying value of the preferred shares at December 31, 2018 approximates their fair value, as these instruments may be redeemed at par. The fair value of mortgage investments and preferred shares would be established by Level 3 inputs.

VANGUARD MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Presented in Canadian dollars)

5. BANK INDEBTEDNESS

The Corporation has available with the Canadian Western Bank, an \$8,000,000 business line of credit, subject to a borrowing formula, which bears interest at the bank's prime rate plus 1.00% per annum. The line of credit is secured by a general security agreement covering all present and after acquired personal property and by personal guarantees from three directors each in the limited amount of \$880,000.

6. PROPERTY ACQUIRED BY FORECLOSURE

During the year ended December 31, 2018, the Corporation acquired by foreclosure proceedings a residential property in Richmond B.C. The Corporation has listed the property for sale.

Property acquired by foreclosure are accounted for at fair value less estimated cost to sell at the date of foreclosure. Management anticipates 100% recovery of the carrying value of the property balance on its books.

7. MORTGAGE INVESTMENTS

Mortgage investments consist of \$13,193,280 (December 31, 2017 – \$6,663,500) of first mortgages, \$21,975,095 (December 31, 2017 – \$17,060,265) of second mortgages, and \$65,000 (December 31, 2017 – \$65,000) of third mortgages, with loan values not exceeding 80% of the assessed value of the secured property.

Foreclosure proceedings have commenced on mortgages over the following B.C. properties: (1) a residential property in Coquitlam with a principal amount of \$700,000; and (2) a residential property in New Westminster with a principal amount of \$380,000. A notice of intention to enforce security has been registered on title to these properties. However, Management does not anticipate any losses or short fall on these mortgages because of the availability of sufficient equity to facilitate the repayment of 100% of the outstanding indebtedness.

Mortgages are secured by real property and bear interest at the weighted average rate of 9.43% (December 31, 2017 – 11.80%) and mature in the next 12 month period, with the exception of \$8,201,280 (December 31, 2017 – \$3,075,000) in mortgages that mature subsequent to the next 12 month period. Borrowers who have open mortgages have the option to repay principal at any time prior to the maturity date.

Under certain mortgage agreements, the Corporation has included an interest reserve which has been netted against the mortgage investments for financial statement purposes. This reserve is a prepayment of interest which is drawn down over the mortgage period covered by the reserves, using the effective interest rate method.

VANGUARD MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Presented in Canadian dollars)

8. PREFERRED SHARES

Authorized	200,000,000	Class A preferred with a par value of \$1 each
Issued and fully paid	35,174,971	Class A preferred shares (December 31, 2017 – 19,608,319)

The rights and restrictions attached to the Class A preferred shares are as follows:

- (i) Class A shares are entitled to dividends from the profits of the preceding quarter distributed in the following quarterly period;
- (ii) The voting rights of Class A shareholders are subject to restrictions;
- (iii) Class A shares are redeemable at par value, at the option of the holder; and
- (iv) In the event of liquidation, dissolution or winding up of the Corporation the Class A shareholders shall have priority over Class B shareholders.

During the year ended December 31, 2018, the Corporation issued, net of redemptions, 15,566,652 Class A preferred shares (2017 – 5,210,705 Class A preferred shares) for cash consideration of \$15,566,652 (2017 – \$5,210,705).

Under the criteria set forth in IAS 32, Financial Instruments: Presentation, the preferred shares are presented as a liability due to the Corporation's requirement to distribute taxable income to the holders, and that the preferred shares are redeemable at the option of the holder. Distributions are recorded as finance costs in the statement of comprehensive income.

At December 31, 2018, there are no Class A preferred shares (December 31, 2017 – 0) scheduled for redemption.

9. CAPITAL STOCK

Authorized	10,000	Class B shares without par value
Issued and fully paid	180	Class B shares

The rights and restrictions attached to the Class B shares are as follows:

- (i) Class B shares are not entitled to dividends.
- (ii) Class B shareholders are entitled to vote.
- (iii) In the event of liquidation, dissolution or winding up of the Corporation the Class B shareholders shall be entitled to receive the original amount subscribed for their Class B shares.

During the year ended December 31, 2018, the Corporation issued no Class B shares.

VANGUARD MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Presented in Canadian dollars)

10. RELATED PARTY TRANSACTIONS

The Corporation invests in mortgages arranged by Vanguard Asset Management Corp. ("VAMC") under an agreement with VAMC. VAMC is related by virtue of common officers and directors. Under this agreement, VAMC is entitled to a management fee of 2% per annum of the total assets of the Corporation, calculated at the beginning of each month and paid monthly. VAMC is also entitled to all of the lender fees.

For the year ended December 31, 2018, the Corporation paid lender fees of \$474,590 (2017 - \$394,957) and management fees, net of waived fees, of \$256,401 (2017 - \$359,216) to VAMC. As at December 31, 2018, accounts payable includes \$15,724 (2017 - \$2,700) due to VAMC.

During the year ended December 31, 2018, the Corporation assigned two mortgages in foreclosure proceedings on residential properties in Richmond B.C. to VAMC for \$2,208,344 and \$2,477,015. VAMC paid the Corporation \$100,000 on each of the assigned mortgages with the balance loaned as a mortgage on these two properties by the Corporation to VAMC. The mortgages are open term, with monthly interest only payments at Canadian Western Bank's prime rate plus 1.00% per annum.

Directors

As a result of the director personal guarantees required as part of the Corporation's credit facility, the Corporation has entered into agreements with each of the three directors providing their personal guarantee whereby each director is entitled to a monthly guarantee fee of 1/3 of .25% of up to the first \$2,640,000 of the Corporation's month end bank indebtedness balance. During the year ended December 31, 2018, \$69,432 (2017 - \$53,000) of guarantee fees were paid under these agreements.

As at December 31, 2018, three directors of the Corporation with related parties own \$1,255,979 (December 31, 2017 - \$1,127,308) of the Class A preferred shares.

11. EXPENSES

General and administrative expenses

	Year ended December 31, 2018	Year ended December 31, 2017
Bad debt	\$ 686,828	\$ 374,357
Business taxes, licenses and memberships	5,504	3,394
Lender fees	474,590	394,957
Management fees	256,401	359,216
Professional fees	48,497	29,333
	\$ 1,471,820	\$ 1,161,257

VANGUARD MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Presented in Canadian dollars)

12. DIVIDENDS

The Corporation intends to make dividend payments to the preferred shareholders on a quarterly basis. The operating policies of the Corporation set out that the Corporation intends to distribute 100% of the net income of the Corporation as determined in accordance with the Income Tax Act (Canada), subject to certain adjustments. Dividends were \$0.0840 (2017 – \$0.0867) per preferred share for the year ended December 31, 2018 based on a weighted average of 25,252,048 (2017 – 17,422,041) preferred shares outstanding.

13. RISK MANAGEMENT

Interest rate risk

The Corporation's operations are subject to interest rate fluctuations. While interest rates on the mortgage investments are set at a fixed rate, the Corporation is subject to interest rate changes as these instruments typically have maturities of less than twelve months. A 1.0% change in interest rates would impact the Corporation's interest income by approximately \$352,000.

The Corporation is also exposed to interest rate risk on its bank indebtedness which incurs interest at a variable rate.

Credit and operational risks

Any instability in the real estate sector and an adverse change in economic conditions in British Columbia could result in declines in the value of real property securing the Corporation's mortgage investments. The Corporation mitigates this risk by adhering to its investment and operating policies.

The Corporation's maximum exposure to credit risk is represented by the carrying values of interest receivable and mortgage investments including mortgages subject to foreclosure proceedings (note 6).

Liquidity risk

Liquidity risk is managed by ensuring that the sum of (i) availability in the Corporation's bank, (ii) the sourcing of other borrowing facilities, and (iii) projected repayments under the existing mortgage portfolio, exceeds projected needs.

As at December 31, 2018, the Corporation had not utilized its full leverage availability, being a maximum of 80% of its conventional first and second mortgage investments in British Columbia.

The Corporation's mortgages are short-term in nature, and as such, the continual repayment by borrowers of existing mortgage investments creates liquidity for ongoing mortgage investments and funding commitments.

Capital risk management

The Corporation defines capital as being the funds raised through the issuance of preferred shares of the Corporation. The Corporation's objectives when managing capital/equity are to safeguard the Corporation's ability to continue as a going concern, so that it can continue to provide returns for shareholders.

VANGUARD MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Presented in Canadian dollars)

13. RISK MANAGEMENT (continued)

The Corporation manages the capital/equity structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Corporation may issue new preferred shares or retract them.

The Corporation's investment guidelines incorporate various guideline restrictions and investment operating policies. The Corporation's guideline states that the Corporation (i) will generally not invest more than the lesser of 10% of the amount of its capital or \$1,500,000 in any single conventional first or second mortgage, (ii) will generally only invest in mortgage investments in amounts up to 75% loan to value of conventional first and second mortgages, except for loans on detached single family homes, condominiums, townhouses, or duplexes in metropolitan areas of British Columbia and Alberta, which mortgage to value ratio shall not exceed 80%.

VANGUARD MORTGAGE INVESTMENT CORPORATION
FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2019 TO JUNE 30, 2019

(Unaudited – prepared by management)

VANGUARD MORTGAGE INVESTMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
(Presented in Canadian Dollars)
(Unaudited – prepared by management)

	June 30, 2019	December 31, 2018
ASSETS		
Lender fees receivable	\$ 2,000	\$ 1,750
Interest receivable	124,284	86,916
Other receivables	243,591	30,660
Property acquired by foreclosure (note 6)	2,350,027	2,349,998
Mortgage investments (note 7)	40,248,638	34,758,793
	\$ 42,968,540	\$ 37,228,117
LIABILITIES AND EQUITY		
Bank indebtedness (note 5)	\$ 6,509,803	\$ 1,971,548
Accounts payable and accrued liabilities (note 10)	17,915	79,418
Deposits payable	5,000	2,000
Preferred shares (note 8)	36,435,642	35,174,971
Total liabilities	42,968,360	37,227,937
Capital stock (note 9)	180	180
Total equity	180	180
	\$ 42,968,540	\$ 37,228,117

"Jessie Dusangh"
Jessie Dusangh, Director

"Mohammad Eskandarpour"
Mohammad Eskandarpour, Director

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

VANGUARD MORTGAGE INVESTMENT CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
(Presented in Canadian Dollars)
(Unaudited – prepared by management)

	Period from January 1, 2019 to June 30, 2019	Period from January 1, 2018 to June 30, 2018
Interest earned	\$ 2,399,010	\$ 1,720,318
Less: interest expense	(179,528)	(166,591)
Net interest income	2,219,482	1,553,727
General and administrative expenses (note 11, 12)	(741,592)	(679,119)
Operating profit	1,477,891	874,608
Dividends on preferred shares (note 12)	(1,477,891)	(874,608)
Net and comprehensive income	\$ -	\$ -

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

VANGUARD MORTGAGE INVESTMENT CORPORATION
STATEMENT OF CHANGES IN EQUITY
(Presented in Canadian Dollars)
(Unaudited – prepared by management)

	Number of shares	Amount	Retained earnings	Total
Balance at June 30, 2019 and December 31, 2018	180	\$ 180	\$ -	\$ 180

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

VANGUARD MORTGAGE INVESTMENT CORPORATION
STATEMENT OF CASH FLOWS
(Presented in Canadian Dollars)
(Unaudited – prepared by management)

	Period from January 1, 2019 to June 30, 2019	Period from January 1, 2018 to June 30, 2018
CASH FLOW PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net income	\$ -	\$ -
Change in non-cash operating working capital		
Lender fees receivable	(250)	(15,800)
Interest receivable	(37,368)	(78,532)
Other receivables	(212,931)	(15,433)
Mortgages advanced, net of repayments and property acquisition by foreclosure	(5,489,845)	(4,206,565)
Deposit paid	-	(75,500)
Accounts payable and accrued liabilities	(61,503)	5,664
Deposits payable	3,000	(2,000)
Property	(29)	-
	(5,798,926)	(4,388,166)
FINANCING ACTIVITIES		
Issuance of preferred shares, net of redemptions	1,260,671	3,171,429
DECREASE IN CASH	(4,538,255)	(1,216,737)
BANK INDEBTEDNESS, beginning	(1,971,548)	(5,140,322)
BANK INDEBTEDNESS, ending	\$ (6,509,803)	\$ (6,357,059)
Cash flows from operating activities include:		
Interest received	\$ 2,301,945	\$ 1,735,815
Interest paid	\$ 152,802	\$ 143,859
Dividends paid on preferred shares	\$ 1,477,891	\$ 874,608

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

VANGUARD MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2019 TO JUNE 30, 2019
(Presented in Canadian dollars)
(Unaudited – prepared by management)

1. ORGANIZATION OF CORPORATION

Vanguard Mortgage Investment Corporation (the "Corporation") was incorporated under the BC Business Corporations Act on February 24, 2011 and is a Mortgage Investment Corporation ("MIC") under the Income Tax Act (Canada).

The head office, principal address and the registered and records office of the Corporation are located at 208 – 12877 76 Avenue, Surrey, British Columbia, V3W 1E6.

The Corporation's primary objective is to generate a reliable stream of income by investing its corporate funds in a portfolio of mortgages.

2. BASIS OF PRESENTATION

The financial statements were approved in accordance with a resolution of the Board of Directors on August 2, 2019.

Statement of compliance

These financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of measurement

These financial statements have been prepared on the historical cost basis, modified where applicable.

Functional and presentation currency

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

Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual amounts may differ from these estimates.

Significant judgment made by the Corporation relates of the classification of preferred shares between equity and liability (Note 8).

The most significant estimates that the Corporation is required to make relate to the impairment of the mortgage investments (Note 7). These estimates may include assumptions regarding local real estate market conditions, the impact of present or future legislation or regulation, prior encumbrances and other factors affecting the mortgages and underlying security of the mortgage investments.

VANGUARD MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2019 TO JUNE 30, 2019
(Presented in Canadian dollars)
(Unaudited – prepared by management)

2. BASIS OF PRESENTATION (continued)

These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events. Accordingly, by their nature, 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

Revenue recognition

Interest and fee income is recognized in profit or loss using the effective interest rate method.

Income taxes

The Corporation is not subject to income taxes provided that all income is distributed to preferred shareholders by way of dividends, which are subject to income taxes.

Dividends

Dividends paid on preferred shares are accounted for as an expense of the Corporation and are comprised of the net investment income earned less all related costs.

Recognition and measurement of financial instruments

The Corporation classifies its financial instruments in the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

Upon initial recognition, each financial asset will be classified as either, FVTPL, amortized cost, or FVOCI. All equity instruments are measured at fair value. A debt instrument is recorded at amortized cost only if the entity is holding the instrument to collect contractual cash flows and the cash flows represent solely principal and interest. Otherwise it is recorded at FVTPL.

Impairment recognition is based on a forward-looking ‘expected credit loss’ (ECL) model. This requires considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets. Loss allowances are measured on either of the following bases:

- 12-month ECLs: These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: These are ECLs that result from all possible default events over the expected life of the financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset’s credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

VANGUARD MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2019 TO JUNE 30, 2019
(Presented in Canadian dollars)
(Unaudited – prepared by management)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Bank indebtedness, accounts payable, dividends and lender fees payable and preferred shares are classified as non-derivative financial liabilities. Preferred shares have been classified as a financial liability on the basis that the shares are redeemable at the option of the holder.

The Corporation does not have any derivative financial assets and liabilities.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

All fair value changes of liabilities designated as at FVTPL are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of change in the fair value is presented in profit or loss.

4. FINANCIAL INSTRUMENTS

The Corporation measures the fair value of its financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Corporation measures its financial instruments at amortized cost. Mortgage investments approximate their fair value due to their relatively short-term maturities and because market interest rates have not fluctuated significantly since the date at which the loan were entered into. The carrying value of the preferred shares at June 30, 2019 approximates their fair value, as these instruments may be redeemed at par. The fair value of mortgage investments and preferred shares would be established by Level 3 inputs.

VANGUARD MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2019 TO JUNE 30, 2019
(Presented in Canadian dollars)
(Unaudited – prepared by management)

5. BANK INDEBTEDNESS

The Corporation has available with the Canadian Western Bank, an \$11,000,000 business line of credit, subject to a borrowing formula, which bears interest at the bank's prime rate plus 1.00% per annum. The line of credit is secured by a general security agreement covering all present and after acquired personal property and by personal guarantees from three directors each in the limited amount of \$1,222,222.

6. PROPERTY ACQUIRED BY FORECLOSURE

During the year ended December 31, 2018, the Corporation acquired by foreclosure proceedings a residential property in Richmond B.C. The Corporation has listed the property for sale. Management anticipates 100% recovery of the carrying value of the property balance on its books.

7. MORTGAGE INVESTMENTS

Mortgage investments consist of \$17,723,328 (December 31, 2018 – \$13,193,280) of first mortgages, \$22,814,755 (December 31, 2018 – \$21,975,095) of second mortgages, and \$66,352 (December 31, 2018 – \$65,000) of third mortgages, with loan values not exceeding 80% of the assessed value of the secured property.

Foreclosure proceedings have commenced on a mortgage over the following B.C. property: a residential property in Coquitlam with a principal amount of \$700,000. A notice of intention to enforce security has been registered on title to this property, and a court approved sale has been obtained with a closing date in September 2019. Based on the selling price, Management expects full repayment of its outstanding indebtedness balance.

Mortgages are secured by real property and bear interest at the weighted average rate of 9.85% (December 31, 2018 – 9.43%) and mature in the next 12 month period, with the exception of \$5,828,267 (December 31, 2018 – \$8,201,280) in mortgages that mature subsequent to the next 12 month period. Borrowers who have open mortgages have the option to repay principal at any time prior to the maturity date.

Under certain mortgage agreements, the Corporation has included an interest reserve which has been netted against the mortgage investments for financial statement purposes. This reserve is a prepayment of interest which is drawn down over the mortgage period covered by the reserves, using the effective interest rate method.

VANGUARD MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2019 TO JUNE 30, 2019
(Presented in Canadian dollars)
(Unaudited – prepared by management)

8. PREFERRED SHARES

Authorized	200,000,000	Class A preferred with a par value of \$1 each
Issued and fully paid	36,435,642	Class A preferred shares (December 31, 2018 – 35,174,971)

The rights and restrictions attached to the Class A preferred shares are as follows:

- (i) Class A shares are entitled to dividends from the profits of the preceding quarter distributed in the following quarterly period;
- (ii) The voting rights of Class A shareholders are subject to restrictions;
- (iii) Class A shares are redeemable at par value, at the option of the holder; and
- (iv) In the event of liquidation, dissolution or winding up of the Corporation the Class A shareholders shall have priority over Class B shareholders.

During the period from January 1, 2019 to June 30, 2019, the Corporation issued, net of redemptions, 1,260,671 Class A preferred shares (period from January 1, 2018 to June 30, 2018 – 3,171,429 Class A preferred shares) for cash consideration of \$1,260,671 (period from January 1, 2018 to June 30, 2018 – \$3,171,429).

Under the criteria set forth in IAS 32, Financial Instruments: Presentation, the preferred shares are presented as a liability due to the Corporation's requirement to distribute taxable income to the holders, and that the preferred shares are redeemable at the option of the holder. Distributions are recorded as finance costs in the statement of comprehensive income.

At June 30, 2019, there are no Class A preferred shares (December 31, 2018 – 0) scheduled for redemption.

9. CAPITAL STOCK

Authorized	10,000	Class B shares without par value
Issued and fully paid	180	Class B shares

The rights and restrictions attached to the Class B shares are as follows:

- (i) Class B shares are not entitled to dividends.
- (ii) Class B shareholders are entitled to vote.
- (iii) In the event of liquidation, dissolution or winding up of the Corporation the Class B shareholders shall be entitled to receive the original amount subscribed for their Class B shares.

During the period from January 1, 2019 to June 30, 2019, the Corporation issued no Class B shares.

VANGUARD MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2019 TO JUNE 30, 2019
(Presented in Canadian dollars)
(Unaudited – prepared by management)

10. RELATED PARTY TRANSACTIONS

The Corporation invests in mortgages arranged by Vanguard Asset Management Corp. (“VAMC”) under an agreement with VAMC. VAMC is related by virtue of common officers and directors. Under this agreement, VAMC is entitled to a management fee of 2% per annum of the total assets of the Corporation, calculated at the beginning of each month and paid monthly. VAMC is also entitled to all of the lender fees.

For the period from January 1, 2019 to June 30, 2019, the Corporation paid lender fees of \$406,000 (period from January 1, 2018 to June 30, 2018 - \$188,965) and management fees, net of waived fees, of \$282,502 (period from January 1, 2018 to June 30, 2018 - \$20,022) to VAMC. As at June 30, 2019, accounts payable includes \$17,915 (December 31, 2018 - \$15,724) due to VAMC.

During the year ended December 31, 2018, the Corporation assigned two mortgages in foreclosure proceedings on residential properties in Richmond B.C. to VAMC for \$2,208,344 and \$2,477,015. VAMC paid the Corporation \$100,000 on each of the assigned mortgages with the balance loaned as a first mortgage on these two properties by the Corporation to VAMC. The mortgages are open term, with monthly interest only payments at Canadian Western Bank’s prime rate plus 1.00% per annum. For the period from January 1, 2019 to June 30, 2019, the Corporation earned interest on these two mortgages of \$110,100 (period from January 1, 2018 to June 30, 2018 - \$0).

Included in other receivables as of June 30, 2019 is recoverable construction costs of \$191,185 related to one of the Richmond B.C. properties indicated in the preceding paragraph.

Directors

As a result of the director personal guarantees required as part of the Corporation’s credit facility, the Corporation has entered into agreements with each of the three directors providing their personal guarantee whereby each director is entitled to a monthly guarantee fee of 1/3 of .25% of up to the first \$3,666,666 of the Corporation’s month end bank indebtedness balance. During the period from January 1, 2019 to June 30, 2019, \$42,167 (period from January 1, 2018 to June 30, 2018 – \$33,200) of guarantee fees were paid under these agreements.

As at June 30, 2019, three directors of the Corporation with related parties own \$1,320,836 (December 31, 2018 – \$1,255,979) of the Class A preferred shares.

VANGUARD MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2019 TO JUNE 30, 2019
(Presented in Canadian dollars)
(Unaudited – prepared by management)

11. EXPENSES

General and administrative expenses

	Period from January 1, 2019 to June 30, 2019	Period from January 1, 2018 to June 30, 2018
Bad debt	\$ -	\$ 451,464
Business taxes, licenses and memberships	3,718	1,615
Lender fees	406,000	188,965
Management fees	282,502	20,022
Professional fees	14,093	17,053
Property expenses	35,279	-
	\$ 741,592	\$ 679,119

12. DIVIDENDS

The Corporation intends to make dividend payments to the preferred shareholders on a quarterly basis. The operating policies of the Corporation set out that the Corporation intends to distribute 100% of the net income of the Corporation as determined in accordance with the Income Tax Act (Canada), subject to certain adjustments. Dividends were \$0.0413 (period from January 1, 2018 to June 30, 2018 – \$0.0452) per preferred share for the period from January 1, 2019 to June 30, 2019 based on a weighted average of 35,754,050 (period from January 1, 2018 to June 30, 2018 – 19,331,853) preferred shares outstanding.

13. RISK MANAGEMENT

Interest rate risk

The Corporation's operations are subject to interest rate fluctuations. While interest rates on the mortgage investments are set at a fixed rate, the Corporation is subject to interest rate changes as these instruments typically have maturities of less than twelve months. A 1.0% change in interest rates would impact the Corporation's interest income by approximately \$265,000.

The Corporation is also exposed to interest rate risk on its bank indebtedness which incurs interest at a variable rate.

Credit and operational risks

Any instability in the real estate sector and an adverse change in economic conditions in British Columbia could result in declines in the value of real property securing the Corporation's mortgage investments. The Corporation mitigates this risk by adhering to its investment and operating policies.

The Corporation's maximum exposure to credit risk is represented by the carrying values of interest receivable and mortgage investments including mortgages subject to foreclosure proceedings (note 6).

VANGUARD MORTGAGE INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2019 TO JUNE 30, 2019
(Presented in Canadian dollars)
(Unaudited – prepared by management)

13. RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is managed by ensuring that the sum of (i) availability in the Corporation's bank, (ii) the sourcing of other borrowing facilities, and (iii) projected repayments under the existing mortgage portfolio, exceeds projected needs.

As at June 30, 2019, the Corporation had not utilized its full leverage availability, being a maximum of 80% of its conventional first and second mortgage investments in British Columbia.

The Corporation's mortgages are short-term in nature, and as such, the continual repayment by borrowers of existing mortgage investments creates liquidity for ongoing mortgage investments and funding commitments.

Capital risk management

The Corporation defines capital as being the funds raised through the issuance of preferred shares of the Corporation. The Corporation's objectives when managing capital/equity are to safeguard the Corporation's ability to continue as a going concern, so that it can continue to provide returns for shareholders.

The Corporation manages the capital/equity structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Corporation may issue new preferred shares or retract them.

The Corporation's investment guidelines incorporate various guideline restrictions and investment operating policies. The Corporation's guideline states that the Corporation (i) will generally not invest more than the lesser of 10% of the amount of its capital or \$1,500,000 in any single conventional first or second mortgage, (ii) will generally only invest in mortgage investments in amounts up to 75% loan to value of conventional first and second mortgages, except for loans on detached single family homes, condominiums, townhouses, or duplexes in metropolitan areas of British Columbia, which mortgage to value ratio shall not exceed 80%.

Item 13 - Date and Certificate

DATED this 30th day of August, 2019.

This offering memorandum does not contain a misrepresentation.

VANGUARD MORTGAGE INVESTMENT CORPORATION

Per:

"Mohammad Eskandarpour"
MOHAMMAD ESKANDARPOUR
President and Chief Executive Officer

"Jessie Dusangh"
JESSIE DUSANGH
Chief Financial Officer

ON BEHALF OF THE DIRECTORS OF THE COMPANY:

"Mohammad Eskandarpour"
MOHAMMAD ESKANDARPOUR

"Henry Yong"
HENRY YONG

"Jessie Dusangh"
JESSIE DUSANGH

THE PROMOTERS OF THE COMPANY:

"Mohammad Eskandarpour"
MOHAMMAD ESKANDARPOUR

"Henry Yong"
HENRY YONG

"Jessie Dusangh"
JESSIE DUSANGH

SUBSCRIPTION AGREEMENT
(For British Columbia Residents Only)

THIS SUBSCRIPTION AGREEMENT is dated the _____ day of _____, 2019.

BETWEEN:

VANGUARD MORTGAGE INVESTMENT CORPORATION, a mortgage investment corporation having an office at #208 – 12877 76th Avenue, Surrey, BC V3W 1E6

(hereinafter called "Vanguard")

OF THE FIRST PART

AND:

The person(s) or corporation(s) whose name(s) and address(es) appears on the page 4 hereof as the Purchaser

(hereinafter called the "Purchaser")

OF THE SECOND PART

WHEREAS:

- A. Vanguard is incorporated under the *Business Corporations Act* (British Columbia) and Vanguard intends to carry on its business so as to qualify as a Mortgage Investment Corporation as defined in the *Income Tax Act* (Canada) ("Tax Act").
- B. The Purchaser wishes to subscribe for Class "A" redeemable shares with a par value of \$1.00 per share in the capital of Vanguard (the "Class "A" Preferred Shares") and Vanguard has agreed to accept such subscription on the terms and conditions set forth in this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of Vanguard agreeing to allot and issue Class "A" Preferred Shares to the Purchaser and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged by the Purchaser) the parties hereby covenant and agree as follows:

- 1. The Purchaser hereby subscribes for up to _____ Class "A" Preferred Shares at an issue price of \$1.00 each to be paid from time to time from and after the date hereof up to the _____ month anniversary of the date hereof (each, a "**Subscription Installment**"). The Purchaser shall pay for each Subscription Installment in one of the following ways:

(Please circle one of the following choices)

- 1.1. cash, certified cheque, bank draft or solicitor's trust cheque;

Purchaser(s)' Initials:

--	--

- 1.2. purchase through RRSP or RRIF ;
 - 1.3. combination of cash, certified cheque, bank draft or solicitor's trust cheque and a purchase through RRSP or RRIF;
 - 1.4. purchase through TFSA or RESP.
2. Upon payment by the Purchaser for each Subscription Installment, Vanguard shall record such Subscription Installment in the following table:

Date of Payment	Amount of Payment	Class "A" Preferred Shares Issued

3. In the event Vanguard cannot or does not issue and allot the Class "A" Preferred Shares to the Purchaser within ten (10) business days of receipt of funds, then the Monies paid by the Purchaser to Vanguard as aforesaid shall be deemed to be a demand loan from the Purchaser to Vanguard, with interest equal to the Bank of Montreal daily interest savings account rate, accruing from the date of receipt of the cheque for the subscription amount, and shall be paid on the eleventh (11th) business day after receipt of funds by Vanguard.
4. The Purchaser acknowledges and agrees with effect as of the date of payment for each Subscription Installment that:
- 4.1. the terms and conditions set forth herein constitute an agreement between the Purchaser and Vanguard;
 - 4.2. the principal objective of Vanguard is to generate income from mortgage investments in real property as a "Mortgage Investment Corporation" as such term is defined in the *Income Tax Act* (Canada);
 - 4.3. the Purchaser has received a copy of the Offering Memorandum;
 - 4.4. the Purchaser shall execute and deliver to Vanguard, as of the earlier of: the date of payment of the initial Subscription Installment and the date hereof, the Risk Acknowledgement of Form 45-106F4 required under National Instrument 45-106 *Prospectus and Registration Exemptions* of the *Securities Act* (B.C.) as attached hereto as Exhibit 1 and will be deemed to have made each of the acknowledgements of the Purchaser set out in such form as of the date of payment of each Subscription Installment; and
 - 4.5. the Purchaser shall execute and deliver to Vanguard, as of the earlier of: the date of payment of the initial Subscription Installment and the date hereof, the Risk

Purchaser(s)' Initials:

--	--

Acknowledgement required under Appendix A of BC Instrument 32-517 *Exemption from Dealer Registration Requirement for Trades in Securities of Mortgage Investment Entities* as attached hereto as Exhibit 2 and will be deemed to have made each of the acknowledgements of the Purchaser set out in such form as of the date of payment of each Subscription Installment.

5. The Purchaser acknowledges, represents, warrants and covenants to and with Vanguard that, as at the date given above and as of the date of payment each Subscription Installment, it is resident in the jurisdiction set out in the "Purchaser Box" of Page #4 of this Agreement, which address is the residence or principal place of business of the Purchaser and such address was not obtained or used solely for the purpose of acquiring the Class "A" Preferred Shares.
6. If any information of the Purchaser given as of the date of payment of the Initial Subscription Installment shall have changed as of the date of payment of any subsequent Subscription Installment, the Purchaser shall deliver notice of such change of information to Vanguard along with payment for that Subscription Installment. Vanguard reserves the right to reject such Subscription Installment and any or all future Subscription Installments in its sole discretion based on any new information provided or received about the Subscription Installment or the Purchaser. If the Purchaser fails to disclose any changes in information immediately, Vanguard reserves the right to refund any and all Subscription Installments purchased by the Purchaser and cancel any and all securities of Vanguard issued to the Purchaser pursuant to this Agreement. The Purchaser covenants to complete any and all additional steps and documents necessary to effect any change in information, including, but not limited to, provision of a new subscription agreement in the format provided by Vanguard.
7. The Purchaser does irrevocably waive the Purchaser's right to receive a pro rata offer with respect to any future allotment of shares in the capital of Vanguard which waiver shall remain in effect until Vanguard becomes a reporting issuer under the *Securities Act* (British Columbia).
8. All notices, demands and payments required or permitted to be given hereunder shall be in writing and may be delivered personally, sent by telegram or telex or may be forwarded by prepaid courier to the addresses set forth below:
 - if to Vanguard, at the address set forth on page 1; and
 - if to the Purchaser, at the address set forth on the last page hereof.
9. This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and Canada, which shall be deemed to be the proper law hereof.
10. This Agreement shall not be assignable by either party without the prior written consent of the other and any attempt to assign the rights, duties or obligations hereunder without such consent shall be of no effect.
11. This Agreement shall ensure to the benefit of and be binding upon the parties hereto and their respective heirs, successors and assigns, as applicable.

Purchaser(s)' Initials:

--	--

12. Each of the parties hereto hereby covenants and agrees to execute such further and other documents and instruments and to do such further and other things as may be necessary to implement and carry out the intent of this Agreement.
13. Should any part of this Agreement be declared or held invalid for any reason, such invalidity shall not affect the validity of the remainder which shall continue in force and effect and be construed as if this Agreement had been executed without the invalid portion and it is hereby declared the intention of the parties hereto that this Agreement would have been executed without reference to any portion which may, for any reason, be hereafter declared or held invalid.
14. All references to any part to this Agreement shall be read with such changes in number and gender as the context hereof or reference to the parties hereto may require.

Purchaser(s)' Initials:

--	--

The parties have executed this Agreement as of the date first above written.

PURCHASER(S)

Name of Purchaser #1 (Print)

Name(s) of Joint Purchaser #2 (Print)

Signature of Individual Purchaser #1 or authorized signatory of Purchaser, if Purchaser is not an individual

Name & official capacity or Title of Authorized Signatory if Purchaser is not an individual

Signature of Individual Purchaser #2 or authorized signatory of Purchaser, if Purchaser is not an individual

Name & official capacity or Title of Authorized Signatory if Purchaser is not an individual

Social Insurance Number (SIN) #1 or Business Number of Company #1

Social Insurance Number (SIN) #2 or Business Number of Company

Purchaser(s)' Mailing Address

City Province Postal Code

Business Phone # Home Phone #

Cell # Fax Number

Email Address

DIVIDEND PAYMENT OPTION

Please indicate an action for your dividend payments:

- ☐ Re-invest Stock dividend (compound interest)
- ☐ Direct Deposit into a bank account other than savings (a void cheque **must** be provided)
- ☐ Direct Deposit into a bank account on file
- ☐ Direct Deposit into savings account
Bank Name: _____
Bank #: _____ Transit #: _____
- ☐ Cheque to Purchaser

Registered Account Details (if applicable)

RRSP | SPOUSAL RSP | TFSA | RESP (circle one)

Names of beneficial holder(s)

Brokerage Account Reference, if applicable

Brokerage & Contact Name, if applicable

Brokerage Address

City Province Postal Code

Version of Offering Memorandum Received: August 30, 2019

VANGUARD MORTGAGE INVESTMENT CORPORATION
per:

Authorized Signatory

Date

Purchaser(s)' Initials:

--	--

Exhibit 1

FORM 45-106F4

WARNING

Risk Acknowledgement

- I acknowledge that this is a risky investment.
- I am investing entirely at my own risk.
- No securities regulatory authority or regulator 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 or regulator 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.
- The securities are redeemable, but I may only be able to redeem them in limited circumstances.
- I could lose all the money I invest.

I am investing up to \$_____ [total consideration] in total; this includes any amount I am obliged to pay in future. Vanguard Mortgage Investment Corporation will pay \$0 of this as a fee or commission.

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

Date:

Signature of Purchaser

Print name of Purchaser

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

You have 2 business days to cancel your purchase

To do so, send a notice to Vanguard Mortgage Investment 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 Vanguard Mortgage Investment Corporation at its business address. Keep a copy of the notice for your records.

Issuer Name and Address:

Vanguard Mortgage Investment Corporation

#208 – 12877 76th Avenue, Surrey, BC, V3W 1E6

Fax: (604) 595-2626 Email: info@vanguardinvestment.ca

Purchaser(s)' Initials:

--	--

You are buying Exempt Market Securities

They are called *exempt market securities* because two parts of securities law do not apply to them. If an issuer wants to sell *exempt market securities* to you:

- the issuer does not have to give you a prospectus (a document that describes the investment in detail and gives you some legal protections), and
- the securities do not have to be sold by an investment dealer registered with a securities regulatory authority or regulator.

There are restrictions on your ability to resell *exempt market securities*. *Exempt market securities* are more risky than other securities.

You will receive an offering memorandum

Read the offering memorandum carefully because it has important information about the issuer and its securities. Keep the offering memorandum because you have rights based on it. Talk to a lawyer for details about these rights.

You will not receive advice

You will not get professional advice about whether the investment is suitable for you. But you can still seek that advice from a registered adviser or registered dealer. In Manitoba, Northwest Territories, Nunavut, Prince Edward Island and Yukon to qualify as an eligible investor, you may be required to obtain that advice.

The securities you are buying are not listed

The securities you are buying are not listed on any stock exchange, and they may never be listed. You may never be able to sell these securities.

The issuer of your securities is a non-reporting issuer

A *non-reporting issuer* does not have to publish financial information or notify the public of changes in its business. You may not receive ongoing information about this issuer.

For more information on the exempt market, call your local securities regulatory authority or regulator:

B.C. Securities Commission
PO Box 10142 Pacific Centre
Vancouver, B.C. V7Y 1L2
Phone: (604) 899-6500
Website: www.bcsc.bc.ca

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

Purchaser(s)' Initials:

--	--

Exhibit 2

Appendix A to BCI 32-517

Risk Acknowledgement under BCI 32-517 Exemption from Dealer Registration Requirement for Trades in Securities of Mortgage Investment Entities

Name of Issuer: Vanguard Mortgage Investment Corporation

Name of Seller: (not applicable)

I acknowledge that

- the person selling me these securities is not registered with a securities regulatory authority and is prohibited from telling me that this investment is suitable for me;
- the person selling me these securities does not act for me;
- this is a risky investment and I could lose all of my money;
- I am investing entirely at my own risk.

Date:

Signature of Purchaser

Print Name of Purchaser

Mohammad Eskandarpour

Name of salesperson
acting on behalf of the Issuer

Sign two copies of this document. Keep one for your records.

National Instrument 45-106 Prospectus and Registration Exemptions may require you to sign an additional risk acknowledgement form.

If you want advice about the merits of this investment and whether these securities are a suitable investment for you, contact a registered adviser or dealer.

Purchaser(s)' Initials:

--	--