

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

Date: May 10, 2020

The Issuer

Name: CMIC Mortgage Investment Corporation ("CMIC", the "Issuer", the "Company", the "Corporation")

Manager: Cove Mortgage Ltd ("Cove", the "Manager")
415 – 145 Chadwick Court, North Vancouver BC V7M 3K1
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Fax #: 604-929-9592
E-mail address: cove_mortgage@telus.net
Website: www.covemortgage.com

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

The Offering

Securities offered: Class "A" Redeemable Preferred Shares (the "Preferred Shares")

Price per security: \$10.00 per Preferred Share

Minimum offering: **There is no minimum. You may be the only purchaser.**

Maximum offering: 1,000,000 Preferred Shares (\$10,000,000)

Funds available under the Offering may not be sufficient to accomplish our proposed objectives.

Minimum subscription amount: The minimum amount a Subscriber must invest is \$25,000.00 with a maximum amount per Subscriber only in limits as permitted pursuant to the Tax Act (as defined herein); the minimum subsequent investment amount per Subscriber is restricted to 500 Preferred Shares (\$5,000). The Issuer may accept other amounts at its sole discretion.

Payment terms: Direct deposit, bank draft or certified cheque a minimum of two (2) days prior to the closing payable to "Cove Mortgage Ltd in Trust".

Proposed closing date(s): This is a continuous offering. Closings will take place periodically at the Company's discretion.

Income tax consequences: There are important tax consequences to these securities. See Item 6 – "Income Tax Consequences and RRSP Eligibility".

Selling agent: Yes. See Item 7 – "Compensation paid to Sellers and Finders".

Resale restrictions

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

Purchaser's rights

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

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

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ITEM 1. USE OF AVAILABLE FUNDS

1.1 FUNDS

The net proceeds of the offering and the funds which will be available to us after this offering are as follows:

	Assuming minimum offering ⁽¹⁾	Assuming maximum offering
A. Amount to be raised by this offering	\$0 ⁽¹⁾	\$10,000,000
B. Selling commissions and fees	\$0	\$150,000 ⁽²⁾
C. Estimated offering costs (e.g., legal, accounting, audit.)	\$40,000	\$40,000
D. Available funds: D = A - (B+C)	(\$40,000)	\$9,810,000
E. Additional sources of funding available (required) ⁽³⁾	\$5,224,396	\$5,224,396
F. Working capital deficiency	\$0	\$0
G. Total: G = (D+E) - F	\$5,224,396	\$15,074,396

(1) There is no minimum offering. As of the date of this Offering, the Issuer had a total of 1,927,245 Shares issued and outstanding for gross proceeds of \$19,272,450.

(2) The Issuer intends to utilize one or more arm's length Exempt Market Dealers ("EMDs") to assist with the sale of Shares. The Issuer anticipates paying arm's length EMDs commissions of 1.5% from the gross proceeds of any shares sold through the EMD.

(3) Maximum balance available under our credit facility as at the date of this Offering Memorandum. The amount actually available depends on the amount of qualifying mortgage loans we hold and long-term share capital; therefore, the full amount of the credit facility may not be available. See Item 2.7.1 "Credit Facility Agreement with Royal Bank of Canada".

1.2 USE OF AVAILABLE FUNDS

Based on its present plans and present business conditions, the Company expects to use the available funds as follows:

Intended use of available funds listed in order of priority ⁽¹⁾	Assuming min. offering	Assuming max. offering
Investments in mortgages and other permitted investments as outlined in Item 2 ⁽²⁾	5,224,396	\$15,074,396

(1) Revenues from operations has been, and is expected to continue to be, sufficient to cover operating costs.

(2) Increases to share capital will allow us to borrow additional funds under the credit facility and invest it in mortgages.

1.3 REALLOCATION

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

ITEM 2. BUSINESS OF CMIC MORTGAGE INVESTMENT CORPORATION

2.1 STRUCTURE

The Issuer was incorporated under the Company Act (British Columbia) on April 28, 1999 and was transitioned to the Business Corporations Act (British Columbia) on June 8, 2004. The registered and records offices of the Issuer is located at 550-1130 West Pender Street, Vancouver, British Columbia V6E 4A4.

Cove Mortgage Ltd (the "Manager") is the manager of the Issuer pursuant to the Management Agreement – see Item 2.7 "Material Agreements". The office of both the Issuer and the Manager is located at 415 – 145 Chadwick Court, North Vancouver, British Columbia, V7M 3K1.

2.2 OUR BUSINESS

2.2.1 Overview

The Issuer carries on business as a mortgage investment corporation ("MIC"), as defined in the Income Tax Act ("the Tax Act"). Its business is to obtain a stable source of income by investing money in mortgages on properties located in British Columbia. Income is earned primarily from interest paid pursuant to these mortgages, along with some pre-payment penalties and other fees.

A MIC is a flow-through investment vehicle, and CMIC distributes dividends quarterly. The Preferred Shareholders may elect to receive dividends by way of either cash or Class "A" Preferred Shares of the Issuer. For further information, see Item 6 – "Income Tax Consequences and RRSP Eligibility". The holders of the Common Shares do not have the right to receive any dividends.

The Issuer does not employ resources to seek or originate mortgages for investment and relies exclusively on the expertise of the Manager for a regular flow of investment opportunities. The Manager, Cove Mortgage Ltd ("Cove"), has been arranging mortgages for private investors in BC since 1976. Cove has longstanding relationships with a large number of retail mortgage brokers in British Columbia. For further information about the Manager, see Items 2.7.2 – "Management Agreement" and 3.2 – "Management Experience".

CMIC is registered (licensed) as a mortgage broker in British Columbia. The Office of the Registrar of Mortgage Brokers at BC Financial Services Authority ("BCFSA") regulates the mortgage brokering activities of MICs under the *Mortgage Brokers Act* (British Columbia). The Registrar and the *Mortgage Brokers Act* do not regulate the capital raising and investment marketing activities of MICs, which are subject to securities legislation and regulation.

Cove and CMIC are original members of the BC MIC Managers Association (BCMMA), established in 2010, whose membership includes some of British Columbia's largest and most reputable mortgage investment corporations.

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

2.2.2 Investment Strategies

This Issuer invests only in properties in British Columbia. The Issuer focuses on 1st and 2nd mortgage investments on residential real estate properties. Residential mortgages may be on single family homes, condominiums, townhouses or multifamily homes (up to 4 residential units). Occasionally, the Issuer may grant a mortgage on a small commercial property that has a strong real estate market and fits into the parameters of the Investment Criteria detailed in this section. The issuer does not invest in construction loans or loans on development properties.

The Issuer adheres to the Investment Criteria as set out in this Section. In addition to this, the Issuer has developed internal guidelines that are adjusted according to market conditions, as needed. The Issuer has a lending committee that analyzes the merits of each prospective mortgage prior to placing it in the MIC portfolio. See heading Lending Committee in Item 2.2.4.

In many cases the Issuer's mortgage investments will not meet financing criteria of traditional lenders such as Banks, Credit Unions and Trust Companies as these continue to restrict their lending practices. As a result of this and of government changes imposed on banks and financial institutions, there has been an increase in the amount and quality of mortgage applications as many borrowers are forced to seek financing from sources other than traditional lenders. This allows the Issuer to be more selective with the individuals and properties it lends on. This also results in these investments earning a higher rate of return than that normally attainable from traditional mortgage investments.

The Issuer may employ leverage, as permitted under the Tax Act, up to a maximum of five times the net book value of its assets. The Issuer has arranged a \$5,000,000 line of credit for the Issuer, and it may increase this amount in the future. Any borrowing shall not exceed one times the net book value of the Issuer's assets, unless the Preferred Shareholders authorize an increase in the loans by way of an ordinary resolution.

2.2.3 Investment Criteria

The Directors may approve an amendment to the Investment Criteria of the Issuer from time to time provided that:

- a) the Directors approve the amendment by resolution of the Directors;

- b) the Preferred Shareholders approve the amendment to the Investment Criteria at a meeting of the Preferred Shareholders called by the Directors. The Directors shall, for the purposes of calling a meeting, notify each of the Preferred Shareholders of the time and place of the meeting and shall provide each Shareholder with a summary of the proposed amendment to the Investment Criteria. For the purposes of the meeting, a quorum of the Preferred Shareholders shall be 15% of the shareholders eligible to vote at the meeting. The Directors may make such additional rules with respect to the meeting of the Preferred Shareholders as they may consider appropriate in the circumstances.

The Issuer has established Investment Criteria including the following:

- a) The Issuer will make investments so that it maintains its status as a MIC under the Tax Act.
- b) Investments will be secured by mortgages and/or other appropriate security interests in favour of the Issuer, either as sole mortgagee or co-mortgagee, and each mortgage will be duly registered in the appropriate land title office as a charge against the real property which is the subject of the mortgage.
- c) Individual loans are not to exceed the lesser of \$1,500,000 or 10% of the Issuer's total mortgage portfolio. Mortgages of \$1,000,000 or greater require the written approval of three senior management personnel, including at least one Director.
- d) Total mortgages, including both loans by the Issuer and third-party mortgages and financial charges ranking in priority to the Issuer's mortgage, will not exceed the lesser of \$2,000,000 or 10% of the Issuer's total mortgage portfolio
- e) Loans will be made to borrowers dealing with the Issuer and the Manager or their affiliates, shareholders, officers and directors at arm's length.
- f) Up to 20% of the share capital of the Issuer may be secured on non-residential property.
- g) Mortgages will be registered as a charge against real property, provided that the overall loan to value ratio, does not exceed 65% (including prior charges) except for loans on detached single family homes, or townhouses or duplexes (which townhouses or duplexes are not part of a condominium-apartment complex) in the Greater Vancouver Regional District or the Victoria Regional District which loan to value ratio shall not exceed 75% and the total combined value of the prior charges are within the investment parameters of the Issuer.¹
- h) Prior to funding, the Issuer will obtain current appraisals on all properties which secure the loan. The appraisals will be completed by an accredited appraiser approved by the Manager.
- i) The initial term of each mortgage will not exceed a term of 24 months.
- j) The Issuer will only make investments in the Province of British Columbia.
- k) The Issuer will not borrow more than the net book value of the Issuer's assets, unless the Preferred Shareholders authorize an increase in the loans by way of ordinary resolution.
- l) The Issuer may advance additional monies on a mortgage loan in order to protect its mortgage investment, notwithstanding that the additional advance of funds may increase the loan to value ratio to above the parameters set out above.
- m) Development loans are not permitted.
- n) Loans on individual serviced lots in major centers are permitted and may include plans to subdivide but not to exceed four lots.

2.2.4 Due Diligence

- a) LENDING COMMITTEE

It is the lending committee's responsibility to review and approve any mortgage to be placed in CMIC's investment portfolio. The committee consists of one Director, and two members of the Manager. These individuals bring different sets of experience allowing them to analyze the potential loan from different standpoints, particularly the personal covenant and the real estate security.

¹ The loan to value ("LTV") is equal to (the sum of the Issuer's mortgages + any prior mortgages) / the value of the property. Calculations are completed at the time the mortgages are originally funded and are occasionally updated where reliable information is provided. For the most part, the calculations are not an exact indicator of the actual LTVs as property prices and/or mortgage amounts may have changed since the time the mortgage was originally funded.

Real Estate Security

The security of the investment is also dependent on the reliability of the real estate. In the event of a mortgage default and legal (foreclosure) action, the Issuer would be relying on the value of the security to repay the mortgage. The lending committee reviews the appraisal and realtor's opinion of value in detail. If the property is stratified, the strata documents and any available depreciation reports are reviewed. The committee takes into consideration whether the security is in a reasonably active real estate market and prefers locales where there is a possibility of conventional mortgages funds available to replace the Issuer's loan as and when necessary. Emphasis is also put on keeping the portfolio weighted in more urban areas with economic stability and choosing properties that would have wide appeal to the general public (i.e. average type homes as opposed to unique properties). Consideration is also given to how the new property would fit into the current portfolio distribution, ensuring that the portfolio remains diversified.

Personal Covenant

When reviewing the personal covenant of the file, the team reviews the borrower's credit, the character of the borrower (and their payment habits), their capacity to repay the loan, and the amount of capital they have invested in the property. For loans made outside of major urban centres, restricted loan to value ratios may be applied and / or more emphasis may be placed on the personal covenant.

Each mortgage will be reviewed and approved by the Lending Committee prior to being funded by CMIC.

b) INTERNAL GUIDELINES

The Manager, by keeping a pulse on the current trends of the real estate market, economic concerns, or any other factors affecting this portfolio, may choose to further restrict the Investment Criteria to ensure the stability of this portfolio. These internal guidelines are adjusted when needed to navigate these trends as well as to incorporate any research or experience the Manager has gleaned that may affect how sound mortgages are chosen and maintained.

c) APPRAISALS & VALUATIONS

The Manager maintains a list of approved appraisers and requires that these appraisers be used to value the property, unless another appraiser is approved on exception. The Manager chooses appraisal companies that they find to be diligent and not overly optimistic or speculative to ensure that the valuation is fair. The Director and the Lending Committee carefully review each appraisal and contact the appraiser if there are any questions or concerns not addressed in the report.

In addition to an appraisal, the Manager will, in most instances, obtain a realtor's opinion on the value of the property. Over time, the Manager has developed relationships with experienced realtors in many areas of BC, particularly in larger urban centres, and greatly respects the expertise that these individuals bring. Occasionally, the realtors may have experiences selling properties in the building or neighbourhood that could assist in the decision to lend on the property or not.

2.2.5 Impaired Mortgages and Foreclosures

From time to time in the normal course of business, mortgage loans will go into arrears and the Issuer may demand the loans be repaid in full. In many cases it is expected that the borrower will either bring the loan current or satisfy the loan demand. In some cases, it is expected that the Issuer will foreclose on the mortgaged property. The property could then be put up for sale and the net proceeds of sale applied to satisfy the outstanding balance. In some cases, there may be a resulting shortfall. The Issuer and the Manager will work closely with delinquent borrowers and legal counsel in an effort to minimize any potential loan losses.

It is our policy to provide, on the Issuer's financial statements, a specific allowance for individual Mortgage loans identified as impaired due to a reasonable doubt as to the collectability of principal and interest. Such allowances could include, without limitation, allowances for loss of property value, legal fees and foreclosure costs, realtor commissions, strata/condo fees and property taxes. When determining allowances to be made for impaired lands, values of the underlying properties will be determined based on management's best estimates taking into account any input they may seek from realtors, appraisers, and other industry professionals. Informed estimates can be determined but ultimately until the underlying properties are actually liquidated, the Issuer cannot be certain of the liquidation value.

2.3 DEVELOPMENT OF BUSINESS

CMIC was registered as a Mortgage Investment Corporation in 1999 with an initial shareholder base comprised predominantly of family, friends and business associates. The strategy was to build a relationship with a smaller group of investors to ensure top-level service to attend to any questions or concerns. Of our current shareholders, over 86% of them have been invested for 10-20 years and represent over 95% of current share capital.

The mortgage portfolio as at our December 31st financial year end for the past 2 years:

	2019				2018			
	#	Avg LTV ¹	% of Total	Receivable	#	Avg	% of	Receivable
BY MORTGAGE TYPE								
1st Mortgage	56	48.23%	48.44%	\$10,035,824	58	45.15%	45.46%	\$9,769,247
2nd Mortgage	87	57.69%	46.52%	\$9,637,769	85	56.82%	51.20%	\$11,004,257
3rd Mortgage	8	49.48%	5.04%	\$1,043,980	6	50.71%	3.34%	\$718,592
BY PROPERTY TYPE	#	Avg	% of Total	Receivable	#	Avg	% of	Receivable
Single Family	102	54.41%	69.62%	\$14,423,211	100	52.30%	66.79%	\$14,355,441
Condo	28	52.76%	15.75%	\$3,263,493	29	51.06%	20.08%	\$4,315,376
Townhouse	18	54.89%	13.23%	\$2,740,633	13	55.76%	9.64%	\$2,072,049
Multifamily	1	34.09%	0.58%	\$119,303	2	44.64%	1.49%	\$320,000
Serviced Land	1	50.50%	0.52%	\$107,051	2	70.90%	1.11%	\$238,347
Manufactured Home	-	-	-	-	2	34.98%	0.59%	\$125,883
Commercial	1	15.97%	0.31%	\$63,882	1	16.25%	0.30%	\$65,000
BY REGION	#	Avg	% of Total	Receivable	#	Avg	% of	Receivable
Metro Vancouver	69	56.68%	46.51%	\$9,636,460	79	55.15%	57.02%	\$12,254,753
Vancouver Island - South	32	53.51%	20.57%	\$4,261,855	24	49.67%	16.00%	\$3,439,334
Fraser Valley	19	52.99%	14.74%	\$3,054,497	16	53.13%	8.47%	\$1,820,377
Thompson Okanagan	11	52.11%	6.77%	\$1,403,349	14	51.42%	11.83%	\$2,542,848
Vancouver Island - Central	7	54.24%	5.29%	\$1,096,829	2	43.66%	0.64%	\$138,166
Sunshine Coast	4	32.03%	2.26%	\$468,804	3	20.67%	1.07%	\$230,000
Northern BC	3	44.89%	1.47%	\$303,916	3	46.79%	1.45%	\$311,517
Vancouver Island - North	2	59.87%	0.99%	\$205,440	3	55.31%	1.24%	\$267,145
Kootenay Rockies	2	34.22%	0.68%	\$140,000	2	33.85%	0.63%	\$135,883
Whistler / Sea to Sky	1	59.90%	0.58%	\$119,600	2	41.42%	1.48%	\$318,906
Cariboo, Chilcotin, Coast	1	22.35%	0.13%	\$26,822	1	27.64%	0.15%	\$33,167
TOTALS	#	Avg	% of Total	Receivable	#	Avg	% of	Receivable
	151	53.75%	100.00%	\$20,717,572	149	52.03%	100%	\$21,492,096
BY SIZE			% of Total	Receivable			% of	Receivable
Smallest Mortgage			0.12%	\$25,479			0.13%	\$28,892
Average			0.61%	\$137,202			0.67%	\$144,242
Largest Mortgage			1.93%	\$399,000			1.66%	\$357,500

Mortgages receivable as at December 31, 2019, by the year of original funding:

	#	Avg LTV ¹	% of Total \$	Receivable
2007	1	26.27%	0.41%	\$85,380
2009	1	22.35%	0.13%	\$26,822
2010	1	38.43%	0.15%	\$31,001
2011	2	23.98%	0.42%	\$86,869
2012	2	63.98%	0.54%	\$111,303
2013	1	27.94%	0.26%	\$54,639
2014	3	63.17%	1.13%	\$234,287
2015	4	48.77%	3.01%	\$622,730
2016	6	54.54%	3.63%	\$751,302
2017	30	52.91%	19.30%	\$3,998,688
2018	26	44.68%	15.38%	\$3,187,394
2019	74	58.59%	55.64%	\$11,527,156
Grand Total	151	53.75%	100.00%	\$20,717,572

As at March 31, 2020, the mortgage portfolio was distributed as follows (unaudited):

	March 31, 2020			
BY MORTGAGE TYPE	#	Avg LTV ¹	% of Total \$	Receivable
1st Mortgage	42	47.50%	40.28%	\$7,893,815
2nd Mortgage	91	57.64%	55.57%	\$10,890,258
3rd Mortgage	6	48.41%	4.15%	\$814,189
BY PROPERTY TYPE	#	Avg LTV ¹	% of Total \$	Receivable
Single Family	95	54.18%	69.65%	\$13,650,685
Condo	25	53.51%	14.77%	\$2,894,172
Townhouse	17	56.58%	14.43%	\$2,828,458
Multifamily	1	33.96%	0.61%	\$118,874
Serviced Land	1	50.03%	0.54%	\$106,072
BY REGION	#	Avg LTV ¹	% of Total \$	Receivable
Metro Vancouver	63	56.77%	44.92%	\$8,804,144
Vancouver Island - South	31	54.23%	23.12%	\$4,530,950
Fraser Valley	15	53.78%	11.93%	\$2,337,795
Thompson Okanagan	11	54.33%	7.70%	\$1,508,972
Vancouver Island - Central	5	56.17%	5.19%	\$1,016,350
Sunshine Coast	5	38.21%	2.81%	\$550,199
Northern BC	4	47.69%	2.14%	\$419,650
Vancouver Island - North	1	56.71%	0.74%	\$145,285
Kootenay Rockies	2	34.19%	0.71%	\$139,808
Whistler / Sea to Sky	1	59.90%	0.61%	\$119,600
Cariboo, Chilcotin, Coast	1	21.26%	0.13%	\$25,508
TOTALS	#	Avg LTV ¹	% of Total \$	Receivable
	139	54.18%	100.00%	\$19,598,261
BY SIZE			% of Total \$	Receivable
Smallest Mortgage			0.13%	\$25,508
Average			0.72%	\$140,995
Largest Mortgage			2.04%	\$399,000

¹ The loan to value ("LTV") is equal to (the sum of the Issuer's mortgages + any prior mortgages) / the value of the property. Calculations are completed at the time the mortgages are originally funded and are occasionally updated where reliable information is provided. For the most part, the calculations are not an exact indicator of the actual LTVs as at any given date as property prices and/or mortgage amounts may have changed since the time the mortgage was originally funded.

2.3.1 Returns to Investors

The annual dividend total is determined at the audit at the December 31st financial year-end.

From inception through 2015, the average rate of return, assuming cash payment of dividend distributions was 7.50%. In 2016, the return was 1.09%², in 2017, the return was 7.819%, in 2018, the return was 7.11%, and in 2019, the return was 7.3%. Dividends when reinvested are compounded quarterly and result in a slightly higher return (average, since inception: 7.42%)

² During 2016, a deficit caused by losses on 4 development property loans done prior to 2011 was recovered by reinvesting the income generated by the other mortgages in the portfolio, rather than distributing that income as dividends. Mortgages on development properties are no longer permitted, and there are none remaining in the portfolio.

The rates of return are averages for all of the Preferred Shareholders and may not reflect the actual return received by any one investor, which will vary depending on timing of investments. There is no guarantee that such rates of return will continue or that investors will receive similar returns in future years. Some factors that affect the rate of return are described in Item 8.

2.4 LONG TERM OBJECTIVES

To provide holders of Preferred Shares with sustainable income while preserving capital for distribution or reinvestment. To do this, we intend to maintain a diversified portfolio of mortgages and other investments permitted by the Tax Act for a MIC.

2.5 SHORT TERM OBJECTIVES AND HOW WE INTEND TO ACHIEVE THEM

Over the next twelve (12) months, the Issuer's objective is to provide holders of Preferred Shares with sustainable income while preserving capital for distribution or reinvestment.

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
Carry out the offering as described in this Offering Memorandum.	ongoing	\$190,000 (See Item 1.1 – "Funds")
Continue to invest in Mortgages through lending activities as detailed in Item 2.2 – "Our Business"	ongoing	\$5,224,396 – 15,074,396 (minimum – maximum offering)

2.6 INSUFFICIENT FUNDS

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

2.7 MATERIAL AGREEMENTS

2.7.1 Credit Facility Agreement with Royal Bank of Canada

The credit facility is a demand operating loan for up to \$5,000,000 payable on demand with interest at the Royal Bank Prime rate + 1%. The Agreement, dated April 29, 2008, is reviewed and renewed annually. The loan is secured by a General Security Agreement, a floating charge on the assets of the Issuer.

2.7.2 Management Agreement

The Issuer entered into the Management Agreement with CMIC Mortgage Management Ltd., dated for reference May 1, 1999, which Management Agreement was assigned from CMIC Mortgage Management Ltd. to Cove Mortgage Ltd on July 30th, 2004 and amended by Addendums to the Management Agreement as of April 8, 2009 and May 30, 2010, the terms of which are as follows:

a) DUTIES

Pursuant to the Management Agreement, the Manager is solely responsible for:

- i. Originating and administering mortgages;
- ii. Providing financial services for the operations of the Issuer including administering general security agreements and other forms of security of the Issuer.
- iii. Providing administrative services required by the Issuer in carrying on business as a MIC.
- iv. Supplying the Issuer with mortgage investment opportunities.

b) STANDARD OF CARE

The Manager must carry out its duties fairly, honestly and in the best interests of the Issuer and must exercise the degree of care, diligence and skill that a reasonably prudent person experienced in the business of mortgage administration and management would exercise in comparable circumstances. The Manager is not liable to the Issuer for any loss caused by the Manager in carrying out its duties under the Management Agreement unless the loss resulted from the negligence, willful misconduct or dishonesty of the Manager, its officers, employees or agents in the performance of its duties. Furthermore, the Issuer has agreed to indemnify and save the Manager harmless in the event that the Manager suffers a loss of any nature whatsoever in connection with the performance of its duties under the Management Agreement, except where such loss resulted from the negligence, willful misconduct or dishonesty of the Manager or its officers, employees or agents.

c) MANAGEMENT FEE

The Issuer shall pay the Manager a fee of *up to 2.00%* of the average mortgages receivable balance, calculated and paid monthly.

d) DISBURSEMENTS

The Issuer agrees to pay the Manager its out of pocket expenses and disbursements incurred by the Manager in carrying out its duties, pursuant to the Management Agreement, including such things as courier service, photocopying, land title searches, credit bureau reports, printing costs, survey certificates, postage, appraisals, long distance telephone charges, legal fees, accounting fees, real estate commissions, advertisements and promotions, insurance premiums, office rental and cost of personnel.

Heather Briglio is President and Director of both the Issuer and the Manager and owns 25% of the Manager.

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

3.1 COMPENSATION AND SECURITIES HELD IN CMIC MORTGAGE INVESTMENT CORPORATION

The following table provides the specified information about each director, officer and promoter of the Issuer who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Issuer (a “principal holder”):

Name and municipality of principal residence	Positions held	Compensation paid by Issuer or related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the Issuer held after completion of min. offering	Number, type and percentage of securities of the Issuer held after completion of max. offering
Heather Briglio West Vancouver BC	President since January 1, 2014 Director since January 1, 2011	Most Recent year: Nil Anticipated current year: Nil	N/A	1 Common voting share (16.6%) 1628 Class A Redeemable Preferred Shares (0.08%)
Cove Mortgage Ltd North Vancouver BC	Nil	Up to 2% of the Total Portfolio, management fee	N/A	1 Common voting share (16.6%) 113 Class A Redeemable Preferred Shares (.001%)

3.2 MANAGEMENT EXPERIENCE

The following table discloses the principal occupations over the last five years and any relevant experience of each director and executive officer.

Name	Principal occupation and related experience
Heather Briglio	<p>Heather Briglio joined Cove Mortgage in 2009. She has been a shareholder of Cove Mortgage Ltd. and a Director of CMIC since 2011 and became President of both Cove Mortgage and CMIC in 2014.</p> <p>Heather began her career in the mortgage lending industry in Ontario in 1978. She became a licensed mortgage broker in Ontario soon thereafter and has held a license under the Mortgage Brokers Act of BC since 2006. During her career, Heather has gained considerable knowledge in both prime and alternative lending and has held management positions for several national mortgage, trust, and financial services corporations such as First National Financial LP, Home Trust Company, CIBC Trust and CIBC Mortgage Inc.</p>
Andrew Bury, QC	<p>Andrew Bury is a partner in the Vancouver office of Gowling WLG's, an international law firm with over 1,400 lawyers in 19 offices and 10 countries. His practice is restricted to loan security enforcement and related collection, insolvency, and real estate matters. Andrew is regarded as leading counsel in his field and has been interviewed and quoted in the Globe and Mail, the Financial Post, Maclean's magazine, BC Business magazine, as well as on Global TV.</p> <p>Andrew is a graduate of the University of British Columbia (B.Com., 1977 and J.D., 1978) and the London School of Economics (LL.M., 1981). He acts for banks, credit unions, trust companies, mortgage investment corporations and other institutional, private, and government lenders. He is a frequent writer and lecturer on loan security enforcement and related matters, for Continuing Legal Education and other institutions and groups. He was appointed Queens Counsel in 2015.</p>

3.3 PENALTIES, SANCTIONS AND BANKRUPTCY

There has been no penalty or sanction that has been in effect during the last 10 years against: (i) a director, executive officer or control person of the Issuer, or (ii) an issuer of which a person referred to in (i) above was a director, executive officer or control person at the time.

In 2015, the Issuer underwent a restructure using a remedy available under the CCAA in a unique way and proposed a Plan of Arrangement to its Preferred Shareholders. The Preferred Shareholders accepted the proposed Plan which replaced the Issuer's articles and incorporated the prohibition of construction loans and loans on development properties in the Issuer's portfolio. 96% of the votes were in support of this Plan.

Otherwise, there has not been any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, that has been in effect during the last 10 years with regard to any

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

3.4 LOANS

There are no loans due to or from the directors, management, promoters and principal holders as at the date of this Offering.

ITEM 4. CAPITAL STRUCTURE

4.1 SHARE CAPITAL

The following are the details of the outstanding securities of the Issuer:

Description of security	Number authorized to be issued	Price per security	Number outstanding as at May 1, 2020	Number outstanding after min. offering	Number outstanding after max. offering
Class A Redeemable Preferred Shares	unlimited	\$10	1,927,245	1,927,245 ¹	3,434,685
Common Shares	unlimited	\$1	6	6	6

¹ There is no minimum offering

On October 1, 2019, a total of 168,516 shares were redeemed at \$10 per shares, with no outstanding requests. The next scheduled redemptions will be processed October 1, 2020.

4.2 LONG TERM DEBT

The Issuer does not have any long-term debt.

4.3 PRIOR SALES

Within the last twelve (12) months we have issued the following Class A Preferred Redeemable Shares:

Date of Issuance	Number of Securities issued	Price per security	Total Funds Received
December 1, 2019	58,386	\$10	\$ 583,860
March 1, 2020	10,127	\$10	\$ 101,270

No further shares were issued to the date of this Offering Memorandum.

ITEM 5. SECURITIES OFFERED

5.1 TERMS OF SECURITIES

The securities being offered for sale by this Offering Memorandum are Class A Shares with a par value of \$10.00 in our share capital.

Dividends are distributed quarterly, with the balance for each year paid out by March 30 of the following year. Dividends may be reinvested, or they may be paid out in cash.

Requests for share retraction must be received by July 1 to qualify for participation in the annual share retractions to be processed on October 1. The Company is obligated to redeem up to 10% of the total opening share capital each year, if requested.

The following excerpt from the Issuer's Articles provides comprehensive details of the terms of these securities:

Part 27 Special Rights and Restrictions.

27.1 Voting Rights

(1) The holders of the Common Shares shall be entitled to receive notice of and to attend and to vote at all meetings of the shareholders of the Company and are entitled to one vote for each Common Share held.

(2) The holders of the Class A Preferred Shares shall not be entitled to receive notice of or attend any general meeting of shareholders of the Company and, if in attendance, will not be entitled to vote at those meetings, except as hereinafter specifically provided.

27.2 Dividends

- (1) The holders of Common Shares will not be entitled to receive any dividends, and no dividends shall at any time be declared or paid on or set apart for payment on the Common Shares so long as any Class A Preferred Shares are issued and outstanding.
- (2) The holders of the Class A Preferred Shares shall be entitled to receive, and the Company shall pay thereon, as and when declared by the directors of the Company out of the monies of the Company properly applicable to the payment of dividends, quarterly on the last day of March, June, September and December in each fiscal year of the Company, all of the monies of the Company then held by the Company properly applicable to the payment of dividends.
- (3) In the event that the Company fails to pay, in any period of two consecutive calendar years, eight consecutive quarterly dividends on the Class A Preferred Shares on the dates on which the same should be paid according to the provisions hereof, whether or not such dividends have been declared and whether or not there are monies of the Company properly applicable to the payment of dividends, then, after a period of 90 days following the end of such second calendar year, if such dividends have not then been fully paid, the holders of the Class A Preferred Shares shall be entitled to receive notice of and to attend and to vote at all general meetings of the Company and to have one vote in respect of each Class A Preferred Share held.

27.3 Distribution or Winding Up

In the event of the liquidation, dissolution or winding up of the Company or other distribution of the property and assets of the Company among its shareholders for the purpose of winding up its affairs, all assets and property of the Company available for distribution will be paid or distributed in the following amounts and order of priority:

- (1) the holders of the Class A Preferred Shares shall be entitled to receive an amount per share equal to the amount paid up thereon, together with all then declared and unpaid dividends thereon;
- (2) the holders of the Common Shares shall be entitled to receive an amount per share equal to the amount paid up thereon;
- (3) each holder of Common Shares and each holder of Class A Preferred Shares shall be entitled to receive that fraction of the remaining amount available for distribution, the numerator of which is the amount paid up on such Common Shares or Class A Preferred Shares, as the case may be, and the denominator of which is the amount paid up on all of the then issued Common Shares and Class A Preferred Shares.

27.4 Purchase for Cancellation

The Company may at any time purchase for cancellation the whole or any part of the then issued and outstanding Common Shares or Class A Preferred Shares by invitation for tenders addressed to all the holders of record of the shares outstanding of such class of shares or by private contract at the lowest price at which, in the opinion of the directors of the Company, such shares are obtainable, but not exceeding, in the case of Class A Preferred Shares, a price per share equal to the then applicable Class A Redemption Price (as hereinafter defined) therefor. If in response to an invitation for tenders with respect to Common Shares or Class A Preferred Shares under the provisions of this subsection, more of such shares are tendered at the lowest price which the Company is willing to pay, the shares to be purchased by the Company shall be purchased from holders tendering at the same price as nearly as may be possible, pro rata according to the number of shares tendered by each holder who submits a tender to the Company, provided that when shares are tendered at different prices, the prorating shall be effected only with respect to the shares tendered at the price at which more shares were tendered than the Company is prepared to purchase after the Company has purchased all the shares tendered at lower prices.

27.5 Right of Redemption by the Company

The shares of the Company have the following special rights and restrictions with respect to redemption by the Company:

- (1) the Common Shares are not redeemable;
- (2) the Class A Preferred Shares are redeemable; and
- (3) subject to the provisions of the Business Corporations Act, the Company may, upon giving notice as hereinafter provided, redeem at any time the whole or, from time to time, any part of the issued Class A Preferred Shares as the directors of the Company may specify, on payment for each share to be redeemed the Class A Redemption Amount (as hereinafter defined) together with all declared and unpaid dividends thereon (collectively, the "Class A Redemption Price"), and the following provisions shall apply to such redemption:
 - (a) in the case of any redemption of Class A Preferred Shares pursuant to the provisions of Article 27.5(3) hereof, the Company shall give to each person who, at the date of mailing, is a registered holder of Class A Preferred Shares to be redeemed, a notice in writing (the "Redemption Notice") of the intention of the Company to redeem such shares, at least 30 days before the date specified therein for redemption (the "Redemption Date"), which shall only be on the first day of any quarter of any fiscal year of the Company following the giving of the Redemption Notice and taking into account the notice period therein provided;

(b) the Redemption Notice shall be forwarded by registered, certified or first class mail, postage prepaid, addressed to each such shareholder at such shareholder's address as it appears on the books of the Company, or, in the event no address is contained in the books of the Company, then to the last known address of such shareholder; provided however, that accidental failure or omission to give such Redemption Notice to one or more of such shareholders shall not affect the validity of such redemption. The Redemption Notice shall set out the Class A Redemption Price and the Redemption Date in respect of the Class A Preferred Shares to be redeemed, and if only part of the Class A Preferred Shares held by the person to whom it is addressed is to be redeemed, the number thereof to be redeemed;

(c) on the Redemption Date, the Company shall pay or cause to be paid to or to the order of the registered holders of the Class A Preferred Shares to be redeemed the Class A Redemption Price therefor on presentation and surrender, at the registered office of the Company or any other place or places designated in the Redemption Notice, of the certificate(s) for the Class A Preferred Shares called for redemption, and such Class A Preferred Shares shall thereupon be and be deemed to be redeemed. If only part of the Class A Preferred Shares represented by any certificate are redeemed, a new certificate for the balance shall be issued to the holder thereof at the expense of the Company. Payment for the Class A Preferred Shares to be redeemed shall be made by cheque payable to the holder(s) thereof at par at any branch of the Company's bankers for the time being in Canada. Such cheque shall satisfy and discharge all liability of the Company for the Class A Preferred Shares being redeemed to the extent of the amount represented thereby, unless such cheque is not paid or due on presentation; and

(d) from and after the Redemption Date, the Class A Preferred Shares called for redemption shall cease to be entitled to dividends, and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the Class A Redemption Price therefor shall not be made upon presentation and surrender of certificate(s) in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected. The Company shall have the right at any time after the date of the mailing of the Redemption Notice to deposit the Class A Redemption Price payable for the Class A Preferred Shares called for redemption or of such of the Class A Preferred Shares which are represented by certificate(s) which have not, at the date of such deposit, been surrendered by the holders thereof in connection with such redemption to a special account maintained by the Company with a chartered bank or trust company in Canada designated by the Company in the Redemption Notice (the "Trustee") to be paid without interest to or to the order of the respective holders of such Class A Preferred Shares called from redemption upon presentation and surrender to the Trustee of the certificates representing the same. Upon such deposit being made, the Class A Preferred Shares in respect of which such deposit shall have been made shall be and be deemed to be redeemed, and all rights of the holders thereof after such deposit shall be limited to receiving without interest their proportionate share of the total Redemption Price so deposited upon presentation and surrender of the certificate(s) representing the Class A Preferred Shares to be redeemed. Any interest earned on any such deposit shall belong to the Company.

27.6 Redemption Amount

The redemption amount of each Class A Preferred Share (the "Class A Redemption Amount") on the date that such Class A Preferred Share is redeemed by the Company in accordance with the provisions of Article 27.5 or Article 27.7 hereof shall be the issue price of such Class A Preferred Share less that fraction, the numerator of which is the amount paid up on such Class A Preferred Share and the denominator of which is the amount paid up on all of the issued Common Shares and Class A Preferred Shares, of the pre tax deficit of the Company, if any, for the fiscal year of the Company immediately preceding the fiscal year of the Company in which the Redemption Date occurs, which pre-tax deficit is determined in accordance with generally accepted accounting principles consistently applied.

27.7 Rights of Retraction by the Shareholders

The shares of the Company have the following special rights and restrictions with respect to their retraction by a holder thereof:

(1) the Common Shares are not retractable by the holders thereof;

(2) the Class A Preferred Shares are retractable by the holders thereof;

(3) subject to the provisions of the Business Corporations Act, any holder of Class A Preferred Shares may, at such holder's option and in the manner hereinafter provided, require the Company to redeem, at any time, the whole or, from time to time, all or any part of the Class A Preferred Shares held by such holder upon payment of the Class A Redemption Price for each share to be redeemed (the "Class A Retraction Price") and the following provisions shall apply to such redemption:

(a) if any holder of Class A Preferred Shares wishes the Company to redeem all or any part of such Class A Preferred Shares, such holder shall, at least 3 months before the date specified for redemption in accordance with paragraph (4) below (the "Retraction Date"), give to the Company at its registered office written notice (the "Retraction Notice") of such holder's desire for the Company to redeem such Class A Preferred Shares;

(b) the Retraction Notice shall set out the Retraction Date in respect of the Class A Preferred Shares to be redeemed and the number of shares to be redeemed. On the Retraction Date, the Company shall pay or cause to be paid to or to the order of the registered holders of the Class A Preferred Shares to be redeemed the Class A Retraction Price therefor on presentation and surrender, at the registered office of the Company, of the certificate or certificates representing the

Class A Preferred Shares to be redeemed. Payment for the Class A Preferred Shares to be redeemed shall be made by cheque payable to the holder(s) thereof at par at any branch of the Company's bankers for the time being in Canada. Such cheque shall satisfy and discharge all liability of the Company for the Class A Retraction Price payable for such Class A Preferred Shares to the extent of the amount represented thereby, unless such cheque is not paid on due presentation; and

(c) the Class A Preferred Shares redeemed shall, from and after the Retraction Date, cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of holders in respect thereof unless payment of the Class A Retraction Price therefor shall not be made upon presentation and surrender of certificate(s) in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected. If a holder of Class A Preferred Shares gives a Retraction Notice to the Company pursuant to the provisions hereof but fails to present the certificate(s) representing such holder's Class A Preferred Shares to be redeemed on the Retraction Date, the Company shall have the right to proceed with the redemption, notwithstanding such failure. If the Company elects to so proceed, the Company shall deposit the Class A Retraction Price payable for the Class A Preferred Shares to be redeemed in a special account maintained by the Company with a chartered bank or trust company in Canada (the "Trustee") to be paid by the Company, without interest to or to the order of the holder of such Class A Preferred Shares upon presentation and surrender to the Trustee of the certificate(s) representing such Class A Preferred Shares to be redeemed. Upon such deposit being made, the Class A Preferred Shares in respect of which such deposit shall have been made shall be deemed to be redeemed and all rights of the holder thereof after such deposit shall be limited to receiving, without interest, the amount so deposited upon presentation and surrender to the Trustee of the certificate(s) representing the Class A Preferred Shares to be redeemed. Any interest on any such deposit shall belong to the Company. If the assets of the Company are not sufficient, at any time, to redeem all Class A Preferred Shares or any of them in respect of which the Company has then received demands for redemption without causing a breach of applicable law, the redemption of such shares shall be made pro rata in proportion to the number of shares specified in such demands;

(4) the Retraction Date in respect of the retraction of any Class A Preferred Shares in any fiscal year of the Company under Article 27.7(3) shall only be October 1 of such year;

(5) the Company shall not be obliged to redeem in any fiscal year of the Company any Class A Preferred Shares subject to a Retraction Notice providing for the redemption thereof in such fiscal year:

(a) which, together with any other Class A Preferred Shares subject to a Retraction Notice providing for the redemption thereof in such fiscal year, constitute more than 10% of the Class A Preferred Shares issued and outstanding on the first day of the fiscal year of the Company in which the Retraction Notice is given to the Company or in accordance with Article 27.7(3)(a);

(b) if, as a result of such redemption of Class A Preferred Shares, the Company would cease to qualify as a mortgage investment corporation under the Income Tax Act (Canada); or

(c) if such redemption of Class A Preferred Shares would not be in the best interests of the Company as determined by the directors of the Company in their sole discretion;

(6) in the event that the Company receives Retraction Notices, in accordance with the provisions of Article 27.7(3), requesting the Company to redeem in any fiscal year of the Company more than that number of Class A Preferred Shares equal to 10% of the Class A Preferred Shares issued and outstanding on the first day of such fiscal year (the "10% Limit Shares"), the Company shall, if the Company determines that it will redeem only the 10% Limit Shares, redeem such Class A Preferred Shares in respect of which Retraction Notices have been received by the Company, on a pro rata basis, disregarding fractions, according to the number of Class A Preferred Shares held by each holder requesting redemption thereof, such that the Company shall not, in the aggregate, redeem more than that number of such Class A Preferred Shares equal to the 10% Limit. The Company shall have no obligation to redeem, in any subsequent fiscal year of the Company, any of such Class A Preferred Shares not so redeemed in the fiscal year of the Company requested by the holders thereof pursuant to Retraction Notices given by the holders under Article 27.7(3) as aforesaid.

27.8 Restrictions on Protective Provisions

(1) No Class of shares of the Company may be created ranking as to return of capital or as to dividends in priority to or on a parity with the Class A Preferred Shares, nor shall the authorized number of any class of shares of the Company be increased, without, in each case, the approval of the holders of such shares given in the manner provided in paragraph (2) below, in addition to any other approval thereto required by the Business Corporations Act.

(2) The approval of the holders of shares of any class of shares of the Company as to any of the matters in paragraph (1) above, which require such approval, may be given in writing by one or more instruments signed by the holders of all of the shares of such class of shares or may be given by a resolution passed approving such matter by at least 66⅔% of the votes cast at a meeting of the holders of shares of such class of shares duly called for that purpose and held upon not less than 21 days' written notice. If at any such meeting a quorum, as provided in the Articles of the Company, of the holders of the issued and outstanding shares of such class of shares are not present or represented by proxy within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to such date being not less than 14 days later, and to such time and place as may be appointed by the chairman of the meeting, and not less than 7 days' written notice shall be given of such adjourned meeting, but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called. At such adjourned meeting, the holders of shares of such class of shares present or represented by proxy may transact the business for which the meeting was originally convened, and

a resolution passed thereat by the affirmative votes of the holders of not less than 66⅔% of the shares of such class of shares present or represented by proxy at such adjourned meeting shall constitute the approval of the holders of shares of such class of shares to the relevant matter. The formalities to be observed with respect to the giving of notice of any such meeting or any adjourned meeting and the conduct thereof shall be those from time to time prescribed by the Business Corporations Act and by the Articles of the Company with respect to meetings of shareholders. On every poll taken at every such meeting or adjourned meeting every holder of shares of the relevant class of shares shall be entitled to one vote in respect of each such share held.

(3) The holders of shares of any class of shares of the Company shall not be entitled as of right to subscribe for or purchase or receive any part of any issue of shares or of bonds, debentures or other securities of the Company now or hereafter issued.

5.2 SUBSCRIPTION PROCEDURE

Subscribers must be resident in the Province of British Columbia and acknowledge having received and read a copy of this Offering Memorandum.

Investors wishing to subscribe for Shares must complete a subscription agreement in the form attached as Schedule "A" and deliver, or cause to be delivered, same to the Manager, together with a cheque payable to "Cove Mortgage in Trust" for the full subscription amount.

The subscriber should carefully review the terms of the Subscription Agreement provided herewith for more detailed information concerning the rights and obligations of the Preferred Shareholder and the Issuer. The prospective subscriber should consult with their own professional advisors respecting this instrument See Item 8 – "Risk Factors". Execution and delivery of the Subscription Agreement will bind the subscriber to the terms thereof, whether executed by them or by an agent on their behalf.

The Manager will hold the subscription monies in trust for at least two days pending closing. See item 11 – "Investors' Rights". No interest will be paid or accrued for the benefit of the subscriber for Shares on any portion of the aggregate subscription price held prior closing.

Subscriptions received will be subject to rejection or allotment by the Issuer in whole or in part in its sole discretion. The Issuer is not obliged to accept any subscription. If any subscription is not accepted, the Issuer will promptly return to the subscriber the Subscription Agreement and the subscription funds without interest or deduction. Confirmation of acceptance of a subscription will be forwarded to the subscriber by the Issuer. If accepted, the Issuer will deliver to the subscriber confirmation of completion. Original share certificates are kept at the registered and records office, except on trustee requirement.

5.3 DIVIDEND REINVESTMENT PLAN

The Issuer, subject to maintaining the status of the Issuer as a "MIC " under the Income Tax Act and applicable securities laws, provides a dividend reinvestment and Share purchase plan (the "DRIP "). Under the DRIP, Shareholders may reinvest dividends in additional Shares of the Issuer.

Dividends are calculated, paid and credited to Shareholder's account on a quarterly basis. The payment of a dividend, and the declaration, record and payment dates applicable to it are determined by the Board of Directors in its sole discretion.

Annually, under the DRIP, the aggregate balance of dividends credited to the Shareholder's account is used to purchase additional Shares on behalf of the Shareholder.

Shares are purchased at \$10.00 per Share. No fractional Shares will be issued by the Issuer under the DRIP. Balances of reinvested dividends less than \$10.00 remain credited to the Shareholder's account.

Quarterly statements sent to Shareholders will show the Shares purchased under the DRIP.

Participation in the DRIP may be terminated by a Shareholder at any time by giving written notice to the Issuer prior to the end of any quarter.

Neither the Issuer nor the Manager is liable for any act undertaken or omitted in good faith. Neither the Issuer nor the Manager can assure a profit or protect any Shareholder against a loss relating to Shares acquired or to be acquired under the DRIP.

The Issuer reserves the right to amend, suspend or terminate the DRIP at any time. In the event of any such occurrence, the Issuer will give reasonable notice in writing to all Shareholders. The Issuer and the Manager may make rules and regulations consistent with the terms of the DRIP in order to improve the administration of the DRIP.

The reinvestment of dividends does not relieve a Shareholder of liability for tax on those dividends. Shareholders who intend to participate in the DRIP should consult their tax advisers about the tax consequences which will result from their participation in the DRIP.

ITEM 6. INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY

The following information has been provided by Concert CPA, the Corporation's Accountant.

The following is a summary of the principal Canadian federal income consequences of acquiring, holding and disposing of the Preferred Shares by a subscriber who at all relevant times: (i) is a resident of Canada; (ii) deals with the Company at arm's length; and (iii) who acquires and holds the Preferred Shares as capital property. Subscribers to whom the Preferred Shares might not constitute capital property may elect, in certain circumstances, to have such property treated as capital property by making the election permitted by s. 39(4) of the Tax Act. **Shareholders should consult their own tax advisors for advice as to whether an election under subsection 39(4) of the Tax Act is available and/or advisable in their particular circumstances.**

This summary is not applicable to an investor: (i) that is a "specified financial institution"; (ii) an interest in which is a "tax shelter investment"; (iii) that is a "financial institution" (as defined in the Tax Act for purposes of the mark-to-market rules); (iv) that reports its "Canadian tax results" in a currency other than Canadian currency; or (v) that enters into a "derivative forward agreement" or a "synthetic disposition arrangement" in respect of Shares, each as defined in the Tax Act. **Such investors should consult their own tax advisors.**

This summary is based upon the facts set out in this Offering Memorandum, the current provisions of the Tax Act and the regulations thereunder, all specific proposals (the "Tax Proposals") to amend the Tax Act and the regulations there under 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 ("CRA"). 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 professional advisors to obtain advice on the income tax consequences that apply to you including regarding the income tax consequences of you of acquiring holding and disposing of the Preferred Shares including the application and effect of the income and other tax laws of any country, province, state or local tax authority.**

This summary is based on the assumption that the Company meets certain conditions that are imposed by the Tax Act on the Company in order for the Company to qualify as a MIC hereunder. These conditions will generally be satisfied if, throughout a taxation year of the Company:

- (a) The Company was a Canadian corporation as defined in the Tax Act;
- (b) The Company's only undertaking was the investing of funds and it did not manage or develop any real property;
- (c) No debts were owed to the Company by non-residents unless such debts are secured on real property situated in Canada;
- (d) The Company did not own shares of non-resident corporations;
- (e) The Company did not hold real property located outside of Canada;
- (f) The Company did not loan funds where the security for such loans is real property located outside of Canada;
- (g) 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 of the cost amount to it of all of its property,
- (h) 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;
 - (i) The Company had at least 20 shareholders (in its first taxation year the Company must have at least 10 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,
 - (j) Holders of Preferred 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 Common Shares to participate *pari passu* with the holders of common shares in any further payment of dividends; and,
 - (k) 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 Properties is less than $2/3$ 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 equaled or exceeded $2/3$ 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 continue to qualify as a MIC at all relevant times. If the Company were not to qualify as a MIC, 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 MIC is deemed to be a public corporation, the Company can pay no capital dividends. However, a MIC may declare a capital gains dividend in an amount equal to the gross amount of its capital gains and is entitled to deduct a portion of such dividend from its taxable income. 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 shareholders' 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, 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

Taxable dividends, except capital gains dividends, received by a shareholder of the Company are taxable in the hands of (whether paid in cash or reinvested in Shares) the shareholder as interest payable on a bond issued by the Company and not as dividends. The Company intends to make the appropriate election such that capital gains dividends received by a shareholder (whether paid in cash or reinvested in Shares) will be treated as capital gains of the shareholder, one half of which must be included as a "taxable capital gain" in computing the shareholder's taxable income.

The normal gross up and dividend tax credit rules will not apply to dividends paid by the Company to shareholders who are individuals and trusts. Shareholders that are corporations will not be entitled to deduct the amount of dividends paid by the Company from their taxable income. Similarly, the provisions of Part IV of the Tax Act will not be applicable to the receipt of ordinary dividends by a shareholder that is a corporation. A shareholder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax on certain investment income, including amounts in respect of dividends included in income as interest, as described above, and taxable capital gains.

Dispositions

On a disposition of Shares to the Company, a shareholder will generally be deemed to have received, and the Company will be deemed to have paid, a dividend in an amount equal to the amount by which the price paid by the Company exceeds the paid-up capital of the purchased Shares. This deemed dividend will be treated in the same manner as other dividends received by the shareholder from the Company (i.e., as interest income or a capital gain depending on whether the Company elects that the entire dividend be a capital gains dividend). The balance of the purchase price, if any, will constitute proceeds of disposition of the Shares for purposes of the capital gains rules, as described below.

On the disposition or deemed disposition of a Share by a shareholder, the shareholder will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition in respect of such Share, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Share to the shareholder. A shareholder's proceeds of disposition will not include an amount payable by the Company on the Share that is otherwise required to be included in the shareholder's income.

The cost to a shareholder of Shares acquired pursuant to this offering will equal the purchase price of the Shares plus the amount of any other reasonable costs incurred in connection therewith. This cost will be averaged with the cost of all other shares held by the shareholder to determine the adjusted cost base of each share. The amount of a dividend reinvested in additional shares will be the cost amount of such shares.

Generally, a shareholder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "taxable capital gain") realized in the year. Subject to and in accordance with the provisions of the Tax Act, a shareholder is required to deduct one-half of the amount of any capital loss (an "allowable capital loss") realized in a taxation year from taxable capital gains realized by the shareholder in the year and allowable capital losses in excess of taxable capital gains for the year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years.

A shareholder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax on certain investment income, including taxable capital gains.

Alternative Minimum Tax

In general terms, capital gains dividends, paid or payable, or deemed to be paid or payable, to a shareholder who is an individual or trust (other than certain specified trusts), and capital gains realized on the disposition of Shares by such shareholder, may increase the shareholder's liability for alternative minimum tax.

Eligibility for Investment by Registered Plans

The Shares will be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan ("RRSP"), registered retirement income fund ("RRIF"), tax-free saving account ("TFSA"), registered educational savings plan ("RESP"), registered disability savings plan ("RDSP") or deferred profit sharing plan (collectively, "Registered Plans") at a particular time provided that the Company qualifies as a MIC throughout a taxation year and further provided that at any time in the relevant calendar year, the Company does not hold any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer, or a subscriber under, or a holder of, the particular Registered Plan, or of any other person who does not deal at arm's length with that person for the purposes of the Tax Act.

Notwithstanding that the Shares may be a qualified investment for a TFSA, RDSP, RRSP, RRIF or RESP, the holder of a TFSA or RDSP, the annuitant of a RRSP or RRIF or the subscriber of a RESP, as the case may be, which acquires Shares will be subject to a penalty tax under the Tax Act if such Shares are a "prohibited investment" (within the meaning of the Tax Act) for the particular TFSA, RDSP, RRSP, RRIF or RESP. Shares will not be a prohibited investment for a TFSA, RDSP, RRSP, RRIF or RESP provided the holder of the TFSA or RDSP, the annuitant of the RRSP or RRIF or the subscriber of a RESP, as applicable, deals at arm's length with the Company for purposes of the Tax Act and does not have a "significant interest" (within the meaning of the Tax Act) in the Company. A "significant interest" of a shareholder of the Company generally means ownership by the shareholder, either alone or together with persons with which the shareholder does not deal at arm's length for purposes of the Tax Act, of 10% or more of the issued shares of any class of the capital stock of the Company. In addition, the Shares will not be a prohibited investment if they are "excluded property" as defined in the Tax Act for the applicable TFSA, RDSP, RRSP, RRIF or RESP. Prospective investors who intend to hold Shares in a Registered Plan should consult with their own tax advisors regarding the application of the prohibited investment rules in the Tax Act having regard to their particular circumstances.

Taxation of Registered Plans

Dividends received by a Registered Plan on Shares that are a qualified investment for the Registered Plan will be exempt from income tax in the Registered Plan, as will capital gains realized by the Registered Plan on the disposition of such shares. Other than withdrawals from a TFSA and certain withdrawals from a RDSP or RESP, withdrawals from Registered Plans are generally subject to tax under the Tax Act.

The Company is making the foregoing tax disclosure, but it makes no other warranties or representations, implied or otherwise, with respect to the taxation issues.

ITEM 7. COMPENSATION PAID TO SELLERS AND FINDERS

The Issuer may pay commissions to exempt market dealers (EMDs) for the sale of Shares under this Offering. It is expected that 1.5% of gross proceeds will be paid in cash to arm's length EMDs.

ITEM 8. RISK FACTORS

This is a speculative offering. The purchase of Shares involves a number of risk factors and is suitable only for investors who are aware of the risks inherent in the real estate industry and who have the ability and willingness to accept the risk of loss of their invested capital and who have no immediate need for liquidity. There is no assurance of any return on an investor's investment.

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

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

8.1 INVESTMENT RISK

Risks that are specific to the Shares being offered under this offering include the following:

Speculative Nature of Investment - This is a speculative offering. The purchase of Shares involves a number of significant risk factors and is suitable only for investors who are aware of the risks inherent in mortgage investments and the real estate industry and who have the ability and willingness to accept the risk of the total loss of their invested capital and who have no immediate need for liquidity.

Return on Investment - There is no assurance that sufficient revenue will be generated by the Issuer from which dividends can be declared by the directors and paid to the investors.

No Guaranteed Dividends - The dividends in which the investors are entitled to participate are not cumulative and will not be paid unless such dividends have been declared by the directors. The directors have the sole discretion as to whether or not any such dividends are declared. Therefore, there is no guarantee that dividends payable to shareholders will be declared.

No Review by Regulatory Authorities - This Offering Memorandum constitutes a private offering of the Shares by the Issuer only in those jurisdictions where and to those persons to whom, they may be lawfully offered for sale under exemptions in applicable securities legislation. This Offering Memorandum is not, and under no circumstances is to be construed as a prospectus, advertisement or public offering of these Shares. Subscribers to this Offering Memorandum will not have the benefit of a review of the material by any regulatory authority.

The Office of the Registrar of Mortgage Brokers at the BC Financial Services Authority ("BCFSA") regulates the mortgage brokering and lending activities of the Issuer in British Columbia under the Mortgage Brokers Act (British Columbia). BCFSA and the Mortgage Brokers Act (British Columbia) do not regulate the capital raising and investment marketing activities of the Issuer, which are subject to applicable securities laws.

Changes in Regulatory Regime - There can be no assurances that certain laws applicable to the Issuer, including, without limitation, mortgage brokerage laws and securities laws, will not change in a manner that will adversely affect the Issuer.

Restrictions on the Transfer or Assignment of Shares - The Shares cannot be transferred or assigned, unless such transfer or assignment is approved by the directors and is in compliance with applicable securities laws. The Shares are subject to resale restrictions under applicable securities legislation. See Item 10 - Resale Restrictions. However, Shares are retractable in certain circumstances. See Item 5.1 – Terms of Securities.

No Market for Shares - There is no market through which the Shares may be sold, and the Issuer does not expect that any market will develop pursuant to this offering or in the future. Accordingly, an investment in Shares should only be considered by investors who do not require liquidity.

Risks Relating to the Redemption of Shares – The Shares are redeemable, meaning that investors have the right to require the Issuer to redeem them, upon appropriate advance notice from the investor to the Issuer. See Item 5.1 – Terms of Securities.

The Issuer provides no assurance that any Shareholder will be able to redeem any or all of their Shares at any time. Redemption of the Shares is subject to the Issuer having access to sufficient excess cash, or other liquid assets, and being in compliance with applicable corporate and securities legislation, and is subject to the terms of the Issuer's articles as described in this Offering Memorandum, all as determined solely by the Board of Directors. Redemption of Shares is also subject to the Issuer's compliance with its covenants under the Credit Facility and the requirement of the Board of Directors to act in the best interests of the Issuer.

The Issuer may suspend your right to redeem your Shares for a number of reasons including, for example, if the redemption would cause the Issuer to have a working capital deficiency or it would cause the Issuer to fail to qualify as MIC under the Income Tax Act. See 5.1 – Terms of Securities – Rights of Retraction by the Shareholders.

As described under "Redemption Amount", the Redemption Amount payable to a redeeming Shareholder is expected to be an amount equal to the amount paid by the Shareholder for the Shares to be redeemed together with all dividends declared thereon and unpaid as at the Redemption Date. In certain extraordinary circumstances, where the value of the mortgage loans in the mortgage portfolio exceeds the value of the properties that the Issuer can realize upon the disposition of the underlying property or mortgage loan, the fair value of the Shares could be below \$10 (the amount paid by the Shareholder for the Shares under the Offering). The Redemption Amount paid to redeeming Shareholders may be more or less than the fair value of the Shares. Where the fair value of the Shares is less than the corresponding Redemption Amount, the net assets available to non-redeeming Shareholders will be decreased disproportionately to the benefit of the redeeming Shareholders. Where the fair value of the Shares is more than the corresponding Redemption Amount, redeeming Shareholders will be paid an amount less than the fair value of their Shares. In such circumstances, the Issuer will retain such additional value and the net assets available to non-redeeming Shareholders will be increased.

The determination of the fair value of the Shares requires the Manager to make judgments, assumptions and estimates that could affect the Redemption Amount received by a Shareholder. To the extent that critical estimates, assumptions and judgments are inaccurate, and given that mortgage portfolio values are calculated for Redemption Amount purposes annually on a lagging basis, the Redemption Amount may be overstated. There is a risk that redeeming Shareholders might, in effect, be overpaid if the actual fair value is lower than the Redemption Amount. The Issuer does not intend to adjust any Redemption Amount retroactively.

Absence of Management Rights – The Shares being sold under this offering do not carry voting rights, and consequently an investor's investment in Shares does not carry with it any right to take part in the control or management of the Issuer's business, including the election of directors.

In assessing the risks and rewards of an investment in Shares, potential investors should appreciate that they are relying solely on the good faith, judgment and ability of the directors, officers and employees of the Issuer and the Manager to make appropriate decisions with respect to the management of the Issuer, and that they will be bound by the decisions of the Issuer's and the Manager's directors, officers and employees. It would be inappropriate for investors unwilling to rely on these individuals to this extent to purchase Shares.

Lack of Separate Legal Counsel – The investors, as a group, have not been represented by separate counsel. Neither counsel for the Issuer nor counsel for the Manager purport to have acted for the investors nor to have conducted any investigation or review on their behalf.

8.2 ISSUER RISK

Risks that are specific to the Issuer include the following:

Financial Risk – Asset risk is the possibility of devaluation of the Issuer's securities (its assets), real estate and otherwise. This is a market condition variable that cannot be controlled by the Issuer. Interest rate risk is the possibility of an adverse mismatch between the Issuer's cost of borrowing and the amount of interest it receives on its mortgage investments.

Higher Risk Loans – The Issuer will undertake higher risk loans than many conventional lenders such as banks and as a result, there is a greater risk of default. Although the Issuer performs due diligence with respect to each loan and attempts to reduce risk by diversification of its portfolio, defaults on significant loans may affect the dividends payable to shareholders.

The Issuer does its best to avoid unreasonable concentration of mortgage funds in a particular borrower or group of related borrowers, concentration in a particular locale or community, and concentration in a particular property type. See Item 2.2 – “Our Business”.

MIC Tax Designation - The directors of the Issuer use their best efforts to ensure the Issuer qualifies at all times as a MIC pursuant to the Income Tax Act. To that end, the directors have the discretion to reject any applications for participation in the DRIP or share subscriptions, transfers, redemptions or retractions where, in the view of the directors, such acts would result in the Issuer failing to meet the requirements of a MIC under the Income Tax Act.

As an Issuer qualified as a MIC, the Issuer may deduct taxable dividends it pays from its income and the normal gross up and dividend tax credit rules will not apply to dividends paid by the Issuer on the Shares. Rather, the dividends will be taxable in the hands of Shareholders as if they had received an interest payment on a bond issued by the Issuer. If for any reason the Issuer fails to maintain its MIC qualification in a particular year, the dividends paid by the Issuer on the Shares would cease to be deductible from the income of the Issuer for that year and the dividends it pays on the Shares would be subject to the normal gross up and dividend tax credit rules to the extent applicable. In addition, the Shares might cease to be qualified investments for trusts governed by RRSPs, RRIAs, deferred profit-sharing plans, RESPs, RDSPs and TFSA, with the effect that a penalty tax would be payable by the investor.

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

Reliance on the Manager - In accordance with the terms of the Management Agreement, the Manager has significant responsibility for assisting the Issuer in conducting its affairs. Any inability of the Manager to perform competently or on a timely basis could negatively affect the Issuer. The Issuer is exposed to adverse developments in the business and affairs of the Manager and to its management and financial strength.

Key Personnel - The operations of the Issuer and the Manager are highly dependent upon the continued support and participation of their key personnel. The loss of their services may materially affect the timing or the ability of the Issuer to implement its business plan.

The Manager’s management team consists of several key personnel. In order to manage the Issuer successfully in the future it may be necessary to further strengthen its management team. The competition for such key personnel is intense, and there can be no assurance of success in attracting, retaining, or motivating such individuals. Failure in this regard would likely have a material adverse effect on the Issuer’s business, financial condition, and results of operations.

Ability to Manage Growth - In order to grow the mortgage portfolio, the Manager and the Issuer may need to retain additional staff and may be required to improve existing systems and controls. There is no assurance that the Issuer will manage its growth effectively or that the Manager will adjust its staffing or systems and controls appropriately. To the extent that the Issuer or the Manager does not do so, the mortgage portfolio and the returns of the Issuer may be negatively affected.

Use of Leverage - The Issuer has the option to incur indebtedness secured by the Issuer’s assets to purchase or make mortgage investments, but the Canadian financial marketplace has a limited number of financial institutions that provide credit to entities such as the Issuer, and credit is typically offered only under demand loan terms. There can be no assurance such a strategy will enhance returns, and in fact, use of this strategy could adversely affect returns. Use of leverage through borrowing (and the assignment of mortgages as collateral) can also expose the Issuer to additional losses of capital. In the event of a wind-up of the Issuer, the indebtedness incurred by the Issuer will rank in priority to the outstanding Shares. See Item 2.7.1 – “Credit Facility Agreement with Royal Bank of Canada”.

Conflicts of Interest - The Issuer may be subject to various potential conflicts because of the fact that senior officers of the Manager are engaged in a wide range of mortgage investment activities and the Issuer will enter into certain transactions with non-arm’s length parties.

The Issuer’s officers, directors, or Shareholders and its affiliates and associates are not limited or affected in their ability to carry on other business ventures for their own account, or for the account of others, and may be engaged in the development of, investment in, or management of businesses that may compete with the business of the Issuer. The Issuer has not entered into any non-competition agreements with any of its directors or officers. Accordingly, any one or more of the directors and officers of the Issuer may compete with or otherwise have a conflict of interest in carrying out its obligations to the Issuer.

The Manager’s services are not exclusive to the Issuer and the Manager may provide services to other clients. The Manager is not in any way limited or affected in its ability to carry on business ventures for its own account and for the account of others and may be engaged in the ownership, acquisition and operation of businesses, which compete with the Issuer. In

addition, the Manager may establish in the future other investment vehicles which have or may have investment objectives that are the same as or similar to those of the Issuer and may act as adviser or manager to such vehicles.

There is no assurance that any conflicts of interest that may arise will be resolved in a manner favorable to investors. Persons considering a purchase of Shares pursuant to this offering must rely on the judgment and good faith of the directors, officers and employees of the Manager and the Issuer in resolving such conflicts of interest as may arise.

The Issuer and Manager are affiliates and negotiations between them have not been, and will not be, conducted at arm's length. Therefore, the Issuer may be subject to various conflicts of interest arising from its relationship with the Manager. The risk exists that such conflicts will not be resolved in the best interests of the Issuer or its shareholders. However, the Manager will make any decision involving the Issuer honestly and in good faith.

Cyber Security Risk - The Issuer's and its service providers' use of internet, technology, and information systems may expose the Issuer to potential risks linked to cyber security breaches of those technological or information systems. Cyber security breaches, amongst other things, could allow an unauthorized party to gain access to proprietary information, customer data, or assets, or cause the Issuer and/or its service providers to suffer data corruption or lose operational functionality.

8.3 INDUSTRY RISK

Prospective investors should take note of the following:

General Economic Risk (External Economic and Political Environment) - The Issuer cannot predict the real estate market's future values which may include declines in values. It is not possible for the Issuer to predict with any accuracy influences such as world affairs, global and local politics and economies, labour markets, environmental impacts, and unexpected local, regional or global events, such as the outbreak of infectious illnesses or other public health issues. These are unknowns and the Issuer makes no representations or warranties as to being an authority on these causes and effects.

General Risks of Real Estate Investments - Investments in real estate are subject to many risks, including those posed by the highly competitive nature of the real estate industry, changes in general or local conditions, changes in property values, increases in interest rates, the lack of available financing, increases in real estate tax rates and vacancy rates, overbuilding, changes in governmental regulations and monetary policies, and other factors that are beyond the control of the Issuer.

The real estate investment, including the mortgage investment, is generally large compared to other investments such as stocks, bonds, term deposits, GICs, and so forth. Being of considerable size, a real estate property investment or portfolio, generally speaking, is relatively less liquid than other investments. This may limit the Issuer's ability to vary its mortgage portfolio promptly in response to changing economic or investment conditions.

Real estate values are also subject to other costs that can change quickly and unpredictably, materially affecting value. Such costs may include property taxes, property insurance, property maintenance and management, strata corporation fees and other levies. Degree of demand for land to develop and build on and demand for finished real estate products will affect value and cannot be accurately anticipated.

Potential Liability under Environmental Protection Legislation - Environmental and ecological legislation has become increasingly important and onerous, and the amount of regulation and penalties for non-compliance is growing. This represents a risk to lenders as well as property owners and borrowers as it is possible that the liability for non-compliance can pass to the lender (the Issuer) if the property owner/borrower defaults in terms of environmental requirements. Under various laws it is possible that the Issuer could become liable for the costs of removal of toxic or hazardous substances and remediation of the subject property as well as neighboring property(s). Where the Issuer suspects possible environmental issues, the Issuer will complete environmental diligence including obtaining necessary professional environmental reports and clearances.

Higher Risk Covenant

The Issuer lends to persons who may not meet financing criteria for conventional mortgages from institutional sources. Reasons may include: self-employment, impaired credit, non-traditional income streams (rental, investment).

Default – In the event of default on a mortgage it may be necessary or prudent for the Issuer to engage in foreclosure proceedings. In such cases it is possible that the total amount recovered by the Issuer may be less than the total investment, resulting in a loss to the Issuer.

High Recovery Costs - There are many costs associated with default action and recovery against a borrower, not the least of which are legal and Court costs, receiver costs, payment of arrears of property taxes, insurance, strata fees and assessment, property upkeep, valuation costs, marketing costs and so forth. These costs associated with loan recovery can often be high and, particularly in a declining real estate market requiring a long hold and marketing period, can result in the property being sold for less than the Issuer's mortgage balance, resulting in a loss.

Litigation Risk - The Issuer may, from time to time, become involved in legal proceedings in the course of its business. The costs of litigation and settlement can be substantial and there is no assurance that such costs will be recovered in whole or at all. During litigation, the Issuer is not receiving payments of interest on a mortgage loan that is the subject of litigation, thereby impacting cash flows. The unfavourable resolution of any legal proceedings could have an adverse effect on the Issuer and its financial position and results of operations that could be material.

Mortgage Insurance and Property Insurance - The Issuer's mortgage loans will not usually be insured in whole or in part by default insurers such as Canadian Mortgage and Housing Corporation (CMHC). As well, there are certain inherent risks in the real estate industry, some of which the Issuer may not be able to insure against or which the Issuer may elect not to insure due to the cost of such insurance. The effect of these factors cannot be accurately predicted. The Issuer requires that property insurance be carried by the borrower on all property(s) securing the Issuer's mortgage. The risk is that the borrower may not obtain adequate insurance coverage or the right type of coverage or may not maintain the insurance in good standing, letting it lapse. To mitigate this risk the Issuer retains the right to maintain adequate insurance and apply the cost of premiums to its mortgage.

Yield - The yields on real estate investments, including mortgages, depend on many factors including economic conditions and prevailing interest rates, the level of risk assumed, conditions in the real estate industry, opportunities for other types of investments, legislation, governmental regulation and tax laws. The Issuer cannot predict the effect such factors will have on its operations.

Competition and Availability of Investments - The earnings of the Issuer depend on the Issuer's ability, with the assistance of the Manager, to locate suitable opportunities for the investment and reinvestment of the Issuer's funds and on the yields available from time to time on mortgages and other investments. The industry in which the Issuer operates is subject to a wide variety of competition from public and private businesses, many of whom have greater financial and technical resources than the Issuer. An inability to find suitable investments may have an adverse effect on the Issuer's ability to sustain the level of distributions.

Competitors may reduce the interest rates they charge, resulting in a reduction of the Issuer's share of the market, reduced interest rates on loans, and reduced profit margins.

Composition of the Mortgage Portfolio - As a result of mortgages paying out, the composition of the 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. The mortgage portfolio is currently highly concentrated in Metro Vancouver and the Victoria Capital Regional District. A lack of diversification may result in the Issuer being exposed to economic downturns or other events that have an adverse and disproportionate effect on particular types of security, industry or geography.

The mortgage portfolio is subject to the risks associated with fluctuations in or the volatility of individual real estate markets. The demand for homes in a market is affected by numerous factors, including, but not limited to, interest rates, mortgage rules, the supply of residential housing units, participation by foreign investors in the market and general economic conditions. These markets are subject to change, and there can be no assurance that demand for residential housing will not decline. A drop in the demand for, or increase in the supply of, housing could materially adversely affect the mortgage portfolio.

Fraudulent Activities - All MICs are subject to mortgage application fraud, including but not limited to falsified and/or altered credit bureau reports, proof of income, appraisals, identity, property ownership and use. Controls such as title insurance, underwriting criteria, due diligence procedures, and third-party realtor opinion are used to minimize such types of mortgage fraud. Notwithstanding such controls, there can be no guarantee that the Company will not be the victim of a mortgage fraud.

ITEM 9. REPORTING OBLIGATIONS

The Issuer intends to provide an annual report to all of its shareholders within a period of 120 days from the end of each fiscal period. The report shall set out a discussion and analysis of operations and results for the fiscal period in question

together with audited financial statements prepared by the Issuer's auditors consisting of a balance sheet, income statement and statement of changes in financial position. These financial statements shall be prepared in accordance with IFRS 9.

The Issuer will provide holders of preferred shares with quarterly account statements. Supporting information such as rates of return and portfolio distribution may also be included.

We are not required to send you any documents on an annual or ongoing basis.

ITEM 10. RESALE RESTRICTIONS

10.1 GENERAL STATEMENT

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

10.2 RESTRICTED PERIOD

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

The Issuer is not, and has no intention of becoming, a reporting issuer in any province or territory of Canada, and therefore the Shares will be subject to an indefinite hold period. The Shares may only be transferred under limited exemptions under applicable securities laws. There is no market in which the Shares can be transferred, and it is very unlikely that one will develop. An Investor is encouraged to seek independent advice from his legal advisors.

ITEM 11. PURCHASERS' RIGHTS

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

a) Two Day Cancellation Right

You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the securities.

b) Statutory Rights of Action in the Event of a Misrepresentation

If there is a misrepresentation in this offering memorandum, you have a statutory right to sue:

- i. CMIC Mortgage Investment Corporation to cancel your agreement to buy these securities, or
- ii. for damages against CMIC Mortgage Investment Corporation.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and 3 years after you signed the agreement to purchase the securities.

ITEM 12. FINANCIAL STATEMENTS

See attached audited financial statements of the Issuer dated as at December 31, 2019.

CMIC MORTGAGE INVESTMENT CORPORATION

Financial Statements

Year Ended December 31, 2019 and 2018

CMIC MORTGAGE INVESTMENT CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of CMIC Mortgage Investment Corporation

Opinion

We have audited the financial statements of CMIC Mortgage Investment Corporation (the Company), which comprise the statements of financial position as at December 31, 2019, and the statements of income and comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company for the year ended December 31, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on March 31, 2019.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in cursive script that reads "Charline".

CHARTERED PROFESSIONAL ACCOUNTANTS

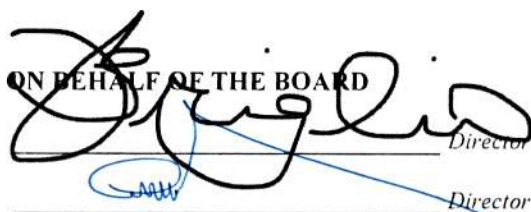
CMIC MORTGAGE INVESTMENT CORPORATION


Statements of Financial Position

December 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT		
Cash	\$ -	\$ 151
Current portion of mortgages receivable, net of allowances <i>(Note 4)</i>	19,086,504	20,004,697
Interest receivable	138,671	129,982
Prepaid expenses	12,083	5
Other receivables	9,914	9,914
	<u>19,247,172</u>	<u>20,144,749</u>
MORTGAGES RECEIVABLE <i>(Note 4)</i>	<u>1,488,000</u>	<u>1,304,128</u>
	<u>\$ 20,735,172</u>	<u>\$ 21,448,877</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Bank indebtedness	\$ 5,283	\$ -
Accounts payable	166,878	73,443
Dividends payable <i>(Note 5)</i>	372,974	332,459
Demand loan <i>(Note 6)</i>	650,000	1,820,000
Deferred income	41,122	4,667
Other current liability	84	21,250
Redeemable preferred shares <i>(Note 8)</i>	1,917,118	1,896,999
	<u>3,153,459</u>	<u>4,148,818</u>
REDEEMABLE PREFERRED SHARES <i>(Note 8)</i>	<u>17,254,062</u>	<u>17,072,991</u>
REDEEMABLE PREFERRED SHARES TO BE ISSUED <i>(Note 5)</i>	<u>161,336</u>	<u>188,861</u>
	<u>20,568,857</u>	<u>21,410,670</u>
SHAREHOLDERS' EQUITY		
Share capital <i>(Note 8)</i>	6	6
Retained earnings	166,309	38,201
	<u>166,315</u>	<u>38,207</u>
	<u>\$ 20,735,172</u>	<u>\$ 21,448,877</u>

ON BEHALF OF THE BOARD

 Director

 Director

The accompanying notes are an integral part of these financial statements

CMIC MORTGAGE INVESTMENT CORPORATION**Statements of Income and Comprehensive Income****Year Ended December 31, 2019 and 2018**

	2019	2018
REVENUE		
Interest	\$ 1,957,721	\$ 1,897,575
Prepayment penalties	96,094	44,006
NSF and late fees	13,075	13,950
Other	5,500	5,463
	<u>2,072,390</u>	<u>1,960,994</u>
EXPENSES		
Dividends on redeemable preferred shares	1,374,972	1,287,814
Management fees	456,766	339,377
Bank charges and interest	106,950	97,325
Accounting and legal	30,643	36,564
Insurance	2,417	14,400
Appraisals	788	761
Office and general	400	1,018
Bad debts (recovery) <i>(Note 4)</i>	(28,654)	183,270
	<u>1,944,282</u>	<u>1,960,529</u>
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	<u>\$ 128,108</u>	<u>\$ 465</u>

The accompanying notes are an integral part of these financial statements

CMIC MORTGAGE INVESTMENT CORPORATION**Statements of Changes in Shareholders' Equity****Year Ended December 31, 2019 and 2018**

	2019	2018
RETAINED EARNINGS - BEGINNING OF YEAR	\$ 38,201	\$ 37,736
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	<u>128,108</u>	<u>465</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 166,309</u>	<u>\$ 38,201</u>

The accompanying notes are an integral part of these financial statements

CMIC MORTGAGE INVESTMENT CORPORATION

Statements of Cash Flows

Year Ended December 31, 2019 and 2018

	2019	2018
OPERATING ACTIVITIES		
Net income	\$ 128,108	\$ 465
Items not affecting cash:		
Arrears interest	(45,196)	(25,809)
Change in expected credit loss <i>(Note 4)</i>	(39,421)	183,270
Impairment of mortgage receivable	34,318	-
	<u>77,809</u>	<u>157,926</u>
Changes in non-cash working capital:		
Interest receivable	(8,689)	7,191
Accounts payable	93,435	(68,944)
Deferred income	36,455	(27,958)
Prepaid expenses	(12,078)	-
Other current liability	(21,166)	21,018
Dividends payable	40,515	(511,920)
	<u>128,472</u>	<u>(580,613)</u>
Cash flow from (used by) operating activities	<u>206,281</u>	<u>(422,687)</u>
INVESTING ACTIVITIES		
Cash advances of mortgages receivable	(14,114,942)	(12,510,121)
Cash repayment of mortgage receivable	14,899,562	12,443,875
Advances from related party	-	1,865
	<u>784,620</u>	<u>(64,381)</u>
Cash flow from (used by) investing activities	<u>784,620</u>	<u>(64,381)</u>
FINANCING ACTIVITIES		
Repayment of demand loan	(1,170,000)	65,000
Dividends reinvested in preferred shares	408,860	504,420
Redemption of redeemable preferred shares	(417,670)	(1,685,160)
Redeemable preferred shares to be issued (paid)	(27,525)	117,470
Issuance of redeemable preferred shares	210,000	1,595,180
	<u>(996,335)</u>	<u>596,910</u>
Cash flow from (used by) financing activities	<u>(996,335)</u>	<u>596,910</u>
INCREASE (DECREASE) IN CASH FLOW	<u>(5,434)</u>	<u>109,842</u>
Cash (deficiency) - beginning of year	<u>151</u>	<u>(109,691)</u>
CASH (DEFICIENCY) - END OF YEAR	<u>\$ (5,283)</u>	<u>\$ 151</u>

The accompanying notes are an integral part of these financial statements

CMIC MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended December 31, 2019 and 2018

1. DESCRIPTION OF BUSINESS

CMIC Mortgage Investment Corporation (the "Company") exists under the corporate laws of the Province of British Columbia and was incorporated on April 28, 1999. The Company operates as a Mortgage Investment Corporation and the registered office is located at #415-145 Chadwick Court, North Vancouver, British Columbia, V7M 3K1. Its business is to obtain a stable source of income by investing in a portfolio of mortgages in British Columbia, at least 80% of which are to be on residential properties.

The Company is defined as a mortgage investment corporation ("MIC") for Canadian income tax purposes. A MIC is a special-purpose corporation defined under Section 130.1 of the Income Tax Act (Canada). A MIC does not pay corporate-level taxes when all taxable income is distributed to shareholders as dividends during the taxation year and within 90 days of its year end. Taxable Canadian shareholders will have dividend payments subject to Canadian tax as interest income. The Company must continually meet the following criteria to maintain MIC eligibility: (i) at least 50% of its assets must consist of residentially oriented mortgages and/or cash; (ii) it must not directly hold any foreign assets, including investments secured by real property located outside of Canada; (iii) it must not engage in operational activities outside of the business of lending and investing of funds; and (iv) no person may own more than 25% of the issued and outstanding shares.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These annual financial statements were authorized for issuance by the Board of Directors on January 31, 2020.

(b) Change in Accounting Policy

Effective January 1, 2019 the Company adopted IFRS 16 Leases ("IFRS 16") which replaced IAS 17 Leases, which was the previous lease accounting guidance. IFRS 16 addresses classification and measurement of leases. The adoption of IFRS 16, as of January 1, 2019, did not have an impact the Company.

(c) Basis of Measurement

The Company's financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss ("FVTPL"), which are measured at fair value.

(d) Functional and Presentation Currency

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

(e) Use of Estimates and Judgements

The preparation of these financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the reported amounts of assets and liabilities at the reporting date, the reported amounts of revenue and expenses for the year, as well as the disclosure of contingent assets and liabilities at the date of the financial statements.

(continues)

CMIC MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended December 31, 2019 and 2018

2. BASIS OF PRESENTATION *(continued)*

In making estimates and judgements, the Company relies on external information and observable conditions where possible supplemented by internal analysis as required. Those estimates and judgements have been applied in a manner consistent with the prior period and there are no known trends, commitments, events, or certainties that are believed to materially affect the methodology or assumptions utilized in making those estimates in these financial statements. Actual amounts could differ from these estimates. Changes in estimates are recorded in the accounting period in which they are determined. The most subjective of these estimates relate to:

- Determining whether the cash flows from the mortgages receivable represent solely payments of principal and interest ("SPPI"); and
- The measurement of impairment losses for mortgages receivable, in particular: measurement of credit risk to determine whether there has been a significant increase in credit risk since initial recognition; the assessment of when mortgages receivable become impaired and the incorporation of forward-looking information to determine expected credit losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non financial items. The following provides information about the Company's financial instruments, including an overview of the financial instruments held, pertinent information about the financial instruments, and the accounting policies.

(a) Financial Assets - Recognition and Measurement

Financial assets are initially recognized at fair value when the Company becomes a party to a contract. On initial recognition, the measurement category is determined based on the business model under which the asset is managed, and the contractual cash flow characteristics of the instrument.

Financial assets are subsequently measured as either:

- FVTPL which is the measurement classification for instruments that are held for trading;
- Amortized cost if the instrument is held within a business model whose objective is to collect contractual cash flows and the cash flows represent SPPI;
- Fair value through other comprehensive income ("FVOCI") which is for instruments held in a dual purpose business model, to collect contractual cash flows and to sell the instruments.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Classification of mortgages receivables:

Mortgages receivable are subsequently carried at amortized cost using the effective interest method. All of the Company's mortgages receivable are held in a single business model. The Company has concluded that its business model is to hold mortgages receivable to collect contractual cash flows, that represent SPPI, for the following reasons:

(continues)

CMIC MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended December 31, 2019 and 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

- The performance of the mortgage portfolio is assessed on the basis of effective yield, and not on a fair value basis;
- Compensation nor remuneration paid to the management company is based on the fair values of the mortgages;
- The Company does not intend to sell any of its mortgages receivable.

Mortgages receivables are amounts due from various borrowers related to the mortgages funded in the normal course of business. Note 4, describes mortgage receivables that are expected to be received within the next calendar year and therefore are classified as current assets; those that have maturity dates after one year from December 31, 2019 are classified as long term assets. Both current and long term mortgages receivable are held with the objective to collect the contractual cash flow. Due to the nature of the mortgages receivable, their carrying amount is considered to be equal to their fair value.

The returns earned by the Company on its mortgage receivable portfolio are at interest rates that are set at levels to provide an acceptable profit margin based on the time value of money and credit risk. There are no factors that give rise to variation in the return on the Company's mortgages other than the time value of money, credit risk, and other basic lending risks. Interest rates are set for the full term of the mortgage, which is considered SPPI because the rate is based on the time value of money and credit risk.

(b) Financial Instrument Liabilities - Initial Recognition and Measurement

Financial liabilities at initial recognition are measured at fair value.

Financial liabilities are subsequently measured as either:

- FVTPL – which is required for any financial liabilities that are held for trading and for derivative liabilities;
- Designated as FVTPL – available on initial recognition if either: the instrument includes one or more embedded derivatives and the host contract is not a financial asset; or if the designation meets certain criteria;
- Designated as at fair value – if the instrument does not meet the criteria and is designated as at FVTPL and is not otherwise required to be measured as FVTPL, it can still be irrevocably designated at initial recognition as at fair value, meaning that changes in fair value related to changes in own credit risk are presented in other comprehensive income and other changes in fair value are presented in net income; or
- Amortized cost – which is the default category and is also used for any host contract that is a financial liability.

Classification of accounts payable and accrued liabilities:

Accounts payable and accrued liabilities are unsecured and usually paid within 30 days of recognition and are incurred in the normal course of business. The carrying amounts of the payables are considered to be the same as their fair values, due to their short term nature and have been measured at amortized cost.

Classification of redeemable preferred shares:

The fair value of the redeemable preferred shares is periodically reviewed by management. The preferred shareholders are entitled to an amount equal to the aggregate amount paid up on the preferred shares, adjusted for a proportionate amount of the pre tax deficit (if any). This instrument lacks an available trading market and is not typically exchanged.

(continues)

CMIC MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended December 31, 2019 and 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The redemption price per share shall be the issue price of \$10 less a proportionate amount of any pre tax deficit, as determined by the previous fiscal year audited financial statements.

(c) Financial Instruments - Impairment of Assets

Mortgages receivable are assessed for impairment at the end of each reporting period in accordance with IFRS 9 as outlined below and are presented net of provisions for mortgages losses on the statement of financial position.

IFRS 9 uses an expected credit loss ("ECL") model to determine the provision for credit losses. The ECL model is forward looking and results in a provision for expected mortgage losses being recorded on the financial statements regardless if a loss event has occurred. ECLs are the difference between the present value of all contractual cash flows that are due under the original terms of the contract and the present value of all cash flows expected to be received. The ECL model uses a three stage impairment approach based on changes in the credit risk of the financial asset since initial recognition. The three stages are as follows:

- Stage 1 – financial assets that have not experienced a significant increase in credit risk since initial recognition.
- Stage 2 – financial assets that have experienced a significant increase in credit risk between initial recognition and the reporting date.
- Stage 3 – financial assets for which there is objective evidence of impairment at the reporting date.

The Company considers a number of factors when assessing if there has been a significant increase in credit risk. The ECL model requires the recognition of credit losses equal to 12 month ECLs for Stage 1 financial assets, and ECLs for the remaining life of the financial assets (lifetime expected credit losses) for financial assets classified as Stage 2 and 3. The lifetime expected credit losses represent the expected loss in value due to possible defaults events over the life of the financial instrument weighted by the likelihood of a loss. Three factors are primarily used to measure ECLs: probability of default, loss given default, and exposure at default. These factors are used to estimate the ECLs for mortgages receivable classified at Stage 1. When mortgages receivable are considered to have experienced a significant increase in credit risk (Stage 2) or are considered to be impaired (Stage 3), each loan category is assessed and the ECL estimated. A loan is considered impaired only if objective evidence indicates that one or more events have occurred after its initial recognition that have a negative effect on the estimated future cash flows of the loan.

The Company considers a mortgage receivable to be impaired when there is objective evidence that there has been a deterioration of credit quality subsequent to its initial recognition to the extent that the Company no longer has reasonable assurance as to the timely collection of the full amount of principal and interest. The Company assesses mortgages receivable for objective evidence of impairment both individually as well as collectively based on the ECL model as described below. Provision for mortgage losses represents management's best estimate of impairment of mortgages receivable at each reporting date. Judgment is required as to the timing of designating a mortgage as impaired and the amount of any provision required. If there is no objective evidence of impairment for an individual mortgage receivable, it is included in the ECL model as described below. The Company considers a mortgage receivable to be in default if payments are greater than 30 days past due.

The Company has formulated a business model based on the ECL arising from the total mortgage portfolio over the next twelve month period. Mortgages receivables are categorized and assigned a risk level based on the stage assigned, along with a calculated percentage.

(continues)

CMIC MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended December 31, 2019 and 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

	<u>Percentage assigned</u>
Stage 1: Loan to value less than 65%	0.0%
Stage 2: Loan to value less than 85%	1.3%
Stage 3: Not performing as expected and legal action has been initiated	3.5%

The Company assigned the risk factor percentage for each of the three stages based on data collected by the management company for mortgages it arranged for a number of lenders, including the Company's, since 2004. Only mortgages comparable to those meeting the Company's lending criteria were included. Losses were experienced on 118 of 3,903 mortgages which paid out during this time frame. Percentages were assigned based on the most conservative averages.

The Company intends to continue to develop the model with new information, as it becomes available.

The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparative market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary.

Revenue Recognition

Mortgage interest and fees revenues are recognized in the statements of income and comprehensive income using the effective interest method. Mortgage interest and fees revenues include the Company's share of any fees received, as well as the effect of any discount or premium on the mortgage. Interest revenue is calculated on the gross carrying amount for mortgages receivable in Stages 1 and 2 and on the net carrying amount for mortgages receivable in Stage 3.

Certain mortgages require the prepayment of interest, which is recorded as deferred revenue when received and is amortized on a straight line basis over the mortgage term.

Income Taxes

The Company is a Mortgage Investment Corporation under the Canadian Income Tax Act. As such, it is permitted for tax purposes to deduct from income, dividends paid to shareholders during the year and within 90 days thereafter. The Company intends to continue conducting its affairs in such a manner as to continue qualifying as a Mortgage Investment Corporation under the Income Tax Act (Canada).

The Company intends to maintain its status as a mortgage investment corporation and intends to distribute sufficient dividends in the year and in future years to ensure the Company is not subject to income taxes. Accordingly, for financial statement reporting purposes, the tax deductibility of the Company's dividends results in the Company effectively being exempt from taxation and no provision for current or deferred income taxes is required.

Preferred Shares

Preferred shares with partial mandatory redemption features are accounted for in accordance with the substance of the articles of the Company and, as such, are classified as financial liabilities.

Dividends paid on preferred shares classified as liabilities are expensed to the statement of comprehensive income.

CMIC MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended December 31, 2019 and 2018

4. MORTGAGES RECEIVABLE

At December 31, 2019, the portfolio consists of 151 (2018 - 149) mortgages which bear interest at a fixed rate of 6.99% to 12.45% with the average weighted average rate being 8.93% (2018 - 8.99%). These mortgages have a maturity date through December 2021 with monthly payments of principal and interest, or interest only. The long term portion of mortgages receivable represents 9 (2018 - 9) mortgages.

	2019	2018
Mortgages receivable, net of ECL:		
Current portion of mortgages receivable	\$ 19,086,504	\$ 20,004,697
Long term portion of mortgages receivable	1,488,000	1,304,128
	\$ 20,574,504	\$ 21,308,825

Mortgages receivable by property type and charge consists of the following as at December 31, 2019 and December 31, 2018.

	2019		2018	
	\$	# of Mortgages	\$	# of Mortgages
Residential mortgages				
1st Mortgage	\$ 9,864,892	54	\$ 9,465,899	55
2nd Mortgage	9,637,769	87	11,004,257	85
3rd Mortgage	1,043,980	8	718,592	6
Commercial mortgages				
1st Mortgage	63,881	1	65,000	1
Serviced Land mortgages				
1st Mortgage	107,050	1	238,347	2
Subtotal	20,717,572	151	21,492,095	149
Allowance for future mortgage losses	(143,849)		(183,270)	
	\$ 20,573,723	151	\$ 21,308,825	149

(continues)

CMIC MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended December 31, 2019 and 2018

4. MORTGAGES RECEIVABLE (continued)

The following is a geographic distribution of the mortgage portfolio as at December 31, 2019 and December 31, 2018.

	2019		2018	
	\$	# of Mortgages	\$	# of Mortgages
Greater Vancouver	\$ 9,636,460	69	\$ 12,254,752	79
Vancouver Island	5,564,125	41	3,844,645	29
Okanagan	1,403,349	11	2,542,848	14
Fraser Valley	3,054,497	19	1,820,377	16
Northern BC	303,916	3	311,517	3
Whistler	119,600	1	318,906	2
Sunshine Coast	468,804	4	230,000	3
Interior	140,000	2	135,883	2
Caribou	26,821	1	33,167	1
Mortgages located in British Columbia	20,717,572	151	21,492,095	149
Allowance for future mortgage losses	(143,849)		(183,270)	
	\$ 20,573,723	151	\$ 21,308,825	149

At December 31, 2019, the Company has 2 mortgages (2018 - none), that are 90 days or more in arrears, with arrears interest of \$41,256 (2018 - \$0).

Analysis of Expected Credit Loss Model

Each individual mortgage receivable is assigned a stage based on the criteria (Note 3(c)), then multiplied by the percentage for that stage. The calculated ECL based on this model has been recorded as the current year allowance.

Management continues to evaluate their ECL model for future provisions.

The following schedule summarizes the expected credit loss provision related to the mortgages receivable:

	2019	2018
Opening ECL	\$ 183,270	\$ -
Increase (decrease) of ECL	(39,421)	183,270
Closing ECL	\$ 143,849	\$ 183,270

5. REDEEMABLE PREFERRED SHARES TO BE ISSUED

The Company has a policy that allows shareholders to either receive cash dividends or to reinvest their dividends in new share subscriptions. At December 31, 2019, \$372,974 (2018 - \$332,459) in dividends remains payable and will be settled in cash, and \$161,336 (2018 - \$188,861) related to reinvested dividends are to be issued as redeemable preferred shares.

CMIC MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended December 31, 2019 and 2018

6. DEMAND LOAN

The demand loan is payable to RBC Royal Bank, and bears interest at the bank's prime rate of 3.95% (2018 - 3.95%) plus 1.0% per annum. As at December 31, 2019 and December 31, 2018, the maximum approved borrowing under this credit facility is \$5,000,000 of which \$650,000 is utilized at year end (2018 - \$1,820,000). There is a General Security Agreement against the mortgages receivable.

The amount available under the demand loan is limited to the lesser of 70% of qualified first mortgages, plus 60% of qualified second mortgages, as well as 25% of long term share capital. As at December 31, 2019, the Company was in compliance with its borrowing restrictions. The demand loan does not have a set renewal date, rather is reviewed by the financial institution on a quarterly and annual basis.

7. RELATED PARTY TRANSACTIONS

Management and Administrative Services

Cove Mortgage Ltd., (the "Manager") provides financial and administrative services, under a management agreement, including the responsibility for its day to day management. For services rendered under the management contract, the Company shall pay the Manager a fee up to 2% of the average mortgage portfolio balance, calculated monthly. Actual fees charged as a percentage of the mortgage portfolio were 2.00% (2018 - 1.50%) for a total of \$456,766 (2018 - \$339,377).

Included in accounts payable is \$154,719 (2018 - \$44,616) payable to the Manager, a Company with one common shareholder and director.

Key management receives compensation through the Manager.

Preferred Share and Dividend Transactions

During the year, a director of the Company invested \$Nil (2018 - \$7,340) in preferred shares and redeemed preferred shares in the amount of \$Nil (2018 - \$308,750). In addition, employees and family members of the Manager invested \$Nil (2018 - \$50,700) in new preferred share purchases. Dividends were declared to current directors, as well as an employee and family member of the manager in the amount of \$21,193 (2018 - \$18,028), of which \$21,110 (2018 - \$17,948) were reinvested.

	2019	2018
Preferred shares invested	\$ -	\$ 50,700
Shares redeemed	-	-
Dividend paid	83	80
Dividends reinvested	21,110	17,948

CMIC MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended December 31, 2019 and 2018

8. SHARE CAPITAL

Authorized:

10,000,000	Common shares, voting, non-participating, retractable, without par value
100,000,000	Class A preferred shares, non-voting, participating, redeemable and retractable, with a par value of \$10 per share, bearing a cumulative annual dividend determined by the board of directors

	2019		2018	
	Shares	Amount	Shares	Amount
Common Shares				
Shares outstanding at the beginning of the year	6	\$ 6	6	\$ 6
Shares outstanding at the end of the year	6	\$ 6	6	\$ 6
	2019		2018	
	Shares	Amount	Shares	Amount
Class A Preferred Shares				
Shares outstanding at the beginning of the year	1,896,999	\$ 18,969,990	1,855,555	\$ 18,555,550
Issued	21,000	210,000	159,518	1,595,180
Reinvested dividends	40,886	408,860	50,442	504,420
Redemptions	(41,767)	(417,670)	(168,516)	(1,685,160)
Shares outstanding at the end of the year	1,917,118	\$ 19,171,180	1,896,999	\$ 18,969,990

The common shares are issued to one principal and director of the Manager, the Manager (see Note 7), and four employees of the "Manager" each representing 16.67% of the total common shares issued. One director has invested in the preferred shares of the Company.

The Company may at any time purchase for cancellation the whole or any part of the issued and outstanding common shares or Class A redeemable preferred shares.

The Company may redeem or the holder may retract preferred shares at a price that is less than \$10.00 per Class A preferred shares. The redemption amount is defined as \$10.00 less a fraction of the proportionate amount of any pre-tax deficit, as determined by an annual audit.

The Class A redeemable preferred shares have been classified as financial liabilities of the Company as they are redeemable at the option of the holders.

All classes of shares are retractable by the Company at the lowest price at which, in the opinion of the directors, shares are obtainable. Any such purchase requires the agreement of the shareholders who wish to sell.

Requests for share retraction must be received by July 1 to qualify for participation in the annual share retractions to be processed on October 1. The Company is obligated to redeem up to 10% of the total opening share capital each year, if requested.

9. FINANCIAL INSTRUMENTS

The Company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Company's risk exposure and concentration as of December 31, 2019.

(continues)

CMIC MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended December 31, 2019 and 2018

9. FINANCIAL INSTRUMENTS *(continued)*

(a) Interest Rate Risk

Interest rate risk arises from funding terms on mortgage investments. A significant portion of the investment portfolio is short term in nature and all of the mortgages have a fixed interest rate which is significantly higher than the bank prime rate.

The Company is exposed to interest rate risk in that an increase in interest rates will result in increased interest expense due to its borrowings under the credit facility being set at a variable rate, and mortgage receivables are set at fixed rates. The financial structure of the Company results in relatively moderate interest rate risk because a majority of the Company's financing is through redeemable preferred shares, with a moderate amount of borrowings under the credit facility that bear floating interest rates.

(b) Credit Risk

Credit risk is the risk of financial loss resulting from the failure of a counterparty, for any reason, to fully honour its financial or contractual obligations to the Company, primarily arising from mortgage lending activities. Fluctuations in real estate values may reduce the net realizable value of the collateral property to the Company. These risks may result in defaults and credit losses, which may result in a loss of earnings. Credit losses occur when a counterparty fails to meet its obligations to the Company and the value realized on the sale of the underlying security deteriorates below the carrying amount of the exposure. The Company mitigates this risk by;

- The employment of qualified and experienced loan underwriters;
- The investigation of the creditworthiness of all borrowers;
- The engagement of qualified independent consultants, such as lawyers and real estate appraisers, dedicated to protecting the Company's interests;
- The prompt initiation of recovery procedures on overdue mortgages; and
- Review and approval of each mortgage by three senior management personnel, including at least one of the Company's directors.

Management has the responsibility for ensuring that the credit risk management is adequate. Management reviews its policies regarding its lending limits on an ongoing basis. The amount of the Company's mortgages on origination does not exceed 65% (including prior charges) except for loans on detached single family homes, or townhouses or duplexes (which townhouses or duplexes are not part of a condominium apartment complex) in the Greater Vancouver Regional District or the Victoria Regional District, which loan to value ratio shall not exceed 75% and the total combined value of the prior charges are within the investment parameters of the Issuer. The collateral held as security by the Company consists of residential and commercial real estate, predominantly located in the major metropolitan areas of British Columbia.

Management reviews the credit quality of the mortgages on an ongoing basis to confirm whether the quality of the underlying security is maintained; and if credit conditions have deteriorated, suitable action is taken. The maximum potential loss on the mortgages receivable is equal to the carrying amount. The Company has initiated legal action on one mortgage, however, an account specific impairment has not been recorded since the collateral held is greater than the amount receivable.

Due to the short term duration of the financial assets held, the quality of the collateral tends to be impacted more so by specific factors relating to the borrower, such as their ability to maintain the payments, as opposed to market fluctuations. The maximum exposure to credit risk at December 31, 2019 is the carrying values of its mortgage investments, including accrued interest receivable, which total \$20,713,175 (2018 \$21,438,807). The Company has recourse under these investments in the event of default by the borrower, in which case, the Company would have a claim against the underlying property.

(continues)

CMIC MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements

Year Ended December 31, 2019 and 2018

9. FINANCIAL INSTRUMENTS *(continued)*

(c) Market Risk

Market risk arises as a result of changes in conditions that affect real estate values. These market changes may be regional or national in nature or may revolve around a specific product type. To manage these risks, management ensures that the loan underwriters are aware of the market conditions that affect each mortgage application and the impact that any changes may have on security for a particular loan. Management monitors changes in the market on an ongoing basis and adjusts the Company's lending practices and policies when necessary to reduce the impact of the above risks.

(d) Liquidity Risk

Liquidity risk arises as a result of changes in conditions that may cause the Company to encounter difficulties in meeting obligations associated with financial liabilities.

If the bank chooses not to refinance or refinances on terms and conditions that are significantly different, the Company's operations may be adversely affected. Management believes the demand loan will be extended on reasonable commercial terms.

The redeemable preferred shares provide the holders of the preferred shares the right to require the Company to redeem all or a portion of their shares. The Company is exposed to liquidity risk through potential redemptions. To manage liquidity risk from the redemption(s) of the preferred shares, management requires written request notices be received by July 1 for October 1 redemption.

10. CAPITAL DISCLOSURES

The Company's capital management objectives are to maintain a strong and efficient capital structure to provide liquidity to support lending operations. The Company continually monitors its capital position to ensure objectives are met. A strong capital position also provides flexibility in considering accretive growth opportunities. The Company is not obligated to redeem more than 10% of total preferred shares.

As at December 31, 2019, management considers the Company's capital to be comprised of cash of \$(5,283) (2018 - \$151), the preferred share liability of \$19,332,516 (2018 - \$19,158,851) and all components of shareholder's equity which amount to \$166,315 (2018 - \$38,207) for a total of \$19,493,548 (2018 - \$19,197,209).

Pursuant to the terms of the credit facility (Note 6), the Company is required to meet certain financial covenants. As at December 31, 2019, the Company was in compliance with its investment restrictions.

Management believes that the Company has complied with all external restrictions.

12.1 DATE AND CERTIFICATE

Dated: May 10, 2020

This offering memorandum does not contain a misrepresentation.

CMIC MORTGAGE INVESTMENT CORPORATION
by its authorized signatories:

Heather Briglio

HEATHER BRIGLIO, President

Andrew Bury

ANDREW BURY, QC, Director

SCHEDULE "A" – SUBSCRIPTION INSTRUCTIONS AND FORM OF SUBSCRIPTION AGREEMENT

SUBSCRIPTION INSTRUCTIONS

1. Complete Subscription and Subscriber Information
 - All subscribers – Share Subscription Information
 - Individuals – Individual Subscriber
 - Non-Individuals – Corporate / Entity Subscriber
2. Complete Enrolment Form For Direct Deposit (Schedule "B"), regardless whether dividends are reinvested or paid out
3. Enclose a certified cheque or bank draft drawn on a Canadian chartered bank or trust company in Canadian dollars and payable to "Cove Mortgage Ltd (in Trusts)" for the aggregate subscription price of your Shares
OR
4. Send a wire transfer as per the Wire Transfer Instructions (Schedule "C")
5. (Deliver original documentation to Agent)

SUBSCRIPTION AGREEMENT

TO: CMIC Mortgage Investment Corporation
415 – 145 Chadwick Court, North Vancouver BC. V7M 3K1

(the “**Issuer**”, the “**Company**”, the “**Corporation**”)

AND TO: Cove Mortgage Ltd (the “**Manager**”)

AND TO: Waverley Corporate Financial Services (the “**Agent**”)

The undersigned (the “**Purchaser**”, “**Investor**” or the “**Subscriber**”) hereby subscribes for the following securities of the Issuer (the “**Shares**”) in the capital of the Corporation as set out below on the terms and conditions set out in the Corporation’s Offering Memorandum dated May 10, 2020:

Number of Shares	Class of Shares	Subscription Price @ \$10
_____	“A” Redeemable Preferred	\$ _____

PURSUANT TO THE CONFIDENTIAL PRIVATE OFFERING MEMORANDUM OF THE ISSUER DATED MAY 10, 2020 THAT MAY BE AMENDED FROM TIME TO TIME (THE “**OFFERING MEMORANDUM**”), RECEIPT OF A COPY OF WHICH IS HEREBY ACKNOWLEDGED, THE UNDERSIGNED TENDERS TO THE MANAGER THE SUBSCRIPTION PRICE IN THE AMOUNT OF \$10.00 PER SHARE BY WAY OF CHEQUE OR BANK DRAFT PAYABLE TO THE MANAGER IN TRUST. THE UNDERSIGNED ACKNOWLEDGES IT HAS READ BOTH THE OFFERING MEMORANDUM AND THIS SUBSCRIPTION AGREEMENT. UNLESS OTHERWISE DEFINED IN THIS SUBSCRIPTION AGREEMENT, ALL OF ITS CAPITALIZED TERMS HAVE THE SAME MEANING AS DEFINED IN THE OFFERING MEMORANDUM

1. **Acceptance.**

Subject to the terms hereof, the Subscription will be effective upon its acceptance by the Corporation. The Subscriber acknowledges and agrees that this Subscription Agreement and any other documents delivered in connection herewith will be held by or on behalf of the Corporation, and that the aggregate price will be held by or on behalf of the Corporation. In the event that this Subscription is not accepted by the Corporation for whatever reason, which the Corporation expressly reserves the right to do, the Corporation will return the aggregate price to the Subscriber at the address of the Subscriber as set forth on the cover page of this Subscription Agreement, or as otherwise directed by the Subscriber, without interest or deduction. If this Subscription is accepted only in part, the Subscriber understands that a cheque representing the portion of the aggregate price for that portion of the Subscription that is not accepted will be delivered to the Subscriber at the address of the Subscriber as set forth on the cover page of this Subscription Agreement, or as otherwise directed by the Subscriber, without interest or deduction.

2. **Conditions for Acceptance and Closings.**

In connection with this subscription for Shares, the Corporation must receive through a registered dealer:

- (a) a completed and executed Subscription Agreement, including the Form 45-106F4 Risk Acknowledgement and
- (b) any other supporting documentation that the Corporation or its legal counsel may request
- (c) Payments will be made by certified cheque, bank draft or wire transfer in an amount equal to the Aggregate Subscription Price in Canadian dollars, payable to “**Cove Mortgage Ltd in Trust**” and must be received a minimum of two (2) days prior to the closing.

Closings will take place monthly or on such other dates from time to time as the Corporation may determine. The Corporation will issue the Shares on a continuous basis with Closings occurring on the first day of the month following the month in which the completed Subscription Package is received and processed by the Corporation and/or the Manager.

3. Securities Laws Exemption Matters and Deliveries

The Subscriber acknowledges that the Corporation intends to issue the Shares in reliance on an exemption (the “Exemption”) from the prospectus requirements of the applicable securities laws and regulations (collectively, the “Legislation”) in all jurisdictions relevant to this Subscription, and, as a consequence, the Subscriber will not be entitled to use most of the civil remedies available under the Legislation and the Subscriber will not receive information that would otherwise be required to be provided to the Subscriber pursuant to the Legislation.

4. Acknowledgements of the Subscriber

The Subscriber acknowledges and agrees that:

- (i) there is no market for the Shares and that no market for the Shares may ever exist;
- (b) the Subscriber is aware that an investment in the Shares is speculative and involves certain risks, including the possible loss of the investment;
- (c) the Subscriber understands and agrees that the Corporation and others will rely upon the truth and accuracy of the acknowledgements, representations and agreements contained in this Subscription Agreement and any schedules, appendices, acknowledgements, certificates and other documents completed herewith, and agrees that if any of such acknowledgements, representations and agreements are no longer accurate or have been breached, the Subscriber shall promptly notify the Corporation;
- (d) any transfer, resale or other subsequent disposition of the Shares will be subject to restrictions set out by the Corporation and may be subject to restrictions contained in the Legislation applicable to the holder of the Shares or to the proposed transferee, including, but not limited to, resale restrictions under the Legislation, as applicable;
- (e) the Corporation is not a reporting issuer in any province or territory of Canada and, accordingly, any applicable hold periods under the Legislation may never expire, and the Shares may be subject to restrictions on resale for an indefinite period of time;
- (f) no person has made to the undersigned any written or oral representations:
 - (i) that any person will resell or repurchase the Shares;
 - (ii) that any person will refund the aggregate price for the Shares other than as provided in this Subscription;
 - (iii) as to the future price or value of the Shares; or
 - (iv) that the Shares will be listed and posted for trading on a stock exchange, that application has been made to list and post the Shares for trading on a stock exchange, or that application has been made to list and post the Shares for trading on a stock exchange;
- (g) no securities commission or similar regulatory authority has reviewed, evaluated, or endorsed the merits of the Shares;

- (h) by execution hereof the Subscriber has waived the need for the Corporation to communicate its acceptance of the purchase of the Shares pursuant to this Subscription Agreement;
- (i) the Subscriber will indemnify and hold harmless the Corporation, the Manager, the Agent, and their respective directors, officers, employees, agents, advisors and shareholders from and against any and all loss, liability, claim, damage and expense whatsoever arising out of or based upon any representation or warranty of the Subscriber contained herein, any questionnaire or in any other document furnished by the Subscriber in connection herewith, being untrue in any material respect or any breach or failure by the Subscriber to comply with any covenant or agreement made by the Subscriber in connection therewith;
- (j) the Subscriber has been advised to consult its own legal, tax and other advisors with respect to the merits and risks of an investment in the Shares and with respect to applicable resale restrictions and it is solely responsible (and the Corporation is in no way responsible) for compliance with applicable resale restrictions;
- (k) there is no government or other insurance covering any of the Shares;
- (l) this Subscription Agreement is not enforceable by the Subscriber unless it has been accepted by the Corporation, and the Subscriber acknowledges and agrees that the Corporation reserves the right to reject any Subscription for any reason.
- (m) the Subscriber is responsible for obtaining such legal and tax advice as it considers appropriate in connection with the execution, delivery and performance by it of this Subscription Agreement.
- (n) the Subscriber has received and has read the Offering Memorandum

5. Representations and Warranties of the Subscriber

The Subscriber hereby represents and warrants to and covenants with the Corporation, the Manager, and the Agent (which representations, warranties and covenants will be true and correct as at the time of delivery of Shares with the same force and effect as if they had been made by the Subscriber at such time, and shall survive the distribution) that:

- (a) the Subscriber is acquiring the Shares as a principal (and not as an agent) for investment purposes only, with no intention or view to reselling or distributing any portion or beneficial interest in the Shares, and the Subscriber will be the beneficial owner of any Shares to be issued to the Subscriber if, as and when this Subscription is accepted by the Corporation in whole or in part;
- (b) the Subscriber is resident in British Columbia;
- (c) the Subscriber has the legal capacity and competence to enter into and execute this Subscription Agreement and to take all actions required pursuant hereto and, if the Subscriber is a corporation, it is duly incorporated and validly subsisting under the laws of its jurisdiction of incorporation and all necessary approvals by its directors, shareholders and others have been obtained to authorize execution and performance of this Subscription Agreement on behalf of the Subscriber, or, if the Subscriber is a partnership, syndicate or other form of unincorporated organization, the Subscriber has all necessary approvals of relevant parties to authorize execution and performance of this Subscription Agreement on behalf of the Subscriber;
- (d) the entering into of this Subscription Agreement and the transactions contemplated hereby do not result in the violation of any of the terms and provisions of any law applicable to, or, if applicable, the constituting documents of, the Subscriber, or of any agreement, written or oral, to which the Subscriber may be a party or by which the Subscriber is or may be bound;
- (e) the Subscriber has duly completed, executed and delivered to the Corporation, as applicable, all securities forms, schedules, appendices, certificates, acknowledgements and other documents requested by the Corporation in order to enable the Corporation to determine the availability of an Exemption pursuant to section 3 hereof;
- (f) the Subscriber has such knowledge and experience in financial and business affairs as to be capable of evaluating the merits and risks of the investment in the Shares and is able to bear the economic risk of loss of such investment;

- (g) the Subscriber has had the opportunity to ask questions of, and receive answers from, the Corporation, or a person authorized to act on behalf of the Corporation, concerning the business and affairs of the Corporation and the attributes of the Shares which the Subscriber deems necessary and appropriate;
- (h) the Subscriber has sought no advice in relation to the investment in the Shares from the Corporation, the Manager, or any of its affiliates, associates, agents, employees or representatives and neither the Corporation nor any of its affiliates, associates, agents, employees or representatives has provided any advice to the Subscriber in relation to such purchase, and the Subscriber has been advised to consult with its own advisers with respect to an investment in the Shares;
- (i) the Subscriber has duly executed and delivered this Subscription Agreement and it constitutes a valid and binding agreement of the Subscriber enforceable against the Subscriber;
- (j) none of the funds being used to purchase the Shares are, to the Subscriber's knowledge, proceeds obtained or derived directly or indirectly as a result of illegal activities. The funds being used to purchase the Shares which will be advanced, directly or indirectly, by or on behalf of the Subscriber to the Corporation or to the account of the Corporation hereunder will not represent proceeds of crime for the purposes of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada) (the "PCMLTFA") (or any other legislation of a similar nature of an International Jurisdiction) and the Subscriber acknowledges that the Corporation may in the future be required by law to disclose the Subscriber's (including each disclosed principal's) name and other information relating to this Subscription Agreement and the Subscription hereunder, on a confidential basis, pursuant to the PCMLTFA. To the best of the Subscriber's knowledge, none of the funds to be provided by the Subscriber (or, for certainty the disclosed principal, if any), are being tendered on behalf of a person or entity who has not been identified to the Subscriber, and the Subscriber shall promptly notify the Corporation if the Subscriber discovers that any of such representations cease to be true, and shall promptly provide the Corporation with all necessary information in connection therewith;
- (k) the Subscriber acknowledges that the representations and warranties contained in this Subscription Agreement, including, as applicable, any acknowledgements or certificates attached as Schedules and Appendices hereto, are made by the Subscriber with the intention that they may be relied upon by the Corporation and its legal counsel in determining the Subscriber's eligibility to acquire the Shares under relevant Legislation. The Subscriber further agrees that by accepting delivery of the Shares, the Subscriber will be representing and warranting that the foregoing representations and warranties are true and correct as at the time of delivery of such Shares with the same force and effect as if they had been made by the Subscriber at such time, and that they shall survive the completion of the transactions contemplated under this Subscription and remain in full force and effect thereafter for the benefit of the Corporation for a period of one year;
- (l) the Subscriber was not created and is not being used solely to purchase or hold securities in the Corporation; it pre-existed and has a bona fide purpose other than investment in the Shares.
- (m) the Subscriber acknowledges that the participating dealer through which the Subscriber is subscribing for Shares will charge a commission. For investors referred to the dealer by the Corporation, the commission shall be equal to a 1.5% of the aggregate subscription price of the Shares, for investors sourced by the dealer, the commission shall be equal to 3.0% of the aggregate subscription price of the Shares subscribed for by the Subscriber and that such fee will be paid by the Corporation.

6. Reliance by the Corporation, Manager and the Agent.

The Subscriber acknowledges that the representations, warranties and covenants made by the Subscriber in this Subscription Agreement are made with the intent that they may be relied upon by the Corporation, the Manager and the Agent, to, among other things, determine the Subscriber's eligibility to purchase Shares, including without limitation the availability of exemptions from the registration and prospectus requirements of Applicable Securities Laws in connection with the issuance of the Shares to the Subscriber. The Subscriber agrees to provide upon request any additional information that the Corporation, the Manager, or the Agent determines necessary or appropriate in determining the Purchaser's eligibility. The Subscriber further covenants that by accepting the Shares, the Subscriber shall be representing and warranting that such representations and warranties are true as at the applicable closing with the same force and effect as if they had been made by the Subscriber at the applicable closing and that the covenants of the Subscriber made by it in this Subscription Agreement to be performed prior to the applicable closing have been performed. The Subscriber further agrees to indemnify the Corporation, the Manager and the Agent and their respective directors, officers, employees,

advisers, affiliates, shareholders and agents, and their respective advisers and counsel, against all losses, claims, costs, expenses, damages and liabilities which any of them may suffer or incur and which are caused by or arise from any inaccuracy in, or breach of, any such representations, warranties and covenants made by the Subscriber in this Subscription Agreement. The Subscriber undertakes to immediately notify the Corporation of any change in any statement or other information set forth herein or in any other documentation relating to the Subscriber hereunder that takes place prior to the applicable closing.

7. Collection of Personal Information

The Subscriber acknowledges and consents to the fact that the Corporation and the Agent are collecting the Subscriber's personal information for the purpose of fulfilling this Subscription Agreement and completing the offering. The Subscriber's personal information (and, if applicable, the personal information of those on whose behalf the Subscriber is contracting hereunder) may be disclosed by the Corporation or the Agent to (a) securities regulatory authorities, (b) the Corporation's registrar and transfer agent, (c) Canadian tax authorities, (d) authorities pursuant to the PCMLTFA and (e) any of the other parties involved in the offering, including legal counsel, and may be included in record books in connection with the offering. By executing this Subscription Agreement, the Subscriber is deemed to be consenting to the foregoing collection, use and disclosure of the Subscriber's personal information and to the retention of such personal information for as long as permitted or required by law or business practice. Notwithstanding that the Subscriber may be purchasing Shares as agent on behalf of an undisclosed principal, the Subscriber agrees to provide, on request, particulars as to the nature and identity of such undisclosed principal, and any interest that such undisclosed principal has in the Corporation, as may be required by the Corporation in order to comply with the foregoing.

Furthermore, the Subscriber is hereby notified that:

- (i) the Corporation or the Agent may deliver to any securities commission having jurisdiction over the Corporation, the Subscriber or this subscription, including any Canadian provincial securities commissions (collectively, the "Commissions") certain personal information pertaining to the Subscriber, including such Subscriber's full name, residential address and telephone number, the number of shares or other securities of the Corporation owned by the Subscriber, the number of Shares purchased by the Subscriber and the total purchase price paid for such Shares, the prospectus exemption relied on by the Corporation and the date of distribution of the Shares,
- (ii) such information is being collected indirectly by the Commissions under the authority granted to them in securities legislation,
- (iii) such information is being collected for the purposes of the administration and enforcement of the securities laws, and
- (iv) the Subscriber may contact the following securities regulatory authority for more information: British Columbia Securities Commission, 1-800-373-6393 or 604-899-6854, or visit its website at www.bcsc.bc.ca

8. Representations and Warranties of the Corporation.

The Corporation acknowledges, represents, warrants and declares to the Purchaser and the Agent, and acknowledges that each of the Purchaser and the Agent is relying upon such representations, warranties and covenants in connection with its execution and delivery of this Agreement, that as at the date of this Agreement:

- (a) the Corporation is, and will use commercially reasonable efforts to qualify at all applicable times as, a "mortgage investment corporation" as defined under the Income Tax Act (Canada);
- (b) as of the date the Corporation issues the Shares, if any, to the Purchaser, the Corporation will have taken all necessary steps to duly and validly create and issue such Shares;
- (c) the Corporation is not a party to any actions, suits or proceedings which could materially affect its business or financial condition, and to the best of the Corporation's knowledge no such actions, suits or proceedings are contemplated or have been threatened;
- (d) no order ceasing or suspending trading securities of the Corporation or prohibiting the sale of such securities has been issued and remains outstanding against the Corporation or its directors, officers or promoters and, to the Corporation's knowledge, no investigations or proceedings for such purposes are pending or threatened;

- (e) the Corporation is a validly formed corporation established under the laws of the Province of British Columbia, and, has all requisite power and authority to own, lease and operate its properties and assets, to carry on its business as described in the Offering Memorandum; and
- (f) the Corporation has all requisite power and authority, and on or before the date on which the Shares are issued to the Purchaser, will have taken all actions required to enter into this Agreement; and (ii) to carry out all the terms and provisions hereof and to issue, sell and deliver the Shares in accordance with the provisions of this Agreement and the Offering Memorandum.

9. General

- 9.1 The Subscriber acknowledges and agrees that all costs and expenses incurred by the Subscriber relating to the purchase of the Shares shall be borne by the Subscriber.
- 9.2 This Subscription Agreement is governed by the laws of the Province of British Columbia and the federal laws of Canada. The Subscriber, in its personal or corporate capacity and, if applicable, on behalf of each beneficial purchaser for whom it is acting, irrevocably attorns to the jurisdiction of the Province of British Columbia.
- 9.3 This Subscription Agreement, including without limitation the representations, warranties and covenants contained herein, shall survive and continue in full force and effect and be binding upon the parties hereto notwithstanding the completion of the purchase of the Shares by the Subscriber pursuant hereto.
- 9.4 This Subscription Agreement is not transferable or assignable.
- 9.5 The invalidity or unenforceability of any particular provision of this Subscription Agreement shall not affect or limit the validity or enforceability of the remaining provisions of this Subscription Agreement.
- 9.6 Except as expressly provided in this Subscription Agreement and in the agreements, instruments and other documents contemplated or provided for herein, this Subscription Agreement contains the entire agreement between the parties with respect to the sale of the Shares and there are no other terms, conditions, representations or warranties, whether expressed, implied, oral or written, by statute or common law, by the Corporation or by anyone else.
- 9.7 All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Subscriber shall be directed to the address on the cover page of this Subscription Agreement and notices to the Corporation shall be directed to 415 – 145 Chadwick Court, North Vancouver, British Columbia V7M 3K1.
- 9.8 This Subscription Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall constitute an original and all of which together shall constitute one instrument. Delivery of an executed copy of this Agreement by electronic facsimile transmission or other means of electronic communication capable of producing a printed copy will be deemed to be execution and delivery of this Agreement as of the date hereinafter set forth.
- 7.9 The Subscriber hereby acknowledges that he or she will deliver to the Agent all such additional completed forms in respect of the Subscriber's purchase of the Shares as may be required for filing with the appropriate securities commissions and regulatory authorities.
- 7.10 **You should consult your own professional advisors to obtain advice on the income tax consequences that apply to you.**

SUBSCRIPTION AND SUBSCRIBER INFORMATION

Please print all information (other than signatures), as applicable, in the space provided below

Individual Subscriber

Subscriber

<input type="checkbox"/> Mr	<input type="checkbox"/> Mrs	<input type="checkbox"/> Miss	<input type="checkbox"/> Ms	<input type="checkbox"/> Dr
Signature of Investor				Date of Execution
Full Legal Name of Subscriber				Date of Birth
Address		City	BC Province	Postal Code
Home Telephone	Business Telephone	Cellular	Email Address	
Social Insurance Number / Business Number				

Joint Subscriber, if applicable

<input type="checkbox"/> Mr	<input type="checkbox"/> Mrs	<input type="checkbox"/> Miss	<input type="checkbox"/> Ms	<input type="checkbox"/> Dr
Signature of Joint Investor				Date of Execution
Full Legal Name of Subscriber				Date of Birth
Address		City	BC Province	Postal Code
Home Telephone	Business Telephone	Cellular	Email Address	
Social Insurance Number / Business Number				

RRSP / RRIF / LIF / TFSA³, if applicable

Trustee Name	Account number
Address	City Province Postal Code

Dividend Election

<input type="checkbox"/> Dividends to be reinvested	<input type="checkbox"/> Dividends to be paid out
---	---

³ Refer to Eligibility for Investment by Deferred Income Plans as discussed in Offering Memorandum

Corporate/Entity Subscriber

<div>Signature of Authorized Party</div>		<div>Date of Execution</div>	
<div>Signature of Authorized Party</div>		<div>Date of Execution</div>	
<div>Name of Investor – Print full legal name</div>		<div>Principal Business of Entity</div>	
<div>Business Address</div>	<div>City</div>	<div><div>BC</div><div>Province</div></div>	<div>Postal Code</div>
<div>Business Telephone</div>	<div>Cellular</div>	<div>Email Address</div>	
<div>CRA Tax Account Number</div>			

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.
- 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 \$ _____ [total consideration] in total; this includes any amount I am obliged to pay in future. CMIC Mortgage Investment Corporation will pay \$ _____ of this to _____ [name of person selling the securities] 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 CMIC 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 CMIC Mortgage Investment Corporation at its business address. Keep a copy of the notice for your records.

Issuer Name and Address: CMIC Mortgage Investment Corporation
415 – 145 Chadwick Court, North Vancouver BC. V7M 3K1
Fax: 604-929-9592 Email: cove_mortgage@telus.net

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.

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:

BRITISH COLUMBIA SECURITIES COMMISSION
701 West Georgia Street
Vancouver, BC V7Y 1L2
604-899-6500
www.bcsc.bc.ca

Exhibit 2 CONSENT TO DISCLOSURE OF PERSONAL INFORMATION

TO: Cove Mortgage Ltd. and
 CMIC Mortgage Investment Corporation

The undersigned hereby acknowledges and consents to the collection and disclosure to applicable securities regulatory authorities of personal information relating to the purchase of shares in the capital of CMIC Mortgage Investment Corporation.

This information is being collected indirectly by the Securities Commissions under the authority granted to them in securities legislation for the purposes of the administration and enforcement of the securities legislation.

Dated as of the _____ day of _____, 20 ____

Signature

Name of Shareholder(s)

Joint Signature (if applicable)

Name of Joint Shareholder(s) (if applicable)

For more information on the indirect collection of information (based on province of residency) please contact:

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, BC V7Y 1L2

Attention: Freedom of Information Officer
Telephone: (604)899-6500 or (800)373-6393 (in BC)

SCHEDULE "B" — ENROLMENT FORM FOR DIRECT DEPOSIT

By signing this form, the undersigned agrees to have dividends distributed on Class A Preferred Shares of CMIC Mortgage Investment Corporation ("CMIC") directly deposited to the bank account specified below.

This authorization shall remain in effect until CMIC has received written notification of its change or termination. This notification must be received at least ten (10) business days before the next quarter end at the Corporation's address provided.

Dividends are distributed on a quarterly basis.

Investor Information (Please Print Clearly)			
Name		Joint Name (if applicable)	
Address			
Joint Shareholder Address (if different)			
Phone		Email	
Joint Shareholder Phone (if different)		Joint Shareholder Email (if different)	
These services are for (check one)		Person	Business Joint (2 persons)

Bank Account Information (Please attach 'Void' cheque)		
Financial Institution Number	Branch/Transit Number	Account Number
Financial Institution Name	Branch Address	
Signature of account holder	Signature of joint account holder (if applicable)	
Name (please print)	Joint Name (if applicable, please print)	
Date	Date	

SCHEDULE "C" — WIRE TRANSFER INSTRUCTIONS

INCOMING WIRE PAYMENT DETAILS FOR COVE MORTGAGE LTD (IN TRUST FOR CMIC MORTGAGE INVESTMENT CORPORATION)

Provide the following information to your bank:

Beneficiary Name	Cove Mortgage Ltd (In Trust)
Beneficiary Address	415 – 145 Chadwick Court, North Vancouver BC. V7M 3K1
Beneficiary Bank	Royal Bank of Canada
Routing Number	000304000
Beneficiary Transit #	04000-003
Address	1789 Lonsdale Ave, North Vancouver BC. V7M 2J6
Beneficiary Account #	1001445