

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

OFFERING MEMORANDUM

Date: May 3, 2019

The Issuer

Name: DUNDARAVE MORTGAGE INVESTMENT CORPORATION (the "Company" or the "Issuer" or the "Corporation")

Head Office: Address: 1885 Marine Drive, North Vancouver, B.C. V7P 1V5
Phone #: (604) 985-5626
E-Mail address: info@dmic.ca
Fax #: (604) 990-9644
Website: www.dmic.ca

Currently listed or quoted: These securities do not trade on any exchange or market.

Reporting Issuer: The Company is currently not a reporting issuer.

SEDAR files: The Company is currently not a SEDAR filer.

The Offering

Securities Offered: 10,000,000 Class "A" Redeemable Preferred Shares with a par value of \$1.00 each (the "Preferred Shares").

Price per security: \$1.00 per Preferred Share.

Minimum/Maximum Offering: \$0 / no maximum. There is no minimum or maximum offering. You may be the only purchaser. Funds available under this offering may not be sufficient to accomplish our proposed objectives. Shares have been sold in prior offerings. For information on prior sales of Shares, see "Item 4: Capital Structure – 4.3 Prior Sales".

Minimum Subscription Amount: There is no minimum subscription amount an investor must invest.

Payment Terms: Any subscriber shall provide a cheque, bank draft or money order to the Company upon execution of the Subscription Agreement by the subscriber.

Proposed closing date(s): All subscriptions received are subject to rejection or acceptance in full or in part by the Company and the right is reserved to closing the offering at any time without notice by the Company. The Company may also have a number of closings at the Company's discretion.

Tax Consequences: There are important tax consequences to these securities. See Item 6.

Selling Agent: There are no agents engaged by the Issuer at the date of this Offering Memorandum. In the event that some of the shares are sold with the assistance of a selling agent, then the total commission will be adjusted accordingly but such commissions shall not exceed \$.03 per share. Any commissions will be paid by the Issuer. The Issuer may also pay finder's fees up to a maximum of \$.03 per share in compliance with the Securities Act to parties who locate potential subscribers of the Issuer. If the Issuer engages to sell shares of the Issuer through members of the Mutual Fund Dealership Association or Investment Dealers Association, the Issuer will comply with all requirements regarding such sales.

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 shares. 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.

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Forward-Looking Information

This Offering Memorandum contains information or disclosures that may constitute forward-looking information under applicable securities laws. Forward-looking information may be identified by the use of words like "believes", "intends", "expects", "may", "will", "should", or "anticipates", or the negative equivalents of those words or comparable terminology, and by discussions of strategies that involve risks and uncertainties. All forward-looking information are based on the Company's current beliefs as well as assumptions made by and information currently available to the Company and relate to, among other things, anticipated financial performance; business prospects; strategies; the nature of the Company's operations; sources of income; forecasts of capital expenditures and the sources of the financing thereof; expectations regarding the ability of the Company to raise capital; the Company's business outlook; plans and objectives for future operations; forecast business results; and anticipated financial performance.

The risks and uncertainties of the Company's business, including those discussed under Item 8 – Risk Factors, could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed. In addition, the Company bases forward-looking information on assumptions about future events, which may not prove to be accurate. In light of these risks, uncertainties and assumptions, prospective investors should not place undue reliance on forward-looking information and should be aware that events described in the forward-looking information set out in this Offering Memorandum may not occur. The Company cannot assure prospective investors that its future results, levels of activity and achievements will occur as the Company expects, and neither the Company nor any other person assumes responsibility for the accuracy and completeness of the forward-looking information. Except as required by law, the Company assumes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Item 1 Use of Available Funds

1.1 Funds

The following are the net proceeds of the offering and the funds that will be available to the Issuer after the offering.

Description	Assuming Minimum Offering	Assuming Maximum Offering
A. Amount to be raised by this offering	\$0	\$15,000,000 ⁽¹⁾
B. Selling commissions and fees	\$0 ⁽¹⁾	\$0 ⁽²⁾
C. Estimated offering costs (e.g., legal, accounting, audit)	\$8,000	\$8,000
D. Available Funds: $D = A - (B+C)$	(\$8,000)	\$14,992,000
E. Additional sources of funding available	\$0	\$0
F. Working capital position (deficiency)	\$682,354 ⁽³⁾	\$682,354 ⁽³⁾
G. Total: $G = (D + E) + F$	\$674,354	\$ 15,674,354

- (1) There is no minimum or maximum offering. The amount shown under “Assuming maximum offering” is an assumed amount for illustrative purposes only.
- (2) Assuming no commissions or finder's fees are payable.
- (3) A positive number represents the issuer's cash on hand as at 30 days prior to the date of this Offering Memorandum. Current mortgages, which might otherwise be included in the working capital, are excluded.

1.2 Use of Available Funds

The available funds from the offering will be used as follows:

Description of intended use of available funds listed in order of priority	Assuming Minimum Offering	Assuming Maximum Offering
Investment in Mortgages in compliance with the Tax Act (See “Our Business”).	\$ 0 ⁽¹⁾	\$ 15,329,354 ⁽¹⁾
Management fees, professional fees, office expenses, annual general meeting expenses, insurance and licenses and dues	\$ 145,000	\$ 345,000 ⁽³⁾
TOTAL	\$0	\$15,674,354

- (1) There is no minimum or maximum offering. The amount shown under “Assuming maximum offering” is an assumed amount for illustrative purposes only.

- (2) Proceeds may be used for the redemption of preferred shares if a redemption request is made and the Company believes it is prudent to redeem the shares at that time with the sale proceeds.
- (3) The operating expenses of the Issuer include fees payable to Dundarave Management Ltd. (defined below as the “Manager”) for its general management and advisory services equal to 2.0% per year of the funds invested. Based on the assumed maximum offering of \$15,000,000 with all funds invested, these fees would amount to \$300,000 per year in relation to the funds raised as part of this offering. See “2.7 Material Agreements”. Other operating expenses are estimated to be approximately 0.3% of the funds raised. Based on the assumed maximum offering of \$15,000,000, these other operating expenses would amount to approximately \$45,000 per year.

1.3 Reallocation

The Company intends to spend the available funds as stated. The Company will reallocate funds only for sound business reasons.

Item 2 Business of the Company

2.1 Structure

Dundarave Mortgage Investment Corporation was incorporated under the British Columbia *Business Corporations Act* on July 10, 2008.

2.2 Our Company's Business

Overview

The Company will operate in such a manner as to remain qualified as a mortgage investment corporation under the *Income Tax Act* (Canada). The proceeds the Company receives from this Offering will be invested in a portfolio of residential, commercial, construction and other mortgages on real property located in Canada but in particular in Alberta and British Columbia. The Issuer intends to pay out to its shareholders all of its net income.

The Company is registered under the *Mortgage Broker Act* (British Columbia) which enables it to carry on business as a mortgage investment corporation in British Columbia. The Company will apply to be a registered mortgage broker in any jurisdiction in which the Company operates and is required to register.

The Company and the Issuer as mentioned herein are the same entity and the names are used interchangeably.

Principal Investments and Operating Results

The Company has carried on business since February 1, 2009 and the most recent audited financial statements of the Company are dated for the year end January 31, 2017.

Funds available for investment will come from the proceeds of the Offering, and possibly by borrowing from lenders. (Refer to “Borrowing”).

The Issuer's investments are and will be primarily mortgages on properties in Canada with particular emphasis on income producing residential, commercial, construction and other mortgages on properties located in Canada but particularly within British Columbia and Alberta. The Issuer invests in mortgages loans which do not necessarily fit within the lending parameters of conventional lenders. A risk premium is charged by the Issuer for the extra due diligence, administration and risk that is associated with these mortgages that are of a more unconventional nature. For this, the Issuer generally charges a higher interest rate than a conventional lender.

The Issuer engages in funding mortgages loans which are not only first mortgages but which are

subordinate second and possibly third mortgages. When a subordinate mortgage is under consideration, the Issuer will closely examine the amount and terms of the current first mortgage to ensure that they are reasonable and are unlikely to present unusual problems in the event of a default or foreclosure. Historically, it has been the Issuer's preference to only consider non-first mortgages on income producing properties. Furthermore, the Issuer diligently reviews the property, the borrower(s) and any covenants and guarantors in an attempt to ensure the aggregate of the Issuer's debt on the property and any prior mortgage debt does not exceed the maximum loan-to-value limit as prescribed by the Issuer. The Issuer will from time to time engage in mortgage lending on raw (un-serviced) land, serviced lots and land development. The Issuer lends on land on a case by case basis and usually not for land speculation purposes. Typically the Issuer lends up to a maximum 65% of land value, however, this is dependent upon the location and mortgage type. If the land is to be developed for construction, the Issuer may consider a construction mortgage as well.

The Issuer may engage in mortgage lending on new and renovation development and construction projects. This type of lending requires considerably more due diligence, expertise, management and on-going administration. The risk in this type of lending is the relative uncertainty of construction and development costs, uncertainty as to eventual sales of the finished product, fluctuation in interest rates the end buyer may face when negotiating to buy the finished product and uncertainty as to the cost and availability of materials and labour during the construction phase. These risks are considered by the Issuer during the due diligence process, but the extent to which any risk or combination of risks may change during the construction and development stage is unknown. As far as mortgages on construction and development are concerned, while the Issuer prefers a first mortgage position, the Issuer reserves the right to take a second mortgage position on construction and development. Factors such as a viable take out financing and the strength and income of the borrower to withstand possible unknown variables are then taken into consideration.

The repayment terms for the Issuer's investments in mortgage loans can be interest only or amortized with payments being a blend of principal and interest. To date, most all of the Issuer's mortgage investments have been interest only mortgages.

The Issuer's lending area is greatly varied in terms of real estate values which may range from values in smaller rural communities to vastly different values in densely populated urban areas such as Vancouver, Victoria, Calgary, and Edmonton, etc. To minimize risk, enhance its security and strengthen its investment portfolio, the Issuer pays close attention to considerations such as diversification and concentration and closely examines each mortgage loan on a case-by-case basis to ensure that loans are made predominately in areas that demonstrate economic stability and a reasonable likelihood of growth over time or where demand for real estate is likely to remain strong.

A reasonably active real estate market is an important consideration for the Issuer when reviewing a mortgage loan application. The Issuer makes every effort to ensure that in the event of a mortgage default and legal (foreclosure) action, the subject property(s) have a market in which to be sold. The Issuer takes into consideration and prefers locales where there is a reasonable prospect of conventional mortgage funds being available to replace the Issuer's private mortgage loan as and when necessary.

The Issuer diligently updates its knowledge and awareness of the real estate investment market as well as the needs and preferences of the borrowing and investing public. This involves the Issuer continually gathering and analyzing market data to act promptly and effectively without compromising diligence and taking undue risk. Using professional experience, the Issuer attempts to minimize perceived risk while at the same time maximizing reward. For example, in the last few years there has been a downward trend on interest rates. While attempting to maintain a solid yield, the Issuer has decided to not pursue what it perceives to be very risky investments to maintain a very high yield. Rather, the Issuer has remained sensitive to the risk and reward balance and has attempted to invest in mortgages it feels are reasonably sound and yet yield a favourable interest rate.

There are many other mortgage investment corporations in the investment market, many much larger

than the Issuer and with a greater lending area. The Issuer acknowledges its niche in the mortgage lending market as a smaller yet more flexible and efficient mortgage lender. This allows the Issuer to invest in high quality mortgages which other lenders may not be able to fund under the parameters required by the borrower. That being said, despite the due diligence of the Issuer into the financial strength and credit worthiness of the borrower, guarantors and covenants, the real strength of any mortgage is its underlying real estate. Despite an historical long-term trend towards increasing real estate market values, the Issuer maintains that purchasers of its Shares should be mindful of the short-term fluctuations in the real estate market values which may affect the yield and their ability to redeem their Shares in the short term. In particular, there has been recent downward pressure on the residential real estate values within the higher end market of the Greater Vancouver Regional District and on real estate in Alberta, predominantly in the southern portion of the province.

Borrowing

Under applicable legislation, the Company is permitted to borrow up to five (5) times the net book value of its assets. The Company has not borrowed any funds against its assets as of the date of this Offering Memorandum, however, the Company may borrow funds at a later date. Any borrowings will be made from arms' length parties and on the expectation that such borrowing will be done to increase the overall profitability of the Company.

To minimize the effect of interest rate movements, it will be the Company's policy generally to match the terms of mortgage investments with the terms of its debt obligations. Matching will be made on the basis of cash flow and the maturity dates of the company's mortgage asset portfolio, taking into account such factors as anticipated prepayments, payment defaults and accelerated amortization. The Company may also enter into such other financial transactions as the Manager and the directors of the Company determine to improve the match of mortgage investments and debt obligations and to reduce funding costs.

With respect to such borrowing, the Company's objective is to secure profitable interest rate differences (or "spreads"), rather than attempt to capitalize on fluctuations in interest rates. To the extent that the Company can fix the spread in interest rates between its mortgage investments and its debt obligations, the portion of the mortgage portfolio funded by debt (or "leveraged") becomes largely insensitive to variations in market interest rates.

The net interest spread will be calculated by the Company as the difference between the weighted average interest rate on its mortgage investments, restated on an effective annual basis to take into account compounding, less the interest rate on the Company's debt obligation.

It is highly unlikely that the Company would be able to borrow anywhere near five times its capital as the Issuer is not a deposit-taking company, nor would the market lend to that level. It is highly improbable that the Company would find a lender that will lend more than 25% of the value of the Company's assets let alone five times the value of its assets. Therefore leverage (exposure to debt) of the Issuer is controlled and minimized. Notwithstanding the above, any borrowing or debt of the Issuer will represent a risk to the Company and its shareholders.

Since inception, the Issuer has not borrowed against its assets.

Investment and Loan Policies

The Directors approve the Issuer's investment and loan policies from time to time. The Directors may approve an amendment to the investment policies of the Issuer from time to time provided that:

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

- (b) the Preferred Shareholders approve the amendment to the investment and loan policies 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 and loan policies. For the purposes of the meeting, a quorum of the Preferred Shareholders shall be fifteen (15%) percent 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.

Prior to the investment in a mortgage, the Board of Directors of the Issuer will meet and review the merits of the investment. A simple majority of the directors is required for the approval of an investment in a new mortgage or a modification of a current mortgage investment.

Investment Criteria

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) Once the Issuer has share capital of at least \$4,000,000.00, individual loans are not to exceed the greater of One Million Five Hundred Thousand (\$1,500,000.00) Dollars or Ten (10%) percent of the Issuer's total mortgage portfolio.
- (d) Loans will be made to borrowers dealing with the Issuer and the Manager or their affiliates, shareholders, officers and directors at arm's length.
- (e) Up to fifty (50%) percent of the share capital of the Issuer may be secured on non-residential property.
- (f) Mortgages will be registered as a charge against real property, provided that the overall loan to value ratio does not exceed seventy-five (75%) percent (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 eighty-five (85%) and the total combined value of the prior charges are within the investment parameters of the Issuer.
- (g) Prior to funding, the Issuer will obtain current appraisals on all properties which secure the loan unless the loan-to-value of the proposed mortgage is significantly low enough that it is deemed acceptable that the property assessment can be relied upon in lieu of an appraisal. The appraisals will be completed by an accredited appraiser approved by the Manager.
- (h) The initial term of each mortgage will not exceed a term of twenty-four (24) months.
- (i) The Issuer will only make investments in Provinces of Canada in which the Issuer is lawfully permitted to do business.
- (j) The Issuer will not borrow more than one times the net book value of the Issuer's assets, unless the Preferred Shareholders authorize an increase in the loans by way of ordinary resolution.
- (k) 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.

- (l) The Issuer may invest in first, second and third mortgages although the greatest emphasis will be in investing first and second mortgages. Historically, 63% of mortgages invested in by the Issuer have been first mortgages only or first mortgages with an additional second mortgage(s) as collateral security. 37% of mortgages invested by the Issuer have been second mortgages only or second mortgages with an additional third mortgage(s) as collateral security. To date the Issuer has not issued any third only mortgages.
- (m) As and when available, additional security may be obtained by the Issuer such as security in the form of a general security agreement, depending on applicable provincial laws. A general security agreement secures personal property assets of the borrower. These assets will not be considered for LTV ratio calculation purposes.
- (n) The Issuer seeks to maximize the amount of funds invested in mortgage loans at all times. As a result, the Issuer may elect to renew mortgage loans as they come due. Factors considered by the Issuer when determining whether or not to renew mortgage loans may include the LTV ratio at the time of renewal, the borrower's intended use of the property, proposed timelines and loan payment history, the length of the borrower's working relationship with the Issuer and other factors.

Mortgage Portfolio as at May 3, 2019

Property Under Mortgage	Location	Principal	Interest Rate	Repayment Terms	Priority Ranking	LTV %*	Expiry	Notes
Hornby Island Residential Lots	Hornby Island	\$ 200,000	9.5%	IO	1st	57%	31-Dec-18	
7 Low Rise Res. Apartment Bldg.	Prince Rupert	\$ 1,200,000	8%	P&I	1st	69%	1-Sep-19	
37 Unit Townhouse Complex	Quesnel, B.C.	\$ 850,000	8%	P&I	1st	49%	01-Jun-20	
Development Site for Apartment Bldg.	Victoria, B.C.	\$ 800,000	9.0%	IO	1st	70%	30-Apr-19	
Residential Apartment	Vancouver, BC	\$ 700,000	9.5%	IO	1st	41%	31-Dec-19	
Commercial Retail Building	Edmonton, AB	\$ 840,000	9.0%	IO	1st	70%	31-Aug-20	
Commercial Retail Properties	Golden, BC	\$ 85,000	12.0%	IO	1st	74%	31-Aug-19	
Residential Development Site	Chilliwack, BC	\$ 975,000	12.0%	IO	1st	27%	01-Jan-20	
Residential Development Site	Chilliwack, BC	\$ 975,000	12.0%	IO	1st	27%	01-Jan-20	
Residential Development Site	Campbell River, BC	\$ 756,250	8.99%	IO	1st	55%	01-Mar-20	
Single Family Home	Rosedale, BC	\$ 651,000	8.99%	IO	1st	70%	31-Jan-20	
Commercial Retail Building	Edmonton, AB	\$ 600,000	9.0%	IO	1st	54%	15-Apr-20	
Industrial Building	Kelowna, BC	\$ 1,500,000	9.0%	IO	1st	40%	01-Sep-19	
30 Unit Townhouse Complex	Duncan, BC	\$ 525,000	9.5%	IO	2nd	64%	01-Nov-19	
Nanaimo - Residential & Marina Waterfront	Nanaimo, B.C.	\$ 350,000	11.0%	IO	2nd	43%	02-Feb-19	1
Oliver Phase 1, 12 Unit Development	Oliver, BC	\$ 625,000	12.0%	IO	1st/2nd	39%	01-May-19	
Oliver Phase 1, 12 Unit Development	Oliver, BC	\$ 875,000	15.0%	IO	2nd/3rd	57%	01-Apr-20	
Residential Dev. Sites, & Res. Properties	West Vancouver, Squamish, Egmont B.C.	\$ 1,000,000	10.5%	IO	2nd	53%	03-Feb-19	2
Single Family Homes (3)	Powell River, BC	\$ 77,968	12.0%	IO	2nd	75%	1-Jul-19	
15 Unit Apartment Complex	Merritt, BC	\$ 205,000	12.0%	IO	2nd	70%	1-Apr-19	

*Loan to Value is at the date the loan was issued.

P=Principal, IO= Interest Only, P&I=Principal and Interest

Notes:

- Interest rate temporarily increased to 16% following expiration of term and expected refinance
- Sale of Squamish property pending, with expected repayment

Mortgage Portfolio Shedule

		Amount	Count	Percent
BY TYPE	Industrial	\$ 1,500,000	1	10.88%
	Residential	\$ 8,815,218	13	63.92%
	Land	\$ 1,950,000	2	14.14%
	Office	\$ -	0	0.00%
	Retail	\$ 1,525,000	4	11.06%
		\$ 13,790,218	20	100.00%

		Amount	Count	Percent
BY PROVINCE	B.C.	\$ 12,350,218	18	89.56%
	Alberta	\$ 1,440,000	2	10.44%
		\$ 13,790,218	20	100.00%

		Amount	Count	Percent	Av. Rate	Av. LTV
BY RANKING	1st	\$ 10,132,250	13	73.47%	8.86%	59.11%
	2nd	\$ 3,657,968	7	26.53%	11.75%	63.42%
	3rd*	\$ -	0	0%		
		\$ 13,790,218	20	100.00%		

The Company has not had to date, and currently does not have any non-mortgage loans.

2.3 Development of Business

The Company has and expects to continue to obtain mortgages for its portfolio from the following sources:

- (a) **Direct** - through direct negotiations with borrowers such as home purchasers, home owners, home builders and industrial and commercial owners, developers and real estate syndicators.
- (b) **Agency Origination** - through qualified market intermediaries who assist in identifying mortgage investment opportunities consistent with the Company's investment policies. These intermediaries will be experienced mortgage brokers or lenders who have demonstrated their ability to supply mortgage loans within the parameters of the Company's lending criteria.

Foreclosures and Non-Performing Mortgage Loans

From time to time in the normal course of business, mortgage borrowers will default on their loans. This may happen for a variety of reasons including, but not limited to, non-payment or late payment of mortgage payments, nonpayment of property taxes, non-payment of property insurance or not maintaining adequate property insurance, nonpayment of strata fees and other strata assessments and non-payment of the mortgage balance at maturity.

Should a mortgage default occur, the Company must consider a number of factors to determine the

best course of action. Depending on the severity of the default and the length of time and difficulty incurred in working through the default and recovery process, the costs to the Issuer can be substantial, and often only part of such costs can be recovered. The Company reserves the right to work with the borrower to help them manage their affairs and bring the mortgage back into good standing. This is the most cost-effective way of proceeding and ultimately in the best interests of all parties involved.

However, from time to time, the Company must pursue legal action against the borrower(s), guarantor(s) and covenantor(s). The legal process can vary between provincial jurisdictions but the general outcomes for a foreclosure of a mortgage result in a court-ordered sale and conduct of sale by the Issuer. This may also involve a court order for vacant possession of the subject property or the right of the Issuer to collect rents if the property is an income-generating property. Occasionally, when deemed necessary, a Receiver may be appointed. This is most likely to take place if the subject property requires such attention as on-going management, rent collection, maintenance, completion of construction or development, protection of the property and so forth. Additionally, the Company will seek personal judgment and claims available under any general security agreements for personal property.

The Issuer, as a precautionary measure, may classify a mortgage loan as non-performing even though it may not be in default. In such cases the Issuer may choose to recognize the principal balance of the mortgage loan in its financial records but cease to accrue interest on the mortgage loan. If in the end the mortgage loan does in fact perform, the interest portion will be taken back into income.

As of May 3, 2019, there were no mortgages in foreclosure and non-performing. The total number foreclosure mortgages where there is a specific provision and/or an expectation for a possible loss is zero.

Significant Mortgage Defaults in the Past Three Years

On May 16, 2018, the one property in the Company's portfolio that was under foreclosure was sold and the mortgage debt was paid down significantly. All principal and expenses were recovered and most of the outstanding interest. The mortgage on the property was in the principal amount of \$900,000 and the mortgage security was a pellet mill in the Kamloops area. An Order for Conduct of Sale had been obtained by the Company. Pending a sale, the Company reserved the right not to pay out interest income pertaining to this loan since August 1, 2015. The recovered interest on the loan was disbursed among the preferred shareholders. While the Company has netted a profit on under the loan, it is entitled to seek additional court ordered interest. Efforts to date to do so have proven very difficult.

The second loan in arrears to be resolved in the last three fiscal years resulted from a construction loan in the Squamish area. The Company furthermore obtained a collateral second mortgage over the personal residence of the principal of the corporate borrower. This mortgage loan went into arrears off and on while the borrower attempted to obtain take out financing. By February 2016 this loan was paid in full by the borrower, including all costs, penalties and the accelerated interest which occurred following the end of the term of the mortgage.

Otherwise, during the Company's three most recently completed financial years there have not been any unusual events or conditions that have favourably, or adversely, influenced the development of the Company's business.

2.4 Long Term Objectives

The long term objective of the Company is to obtain a continuous supply of performing mortgages which enables the Company to pay its dividend obligations pursuant to the Articles of the Company. The Issuer's investments are and will continue to be mortgages on residential and commercial property in Canada with particular emphasis on British Columbia. The plan for portfolio development includes lending by way of

mortgages on residential and commercial property and construction projects. An investment in the Preferred Shares of the MIC is intended to provide Investors with an opportunity to participate in a program of residential project equity, construction, interim and land servicing mortgage loans and related investments in quality residential, commercial, office and industrial real estate projects as permitted within the guidelines for a MIC. In most cases the Issuer's mortgage investments will not meet financing criteria for conventional mortgages. As a result, these investments are expected to earn a higher rate of return than that normally attainable from conventional mortgage investments. The Issuer expects to minimize risk by lending to owners and developers that have satisfactory credit. The Issuer also expects to minimize risk by following the investment criteria as set out in Section 2.2.

The Issuer invests primarily in British Columbia. The Issuer will consider investing in Alberta and has done so four times. The Issuer will consider expansion into other areas of Canada at an appropriate time. Emphasis will be on urban centres and growth areas where investment opportunities may be maximized. The Issuer will not invest in mortgages on property outside Canada.

The Issuer may participate in part only of any mortgage investment. The Manager may syndicate the balance of the investment to other mortgage investors. By restricting its participation in large individual investments, the company will enjoy the benefits of increased portfolio diversification. It may also enable the Issuer to participate with the financing of larger real estate projects and developments than would otherwise be possible.

The Issuer's investments will typically fall into the following major loan categories:

- (a) Residential Loans – these loans will be secured by either first or subsequent mortgages against residential property. Interest on the loans will be payable monthly, unless otherwise agreed by the Manager. In addition, a bonus may be charged on the mortgage and the bonus payment will be secured under the mortgage charge.
- (b) Project Equity Loans – these loans are advanced to bridge the “gap” between the amount of equity which is provided by a developer and the amount available through conventional financing in the construction and development of residential, commercial or industrial property. Interest payments are usually due monthly or quarterly. Because project equity loans are typically higher risk, potential returns are significantly higher than conventional mortgage returns. Accordingly, additional remuneration is often stipulated in the form of a bonus payment included in and secured under the mortgage charge. To date, the Company has not participated in a project equity loan.
- (c) Construction Loans – These loans are advanced to finance the construction and development of residential, commercial, office or industrial property. Interest payments are usually due monthly or quarterly and may be deducted from progress advances on a work-in-place/cost-to-complete basis. These loans are higher risk than loans on completed buildings and accordingly, the return is usually based on a percentage over bank prime with a floor rate. Additional remuneration may also be stipulated in the form of a bonus payment included in and secured under the mortgage charge.
- (d) Interim Loans – These loans are advanced to finance a complete or substantially completed residential, commercial, office or industrial building with potential for higher returns as a result of renovation, redevelopment, new tenancies or other circumstances. Interest payments are usually due monthly or quarterly. While the construction risk is substantially eliminated, the success of these projects is subject to market conditions. Accordingly, the return is usually similar to construction loans.
- (e) Land Servicing Loans – these loans are advanced to finance the development of land zoned or approved for development to a condition suitable for construction. The development process generally includes clearing, grading, road construction, installation of sewer and water systems, underground utilities and other improvements such as road curbs and gutters, which may be required by the governing municipality. This will involve, where applicable, the funding of progress advances

on a work-in-place/cost-to-complete basis. The initial advance under a land servicing loan may be made before development commences, but generally not before the subject property is zoned or approved by the municipality for the intended use. Interest payments are usually due monthly or quarterly and may be deducted from progress payments. Principal repayments are made as and when individual lots or parcels are sold. Because land servicing loans are made at an early stage of project development, they tend to be higher risk and therefore offer a higher return. This often takes the form of an interest rate supplemented by per lot discharge fees and other bonus payments.

Loans are generally for terms of 6 to 24 months. Interest on loans is normally stipulated as either:

- (a) a floating rate expressed as a margin over the prime lending rate of the Issuer's bankers, often subject to a minimum specified rate; or
- (b) a fixed rate of interest.

Under circumstances deemed appropriate by the Manager and where the mortgage has a low loan-to-value ratio, the interest payments may be added to the outstanding mortgage balance and payable in full no later than upon discharge of the mortgage.

2.5 *Short Term Objectives and How the Company Intends to Achieve Them*

The Company's objectives over the next 12 months are the same as its long term objectives as set out in Item 2.4 'Long Term Objectives'.

What we must do and how we will do it	Target completion date, or, if not known, number of months to complete	Our costs to complete
<p>Source and invest in mortgages on a basis as set forth in Item 2.2 of this Offering Memorandum</p> <p>Continue raising funds through the sale of Shares by sourcing investments from potential investors through the Directors, and contacts of the Issuer</p> <p>Invest net proceeds from Offering in compliance with the Tax Act.</p> <p>Pay annual dividends to Preferred Shareholders while preserving capital.</p>	<p>As this is an ongoing investment program, there is no target completion date. However, it is the intention of the Company to invest the net proceeds as quickly as reasonably possible</p>	<p>Our costs to carry out our investment program generally consist of administrative costs (including legal and accounting fees) and Management Fees.</p>

2.6 *Insufficient Funds*

Not applicable.

2.7 *Material Agreements*

By an agreement dated July 10, 2008 (the "Management Agreement") between Dundarave Management Ltd. (the "Manager") and the Issuer, the Manager is solely responsible for managing the operations of

the Issuer in accordance with its Articles and investment policies and is responsible, among other things, for:

1. Originating and administering mortgages and other security interests in real property.
2. Providing financial services for the operations of the Issuer including administering general security agreements and other forms of security of the Issuer.
3. Providing administrative services required by the Issuer in carrying on business as a mortgage investment company.

The Management Agreement has a term of ten (10) years which is automatically renewed for an indefinite number of ten (10) year terms. The agreement will not be renewed if either party provides one (1) year notice of intention to not have the agreement renewed. However, the Management Agreement may be terminated by the Issuer upon the happening of one of the following events:

1.
 - (a) if any proceedings in insolvency, bankruptcy, receivership or liquidation be taken against the Manager;
 - (b) if the Manager makes an assignment for the benefit of any creditors or commence any action of bankruptcy within the meaning of the Bankruptcy Act (Canada);
 - (c) if the Manager assigns or purports to assign the Management Agreement or any rights accruing hereunder without the prior consent in writing of the Issuer;
 - (d) if the Manager commits a breach or default under the Management Agreement, provided that if such breach or default does not relate to payment of any monies to be paid by the Manager to the Issuer hereunder, the Issuer shall give the Manager notice in writing stipulating the breach or default by the Manager to remedy such breach or default and the Issuer shall have a period of thirty (30) days from the date of the giving of such notice to remedy the default to which such notice relates;
 - (e) if the Issuer gives to the Manager one (1) year notice of its intention to terminate this Management Agreement; or
 - (f) by mutual consent, in writing, of the Issuer and the Manager.

This Management Agreement may be terminated by the Manager at any time upon the happening of one of the following events:

- (a) if any proceedings in insolvency, bankruptcy, receivership or liquidation be taken against the Issuer other than proceedings relating to realizations of security on any mortgage property;
- (b) if the Issuer shall make an assignment for the benefit of a creditor or commits any act of bankruptcy within the meaning of the Bankruptcy Act Canada;
- (c) if the Issuer shall assign the Management Agreement, or any rights accruing thereunder without prior consent in writing of the Manager;
- (d) if the Issuer commits a breach or default under the Management Agreement, provided that if such breach or default does not relate to payment of any monies to be paid by the Issuer to the Manager hereunder, the Manager shall give the Issuer notice in writing stipulating the breach or default by the Issuer to remedy

such breach or default and the Issuer shall have a period of thirty (30) days from the date of the giving of such notice to remedy the default to which such notice relates;

- (e) if the Manager gives the Issuer one (1) year notice of its intention to terminate this Management Agreement; or
- (f) by mutual consent, in writing, of the Issuer and the Manager.

In the event of termination of this Management Agreement:

- (a) the Management Agreement and the agency created shall terminate and be of no further force or effect and all rights or obligations of the Issuer and the Manager shall cease;
- (b) the Manager shall be entitled to no special compensation for services being ceased as a result of such termination; and
- (c) the Manager shall turn over and deliver to the Issuer (or its authorized agent) all trust monies of the Issuer and all other funds held by it in respect of all Mortgages serviced hereunder and all documents, records, tax receipts, insurance policies, appraisals, and correspondence, files and other papers in the Manager's possession pertaining to the Mortgages serviced hereunder.

Provided however that such termination shall be concurrent with and in addition and without prejudice and not in lieu of or in substitution for any other rights herein contained, or all and any remedies in law or in equity which each of the parties hereto may have, for the enforcement of its rights under the Management Agreement and the remedies for any default under the provisions hereto.

Pursuant to the Management Agreement, 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, wilful 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, wilful misconduct or dishonesty of the Manager or its officers, employees or agents.

By an additional agreement dated October 7, 2008 (the "Tri-Partite Management Agreement") among the Manager, the Issuer, and Centum Capital Group Inc. ("Centum"), the Issuer authorizes Centum to be a non-exclusive supplier of mortgage loan opportunities for the Issuer in accordance with investment parameters from time to time approved by the Issuer and Centum will be eligible for standard brokerage fees negotiated on a case-by-case basis. (Centum has since changed its name to "Dominion Lending Centres Commercial Capital Inc.") In the event that a Director of the Issuer who is also a mortgage broker with Dominion Lending Centres Commercial Capital Inc. introduces a potential mortgage to the Board of the Issuer for consideration, that Director will abstain from such vote and a quorum of Directors independent of such broker will be required to approve such a loan.

Expenses and Management Fees

The Management Agreement provides that in consideration of the services provided by the Manager as

described above, the Issuer has agreed to pay to the Manager a fee (the "Fee") of two (2%) percent of the yearly outstanding balance of the Mortgage Portfolio.

This Fee is calculated and paid monthly on or before the 15th day of the month following the month in question on the basis of the operations of the Issuer during the previous quarter subject to the adjustment as a result of a dispute by the Issuer. The fee will ultimately be reconciled on an annual basis.

The Manager will bear the cost of administration of the mortgages in the Issuer's asset portfolio and other expenses except certain disbursements as provided for in the Management Agreement. The Manager and the Issuer may by mutual agreement reduce the amount payable to the Manager on account of services provided to the Issuer.

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

The expenses to be paid directly by the Issuer include fees and expenses of its directors and officers, the cost of acquisition of mortgages, appraisal fees, foreclosure costs, taxes of all kinds to which the Issuer is subject, the interest expenses, auditors' fees, legal fees, fees payable in respect of the issuance and administration of the Issuer's debentures, transfer agent fees, the cost of submitting financial reports and providing other information to shareholders and regulators, messenger service, photocopying, land title search, credit bureau reports, printing costs, survey certificates, postage, long distance telephone charges, accounting fees, real estate commissions, advertisements, promotions, insurance premiums and brokerage fees. All expenses to be paid by the Issuer will be approved by the Directors of the Issuer.

Payment of Fees. The Manager shall deliver its Fee Statement to the Company and the Company shall either pay or dispute the Fee Statement within seven (7) days of receipt therein. If the Company disputes the Fee Statement, it shall, within seven (7) days of receipt of the Fee Statement, provide the Manager with a Dispute Statement. In the event that the parties cannot resolve the dispute within fourteen (14) days of receipt by the Manager of the Dispute Statement, then the matter shall be determined by a single arbitrator appointed pursuant to the Commercial Arbitration Act of British Columbia and upon the arbitrator rendering the arbitrator's decision, payment of such arbitrated fee shall be paid by the Company to the Manager forthwith.

The Issuer shall be entitled to receive all fees and other charges with respect to a borrower prepaying any loans owing to the Issuer from such borrower. The Manager may charge administration fees and other charges with respect to the origination and/or setup of loans to borrowers from the Issuer which shall be the sole and absolute property of the Manager.

Item 3 Directors, Management, Promoters and Principal Holders

3.1 *Compensation and Securities Held*

The following table discloses the compensation paid to, and securities held by, each of our seven directors, officers and promoters and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of our securities (a "Principal Holder"). Amounts shown for directors may be held directly, through a holding company or registered plan.

Name and municipality of principal residence	Positions held and the date of obtaining that position	Compensation paid by issuer in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of our Securities held after completion of the:	
			Minimum Offering	Maximum Offering
David William Beckingham North Vancouver, B.C.	President and Director	Nil ⁽¹⁾	1 Common Share representing 1/11th of the Common Shares issued 498,318 Preferred Shares (3.35%)	1 Common Shares representing 1/11th of the Common Shares issued 498,318 Preferred Shares (2.01%)
William Marc Strongman North Vancouver, B.C.	Secretary/Director	Nil	1 Common Share representing 1/11th of the Common Shares issued 63,201 Preferred Shares (0.43%)	1 Common share representing 1/11th of the Common Shares issued 63,201 Preferred Shares (0.25%)
Sandeep Dayal Burnaby, B.C.	Treasurer/Director	Nil	1 Common Share representing 1/11th of the Common Shares issued 62,489 Preferred Shares (0.42%)	1 Common Share representing 1/11th of the Common Share issued 62,489 Preferred Shares (0.25%)
William Gerald Strongman North Vancouver, B.C.	Director	Nil	0 Common Share representing 0/11th of the Common Shares issued 802,902 Preferred Shares (5.40%)	0 Common Share representing 0/11th of the Common Shares issued 802,902 Preferred Shares (3.24%)
Joanne Susan Taylor Thomas Ottawa, ON.	Vice-President and Director	Nil ⁽¹⁾	0 Common Share representing 0/11th of the Common Shares issued 693,454 Preferred Shares (4.67%)	0 Common Share representing 0/11th of the Common Shares issued 693,454 Preferred Shares (2.79%)
Jorian de Vries North Vancouver, B.C.	Director	Nil	1 Common Share representing 1/11th of the Common Shares issued 79,200 Preferred Shares (0.53%)	1 Common Share representing 1/11th of the Common Shares issued 79,200 Preferred Shares (0.32%)
Neil Shopsowitz North Vancouver,	Director	Nil	0 Common Share representing 0/11th	0 Common Share representing 0/11th

Name and municipality of principal residence	Positions held and the date of obtaining that position	Compensation paid by issuer in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of our Securities held after completion of the:	
			Minimum Offering	Maximum Offering
B.C.			of the Common Shares issued 0 Preferred Shares (0.00%)	of the Common Shares issued 0 Preferred Shares (0.00%)

(1) Remunerated by Dundarave Management Ltd. (See 2.8 “Management Agreement”)

The Manager may also enter into sub-mortgage management arrangements with other companies which are controlled by one or more of the directors of the Issuer or holders of the Common Shares. In such arrangements, the sub-mortgage broker may be entitled to fees for services rendered. The holders of the Common Shares may also provide other mortgage brokerage or referral services to the Issuer and be paid for such services by either the Issuer or the borrower(s).

3.2 *Management Experience*

The principal occupations of our directors and executive officers over the past five years and any relevant experience in a business similar to the Company are set out in the following table:

Name	Principal occupation and related experience – <i>(Need updated details)</i>
David William Beckingham	Mr. Beckingham has been a mortgage broker for over 25 years and is currently the President and CEO of Dominion Lending Centres Commercial Capital Inc., a mortgage brokerage company and is President of Dominion Lending Centres Commercial Canada Inc., responsible for the commercial mortgage brokering for Dominion Lending Centres Ltd. across Canada.
William Marc Strongman	Mr. Strongman has been a real estate investor and developer since 1987 for various private and family owned companies.
Sandeep Dayal	Mr. Dayal has been a mortgage broker since 2009 and is presently with DLC Commercial Capital Inc. He is a chartered professional accountant (CPA,CMA) and as such brings a wealth of accounting experience to the board.
William Gerald Strongman	Mr. Strongman is currently a private real estate investor but has previously acted as Executive Vice-President of Colour Your World Paint, Chairman of B.C. Rail for the period 1986 to 1991 and a British Columbia M.L.A. for the period 1975 to 1979.
Joanne Susan Taylor Thomas	Ms. Thomas has been a mortgage broker with Dominion Lending Centres Commercial Capital Inc. since 2005. Prior to this, she was a lawyer practicing predominantly in the area of real estate and mortgage transactions.
Jorian de Vries	Mr. de Vries began his mortgage career at a national bank in 2001. Since 2005 he has been mortgage broker. He has extensive experience in owning and managing real estate and is owner of Capital Properties Ltd, a company that invests solely in real estate.
Neil Shopsowitz	Mr. Shopsowitz has been a mortgage broker with Dominion Lending Centres Commercial Capital Inc. since 2006. Prior to this, he practiced law as well he was

Name	Principal occupation and related experience – <i>(Need updated details)</i>
	held positions in senior management with large national and regional corporations and was a successful entrepreneur.

3.3 *Penalties, Sanctions and Bankruptcy*

None of our directors, executive officers or control persons or issuers of which they were a director, executive officer or control person at the time, has been any time during the last 10 years:

- (a) subject to any penalty or sanction;
- (b) subject to any cease trade order in effect for more than 30 consecutive days; or
- (c) the subject of any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy of insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets.

3.4 *Loans*

We are not indebted to any of our directors, management, promoters and principal holders, nor are any of them indebted to us, for any loans.

Item 4 **Capital Structure**

4.1 *Share Capital*

The share capital of the Company is as follows:

Description of security	Number authorized to be issued	Price per security	Number outstanding as at the date of this Offering Memorandum	Number outstanding after the:	
				Minimum Offering	Maximum Offering
Common Shares without par value	Ten Million (10,000,000)		Eleven (11)	Eleven (11)	Eleven (11)
Class "A" Redeemable Preferred Shares with a par value of \$1.00 per share	One Hundred Million (100,000,000)	\$1.00	14,814,165	14,814,165	24,814,165

4.2 *Long Term Debt*

As of the date of this Offering Memorandum, the Company has no long term debt.

4.3 *Prior Sales*

In the last twelve (12) months, the following Common and Preferred Shares have been issued:

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
June 13, 2017	Preferred Shares	19,972	\$1.00	\$19,972
June 16, 2017	Preferred Shares	18,853	\$1.00	\$18,853
August 1, 2017	Preferred Shares	135,971	\$1.00	\$135,971
August 29, 2016	Preferred Shares	857,169	\$1.00	\$857,169
December 5, 2017	Preferred Shares	140,000	\$1.00	\$140,000
March 2, 2018	Preferred Shares	663,000	\$1.00	\$663,000
April 16, 2018	Preferred Shares	111,251	\$1.00	\$111,251
April 24, 2018	Preferred Shares	142,200	\$1.00	\$142,200
Total	Preferred Shares	2,898,416	\$1.00	\$2,898,416

4.4 Redemption History

The following table summarize the Issuer's redemption history over the last two fiscal years and the current period to May 3, 2019:

	Number of Redeemable Preferred Shares	Value (\$) of Redeemable Preferred Shares
2019		
Unpaid Redemption Request, beginning of year	0	\$0
Redemption Requests	268,474	\$268,474
Redemptions Paid Out	268,474	\$268,474
Unpaid Redemption Requests, end of year	0	\$0
2018		
Unpaid Redemption Request, beginning of year	0	\$0
Redemption Requests	1,095,011	\$1,095,011
Redemptions Paid Out	1,095,011	\$1,095,011
Unpaid Redemption Requests, end of period	0	0
2017		
Unpaid Redemption Request, beginning of year	0	\$0
Redemption Requests	422,000	\$422,000
Redemptions Paid Out	422,000	\$422,000
Unpaid Redemption Requests, end of period	0	0

Item 5 Securities Offered

5.1 Terms of Securities

The following is a brief summary of certain of these rights and restrictions attached to the Preferred Shares of the Company.

Voting Rights

The holders of the Common Shares without par value are entitled to be at all meetings of shareholders of the Issuer and to one vote in respect of each Common Share held. Except as hereinafter stated, the holders of the Preferred Shares are entitled to attend but not vote at any meetings of the shareholders of

the Issuer. No class of shares may be created or issued ranking as to capital or dividends in priority to or on a parity with the Preferred Shares nor shall the authorized number of any class of shares be increased without the approval of the holders of the shares given in the manner provided in paragraph (k) of Part 27 of the Articles of the Company in addition to any other approval required by the British Columbia Business Corporations Act.

Dividend Entitlement

The Preferred Shares are entitled to receive rateably according to the amount paid up thereon all profits available for the payment of dividends. Dividends are payable in cash or in shares, or partly in cash and partly in shares, at the election of the Issuer's shareholders. See also the heading "Dividend Policy".

Retraction and Redemption Rights

The Issuer may redeem all or any part of any class of shares outstanding either by invitation for tenders addressed to all the holders of record of the shares outstanding by private contract at the lowest price at which, in the opinion of the Board of Directors, shares are obtainable. Any such purchase requires the agreement of the shareholders who wish to sell. If upon any invitation for tenders under the provisions of this paragraph, this Issuer shall receive tenders at the same lowest price which the Issuer is willing to pay, in an aggregate number greater than the number for which the Issuer is prepared to accept tenders, the shares so tendered shall be purchased as nearly as may be, pro rata, disregarding fractions according to the number of shares so tendered by each of the holders of shares who submitted tenders at the same lowest price.

The Issuer may also unilaterally redeem from time to time any part of any class of shares at a redemption price equal to the amount paid up plus any declared but unpaid dividends to which the shareholder is entitled. The Issuer is required to give thirty (30) days notice of such redemption.

The holders of Preferred Shares may by giving written notice to the Issuer, request that the Issuer redeem the whole or any part of the shares held by the holder. The notice period is six (6) months. The redemption price for each share will be the amount paid up thereon plus any declared but unpaid dividends to which the holder is entitled.

Entitlement on Liquidation, Dissolution or Winding Up

In the event of a reduction of capital or the liquidation, dissolution or winding-up of the Company or other distribution of property or assets of the Company among its shareholders for the purpose of winding up its affairs:

- (a) The holders of Preferred Shares shall be entitled to receive rateably an amount equal to the aggregate amount paid up on the shares held by them respectively. After the holders of the Preferred Shares have received the aggregate amount paid up on the shares held by them respectively, the holders of the Common Shares shall be entitled to receive an amount equal to the aggregate amount paid up on the shares held by them respectively.
- (b) After the Company has made the distribution contemplated by paragraph (a), the holders of the Preferred Shares shall be entitled to receive a share of the remaining amount available for distribution. The aggregate amount distributable to all holders of such classes of shares shall be determined by multiplying the amount remaining to be distributed by a fraction of the numerator of which was the amount paid up on issued shares of the particular class and the denominator of which was the amount paid up on the issued shares of both classes prior to the distribution pursuant to paragraph (a).
- (c) Any amount to be distributed to holders of any class of shares pursuant to paragraphs (a) and (b) shall be distributed *pari passu* among all holders of shares of that class.

Constraints on Transferability

Section 130.1(6)(d) of the Income Tax Act stipulates that a Mortgage Investment Corporation may not have fewer than 20 shareholders and no one shareholder may hold more than 25% of the issued shares. The Income Tax Act states that a trust governed by a registered pension plan or a deferred profit sharing plan is counted as four shareholders for purposes of determining the number of shareholders and one shareholder for purposes of determining if a shareholder owns more than 25% of the issued shares. A trust governed by an RRSP is counted as one shareholder. Subscribers are required to affirm their knowledge of these restrictions by executing the subscription agreement attached to this Offering Memorandum as Schedule "A" (the "Subscription Agreement").

5.2 *Subscription Procedure*

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

Certificates for Preferred Shares which have been subscribed for will be issued to the subscribers forthwith upon such subscriptions being accepted by the Company. The proceeds of each subscription of the Offering will be held in trust for two days pending the period during which the purchaser may cancel their subscription. It is intended that the Offering will be made by the Directors and Officers of the Company to purchasers pursuant to the securities laws of the applicable jurisdictions. The Company will be responsible to pay for the costs of the issue. The Company does not intend to pay any selling or promotional expenses in connection with this offering but if any are payable, the Company will be responsible for paying such expenses. Until acceptance by the Company of the subscription, the Company shall have the ability to use the subscription amounts provided to the Company as a loan until acceptance of such subscriptions and the Company shall pay as interest on such subscriptions, amounts equal to the TD Canada Trust Bank daily interest savings account commencing seven (7) days after receipt of the cheque for the subscription amount by the Company.

Subscriptions for the Preferred Shares will be accepted subject to rejection or allotment in whole or in part by the Company. The right is reserved to close the subscription books at any time without notice. The right is also reserved to have more than one closing of the subscription books without notice.

Item 6 *Canadian Income Tax Consequences and RRSP Eligibility*

6.1 *Caution*

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

6.2 *Description of Income Tax Consequences*

The following is a summary of the principal Canadian federal income tax consequences arising under the Income Tax Act (Canada) [the "Tax Act"] generally applicable to the acquisition, holding and disposition of one or more Preferred Shares by a Subscriber. Comment is restricted to a prospective Subscriber who at all times for the purposes of the Tax Act holds all Class A Preferred Shares solely as capital property, deals at arm's length with the Company and is neither a partnership nor a "financial institution" within the meaning of the Tax Act.

This summary is based on the current provisions of the Tax Act including all regulations thereunder and all proposals to amend the Tax Act publicly announced by the Minister of Finance of Canada to the date hereof, and our understanding of the current published assessing practices of the Canada

Revenue Agency ("CRA"). It is assumed that all such proposals will be enacted substantially as currently proposed, and that there will be no other material change to any relevant law or practice, although no assurances can be given in these respects. This summary does not take into account possible future changes to any such law or practice, any provincial, territorial or foreign law, nor any treaty to which Canada or any political subdivision thereof is a party.

No application has been made to the CRA for an advance tax ruling or technical interpretation in connection with the Company, an investment in Shares, nor any other event or transaction described in the Offering Memorandum. There is a risk that certain tax consequences in respect of acquiring, holding or disposing of Shares or of any other ancillary matter described in this Offering Memorandum, may be reclassified, challenged or disallowed by the CRA. ACCORDINGLY, EACH PROSPECTIVE SUBSCRIBER SHOULD BASE ANY DECISION TO ACQUIRE SHARES PRIMARILY ON AN APPRAISAL OF THE MERITS OF THE INVESTMENT AS SUCH REGARDLESS OF ANY ASSOCIATED TAX CONSEQUENCES, AND ON THE PROSPECTIVE SUBSCRIBER'S ABILITY TO SUSTAIN ANY LOSS, OR THE DENIAL OF ANTICIPATED TAX CONSEQUENCES, WHICH MAY BE INCURRED OR ARISE IN RELATION TO THE INVESTMENT.

This summary is of a general nature only and is not to be construed as, legal or tax advice to any particular prospective Subscriber. Each prospective Subscriber is urged to obtain independent professional advice as to the legal, tax and other considerations relevant to investing in Shares applicable to the prospective Subscriber's particular circumstances.

Governing Legislation and Policy

The Company is incorporated under the British Columbia Company Act, is subject to applicable legislation in British Columbia and is also subject to special rules under the Tax Act.

Tax Act

The Tax Act imposes certain requirements in order for a company to qualify as a mortgage investment corporation ("MIC") thereunder. These requirements generally will be satisfied if it engages solely in the business of investing its funds, if it neither manages nor develops real property, if at all times it has at least twenty (20) shareholders, if no shareholder holds more than twenty-five percent (25%) of the issued shares of any class of the capital stock of the Company and if none of the property consists of specified types of foreign property.

This summary is based upon the current provisions of the Tax Act and the Regulations thereunder, and all draft legislation and current proposals introduced to the date of this Offering Memorandum.

Scheme of Provisions

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

A MIC is one of these special types of corporations.

Definition of a MIC

A number of requirements must have been met throughout the year in order for a corporation to qualify as a MIC under the Tax Act for that year. If the following requirements are met throughout a particular

year, a corporation will qualify for MIC status in that year:

(i) **Canadian Corporation**

The corporation must have been a Canadian corporation, which generally means a corporation incorporated and resident in Canada.

(ii) **Undertaking**

The corporation's only undertaking was the "investing of funds of the corporation" and the corporation did not manage or develop any real property.

(iii) **50% Asset Test**

At least 50% of the "cost amount" (as defined in the Tax Act) to the corporation of all of its property must have consisted of the corporation's money, debts owing to the corporation that were secured whether by mortgage or in any other manner on houses (as defined in Section 2 of the National Housing Act) or on property included within a housing project (as defined in that section), and any deposit standing to the corporation's credit in the records of a bank or other specified financial institutions.

(iv) **25% Asset Test**

The "cost amount" to the corporation of all of its real property, including leasehold interests in such property, other than real property acquired by foreclosure or otherwise after default made on a mortgage, hypothecation or agreement for sale of real property, must not have exceeded 25% of the "cost amount" to the corporation of all of its property. The limit is designed to ensure that the primary intention of the corporation's investments was directed towards residential mortgages.

(v) **Prohibited Foreign Investment**

None of the property of the corporation consists of debts owing to the corporation that were secured on real property situated outside Canada, debts owing to the corporation by non-resident persons unless secured on real property situated in Canada, shares of the capital stock of corporations not resident in Canada, real property situated outside Canada, or any leasehold interest in real property situated outside Canada.

(vi) **Shareholder Requirements**

The number of shareholders of the corporation was not less than 20, and no one shareholder owns, directly or indirectly, more than 25% of the issued shares of any class of the capital stock of the corporation.

For the purposes of this requirement, a trust governed by a registered pension plan or a deferred profit sharing plan, by which shares of the capital stock of a corporation are held, is counted as four shareholders of the corporation for the purpose of determining the number of shareholders of the corporation. However, such a trust is counted as only one shareholder for the purpose of determining whether any one shareholder owns, directly or indirectly, more than 25% of the issued shares of any class of the capital stock of the corporation. A trust governed by a registered retirement savings plan is counted as one shareholder.

For the purposes of this requirement, a corporation will be deemed to have complied with this requirement throughout its first taxation year in which it carried on business, if it complied with

this requirement on the last day of that taxation year.

For the purpose of the 25% test, a person will be considered to own not only shares which that person actually owns, directly or indirectly through a corporation but also:

- (1) any shares owned by persons with whom the person is related;
- (2) a proportionate number of shares held by a trust or partnership of which that person is a beneficiary or member; and
- (3) any shares held by a registered retirement savings plan of which that person is an annuitant.

Two persons will be considered related if one is the child, grandchild or great grandchild, who is under 18 years of age, of the other or is the spouse or common-law partner of the other. Individuals are also related to a corporation, if the individual controls, is part of a related group which controls or is related to a person or related group which controls the corporation. Two corporations will be related if they are controlled by the same person or group of persons or each is controlled by a person or group of persons where the persons or groups of persons are related in some fashion.

Failure to meet the 25% share ownership limit test described above, would result in the Company losing its status as a mortgage investment corporation, and therefore, subjecting the Company to income tax on its income in the same manner as any other public corporation and resulting in the Shares not being an eligible investment for a registered retirement savings plan. For this reason, the Company may choose to reject requests for share subscriptions made by persons who are related to the Company or to its shareholders.

(vii) **"Common" and "Preferred" Shareholders**

Any holders of preferred shares of the corporation must have the right after payment to them of their dividends, and payment of dividends in a like amount per share to the holders of Common Shares, to participate *pari passu* with the holders of the Common Shares in any further payment of dividends.

A common share is defined as a share the holder of which is not precluded on the reduction or redemption of the capital stock from participating in the assets of the corporation beyond the amount paid up on that share plus a fixed premium and a defined rate of dividend. A preferred share is defined as any share, other than a common share.

(viii) **Debt to Equity Ratio**

The "liabilities" of the corporation (all obligations of the corporation to pay an amount outstanding at that time) at any time in the year must not exceed three times the excess of the "cost amount" to the corporation of all of its property over such liabilities, if at the time in the year the "cost amount" to the corporation of the properties referred to above under subheading (iii) "50% Asset Test" is less than two-thirds of the "cost amount" to the corporation of all of its property. However, where any time in the year the "cost amount" to the corporation of the properties referred to above under subheading (iii) "50% Asset Test" is equal to two-thirds or more of the "cost amount" to the corporation of all of its property, the liabilities of the corporation must not exceed five times the excess of the "cost amount" to the corporation of all of its property over such liabilities.

These restrictions may be summarized as follows:

the borrowing by a corporation is restricted to a maximum of three times its equity capital unless at least two-thirds of the book value of its investments are mortgages secured on Canadian residential property, money, and specified deposits, in which case the maximum borrowing is five times its equity capital.

Taxation of Company

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

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

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

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

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

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

Taxation of Shareholders

(i) Capital Gains Dividends

A capital gains dividend received by a Canadian resident shareholder is not included as dividend income of the shareholder, but rather is deemed to be a capital gain of the shareholder for the year from "a disposition of capital property".

Thus, with respect to capital gains realized by the Company, the Company serves effectively as a conduit interposed between the investor and the underlying investment. The result is only achieved, however, if the proper capital gains dividends are paid by the Company within the required time, and the proper elections are made by the Company in the proper manner and by the proper time. If the capital gains dividends are not paid in this manner, the capital gains

realized by the Company are taxable to the Company as they would be in the case of any public company. Because the Company will have no "capital dividend account", the combined corporate and shareholder tax (when the amounts are paid out to the Investor as taxable dividends) could be significantly greater than if the conduit mechanism was used.

(ii) Taxable Dividends (Other than Capital Gains Dividends)

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

As is the case with capital gains dividends, if the Company does not distribute all of its income within the required time by way of taxable dividends, the income remains taxable in the Company in the same manner as any other public corporation. When amounts are subsequently distributed to the shareholders through the payment of taxable dividends, the combined corporate and shareholder tax may be significantly higher than if the conduit mechanism was used.

(iii) Disposition of Shares

Assuming the Shares are capital property to the investor, the usual rules apply on the disposition of those Shares as would apply on shares of any other public corporation. Certain taxpayers, such as securities dealers and those who have acquired the Shares in the course of a business of buying and selling shares or in a transaction that is an "adventure in the nature of trade", would not be considered to be holding the Shares as capital property.

Dispositions to third parties, would yield capital gains or capital losses according to the usual rules contained in the Tax Act. A capital gain (or capital loss) will arise to the extent that the proceeds of disposition of the Shares exceed (or are exceeded by) the adjusted cost base (as defined for income tax purposes) of the shares and any disposition costs.

Redemptions or other acquisitions of the Shares by the Company (for example, on a winding up) may result in taxable capital gain or allowable capital loss and/or deemed taxable dividends to the investor. The treatment for income tax purposes will depend on the paid-up capital of the Shares redeemed or otherwise acquired by the Company and the adjusted cost base of the Shares to the investor. Any amount that represents the payment of a declared but unpaid dividend that is distributed on the redemption or other acquisition of the Shares by the Company, and which is not a capital gains dividend, will be characterized as interest received by the shareholder (it may not be possible for the Company to elect to treat such a deemed dividend as a capital gains dividend).

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

(iv) Eligibility for RRSPs and Other Plans

The Shares are qualified investments for trusts governed by Registered Retirement Savings Plans, Deferred Profit Sharing Plans, Registered Retirement Income Funds and Registered

Education Savings Plans at the particular time, if the Company qualified as a MIC under the Tax Act, and if, throughout the calendar year in which the particular time occurs, the Company does not hold as part of its property any indebtedness, whether by way of mortgage or otherwise of a person who is an annuitant, a beneficiary, an employer or a subscriber, as the case may be, under the governing plan trust, or of any other person who does not deal at arm's length with that person.

Dividends received by such deferred income plans on Shares while the Shares are qualified investments for such plans will be exempt from taxation in accordance with the provisions of the Tax Act governing those plans.

(v) Interest Expense

Except for money borrowed for the purposes of paying a premium or making a contribution to one of the deferred income plan trusts described above, to enable such a trust to hold the Shares, a reasonable amount of interest paid or payable (pursuant to a legal obligation) by an investor on money borrowed to acquire Shares may be deductible in computing income for purposes of the Tax Act, so long as the Investor continues to own the Shares.

Provisions in the Tax Act may allow an investor to continue to deduct interest costs where the Shares are disposed of at a loss or the Shares have declined in value.

(vi) Non-Resident Shareholders

Shareholders who are considered to be non-resident of Canada are subject to the following rule in the Tax Act:

- (a) Any taxable dividends paid from the Company to a non-resident shareholder are deemed to have been paid to the shareholder as interest on a bond issued after 1971 and as such, would be subject to Canadian non-resident withholding tax at a maximum rate of 25% of the taxable dividends paid. This rate may be reduced if Canada has ratified a bilateral income tax treaty with the country in which the shareholder is resident.
- (b) Any capital gains dividends paid from the Company to a non-resident shareholder should not be subject to Canadian non-resident withholding tax.
- (c) Any capital gain realized by a non-resident shareholder from the disposition of Shares of the Company or on the redemption or other acquisition of Shares by the Company (as more fully discussed in "Disposition of Shares" above) will be considered a capital gain from the disposition of "Taxable Canadian Property". As such, subject to exemption from Canadian tax under a bilateral income tax treaty with the country in which the shareholder is resident (a "Treaty Exemption"), the non-resident shareholder will be subject to Canadian income tax on the capital gain realized. Whether claiming a Treaty Exemption or not, the non-resident shareholder will also be required to report the disposition of the Shares on a Canadian income tax return filed with the CRA by the required time as required under the Tax Act.

Item 7 Compensation Paid to Sellers and Finders

The Preferred Shares being offered are planned to be sold directly by the Company. However, the Company reserves the right to pay commissions or referral fees to registered dealers and other persons permitted by law to receive them, in consideration of the referral of qualified investors who complete a subscription agreement that is accepted by us. Such commissions and referral fees will be negotiated on a case-by-case basis and may involve cash commissions and/or securities (including options and warrants) but the amounts negotiated will not exceed commissions normally paid in the securities industry. If you acquire the Preferred Shares through a registered dealer, or sales agent or your financial advisor, then you will be responsible to pay for any additional commissions or fees that may be negotiated between you and the dealer, agent or advisor.

Item 8 Risk Factors

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

1. 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.
2. 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.
3. 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.
4. 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.
5. 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 onerous resale restrictions under applicable securities legislation. See “Item 10: Resale Restrictions” regarding resale restrictions applicable to the Shares. However, Shares are retractable in certain circumstances. See “Item 5: Securities Offered”.
6. 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.
7. Retraction Liquidity – The Shares are retractable, meaning that investors have the right to require the Issuer to redeem them, upon appropriate advance notice from the investor to the Issuer. Retraction and redemption of the Shares is subject to the Issuer having access to sufficient cash, or other liquid assets, and being in compliance with applicable corporate and securities legislation, and is subject to the terms in this Offering Memorandum, all as determined solely by the Issuer. Retraction and redemption of the Shares is also subject to the discretion of the directors to act in the best interests of the Issuer under the Tax Act. Accordingly this investment is unsuitable for those prospective investors

who may require liquidity.

8. **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.

9. **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.

Issuer Risk

Risks that are specific to the Issuer include the following:

1. **Reduction of Annual Portfolio Dividend Income** – The Issuer has no non-performing loans. (See “Item 2.3: Foreclosures and Non-Performing Mortgage Loans”).

2. **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.

3. **Higher Risk Loans** – The Issuer will undertake higher risk loans (See “Item 2.2: Our Business”) 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 type of real estate product (e.g. commercial, industrial, raw land development, construction, fee simple vs strata property) with the obvious exception of residential real estate which type is a statutory requirement applicable to the Issuer as a mortgage investment corporation.

4. **Higher Risk Unsecured Non-Reporting Equity Investments** – From time to time, the Issuer may experience defaults and impairments in its mortgage investments, and these defaults may result in foreclosures which the Issuer may resolve by taking title to the mortgaged property or by having title to the property held by a limited partnership or other vehicle. See “Item 2: Business of the Company”.

5. **MIC Tax Designation** – Under the Issuer’s Articles, the Issuer’s directors are required to use their best efforts to ensure that the Issuer qualifies as a MIC pursuant to the Tax Act. As well, the Issuer’s Articles grant the directors the discretion to reject any applications for dividend shares or share subscriptions, transfers, redemptions or retractions where, in the view of the directors, such would not be in the Issuer’s best interests as a MIC under the Tax Act. There can be no assurance, however, that the Issuer will be able to meet the Tax Act’s MIC qualifications at all material times. As the Issuer is qualified as a MIC, the Issuer may deduct taxable dividends it pays from its income, and the normal gross-up and dividend tax credit rules will not apply to dividends paid by the Issuer on the Shares. Rather, the dividends will be taxable in the hands of shareholders as if they had received an interest payment. If for any reason the Issuer fails to maintain its MIC qualification in a particular year, the dividends paid by the Issuer on the Shares would cease to be deductible from the income of the Issuer.

for that year and the dividends it pays on the Shares would be subject to the normal gross-up and dividend tax credit rules. In addition, the Shares might cease to be qualified investments for trusts governed by RRSPs, Deferred Profit Sharing Plans and Registered Retirement Income Funds, with the effect that a penalty tax would be payable by the investor.

6. Reliance on Dundarave Management Ltd. – In accordance with the terms of the Management Agreement between the Issuer and the Manager, the Manager has significant responsibility for assisting the Issuer to conduct its affairs. Any inability of the Manager to perform competently or on a timely basis will negatively affect the Issuer.

7. 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.

8. Bank Borrowing - The Issuer will borrow funds whenever funds are required and available provided it is economical and prudent to do so. These borrowings may take the form of lines-of-credit from banks and other lending institutions, as the case may be. It is probable that debt instruments will form part of a floating charge against the assets and equity of the Issuer, and in the event of liquidation or wind-up, will rank in priority to the outstanding shares of the Issuer and/or may force the Issuer to de-leverage (repay borrowings) on short notice, perhaps having to use cash reserves and/or sell assets to repay short-term borrowings.

9. Conflict of Interest – Conflicts of interest exist, and others may arise, between investors and the directors and officers of the Manager and the Issuer and their associates and affiliates. There is no assurance that any conflicts of interest that may arise will be resolved in a manner 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. However, the Manager will make any decision involving the Issuer honestly and in good faith. 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 advisor and/or manager to such vehicles.

10. Termination of the Management Agreement - The Management Agreement between the Issuer and the Manager can be terminated for (a) cause and (b) any other reason duly approved by the Issuer. If the Management Agreement is terminated for any other reason there are specific terms and conditions (i.e. notice period of one year) that apply. This provision would cause increased costs to the Issuer.

Industry Risk

There are also risks faced by the Issuer because of the industry in which it operates. Real estate investment is subject to significant uncertainties due, among other factors, to uncertain costs of construction, development and financing, uncertainty as to the ability to obtain required licenses, permits and approvals, and fluctuating demand for developed real estate. The higher returns expected from the Issuer's mortgage investments reflect the greater risks involved in making these types of

loans as compared to long-term conventional mortgage loans. Prospective investors should take note of the following:

1. 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 and environmental impacts. These are unknowns and the Issuer makes no representations or warranties as to being an authority on these causes and effects. Real estate markets and certain economies may result in declining real estate values and lower interest rates, either or both of which may result in lower returns to the Issuer and lower dividends to its shareholders.

2. 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, so the Issuer and its shareholders may find that it takes longer to sell real estate property than it does to sell smaller and more liquid investments such as stocks, bonds, mutual funds and so forth. 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. In the case of real estate and construction some of the myriad factors that may affect real estate values are supply and demand, employment, availability of services (sewer, water, electricity, telephone, gas, cable), costs of development and construction (permits, licenses, labour, materials, plans, marketing, insurance, bonding), world affairs, local politics, environmental concerns, interest rates and so forth. Another important factor is sheer competition amongst developers and builders.

3. Higher Risk Mortgage Loans – The potential higher returns associated with the Issuer's mortgage investments reflects the greater risks associated with the Issuer's mortgage portfolio and the type of mortgages in which the Issuer invests; for example, mortgages that are junior as well as senior, mortgages on construction and development, mortgages that are high ratio LTV, and so forth. Should any of these risks materialize they may adversely affect the return to the Issuer in connection with its mortgage loans and therefore may adversely affect returns to investors.

4. Prior Mortgages and Charges - The Issuer invests in junior (second mortgages, for instance) as well as senior (first) mortgages. When the Issuer invests in a junior mortgage its mortgage will be subject to a senior (first mortgage) charge sitting in front of the Issuer's mortgage. Financial charges for construction and other financing funded by conventional third party lenders may also rank in priority to the mortgages registered in favor of the Issuer. In the event of a default in the first mortgage the Issuer may find itself in a position of having to protect its interest by either paying out the first mortgage or maintaining payments on the first mortgage to keep it in good standing and keep it from foreclosing. If foreclosure takes place, the property is sold, and the sale price is not sufficient to cover both the first mortgage and the Issuer's mortgage, the Issuer may not recover all or part of its mortgage investment, resulting in a loss.

5. High Loan Ratios - The Issuer may make mortgage loans in excess of what a typical conventional lender might make in terms of LTV ratio. For example, conventional mortgage loans may be in the range of 65% to 70% LTV whereas the Issuer may decide to lend, for example, in the range of 70% to 75% or higher in special circumstances. The Issuer may also lend against development and construction projects where the LTV depends on the value of the project as it progresses through development and construction. These development and construction mortgage loans depend for their

success on a variety of variables and forces including cost of labour and materials, weather, market and other unknowns. The risk is that these unknown influences could, without prior warning, have an adverse effect on the value of the property and may even result in the project faltering or stalling or not being completed, resulting in a loss to the Issuer should the property end up being sold for an amount less than the Issuer's mortgage balance.

6. 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.

7. 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.

8. 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.

9. Default – If there is default on a mortgage it may be necessary for the Issuer, in order to protect the investment, to engage in foreclosure or sale proceedings and to make further outlays to complete an unfinished project or to maintain prior encumbrances in good standing. In such cases it is possible that the total amount recovered by the Issuer may be less than the total investment, resulting in loss to the Issuer. Equity investments in real property may involve fixed costs in respect of mortgage payments, real estate taxes, and maintenance costs, which could adversely affect the Issuer's income.

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

11. Competition - Earnings of the Issuer depend on the Issuer's ability, with the assistance of the Manager, to source suitable opportunities for the investment of the Issuer's funds and on the yields available from time to time on mortgages and other investments. The investment industry in which the Issuer operates is subject to much competition from competitors many of whom have greater financial and technical resources than the Issuer. Such competition may adversely affect the Issuer's success in the marketplace. There is no assurance that the Issuer will be able to successfully maintain its business plan or operate profitably.

Item 9 Reporting Obligations

9.1 *Continuous Reporting Obligations to the Purchaser*

The Company intends to provide an annual report to all of its shareholders within a period of 120 days from the end of each fiscal year. 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 Company'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 generally accepted accounting principles.

9.2 *Access to Information about Us*

Information is available on our website www.dmic.ca or from us at the phone and fax numbers and e-mail address set out on the front cover.

Furthermore, corporate or securities information about the Issuer is available from the following website address: British Columbia Securities Commission – www.bccsc.bc.ca

Registrar of Mortgage Brokers

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

Item 10 Resale Restrictions

10.1 *Overview*

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 *Description of Restricted Period*

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

Item 11 Purchaser's Rights

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

11.1 *Two Day Cancellation Right*

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

11.2 *Statutory Rights of Action in the Event of a Misrepresentation*

If there is a misrepresentation in his Offering Memorandum, you have a statutory right to sue

- (a) the Company to cancel your agreement to buy these securities, or
- (b) the Company, and every person who was a director at the date of this Offering Memorandum

and every signatory to this Offering Memorandum, for damages.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. If you choose to rescind your purchase, you cannot then sue for damages. In addition, in an action for damages, the defendant will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the Preferred Shares as a result of the misrepresentation. Furthermore, the amount recoverable in an action for damages will not exceed the price at which the Preferred Shares were offered. There are various defences available to the persons or companies that you have a right to sue. For example, they have a defence if you knew of the misrepresentation when you purchased the securities.

The defendant will not be liable for a misrepresentation in forward-looking information if the defendant proves that:

- (a) this Offering Memorandum contains reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the person has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information.

However, in Alberta the above defence does not relieve a person of liability respecting forward-looking information in a financial statement.

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

Item 12 Financial Statements

The following are our audited financial statements for our last completed financial year.

CERTIFICATE

Date: May 3, 2019

This Offering Memorandum contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made.

DUNDARAVE MORTGAGE INVESTMENT CORPORATION

“David William Beckingham”

David William Beckingham – Director

“William Marc Strongman”

William Marc Strongman - Director

“William Gerald Strongman”

William Gerald Strongman - Director

“Joanne Susan Taylor Thomas”

Joanne Susan Taylor Thomas - Director

“Jorian de Vries”

Jorian de Vries – Director

“Sandeep Dayal”

Sandeep Dayal - Director

“Neil Shopsowitz”

Neil Shopsowitz - Director

DUNDARAVE MORTGAGE INVESTMENT CORPORATION

North Vancouver, B.C.

FINANCIAL STATEMENTS

January 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Dundarave Mortgage Investment Corporation:

Opinion

We have audited the financial statements of Dundarave Mortgage Investment Corporation (the "company"), which comprise the statements of financial position as at January 31, 2019 and 2018, and the statements of loss and comprehensive loss, statements of changes in shareholders' equity and statements of cash flows for the years 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 January 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits 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 the ethical requirements that are relevant to our audits 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.

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

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.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

May 3, 2019
Vancouver, B.C.

DUNDARAVE MORTGAGE INVESTMENT CORPORATION

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended January 31, 2019 and 2018

	2019 \$	2018 \$
Interest income	<u>1,364,692</u>	<u>1,019,993</u>
Expenses		
Accounting and legal	22,410	37,587
Business licenses and permits (recovery)	(1,939)	16,256
Filing fees	2,705	688
Interest and bank charges	718	790
Management fees (Notes 6 & 10)	262,639	202,029
Provision on mortgages receivable (recovered) (Note 4)	<u>(101,104)</u>	<u>-</u>
	<u>185,429</u>	<u>257,350</u>
Operating earnings	1,179,263	762,643
Other		
Dividends declared on preferred shares (Note 9)	(1,179,298)	(762,727)
Net loss and comprehensive loss	(35)	(84)
Income per share	0.11	0.08

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

DUNDARAVE MORTGAGE INVESTMENT CORPORATION

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended January 31, 2019 and 2018

	Share capital			
	Number of common shares (Note 7)	Amount \$	Retained earnings (Deficit) \$	Total Equity (Deficit) \$
Balance, January 31, 2017	11	11	(1,790)	(1,779)
Net loss and comprehensive loss	-	-	(84)	(84)
Balance, January 31, 2018	11	11	(1,874)	(1,863)
Net loss and comprehensive loss	-	-	(35)	(35)
Balance, January 31, 2019	11	11	(1,909)	(1,898)

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

DUNDARAVE MORTGAGE INVESTMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

January 31, 2019 and 2018

	2019 \$	2018 \$
Assets		
Current		
Cash	371,007	1,926,070
Funds held in trust	-	350,000
Interest receivable	316,525	359,341
Subscriptions receivable	11,251	-
Accounts receivable	-	128,877
Mortgages receivable (Note 4)	13,730,459	8,929,373
Total Assets	14,429,242	11,693,661
Liabilities		
Current		
Accounts payable and accrued liabilities	17,300	15,000
Interest reserve	131,893	18,249
Dividends payable (Note 5)	882,349	555,967
Due to related party (Note 6)	72,370	49,320
Preferred shares (Note 8)	13,327,228	11,056,988
	14,431,140	11,695,524
Share Capital And Deficit		
Share capital (Note 7)	11	11
Deficit	(1,909)	(1,874)
	(1,898)	(1,863)
Total Equity and Liabilities	14,429,242	11,693,661

Commitments (Note 13)

Subsequent events (Note 14)

The financial statements were approved on XXXXX, 2019

Approved by Directors:

DUNDARAVE MORTGAGE INVESTMENT CORPORATION

STATEMENTS OF CASH FLOWS

For the years ended January 31, 2019 and 2018

	2019 \$	2018 \$
Cash flows related to operating activities		
Net loss and comprehensive loss	(35)	(84)
Adjustments for items which do not affect cash:		
Non-cash dividends on preferred shares	804,480	490,459
Provision on mortgages receivable (recovery)	(101,104)	-
	<u>703,341</u>	<u>490,375</u>
Change in non-cash working capital:		
Interest receivable	42,816	(136,651)
Accounts receivable	128,877	(73,525)
Accounts payable and accrued liabilities	2,300	(48,191)
Interest reserve	113,644	-
Cash dividends payable	<u>12,317</u>	<u>(24,296)</u>
	<u>1,003,295</u>	<u>207,712</u>
Cash flows related to investing activities		
Mortgage advances	(11,609,012)	(790,746)
Mortgage repayments	<u>6,909,526</u>	<u>1,898,054</u>
	<u>(4,699,486)</u>	<u>1,107,308</u>
Cash flows related to financing activities		
Advances from (repayments to) related party	23,050	(531)
Issuance of preferred shares	2,863,089	1,330,764
Redemption of preferred shares	<u>(1,095,011)</u>	<u>(798,000)</u>
	<u>1,791,128</u>	<u>532,233</u>
Net increase (decrease) in cash	(1,905,063)	1,847,253
Cash, beginning	<u>2,276,070</u>	<u>428,817</u>
Cash, ending	371,007	2,276,070
Cash consists of:		
Cash	371,007	1,926,070
Funds held in trust	<u>-</u>	<u>350,000</u>
	<u>371,007</u>	<u>2,276,070</u>
Other information:		
Interest received	1,407,508	875,668
Dividends paid	<u>362,501</u>	<u>206,642</u>

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

DUNDARAVE MORTGAGE INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the years ended January 31, 2019 and 2018

Dundarave Mortgage Investment Corporation ("the Company") was incorporated on July 1, 2008 under the Business Corporations Act. Business operations commenced effective February 1, 2009. The Company operates as a mortgage investment corporation as defined in the Canadian Income Tax Act. Its business is to obtain stable sources of income by investing in a diverse portfolio of mortgages.

The address of the Company's corporate office and principal place of business is 1885 Marine Drive, North Vancouver, BC V7P 1V5.

1. Basis of Preparation

Statement of Compliance

These financial statements have been prepared 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"), effective for the Company's reporting for the years ended January 31, 2018 and 2017.

Basis of Measurement

These financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value, and on an accrual basis except for cash flow information.

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

2. Significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards and include the following significant accounting policies:

Revenue recognition

The Company's main source of revenue is interest from its mortgages. Revenue is recognized using the effective interest method and when collection is reasonably assured.

Common shares

The Company classifies financial instruments issued as either financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. Accordingly, common shares are classified as equity.

Preferred share classification

Preferred shares have been classified as a financial liability because they are retractable at the option of the holder. Share issue costs related to the preferred shares are expensed in the year incurred. Dividends paid on the preferred shares are recorded in the statement of loss as an expense.

DUNDARAVE MORTGAGE INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the years ended January 31, 2019 and 2018

2. Significant accounting policies (continued)

Income taxes

The Company is a mortgage investment corporation ("MIC") pursuant to the Income Tax Act (Canada). As such, the Company is entitled to deduct from its taxable income dividends paid to shareholders during the year or within ninety days of the end of the year to the extent the dividends were not deducted previously. The Company intends to maintain its status as a MIC and intends to distribute sufficient dividends in the year and in future years to ensure that the Company is not subject to income taxes. Accordingly, for financial statement reporting purposes, the tax deductibility of the Company's dividends result in the Company being effectively exempt from taxation and no provision for current or deferred income taxes is required.

Income taxes are accounted for using the deferred income taxes method. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Deferred income tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases, as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized.

Deferred income tax assets and liabilities are measured using tax rates expected to apply to the period when the asset is realized or the liability is settled.

Earnings per share

Quarterly dividends are paid based on the outstanding number of preferred shares at the end of the quarter. Earnings per share is calculated based on operating earnings after tax, but before dividends declared on preferred shares and the weighted average number of preferred and common shares outstanding during the year.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The significant areas requiring the use of management estimates are disclosed in Note 3.

DUNDARAVE MORTGAGE INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the years ended January 31, 2019 and 2018

2. Significant accounting policies (continued)

Financial instruments

Non-derivative financial assets

Effective February 1, 2018, under IFRS 9: Financial Instruments ("IFRS 9"), financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows.

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

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss; and
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial assets, other than those classified as FVTPL, are assessed for impairment at the end of each reporting period using the expected credit loss ("ECL") model. The ECL for financial assets measured at amortized cost and for debt instruments at FVOCI, which is based on changes in credit quality since initial recognition.

(i) Mortgages receivable

Mortgages receivable are carried at the unpaid principal amount plus capitalized charges less allowances for mortgage losses. The Company writes down mortgages to their estimated recoverable value based on a current evaluation of the security held when full recovery is considered in doubt.

Mortgages receivable are classified and recorded at amortized cost. Interest income on mortgage loans is recognized on the accrual basis except for certain impaired loans. Interest income on impaired loans will continue to be recognized on the accrual basis when there is no doubt as to the collectability of the principal amount and accrued interest; otherwise interest income is recognized on the cash basis.

DUNDARAVE MORTGAGE INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the years ended January 31, 2019 and 2018

2. Significant accounting policies (continued)

Financial instruments (continued)

(ii) Allowance for mortgage losses

The Company reviews mortgages for impairment and will maintain an allowance when required to reduce the carrying value of any mortgages identified as impaired to their estimated realizable amounts. The estimated realizable amounts are the principal amount of the mortgages less expected credit losses. The expected credit losses, if any, are determined based on historical loan collection experience, payments history of individual mortgages, mortgages past their maturity dates and the value of the security underlying the mortgages.

Specific allowances are established for individual mortgages identified as impaired.

Non derivative financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or amortized cost. The Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as amortized cost are initially recognized at fair value less directly attributable transaction costs. After initial recognition, the liabilities are subsequently measured at amortized cost using the effective interest method. The Company's accounts payable and accrued liabilities, dividends payable, and due to related party are classified as amortized cost. Preferred shares have been classified as a liability because they are retractable at the option of the holder, and have been classified as amortized cost.

DUNDARAVE MORTGAGE INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the years ended January 31, 2019 and 2018

2. Significant accounting policies (continued)

New accounting standards and interpretations

IFRS 9, Financial Instruments:

The Company adopted, retrospectively without restatement, all of the requirements of IFRS 9: Financial Instruments as of February 1, 2018. This standard replaces the guidance in IAS 39: Financial Instruments: Recognition and Measurements ("IAS 39"). The adoption of IFRS 9 did not impact the carrying value of any of the Company's financial assets or financial liabilities on the transition date. The impact on the classification and measurement of its financial instruments is set out below.

IFRS 9 includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39, for the classification and measurement of financial liabilities.

IFRS 9 introduced a single expected credit loss impairment model for financial assets measured at amortized cost and for debt instruments at FVOCI, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's financial statements.

The requirements of IAS 39 for classification and measurements of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument. This adoption did not result in any changes to the measurement of the Company's financial statements.

Financial Assets and Liabilities:	IAS 39	IFRS 9
Cash	FVTPL	FVTPL
Interest receivable	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Mortgages receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Dividends payable	Other financial liabilities	Amortized cost
Due to related party	Other financial liabilities	Amortized cost
Preferred shares	Other financial liabilities	Amortized cost

IFRS 15, Revenue Recognition:

On February 1, 2018, the Company adopted IFRS 15 using the modified retrospective approach. IFRS 15 replaces IAS 18 "Revenue" and establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

There was no impact on adoption of IFRS 15 as interest income is excluded from the scope of IFRS 15, as it is accounted for in accordance with the provisions of IFRS 9.

DUNDARAVE MORTGAGE INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the years ended January 31, 2019 and 2018

2. Significant accounting policies (continued)

New accounting standards and interpretations (continued)

IFRS 16, Leases:

The IASB issued IFRS 16, Leases ("IFRS 16") on January 13, 2016. The Company will be required to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Management has not determined the impact upon adoption of this standard, if any.

3. Critical accounting estimates and judgments

Mortgage investment companies make estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both. Information about critical estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

i. Critical Accounting Judgments

Critical accounting judgments are the application of accounting policies that have been identified as being complex or involving subjective judgments or assessments. The determination by management as to whether a loan is impaired has been identified as a critical judgment.

ii. Critical Accounting Estimates

Allowances for mortgages receivable are created based on the Company's estimates. Assumptions are based on the current economic environment. Estimates and assumptions made may change if new information becomes available. If information becomes available that the recovery of the mortgage is unlikely, the amount is written off in the profit or loss in the period the new information becomes available.

DUNDARAVE MORTGAGE INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the years ended January 31, 2019 and 2018

4. Mortgages receivable

	2019 \$	2018 \$
Residential mortgages	10,207,459	4,502,979
Commercial mortgages	3,625,000	4,829,985
General provision for mortgages	(102,000)	(102,000)
Specific provision for mortgage impairment	-	(301,591)
	<u>13,730,459</u>	<u>8,929,373</u>
Less current portion	<u>13,730,459</u>	<u>8,929,373</u>
Long-term portion	<u>-</u>	<u>-</u>

The composition of the mortgages is as follows:.

	2019 Number	2018 Number
Residential mortgages	16	9
Commercial mortgages	<u>4</u>	<u>6</u>
	<u>20</u>	<u>15</u>

The current portion of mortgage receivable designates the loans which are schedule to mature within the next twelve month period.

The mortgages are secured by the real property to which they relate. All real property is located in British Columbia and Alberta. The mortgage agreements stipulate the greater of a minimum interest rate and a variable interest rate based on the Prime Rate for Canadian Dollar Loans established by TD Canada Trust or HSBC. All mortgages are conventional uninsured mortgages which contain a prepayment option, whereby the borrower may repay the principal at any time prior to maturity without penalty. The weighted average minimum interest rate on the mortgages as at January 31, 2019 was 10% (2018- 10%).

In fiscal 2018, one loan with a total balance outstanding of \$1,036,126 was non-performing at year end. On April 16, 2018, the Supreme Court of British Columbia accepted an offer to purchase the property that secured this loan. The offer closed on May 17, 2018. The Company was able to recover the full amount of the mortgage plus interest earned, resulting in a recovery of the allowance provision by \$101,104.

Residential mortgages plus cash is 74.3% (2018: 58.5%) of the total mortgages plus cash.

DUNDARAVE MORTGAGE INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the years ended January 31, 2019 and 2018

5. Dividends payable

	2019	2018
	\$	\$
Cash dividends	77,869	65,552
Reinvested shares	804,480	490,415
	<u>882,349</u>	<u>555,967</u>

6. Related party transactions and balances

The related party is a company under common control and management.

Due to related party

	2019	2018
	\$	\$
Dundarave Management Ltd.	72,370	49,320

Amounts due to Dundarave Management Ltd. are unsecured, non-interest bearing and without specific terms of repayment.

During the year, the Company had the following transactions with the related party:

	2019	2018
	\$	\$
Management fees	262,639	202,029

The management fees are paid to the fund manager of a company controlled by the directors, and are in accordance with the management agreement discussed in Note 10. These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. Common shares

Authorized:

10,000,000 Common shares, voting, participating, without par value.

Common shares are redeemable by the Company at the lowest price at which, in the opinion of the Board of Directors, shares are obtainable. Any such purchase requires the agreement of the shareholders who wish to sell. The Company may also unilaterally redeem any part of any class of shares at a redemption price equal to the amount paid up plus any declared but unpaid dividends to which the shareholder is entitled.

DUNDARAVE MORTGAGE INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the years ended January 31, 2019 and 2018

8. Preferred shares

Authorized:

100,000,000 Class "A" redeemable preferred shares with a par value of \$1.00.

	2019		2018	
	Shares Issued	Consideration \$	Shares Issued	Consideration \$
Issued:				
Class A preferred shares				
Balance beginning of year	11,056,988	11,056,988	10,241,431	10,241,431
Issued for cash	2,863,089	2,863,089	1,330,764	1,330,764
Issued as stock dividend	490,911	490,911	282,793	282,793
Subscriptions receivable	11,251	11,251	-	-
Redeemed	(1,095,011)	(1,095,011)	(798,000)	(798,000)
	13,327,228	13,327,228	11,056,988	11,056,988

Preferred shares are redeemable by the Company at the lowest price at which, in the opinion of the Board of Directors, shares are obtainable. Any such purchase requires the agreement of the shareholders who wish to sell. The Company may also unilaterally redeem any part of any class of shares at a redemption price equal to the amount paid up plus any declared but unpaid dividends which the shareholder is entitled to. The holders of the preferred shares may redeem their shares with six months notice, for the purchase price plus any declared but unpaid dividends to which the holder is entitled.

The Board of Directors of the Company may in their sole discretion refuse to issue, redeem or transfer shares if as a result of such redemption the Company would cease to qualify as a MIC as defined in the Income Tax Act.

In the event of liquidation, dissolution or wind-up of the Company, the distribution of the assets of the Company shall be made first to the holders of preferred shares and the balance to the holders of common shares.

9. Income distribution

The Preferred Shares are entitled to receive ratably, according to the amount paid up thereon, all profits available for the payment of dividends. Dividends are payable in cash or in shares, or partly in cash and partly in shares, at the election of the shareholder.

The dividends paid on preferred shares in 2019 and 2018 were \$1,179,298 (\$0.11 per share) and \$762,727 (\$0.08 per share), respectively.

DUNDARAVE MORTGAGE INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the years ended January 31, 2019 and 2018

10. Management agreement

On July 10, 2008, the Company entered into a management contract with Dundarave Management Ltd. ("Manager"), a company controlled by two directors of the Company. The Company has engaged the Manager to provide financial and administrative services. For services rendered under the management contract, the Company pays the Manager a fee equal to two percent (2%) of the yearly outstanding principal balance of the mortgages receivable, calculated monthly. The monthly fee is to be paid by the Company to the Manager on a quarterly basis on or before the 15th day of the month following the end of the quarter. Management fees of \$262,639 (2018: \$202,029) were paid or accrued during the fiscal year.

The management contract has no fixed term.

11. Financial instruments

Items that meet the definition of a financial instrument include cash, funds held in trust, interest receivable, subscriptions receivable, accounts receivable, mortgages receivable, accounts payable and accrued liabilities, dividends payable, due to related party, and preferred shares.

The following is a summary of the significant financial instrument risks:

Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash. The Company is exposed to liquidity risk arising primarily from its accounts payable and accrued liabilities, balance due to related party, and preferred shares. All of the Company's financial liabilities, including preferred shares are classified as current. The Company intends to settle these with funds from its working capital. The Company's overall liquidity is monitored on on-going basis by the Board of Directors.

DUNDARAVE MORTGAGE INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the years ended January 31, 2019 and 2018

11. Financial instruments (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company limits its exposure to credit loss by placing its cash with major financial institutions. The Company is exposed to credit risk in connection with its mortgage receivables. All of the mortgages receivable have a minimum and a variable rate and mature within 12 months. The minimum interest rate ranges from 8% to 15%. Credit risk is inherent in this industry, however, the Company carefully monitors the loan portfolio on an on-going basis in accordance with policies and procedures in place to ensure credit risk and concentrations of risk are minimized. The risk is managed by the Company's overall risk management framework, which includes credit exposures, obtaining appropriate security, conducting third party appraisals of the security obtained, and assessing the credit worthiness of counterparties, prior to committing to the investment. The Company's Board of Directors must approve each loan prior to funding.

The Company's maximum credit risk exposure (without taking into account collateral and other credit enhancements) at January 31, 2019 and 2018 is represented by the respective carrying amounts of the relevant financial assets in the statement of financial position.

As at January 31, 2019, the mortgages receivable are secured by 74% (2018 - 48%) residential and 26% (2018 - 52%) commercial properties which are 75% (2018 - 100%) located in British Columbia and 25% (2018 - 0%) in Alberta. As at January 31, 2019, no (2018 - 1) loans with outstanding principal of \$nil (2018 - \$900,000) is past its maturity date and has been extended on a month to month basis. Management has determined a loss provision of \$nil (2018 - \$301,591) is required for this loan. Management has determined that a general provision of \$102,000 (2018 - \$102,000) is required to represent the uncertainty of collection on the entire mortgages receivable balance. As at January 31, 2019, \$7,468,553 (2018 - \$5,519,478) is associated with mortgages that have first charge on the security, \$3,353,906 (2018 - \$3,465,720) of the principal outstanding is associated with mortgages that have a second charge on the security, \$2,660,000 (2017 - \$Nil) is associated with mortgages that have a blend of first and second charges on the security, and \$350,000 (2018 - \$350,000) is associated with a mortgage that has a blend of second and third charges on the security. Also at January 31, 2019, mortgages receivable from the largest 5 borrowers comprised approximately 50% of the total outstanding mortgages receivable (2018 - 5 borrowers and 57%).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company's strategy for the management of market risk is driven by the Company's investment objective which is to invest in a diversified portfolio of mortgages on real property located within Canada that preserves capital and generates returns in order to permit the Company to pay distributions.

It is management's opinion that the Company is not exposed to significant currency or other price risk.

DUNDARAVE MORTGAGE INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the years ended January 31, 2019 and 2018

11. Financial instruments (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The fair values of fixed rate financial instruments are subject to change, since fair values fluctuate inversely with changes in market interest rates. The cash flows related to floating rate financial instruments change as market interest rates change. The Company is exposed to interest rate risk with respect to its mortgages receivable, which bear interest at floating rates. It is the Company's policy to transact in financial instruments that mature in the short term. Accordingly, the Company would be subject to limited exposure to fair value or cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates.

12. Capital management

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to be able to generate returns for its investors. The capital structure of the Company consists of equity attributable to common and preferred shareholders. The Company's primary objective with respect to its capital structure is to ensure that it has sufficient cash resources to invest in mortgages in order to provide a return to its preferred share shareholders. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of additional preferred shares. The Company is not subject to externally imposed capital requirements.

13. Commitments

As at year end, the balance of mortgages the Company has committed to funding totaled \$805,000 (2018 - \$2,850,000). The funds were advanced as follows:

	\$
February 20, 2019	75,000
March 15, 2019	580,000
March 18, 2019	150,000

14. Subsequent events

Subsequent to the year end, the Company issued 972,880 preferred shares for cash proceeds of \$972,880 and redeemed 258,474 preferred shares for cash consideration of \$258,474

DUNDARAVE MORTGAGE INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the years ended January 31, 2019 and 2018

15. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

SCHEDULE "A" TO OFFERING MEMORANDUM

SUBSCRIPTION AGREEMENT FOR SHARES

TO: Dundarave Mortgage Investment Corporation (the "Company")

The undersigned (hereinafter referred to as the "Subscriber") hereby irrevocably agrees to subscribe for the number of Class "A" Redeemable Preferred Shares with a par value of \$1.00 each (the "Shares") of the Company set forth below for the aggregate consideration set forth below with a par value of \$1.00 (Canadian) per Share, upon and subject to the "Terms and Conditions of Subscription of Shares of Dundarave Mortgage Investment Corporation" attached hereto.

(Name of Subscriber - please print)
By: _____ Authorized Signature
_____ Authorized Signature
_____ (Official Capacity or Title - please print)
_____ Please print name of individual whose signature appears above if different than the name of the subscriber printed above.
_____ (Subscriber's Address)

_____ (Telephone Number)
_____ (Social Insurance or Taxation Account Number of Subscriber)

Number of Shares: _____ Class "A" Redeemable Preferred Shares

Aggregate Subscription Price: \$ _____

If the Subscriber is signing as agent for a principal and is not a trust company or an insurer or in Alberta or British Columbia, a portfolio manager, in either case, purchasing as trustee or agent for accounts fully managed by it, complete the following:
_____ Name of Principal
_____ Principal's address

<u>Securities of the Company currently owned:</u>
_____ Direct Ownership
_____ Indirect Ownership

<u>Register the Shares as set forth below:</u>
_____ Name
_____ Account reference, if applicable
_____ Address

<u>Deliver the Shares as set forth below:</u>
_____ Name
_____ Account reference, if applicable
_____ Contact Name
_____ Address
_____ Telephone Number

ACCEPTANCE: The Company hereby accepts the above subscription and the Company represents and warrants to the Subscriber that the representations and warranties made by or on behalf of the Company are true and correct in all material respects as of this date and that the Subscriber is entitled to rely thereon.

Dundarave Mortgage Investment Corporation

_____, 2019

Per: _____

THIS IS THE FIRST PAGE OF A SUBSCRIPTION AGREEMENT FOR SHARES COMPRISED OF 8 PAGES (NOT INCLUSIVE OF SCHEDULES). THE SUBSCRIBER MUST PROVIDE THE INFORMATION REQUESTED ON THIS FACE PAGE AND EXECUTE THIS AGREEMENT BY SIGNING THIS FACE PAGE, , IF APPLICABLE, SCHEDULES "A", "B" or "C", AND RETURN ONE FULLY EXECUTED COPY OF EACH OF THESE DOCUMENTS (WHEN APPLICABLE) WITH THE SUBSCRIPTION FUNDS PAYABLE TO DUNDARAVE MORTGAGE INVESTMENT CORPORATION, 1885 MARINE DRIVE, NORTH VANCOUVER, BRITISH COLUMBIA V7P 1V5

TERMS AND CONDITIONS OF SUBSCRIPTION OF SHARES OF DUNDARAVE MORTGAGE INVESTMENT CORPORATION

THE SECURITIES TO WHICH THIS AGREEMENT RELATE HAVE NOT AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT") OR ANY STATE SECURITIES LAWS OF ANY

STATE OF THE UNITED STATES. SUCH SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED OR ASSIGNED IN THE UNITED STATES OR BY OR ON BEHALF OF U.S. PERSONS (AS DEFINED THEREIN) WITHOUT REGISTRATION UNDER THE 1933 ACT AND ANY APPLICABLE STATE SECURITIES LAWS, UNLESS AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS IS AVAILABLE.

**Purchase of Shares
(British Columbia and Alberta Residents)**

WHEREAS the Company is incorporated under the *Business Corporations Act* (British Columbia) and the Company intends to carry on its business so as to qualify as a Mortgage Investment Corporation as defined in the *Income Tax Act* (Canada) (the "Tax Act");

AND WHEREAS The principal objective of the Company is to generate income from mortgage investments and through income tax exemptions which result from the earning of income as a mortgage investment corporation, which income is not taxable until it is distributed to the Subscriber;

AND WHEREAS the Subscriber has agreed to invest an amount equal to the aggregate subscription price set forth on the face page hereof by subscribing for shares of the Company;

AND WHEREAS each Share is comprised of one (1) Class "A" Redeemable Preferred Share with a par value of \$1.00 per share in the capital of the Company;

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the premises and agreements herein contained, it is mutually declared, covenanted and agreed by and between the parties as follows:

1. **Definitions**

1.1 In this Agreement, including the recitals hereof, unless the context otherwise requires:

- (a) **"Agreement"** means this Private Placement Subscription Agreement for Shares.
- (b) **"Closing"** means the delivery and payment for the Shares, which may incur in stages on different dates, to take place at 10:00 a.m. on the Closing Date.
- (c) **"Closing Date"** means a date on which a Closing occurs, the first such Closing Date being the "Initial Closing Date".
- (d) **"Company"** means Dundarave Mortgage Investment Corporation.
- (e) **"Investment"** means total Subscription Price as set forth on the face page hereof paid by the Subscriber to the Company for the Shares pursuant to Clause 2.1 hereof.
- (f) **"Offering Memorandum"** means the confidential offering memorandum of the Company dated February 1, 2009.
- (g) **"Private Placement"** means the private placement of up to 10,000,000 Class "A" Redeemable Preferred Shares.
- (h) **"Securities"** means the Shares.
- (i) **"Selling Jurisdiction"** means the Provinces of British Columbia and Alberta.
- (j) **"Preferred Share"** means one (1) Class "A" Redeemable Preferred Share with a par value of \$1.00 per share and **"Shares"** means more than one (1) Class "A" Redeemable Preferred Share with a par value of \$1.00 per share.
- (k) **"Subscriber"** means that person or entity or entity whose name is set forth on the execution page hereof.
- (l) **"Subscription Price"** means a subscription amount of \$1.00 per Share.

1.2 In this Agreement the headings of the articles and clauses are inserted for convenience of reference only and shall not affect the meaning or construction thereof.

1.3 In this Agreement, words importing the singular include the plural, words importing the masculine gender include the feminine and vice versa.

1.4 In this Agreement all dollar amounts are expressed in Canadian dollars.

2. **Subscription**

- 2.1 The Subscriber hereby irrevocably subscribes for and agrees to purchase from the Company, subject to the terms and conditions set forth herein, the number of Shares as set forth on the face page hereof at the Subscription Price for an Investment as set forth on the face page hereof and, subject to Clause 2.2, the Company agrees to accept such subscription for Shares in accordance with the terms hereof.
- 2.2 The Subscriber agrees to pay to the Company the Subscription Price as set forth and described on the face page hereof for the Shares subscribed for herein by delivering to the Company at 1885 Marine Drive, North Vancouver, British Columbia or to any agent which is authorized to sell the Shares of the Company, at such agent's office in Vancouver, British Columbia concurrent upon the execution and delivery of this Agreement, a certified cheque, bank draft or money order in the full amount of the Subscription Price for the Shares subscribed for hereunder. The Subscriber hereby acknowledges that acceptance of the subscription is subject to rejection or allotment, in whole or in part, by the Company.
- 2.3 The Subscriber acknowledges that the Shares are being sold by the Company in British Columbia and Alberta. Subject to the terms hereof, this subscription will be effective upon its acceptance by the Company. The Closing of the Private Placement will be subject to receipt of all applicable regulatory and stock exchange approvals.
- 2.4 The Subscriber acknowledges and consents to the Company using the Investment prior to the allotment and issuance of the Class "A" Preferred Shares to the Subscriber, provided the Company has accepted this Subscription and fulfilled any conditions the Company must fulfill pursuant to that Offering Memorandum. In the event the Company cannot issue and allot the Shares to the Subscriber, then the Investment paid by the Subscriber to the Company as aforesaid shall be deemed to be a loan from the Subscriber to the Company with interest equal to the Bank of Montreal daily interest savings account commencing seven (7) days after the Company deposits the Investment into the Company's bank account.

3. **Description of the Shares**

- 3.1 Each Share shall consist of one (1) Class "A" Redeemable Preferred Share.
- 3.2 The Shares are referred to herein as the "Securities".
- 3.3 The Securities will be subject to an unlimited statutory hold period during which the Securities may not be resold without a further statutory exemption being available to a Subscriber or without an appropriate discretionary order pursuant to applicable securities laws being obtained. Subscribers are advised to consult their own legal advisors in connection with any applicable resale restrictions.

4. **Payment**

- 4.1 The Investment must accompany this Agreement and shall be paid by certified cheque, bank draft or money order made payable to the Company, or payable in such other manner as may be specified by the Company.

5. **Completion of Schedules**

- 5.1 The Subscriber undertakes to complete, sign and return the following document, when applicable, along with one (1) fully executed copy of this Agreement to the Company:
- (a) **Schedule "A"**, Form 45-106F4 Risk Acknowledgment Form for Subscribers investing under the Offering Memorandum exemption in British Columbia;
 - (b) **Schedule "B"**, Form 32-517 Risk Acknowledgment Form for Subscribers investing under the Exemption from Dealer Registration Requirement for Trades in Securities of Mortgage Investment Entities in British Columbia; and
 - (c) **Schedule "C"**, Eligible Investor Status Certificate, for subscribers investing under the Offering Memorandum exemption in Alberta.
- 5.2 The Subscriber shall complete, sign and return to the Company as soon as possible on request by the Company any additional documents, questionnaires, notices and undertakings as may be required by regulatory authorities, stock exchanges and applicable law.

6. **Closing**

- 6.1 The Closing will be completed at the offices of the Company on a date to be determined by the Company shall determine (the "Initial Closing Date"). Subsequent closings may also occur and subscription proceeds received after the Initial Closing Date will be held by the Company until such date or dates (such subsequent closing date herein referred to as the "Closing Date").

- 6.2 The Closing will only take place in accordance with all related applicable regulatory approvals and requirements, provided, however, that no securities will be issued by the Company to the Subscriber until all related regulatory approvals and requirements have been obtained.
- 6.3 Certificates representing the Shares will be available for delivery against payment in freely transferable Canadian funds to the Company of the amount of the aggregate Subscription Price for the Shares.

7. **Acknowledgments, Representations, Warranties and Covenants of the Subscriber**

- 7.1 The Subscriber represents, warrants, covenants, acknowledges and/or certifies to the Company and its counsel and acknowledges that the Company and its counsel are relying thereon as follows:
- (a) it has been independently advised as to restrictions with respect to trading in the Securities imposed by applicable securities legislation in the jurisdiction in which it resides, confirms that no representation has been made to it by or on behalf of the Company with respect thereto, acknowledges that it is aware of the characteristics of the Securities, the risks relating to an investment therein and of the fact that it may not be able to resell the Securities except pursuant to exemptions under applicable securities legislation and regulatory policy and that the Securities may be subject to resale restrictions and may bear a legend to this effect;
 - (b) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Securities;
 - (c) there is no government or other insurance covering the Securities;
 - (d) there are risks associated with the purchase of the Securities, as set out herein;
 - (e) there are restrictions on the Subscriber's ability to resell the Securities and it is the responsibility of the Subscriber to find out what those restrictions are and to comply with those restrictions before selling the Securities;
 - (f) the Company has advised the Subscriber that the Company is relying on an exemption from the requirements to provide the Subscriber with a prospectus and to sell the Securities through a person or company registered to sell Securities under the *Securities Act* (Alberta) or the *Securities Act* (British Columbia);
 - (g) the decision to execute this Agreement and purchase the Shares agreed to be purchased hereunder has not been based upon any oral or written representation as to fact or otherwise made by or on behalf of the Company, other than as contained in the Offering Memorandum, and that the decision is based entirely upon the Subscriber's review (the receipt of which is acknowledged) of information which has been filed by the Company with the Alberta Securities Commission or British Columbia Securities Commission in compliance, or intended compliance, with applicable securities legislation and the Offering Memorandum;
 - (h) the Subscriber has received and carefully reviewed a copy of the Offering Memorandum;
 - (i) the Subscriber has been advised to consult the Subscriber's own legal advisors with respect to applicable resale restrictions and the Subscriber is solely responsible (and the Company is not responsible whatsoever) for compliance with applicable resale restrictions;
 - (j) this Agreement is not enforceable by the Subscriber unless and until it has been accepted by the Company;
 - (k) the Subscriber and each beneficial purchaser for whom the Subscriber is acting are resident at the address set out in the face page of this Agreement;
 - (l) the representations and warranties of the Subscriber contained herein will be true and correct both as of the execution of this Agreement and as of the Closing Date and shall survive the completion of the issuance of the Shares;
 - (m) the Subscriber is purchasing the Shares for investment only and not with a view to resale or distribution and will resell the Securities only in accordance with the provisions of applicable securities legislation and stock exchange rules;
 - (n) if an individual, the Subscriber is of full age of majority and is legally competent to execute this Agreement and take all action pursuant thereto;
 - (o) this Agreement has been duly and validly authorized, executed and delivered by and constitutes a legal, valid, binding and enforceable obligation of the Subscriber;

- (p) the Subscriber, or, where the Subscriber is not purchasing as principal, each beneficial purchaser, has such knowledge in financial and business affairs as to be capable of evaluating the merits and risks of its investment and is able to bear the economic risk of loss of its investment;
- (q) the Subscriber understands that the sale and delivery of the Shares is conditional upon such sale being exempt from the requirements as to the filing of a prospectus or upon the issuance of such orders, consents or approvals as may be required to permit such sale without the requirement of filing a prospectus;
- (r) the Subscriber will not resell the Securities except in accordance with the provisions of applicable securities legislation and stock exchange rules and acknowledges that the Company is **NOT** a reporting issuer under the securities laws of any jurisdiction, as a result, that such securities may not be traded without the requirement of filing a prospectus or utilizing an exemption under applicable securities laws;
- (s) The Subscriber, upon becoming a shareholder of the Company, will not sell, transfer or otherwise dispose of Shares acquired by him pursuant to this Agreement in any way which would result in the Company no longer qualifying as a mortgage investment company for the purposes of the Tax Act and affirms his knowledge of the provisions of the Tax Act governing the restrictions imposed upon mortgage investment corporations and their shareholders;
- (t) if the Subscriber is a corporation, syndicate, partnership or other form of unincorporated organization, the person executing this agreement on behalf of the Subscriber has the necessary power and authority to do so and the Investment contemplated hereby has been duly authorized by all necessary action of the undersigned;
- (u) the Subscriber understands that any anticipated federal or provincial income tax benefits may be adversely affected by the adoption of new laws or interpretations on amendments to existing laws or regulations;
- (v) the Subscriber understands that affiliates may engage material transactions with the Company which may result in a profit and, in the future, may be engaged in businesses which are competitive with that of the Company and the Subscriber agrees and consents to such activities, even though there are conflicts of interest therein;
- (w) the delivery of this Agreement, the acceptance hereof by the Company, and the issuance of the Securities to the Subscriber complies with all applicable laws of the Subscriber's jurisdiction of residence and domicile and will not cause the Company or any of its officers or directors to become subject to or require any disclosure, prospectus or other reporting requirement;
- (x) the entering into of this Agreement and the transactions contemplated hereby will not result in a violation of any of the terms and provisions of any law applicable to him, or of any agreement to which the Subscriber is a party or by which he is bound;
- (y) the Subscriber will provide prior notice to the Company in the event that it may become a "non-resident" of Canada or a "non-Canadian" within the meaning of the *Investment Canada Act* (Canada);
- (z) the Subscriber is not a U.S. person (as such term is defined in Regulation S under the 1933 Act, which definition includes an individual resident in the United States and an estate or trust of which any executor, administrator or trustee is a U.S. person), and is not purchasing the Securities for the account or benefit of a U.S. person, and it was not offered the Securities in the United States, and did not execute or deliver this agreement or deliver payment for the Shares in the United States;
- (aa) the Subscriber has no intention to distribute either directly or indirectly any of the Securities in the United States or to U.S. persons;
- (bb) the representations and warranties of the Subscriber contained herein and in the Schedules hereto will be true and correct both as of the execution of this Agreement and as of the Closing Time (as hereinafter defined) and shall survive the completion of the issuance of the Common Shares.
- (cc) Dividends in respect of all net income of the Company shall, after providing for such reserves as may be necessary in the discretion of the directors, be declared at such times as the directors see fit, and shall be distributed to holders of record on the last day of each quarter of each fiscal year of the Company. Such dividends shall be payable as follows:

Cash _____

Class "A" _____

Preferred Shares _____

(please initial your choice above).

The Subscriber may give to the Company thirty (30) days written notice of a change in the method of payment of dividends. If the Subscriber fails to choose one of the methods of payment of dividends as set forth in this paragraph 7.1 (cc), such dividends may be payable in cash or in additional Shares or part in cash and part in additional shares, at the sole discretion of the Company; and

- (dd) If any additional Shares are issued to the Subscriber by way of dividend which would result in a fractional share being issued to the Subscriber, such fractional share shall not be issued, but an equivalent amount of cash shall be paid to the Subscriber or held in his account, at the sole discretion of the Company;

8. Representations, Warranties and Covenants of the Subscriber

The Subscriber hereby further represents, warrants and covenants to the Company and its counsel (which representations, warranties and covenants shall be true and correct on the date thereof and at the Closing Time with the same force and effect as if they had been made as at the Closing Time and which shall survive closing) and acknowledges that the Company and its counsel are relying thereon as follows (circle 8.1, 8.2, 8.3 or 8.4).

8.1 British Columbia Residents – Families, Friends and Business Associates

The Subscriber is a resident of British Columbia, is purchasing the Shares pursuant to the Family, Friends and Business Associates Exemption contained in Multilateral Instrument 45-106 *Capital Raising Exemptions* (Part 2), is purchasing the Shares as principal and the Subscriber is **(circle appropriate subclause(s))**:

- (a) a director, executive officer or control person of the issuer, or of an affiliate of the issuer,
- (b) a spouse, parent, grandparent, brother, sister, child or grandchild of _____ [insert name] a director, executive officer or control person of the issuer, or of an affiliate of the issuer,
- (c) a parent, grandparent, brother, sister, child or grandchild of the spouse of _____ [insert name] a director, executive officer or control person of the issuer or of an affiliate of the issuer,
- (d) a close personal friend of _____ [insert name] a director, executive officer or control person of the issuer, or of an affiliate of the issuer,
- (e) a close business associate of _____ [insert name] a director, executive officer or control person of the issuer, or of an affiliate of the issuer,
- (f) a founder of the issuer or a spouse, parent, grandparent, brother, sister, child, grandchild, close personal friend or close business associate of _____ [insert name] a founder of the issuer,
- (g) a parent, grandparent, brother, sister, child or grandchild of a spouse of _____ [insert name] a founder of the issuer,
- (h) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in paragraphs (a) to (g), or
- (i) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons described in paragraphs (a) to (g).

8.2 British Columbia Residents – Offering Memorandum Exemption

The Subscriber is:

- (a) a resident of British Columbia; and
- (b) purchasing the Shares pursuant to the Offering Memorandum exemption as set forth in Multilateral Instrument 45-106 *Capital Raising Exemptions* (Part 2) and has acknowledged that investing in the Shares is a risky investment by correctly completing and delivering a copy of Form 45-106F4 (attached as Schedule "A") and Form 32-517 (attached as Schedule "B") with this Subscription Agreement.

8.3 Alberta Residents - Friends, Family and Business Associates

The Subscriber is a resident of Alberta, is purchasing the Shares pursuant to the Family, Friends and Business Associates Exemption contained in Multilateral Instrument 45-106 (Part 2), is purchasing the Shares as principal and the Subscriber is **(circle appropriate subclause(s))**:

- (a) a director, executive officer or control person of the issuer, or of an affiliate of the issuer,

- (b) a spouse, parent, grandparent, brother, sister, child or grandchild of _____ [insert name] a director, executive officer or control person of the issuer, or of an affiliate of the issuer,
- (c) a parent, grandparent, brother, sister, child or grandchild of the spouse of _____ [insert name] a director, executive officer or control person of the issuer or of an affiliate of the issuer,
- (d) a close personal friend of _____ [insert name] a director, executive officer or control person of the issuer, or of an affiliate of the issuer,
- (e) a close business associate of _____ [insert name] a director, executive officer or control person of the issuer, or of an affiliate of the issuer,
- (f) a founder of the issuer or a spouse, parent, grandparent, brother, sister, child, grandchild, close personal friend or close business associate of _____ [insert name] a founder of the issuer,
- (g) a parent, grandparent, brother, sister, child or grandchild of a spouse of _____ [insert name] a founder of the issuer,
- (h) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in paragraphs (a) to (g), or
- (i) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons described in paragraphs (a) to (g)

8.4 Alberta Residents - Offering Memorandum

The Subscriber is:

- (a) a resident of Alberta; and
- (b) purchasing the Shares pursuant to the Offering Memorandum exemption and has acknowledged that investing in the Shares is a risky investment by correctly completing and delivering a copy of Form 45-106F4 (attached as Schedule "A") and Form 32-517 (attached as Schedule "B") and, if the Subscriber is purchasing more than \$10,000 of Common Shares, it is an "eligible investor" as such term is defined in Multilateral Instrument 45-106 and specifically represents and warrants that one or more of the categories set forth in the Eligible Investor Status Certificate (attached as Schedule "B") correctly, and in all respects, describes the Subscriber and the Subscriber has so indicated by marking the box next to the category which so describes it and executing and delivering a copy of the Eligible Investor Status Certificate with this Subscription Agreement;

9. Representations, Warranties and Covenants of the Company

9.1 The Company hereby represents, warrants and covenants to the Subscriber that:

- (a) it has been duly incorporated and organized and is a valid and subsisting company under the laws of the British Columbia, and is duly qualified to carry on business in the Province of British Columbia and in each other jurisdiction, if any, wherein the carrying out of the activities contemplated makes such qualifications necessary;
- (b) it has the full corporate right, power and authority to execute this Agreement, and to issue the Shares, as the case may be, to the Subscriber pursuant to the terms of this Agreement;
- (c) this Agreement constitutes a binding and enforceable obligation of the Company, enforceable in accordance with its terms;
- (d) the execution and delivery of and the performance by the Company of this Agreement, including the allotment and issuance of the Shares to the Subscriber pursuant hereto, will not constitute a breach of or default under the constating documents of the Company or any agreement, contract or indenture to which the Company is a party or by which it is bound;

10. Resale Restrictions and Legending of Securities

10.1 The Subscriber acknowledges that any resale of the Securities will be subject to an indefinite resale restriction contained in the securities legislation applicable to each Subscriber. The Company is currently **NOT** a reporting issuer in any jurisdiction. Each Subscriber is responsible for seeking appropriate legal advice to determine the applicable resale restrictions and for complying with same.

- 10.2 The Subscriber acknowledges that a legend will be placed on the certificates representing the Securities to the effect that the Securities represented by such certificates are subject to a hold period and may not be traded until the expiry of such hold period except as permitted by applicable securities legislation.

11. **Contractual Right of Action for Rescission**

- 11.1 The Subscriber is referred to the contractual and statutory rights as outlined in "Subscriber's Rights" contained in the Offering Memorandum which in the case of contractual rights shall be and are hereby incorporated into this Agreement and form a part hereof.

12. **Appointment of the Company or the Agent**

- 12.1 The Subscriber hereby:

- (a) irrevocably authorizes the Company to negotiate and settle the form of any other agreement to be entered into in connection with this transaction and to waive in whole or in part, or extend the time for compliance with, any of the Closing conditions contained in this Subscription Agreement in such manner and on such terms and conditions as the Company may determine, acting reasonably;
- (b) irrevocably authorizes the Company to swear, execute, file and record on its behalf, this Subscription Agreement and any documents necessary to accept delivery of the Shares on the Closing Date and to terminate this Subscription on behalf of the Subscriber in the event that any condition precedent to this offering has not been satisfied;
- (c) irrevocably authorizes the Company, at its discretion, to correct any ambiguities, errors or omissions herein or in any of Schedules attached hereto and completed by the Subscriber;
- (d) irrevocably authorizes the Company or the Agent to extend, on behalf of the Subscriber, the Initial Closing Date as defined in the Offering Memorandum of the Company prepared in relation to this Private Placement;

13. **Governing Law**

- 13.1 This Agreement is governed by the laws of the Province of British Columbia and the federal laws of Canada applicable herein. The Subscriber irrevocably attorns to the jurisdiction of the courts of the Province of British Columbia.

14. **Survival**

- 14.1 This 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 notwithstanding the completion of the purchase of the Shares by the Subscriber pursuant hereto, the completion of the issue of the Shares and any subsequent disposition by the Subscriber of any of the Securities.

15. **Assignment**

- 15.1 This Agreement is not transferable or assignable.

16. **Execution**

- 16.1 The Company shall be entitled to rely on delivery by electronic facsimile of an executed copy of this Agreement and acceptance by the Company of such facsimile copy shall be equally effective to create a valid and binding agreement between each of the Subscribers and the Company in accordance with the terms hereof.

17. **Severability**

- 17.1 The invalidity or unenforceability of any particular provision of this Agreement shall not affect or limit the validity or enforceability of the remaining provisions of this Agreement.

18. **Entire Agreement**

- 18.1 Except as expressly provided in this agreement and in the agreements, instruments and other documents contemplated or provided for herein, this 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, by common law, by the Company, by the Subscriber or by any third party.

Form 45-106F4**Risk Acknowledgement**

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

I am investing \$_____ [total consideration] in total; this includes any amount I am obliged to pay in future. _____ [name of issuer] will pay \$ N/A [amount of fee or commission] of this to _____ [name of person selling the securities] as a fee or commission.

Warning: A holder of shares in the Issuer, Dundarave Mortgage Investment Corporation, is not entitled to borrow money from the Issuer or covenant the payment of money borrowed from the Issuer.

Accordingly, the purchaser hereby represents and warrants to the Issuer that (s)he is not currently a borrower of money from, a covenantor for the payment of money borrowed from, Dundarave Mortgage Investment Corporation and (s)he will not, as long as (s)he is a holder of shares in Dundarave Mortgage Investment Corporation, become such a borrower or covenantor.

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.

**W
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You have 2 business days to cancel your purchase

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

Issuer Name and Address:

Dundarave Mortgage Investment Corporation

Address: 1885 Marine Drive
North Vancouver, British Columbia V7P 1V5

Fax: (604) 990-9644

E-mail: info@dmic.ca

You are buying Exempt Market Securities

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

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

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

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

You will not receive advice

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

The securities you are buying are not listed

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

The issuer of your securities is a non-reporting issuer

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

For more information on the exempt market, call your local securities regulatory authority.

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

Alberta Securities Commission
Suite 600, 250–5th Street SW
Calgary, Alberta T2P 0R4

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

SCHEDULE "B"**Form 32-517**

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

Name of Issuer: Dundarave Mortgage Investment Corporation

Name of Seller: Dundarave Mortgage Investment Corporation

I acknowledge that

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

Date

Signature of Purchaser

Print Name of Purchaser

Joanne Thomas
Name of salesperson acting on
behalf of the seller

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

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

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

SCHEDULE "C"

ELIGIBLE INVESTOR STATUS CERTIFICATE
(ALBERTA RESIDENTS)

The undersigned Subscriber, a resident of the Province of Alberta, hereby represents and warrants, as an integral part of the attached Subscription Agreement For Shares, that he, she or it is correctly and in all respects described by the category or categories set forth directly next to which the Subscriber has marked below.

[MARK BELOW THE CATEGORY OR CATEGORIES WHICH DESCRIBES YOU]

- ☐ 1. A person or company (an "eligible investor") whose:
- (i) net assets, alone or with a spouse, exceed \$400,000,
 - (ii) net income before taxes exceeded \$75,000 in each of the two most recent years and who reasonably expects to exceed that income level in the current year, or
 - (iii) net income before taxes combined with that of a spouse exceeded \$125,000 in each of the two most recent years and who reasonably expects to exceed that income level in the current year.
- ☐ 2. A person or company of which a majority of the voting securities are beneficially owned by eligible investors or a majority of the directors are eligible investors.
- ☐ 3. A general partnership in which all of the partners are eligible investors.
- ☐ 4. A limited partnership in which the majority of the general partners are eligible partners.
- ☐ 5. A trust or estate in which all of the beneficiaries or a majority of the trustees are eligible investors.
- ☐ 6. An accredited investor (as acknowledged in Schedule "C" attached hereto).
- ☐ 7. A person or company that has obtained advice regarding the suitability of the investment and if the person or company is in a jurisdiction of Canada that advice has been obtained from an investment dealer, securities dealer or their equivalent, registered under the securities legislation of the jurisdiction.
- ☐ 8. A person or company that is not an eligible investor or one of those persons or entities described in paragraphs 2 through 7, and therefore cannot acquire more than \$10,000 of the securities offered by Company pursuant to the Offering Memorandum Exemption (as defined in the attached subscription agreement).

DATED _____, 2019.

Signature of Subscriber

Address

Name of Subscriber

"Accredited Investor" means

- (a) a Canadian financial institution, or Schedule III bank,
- (b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada),
- (c) a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary,
- (d) a person registered under the securities legislation of a jurisdiction of Canada, as an adviser or dealer, other than a person registered solely as a limited market dealer registered under one or both of the *Securities Act* (Ontario) or *Securities Act* (Newfoundland and Labrador),

- (e) an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada, as a representative of a person or company referred to in paragraph (d),
- (f) the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada,
- (g) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxescolaire de L'île de Montreal or an intermunicipal management board in Quebec;
- (h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government,
- (i) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada,
- (j) an individual who, either alone or with a spouse, beneficially owns, directly or indirectly, financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds \$1,000,000,
- (k) an individual whose net income before taxes exceeded \$200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of the two most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year,
- (l) an individual who, either alone or with a spouse, has net assets of at least \$5,000,000,
- (m) a person, other than an individual or investment fund, that has net assets of at least \$5,000,000 as shown on its most recently prepared financial statements,
- (n) an investment fund that distributes or has distributed its securities only to:
 - (i) a person that is or was an accredited investor at the time of the distribution;
 - (ii) a person that acquires or acquired securities in the circumstances referred to in sections 2.10 [*Minimum amount investment*] and 2.19 [*Additional investment in investment funds*], or
 - (iii) a person described in paragraph (i) or (ii) that acquires or acquired securities under section 2.18 [*Investment fund reinvestment*]
- (o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Quebec, the securities regulatory authority, has issued a receipt,
- (p) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be,
- (q) a person acting on behalf of a fully managed account managed by that person, if that person:
 - (i) is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction, and
 - (ii) in Ontario, is purchasing a security that is not a security of an investment fund,
- (r) a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded,
- (s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) or paragraph (i) in form and function,
- (t) a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are accredited investors,
- (u) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser, or
- (v) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Quebec, the regulator as an accredited investor.