



January 18, 2017

Dear Shareholder

We are pleased to provide you with the following update regarding your investment in **CareVest Senior Mortgage Investment Corporation** (the "MIC").

2016 Overview

Portfolio activities for 2016 include: (Figures as at December 31, 2016)

- Sold and closed on over \$6 million of non-performing assets
- The MIC has continued to fund retraction requests, in accordance with its share terms, resulting in \$14.3 million being paid out during 2016, and over \$87 million since 2013

Examples of 2016 recovery efforts include:

British Columbia

- Sold and closed on raw land properties and serviced lots.
- Sold and closed on an additional 30 condominium units (78 units closed to date) from a 98 unit condominium project.
- After receiving conduct of sale on a distressed property late in 2014, an offer was received in May 2016. The offer was presented to the courts and multiple bidders attended the court application which resulted in achieving a price above the initial offer. The sale closed in October 2016.
- The borrower on a stalled condominium project has been working together with Carecana to move forward and repay its loan. As part of this process the borrower located a joint venture partner to invest additional capital and lend their expertise to the project.

Alberta

- Sold and closed on 6 single family lots out of 16 remaining in a country residential development.
- 2 parcels of raw land are under a conditional sale.

After the successful experience of certain realizations throughout 2016, the MIC and its management team are focused on continuing to convert remaining non-performing assets within the MIC's portfolio at the highest possible net realizable value to the MIC.

As we have stated before, the recovery of each default loan and inventory position is complex, and is subject to market uncertainty. For these reasons, and any other unforeseeable factors, the process takes time and we appreciate your patience.

2016 Net Asset Value Per Share

Under the guidance of International Financial Reporting Standards (IFRS) at each reporting date, and after completing the individual evaluations for 2016, the Net Asset Value per Class A Share of the MIC at December 31, 2016 remains at \$8.33.

2017 Retraction Notice Period

Shareholders wishing to submit a retraction request for all or a portion of their Class A shares may do so by submitting retraction forms during the next available retraction notice period scheduled for February 10th to 15th, 2017.

If you made a request in 2016, you will need to submit a new request in 2017.

The 2017 retraction forms are now available online at Carecana's website under the 'Shareholder Administration' section. Instructions for completing and submitting the forms are included. The MIC is not able to accept or act on a retraction request received outside of the MIC's retraction notice period.

The MIC's shareholder approved monthly and annual retraction limits allow the MIC to avoid the need to liquidate longer term assets in the short term at potentially reduced prices. This approach permits the MIC to maximize the recovery on default mortgages and inventory assets and continue operations for the benefit of shareholders as a whole.

Electronic Document Delivery

Electronic document delivery of MIC monthly Investor Statements have commenced with the May 2016 statement that was delivered by email on June 23, 2016. For investors that have not opted for this service, an **annual** MIC Investor Statement will be sent by mail. Annual statements will cover the period of May 1, 2016 to April 30, 2017.

For MIC investors that are interested in electronic document delivery but have yet to sign up, please refer to the Carecana E-Delivery Consent form located on Carecana's website at (www.carecanacorp.com) under the MIC's 'Shareholder Administration' section. If you have any questions related to signing up for this service, please contact Carecana Investor Relations by phone at 1-855-278-3611 or email investor@carecanacorp.com.

Notice To Direct Deposit Recipients

Canadian Horizons Settlement Corp., our custodian, has changed its name to Carecana Settlement Corp. If applicable to your MIC investment, this change was reflected on your bank statement as at August 1, 2016.

Future Updates

Carecana's website (www.carecanacorp.com) continues to be the primary source for MIC shareholder news and updates. As always, shareholders wishing to be notified of updates may subscribe to Carecana's "E-mail Notification List" through the website which supplies broadcasts when certain updates to the website are made. We encourage shareholders to subscribe to the list to be the first to receive these notices.

Yours truly,

Carecana Management Corp.

Roy Goddard, President