



January 15, 2016

Dear Shareholder

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

2015 Overview

Since our last update, Carecana has continued to focus on the repositioning and collection of non-performing assets in the portfolio. While 2015 sales volume did not meet expectations due to current market influences, we are pleased to report the following 2015 activities:

- listed an additional \$24M in non-performing assets with third party listing agents for immediate sale in 5 different properties;
- sold and closed on \$4M of non-performing assets in 6 different properties;
- signed sales contracts for over \$3M of non-performing assets in 3 different properties that are scheduled to close in 2016;
- rented 5 projects during the year raising over \$450K in rental revenue to mitigate non-performing asset holding costs; and
- entered into a project management agreement with a third party Edmonton-based company to improve a 44 acre site into 96 serviced lots for sale.

All non-performing assets are regularly monitored and have dedicated project managers to execute each individual realization plan as quickly as possible at the highest net realizable value to the MIC. Individual realization plans are developed in concert with court appointed receivers, if applicable, or third party companies engaged to either improve the lands or list for immediate sale. Individual realization plans are regularly monitored and where necessary changed to reflect the current economic influences.

Examples of 2015 realization efforts include:

- A mortgage provided for development of a land subdivision in Alberta was in breach of its terms and conditions and the property was put into receivership. The receiver has all but completed the remaining servicing of the property to ready the residential lots for sale. A sales and marketing strategy was reviewed and revised to reflect current market conditions on serviced lots to a group of five builders who have constructed a show home parade and purchased an initial 25 lots. It will take several years to sell through the remaining inventory, but Carecana and the MIC directors believe this effort will maximize the residual value of the asset for the benefit of the MIC shareholders.

- The MIC took possession of its interest in 155 acres of development land in Alberta. As the land has several necessary planning steps already in place, is adjacent to current development, and in the direct path of residential expansion in the area, the land was listed for sale through a major commercial realtor. To date Carecana and the MIC have been unable to conclude a sales transaction at a price they believe is reflective of the asset's value. Despite receiving significant interest from several large developers, many prospective purchasers ultimately decided not to bid on the lands citing market uncertainty due to the slowing economy and the recent change in the provincial government. Carecana will continue to monitor the market to determine at which point it will be best to market the lands.
- A residential construction project in Ontario containing both low-rise apartment style and townhouse condominiums was significantly impacted by the 2008/2009 financial crisis. The courts allowed the appointment of a receiver who, with further investment from the MIC and oversight from Carecana, was able to complete the project's construction, rent individual units to minimize holding costs and ultimately sell the units when the local market improved. After several years, and a productive 2015 selling season, all remaining inventory was sold in 2015.
- The MIC invested in a construction mortgage on a 98 unit condominium project in British Columbia. When softness in the local market meant the borrower was unlikely to make a profit, the project was abandoned. The courts allowed the appointment of a receiver who, with further investment from the MIC, completed the project's construction and began a selling program. To reduce holding costs, the MIC took possession of its interest in the property this year. A sales and leasing program is ongoing, with oversight from Carecana, which resulted in 49 units sold to date and 34 of the remaining 49 units rented to reduce holding costs.

2016 Outlook

Carecana will continue its focus to reposition and realize on all non-performing assets in the portfolio as quickly as possible at the highest net realizable value to the MIC while selectively investing idle cash in new mortgages to generate cash flow for the MIC to maximize returns. Carecana remains confident that the individual realization plan for each non-performing asset will yield the highest possible net realizable value to the MIC. Carecana regularly reviews individual realization plans for necessary changes to reflect the current economic influences.

2016 Economic and Fiscal Outlook

The Government of Canada released a November 2015 update which identified the following (Source: Government of Canada Releases Economic and Fiscal Update – November 20, 2015):

- Ongoing weakness in the global economy
- Global growth outlook downgraded to its slowest pace since the end of the global recession in mid-2009
- Crude oil prices remain at levels less than half those prevailing in mid-2014 reflecting persistent global supply and softening demand. The contraction during the first half of

2015 was concentrated in those areas of the economy most closely related to the energy sector. Output in these sectors fell by 7.0 % from December 2014 to May 2015.

- The appreciation in the national average home price continues to mostly reflect developments in Toronto and Vancouver. In these two cities, strength in resale prices is being bolstered by strong price gains among the most expensive homes in the single-detached segment, partly as a result of land scarcity and continued urban densification. In the rest of Canada, housing market activity has generally remained moderate. The exception is in resource-producing regions, such as Alberta, where the impact of lower oil prices led to a sharp cooling of housing market activity between November 2014 and February 2015. Alberta's housing market regained some of this lost ground through July 2015, but conditions have generally softened again since then.
- Risks surrounding the Canadian outlook remain tilted to the downside, mostly reflecting low and volatile global oil prices and a weak and uncertain global environment.

2015 Impairment Allowance

The economic and political conditions in Canada, and particularly Alberta, must be considered in the valuation of non-performing assets in the MICs portfolio. A carefully considered review of both estimated sale prices and timelines has been undertaken to arrive at a reasonable estimate of fair market value. Impairment provisions are unrealized losses, and actual performance will be dependent on future market conditions, whatever they may be. In some cases the valuations have resulted in dramatic changes to the carrying value of certain non-performing assets.

Under the guidance of International Financial Reporting Standards (IFRS) at each reporting date, the MIC and Carecana assess whether there is any objective evidence of an impairment loss. To determine if an impairment provision (or additional provision) is appropriate each individual realization plan for each non-performing asset is assessed taking into account current market influences to estimate the net present value of future net cash flows to be realized by the MIC. At a minimum, a new assessment of value is made in each reporting period or when an event warrants an earlier revaluation. Impairment provisions only become realized when there is no realistic prospect of future recovery.

After completing these individual evaluations, the 2015 impairment provision resulted in a reduction of the Net Asset Value per Class A Share of the MIC at December 31, 2015 to \$8.33 (-12.59%).

While no one is happy with the above additional allowances, it reflects the realities of the value of the assets in the current marketplace. Recovery on distressed loans will remain a priority in 2016 but there are no guarantees as to the amount received or the timing of the process. Carecana remains confident in its process of converting non-performing assets at the highest possible net realizable values. Although this strategy lends itself to slower turnover, it provides an opportunity for assets to spend the required time in the marketplace to sell at reasonable prices with an aim to maximize shareholder value where possible.

2016 Retraction 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 12th, 2016. Although the February 2016 notice period is particularly short due the Alberta holiday long-weekend, the MIC must adhere to its retraction terms and conditions.

If you made a request in 2015, you will need to submit a new request in 2016.

The 2016 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.

New Management Appointments

Carecana is pleased to announce that Roy Goddard and Michael Helfer have been appointed as President and Vice President, respectively, effective May 1, 2015.

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 new updates may wish to 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