OFFERING MEMORANDUM FOR NON-QUALIFYING ISSUERS
Form 45-106F2

<u>Date</u>:	**February 15, 2020**
<u>The Issuer</u>	
Name	First Circle Mortgage Investment Corporation (the "Issuer")
Head Office:	401 – 224 West Esplanade North Vancouver, BC V7M 1A4 Tel: 604-986-3200 Fax: 604-986-3201 Email: invest@firstcircle.ca
The Issuer is:	Not a reporting Issuer; not currently listed or quoted; and not a SEDAR filer. **These securities do not trade on any exchange or market.**
<u>The Offering</u>	
Securities offered:	Preferred Shares of the Issuer, which are redeemable subject to certain conditions – see Item 5.
Price per security:	$10.00 per Preferred Share
Minimum/Maximum Offering:	There is no minimum or maximum offering. **You may be the only purchaser**. **Funds available under the Offering may not be sufficient to accomplish our proposed objectives**.
Minimum subscription amount:	$25,000. the Issuer reserves the right to lower the minimum subscription amount for each investor at its discretion.
Payment terms:	In order to subscribe for Preferred Shares an investor must enter into a subscription agreement (the "Subscription Agreement"). Payment for the Preferred Shares must be made at the same time in the form of cash, cheque or bank draft in the full amount of the purchase price of the Preferred Shares being subscribed for.
Proposed closing date(s):	None – this is a continuous offering.
Income tax consequences:	There are important tax consequences to these securities. See Item 6.
Selling agent:	Silver Maple Ventures Inc dba FrontFundr. See Item 7.

Resale restrictions

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

Purchaser's rights

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

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

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FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes forward-looking statements, which are statements about the future, be it the Issuer's future expectations or plans, or future events or conditions in general. Forward-looking statements typically include words such as "plans", "proposes", "expects", "estimates", "intends", "anticipates" or "believes", or variations (including negative and grammatical variations) of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. In particular and without limitation, this Offering Memorandum contains forward-looking statements regarding the Issuer: the expected use of proceeds, the intended mortgage portfolios and investments, short-term and long-term objectives, and the Issuer's operational activities in general.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual results or events to differ materially from those anticipated in such forward-looking statements. For example, the forward-looking statements in this Offering Memorandum are based on a number of assumptions about various factors including but not limited to: the Issuer's ability to raise capital, the Issuer's ability to make loans capable of generating enough income to achieve investment objectives, the Issuer's ability to adjust the mix of mortgages in its portfolio in response to changes in market conditions, interest rate movements, anticipated costs and expenses, competition, and changes in applicable laws (including tax laws) and general economic conditions. The Issuer's assumptions may prove to be incorrect or inaccurate, which may cause the Issuer's performance to be materially different from the performance expressed or implied by forward-looking statements.

Accordingly, you are cautioned not to place undue reliance on forward-looking statements in this Offering Memorandum. The factors identified above are not intended to represent a complete list of the factors that could affect the Issuer. Additional factors are noted under Item 8 "Risk Factors". Although the Issuer believes that the expectations reflected in the forward-looking statements are reasonable, the Issuer cannot guarantee future results, levels of activity, performance or achievements. The forward-looking statements contained herein are made as of the date of this Offering Memorandum and except as required by law, the Issuer disclaims any intention or obligation to update or revise any forward-looking statements.

Item 1 Use of Available Funds

1.1 Funds

The following table discloses the funds available as a result of the Offering and also the amount of any working capital deficiency.

		Assuming min. Offering[(1)]	**Assuming max. Offering[(1)]**
A	Amount to be raised by this Offering	$0	$50,000,000
B	Selling commissions and fees[(2)]	$0	($500,000)
C	Estimated Offering costs (e.g. legal, accounting, audit)	($5,000)	($5,000)
D	Available funds: D = A – (B+C)	($5,000)	$49,495,000
E	Additional sources of funding required	$0	$0
F	Working capital deficiency	$0	$0
G	Total: G = (D+E) – F	($5,000)	$ 49,495,000

(1) There is no minimum offering or maximum offering. The value of "$50,000,000" is used here for illustrative purposes only.
(2) The Issuer may pay sales fees to exempt market dealers, or where permissible under applicable laws, non-registrants, in an amount up to 1% of the subscription proceeds raised from subscribers introduced by such exempt market dealers or non-registrants.

1.2 Use of Available Funds

The following table provides a detailed breakdown of how the Issuer will use the available funds.

Description of intended use of available funds listed in order of priority	**Assuming min. Offering[(1)]**	**Assuming max. Offering[(1)]**
Investment in mortgages[(2)]	$0	$ 48,240,000
Operating expenses[(3)]	$5,000	$1,255,000
Total: Equal to G in the Funds table above	($5,000)	$ 49,495,000

(1) There is no minimum offering or maximum offering. The amount shown under "Assuming max. Offering" is used here for illustrative purposes only.
(2) Available funds not immediately invested or otherwise required for operating expenses will generally be held in cash or deposits with approved depositories. See Item 0.
(3) These expenses include: the selling commissions and fees shown in Item 1.1 above; the estimated Offering costs shown in Item 1.1 above; and the fees payable to the Manager as described in Item 2.7 below, which is equal to 1.5% per year of the invested assets of the Issuer. Based on funds of $50,000,000, the fee charged by the Manager would be $750,000.

1.3 Reallocation

The Issuer intends to spend the available funds as stated. Funds will be reallocated only for sound business reasons.

Item 2 Business of the Issuer

2.1 Structure

The Issuer is a company incorporated under the British Columbia *Business Corporations Act* on November 23, 2005 and operates in the mortgage lending business as a Mortgage Investment Corporation ("MIC") pursuant to Section 130 of the *Income Tax Act* (Canada). The Issuer's registered and records offices are located at Suite 2300 – 550 Burrard Street, Vancouver, BC, V6C 2B5. The Issuer's head office is located at Suite 401 – 224 West Esplanade, North Vancouver, BC, V7M 1A4.

2.2 Our Business

The Issuer intends to maintain its qualification as a MIC under Section 130 of the *Income Tax Act* (Canada). As a MIC under the *Income Tax Act* (Canada), the Issuer is allowed deductions from income in respect of dividends it pays. The Issuer intends to pay out all of its net income and net realized capital gains as dividends and does not anticipate paying any income tax.

Operations of the Issuer

(a) **Issuer's Business** – The Issuer's business is to obtain a stable source of income by investing in a portfolio of residential, construction, and other mortgages.

(b) **Borrowing** – The Issuer's asset acquisition program will initially be funded through its equity. By virtue of its investment policies and applicable tax law, the Issuer is permitted to borrow up to five times the net book value of its assets. The Issuer intends to arrange credit facilities to the extent that it is satisfied that such borrowing and additional investments will increase the overall profitability of the Issuer. Accordingly, the Issuer has secured a $40 million credit facility at Canadian Western Bank bearing interest at Prime + 1.00%. As at September 30, 2019 the facility was drawn to a level of $16,286,169.

(c) **Principal Investments** – The Issuer's principal investments are mortgages on residential properties in Canada with emphasis on the south western region of British Columbia. The investments will be limited to those authorized by a MIC under the *Income Tax Act* (Canada).

Mortgages in which the Issuer may invest are described as follows:

1. **Residential Mortgages** – These are loans secured against residential properties and can be structured as either floating rate or fixed rate mortgages. Generally, these loans are written for a term of one or two years and interest payments are received monthly. These loans are typically renewed at prevailing market rates;

2. **Construction Mortgages** – These are loans advanced to finance the construction of residential, commercial, office, or industrial properties. They are typically structured as floating rate mortgages and interest payments are generally deducted from progress advances as they occur from time to time. Funds are advanced on a cost-to-complete

basis based upon work in place as determined by a qualified property inspector. These loans typically have a term of under one year and are repaid upon completion and sale or refinance of the underlying project;

3. **Commercial and Industrial Mortgages** – These are loans secured upon office, retail, industrial, or residential mixed-use properties and are typically structured as fixed rate mortgages for a term of up to two years. They are usually renewed at prevailing market rates;

4. **Interim Mortgages** – These are loans which are secured upon either residential or commercial properties that are of a short-term nature. They are advanced to fund the borrower through a short-term financing requirement and are typically structured as floating rate mortgages. These loans tend to be repaid through the sale or re-finance of the underlying property;

5. **Land Servicing Mortgages** – These are loans advanced to finance the construction of the roads and services required to create a subdivision of the underlying property into single family building lots. These loans are usually structured as floating rate mortgages and the monthly interest payments are paid from an interest reserve account established at the inception of the loan. These loans are typically repaid from the sale of the resulting building lots;

6. **Syndicated Mortgages** – These are mortgages which may fall into any of the above categories that are shared with other lenders either because the mortgage investment is too large to meet the Issuer's current lending policies or to reduce risk through increasing the diversification of the mortgage portfolio.

7. **Mortgages secured through Co-Lending Agreements** – These are mortgages which the Issuer issues under co-lending agreements with Crown Vista Mortgage Investment Corp., a company also managed by FCMIC Management Ltd.

Investment Policies – **The Issuer's investment and lending policies are as follows:**

(a) At least 50.00% of the assets of the Issuer will be invested in residential mortgages, residential construction mortgages, or held in cash or deposits with approved depositories;

(b) No more than 25.00% of the Issuer's assets will be invested in industrial and commercial mortgages;

(c) No more than 30.00% of the Issuer's assets will be invested in second mortgages;

(d) Investments of the Issuer will be made primarily in the south western area of British Columbia; however, investments of the Issuer may be diversified with respect to geographic locations within Canada;

(e) The Issuer will invest primarily in mortgages with terms of less than two years and will attempt to stagger the maturities of the mortgages in order to produce an orderly turnover of assets and liabilities;

(f) The Issuer requires a current appraisal with every mortgage application, such appraisal to be prepared by an accredited appraiser. Generally, mortgages will not exceed 75.00% of the appraised value.

The Manager – The Issuer has retained FCMIC Management Ltd. (the "Manager") to advise the Issuer and to manage its operations.

The Manager is incorporated under the laws of British Columbia and is principally owned as to 38.46% by SJB Holdings Inc. (which is controlled by Alan P. Cross); 15.38% by William and Judith Trojan; 15.38% by Westridge Developments Ltd. (which is controlled by Murray A. Braaten); 15.38% by 1184961 BC Ltd. (which is controlled by Stephen T. Cross); 7.70% by Rex J. McLennan; and 7.70% by Clarke Rodgers Development Corp. (which is controlled by Colin Dreyer).

The principal Officers of the Manager are Alan P. Cross, President; Murray A. Braaten, Secretary; Thomas A. Cross, Director; William A. Trojan, Director; Rex J. McLennan, Director; Colin Dreyer, Director; Anna Solnickova, Vice President, Finance; Stephen T. Cross, Vice President, Mortgage Lending and Operations; and Jason H. Parlee, Vice President, Mortgage Lending and Business Development.

Alan P. Cross started his career with Pacific Savings and Mortgage Corporation in 1983 and, at the time of its purchase by Sun Life Trust in 1990, held the position of Vice-President, Finance. In 1986 he received his CGA designation. From 1991 to present, Mr. Cross has been active with First Circle Financial Services Ltd. ("FCFS"), a company he founded which specializes in mortgage portfolio management and mortgage banking. FCFS has an agreement with the Manager to provide these services to the Issuer for the Manager. FCFS receives part of the Manager's fees derived from the Issuer as well as mortgage origination fees which it receives from borrowers of the Issuer.

Murray Braaten has degrees in business administration and law. He practiced law with Lando & Company LLP from 1982 to 2017; the team from Lando & Company LLP joined Gowling WLG (Canada) LLP effective August 1, 2017. Mr. Braaten is presently a partner at Gowling WLG. He has extensive business and legal experience primarily in the areas of real estate finance, real estate development and security realization.

Thomas A. Cross became a member of the Institute of Chartered Accountants of British Columbia in 1963. In 1976, he co-founded Pacific Savings and Mortgage Corporation (a federally incorporated loan company) and held the position of Executive Vice-President until the company's sale to Sun Life Trust in 1990. From 1990 to present Mr. Cross has remained active in the real estate and financial services industries.

William A. Trojan created Norlite Financial Services in 1989 and grew it into a national mortgage brokerage corporation, Mortgage Intelligence. In 2001 Mortgage Intelligence was acquire by General Motors Acceptance Corporation. In the mid-nineties Mr. Trojan also established the technology company Enabled Commerce Network Inc (ECNI) and, in 1996, rebranded it as Filogix Inc. Filogix Inc. was eventually acquired in 2006 by Davis and Henderson Income Trust. Mr. Trojan was also instrumental in the creation of the mortgage banking operation Paradigm Quest Inc. and the mortgage sales organization Merix Financial Inc. Both were sold to a US-based investment firm in 2012.

Rex J. McLennan is a seasoned independent corporate director and former C-level executive whose career background includes over 30 years of leadership experience; serving as a financial executive in large, complex, multinational resource-based companies. Mr. McLennan currently serves as an independent director of Endeavour Silver Corporation (EDR:NYSE,TSX), a silver and gold producer with extensive operations and mine development/exploration projects in Mexico. He serves as Chair of the Audit Committee, and is a member of the Corporate Governance and Nominating and Sustainability Committees. From August 2013 to September 2017 he served on the board of Boart Longyear Ltd (BLY:ASX), a leading global supplier and manufacturer of drilling services and products to the mining sector. He was appointed the board's Senior Independent Director (Lead Director), and also served as a member of its Audit, Compliance & Risk Committee and Chairman of the Environmental, Health and Safety Committee. His past executive experience includes roles as Executive Vice President and Chief Financial Officer of global mining company Placer Dome Inc from 1997 to 2005 and Chief Financial Officer of Viterra Inc., a global agri-business company with annual sales of over $11 billion and over 8,000 employees worldwide, from 2008 until its acquisition and privatization by Glencore PLC in 2013. From 2005 to 2007 Mr. McLennan served as Executive Vice President and Chief Financial Officer of the Vancouver 2010 Olympic Organizing Committee, where he led the development of the 2010 Olympic games operations budget, risk management and related financial functions. Mr. McLennan received his Master of Business Administration from McGill in Finance/Accounting (Dean's Honours), and a Bachelor of Science in Mathematics/Economics from the University of British Columbia. He is also a member of the Institute of Corporate Directors (Canada) and received his ICD.D designation in June 2013 having completed all of the institution's certification requirements.

Colin Dreyer is a graduate of Simon Fraser University but has spent his career as an independent entrepreneur. He started his career in the real estate industry and has been involved in ownership of multiple real estate offices, real estate franchising, real estate construction and development. In 1990 he founded The Mortgage Source, a mortgage brokerage company, which became one of the largest independent mortgage companies in B.C. before amalgamating with a national mortgage organization. In 2005 Colin was a co-founder of Verico Financial Group, a network of independent mortgage brokerage companies. Verico presently has over 225 mortgage offices in Canada. Colin is Past President of the Fraser Valley Real Estate Board, Past Director on the British Columbia Real Estate Board, Past Director of the Canadian Real Estate Association, Past Chair of Mortgage Professionals Canada (formerly CIMBL), Pioneer Award Recipient CMBA-BC (formerly MBABC) and a member of the Canadian Mortgage Hall of Fame.

Anna Solnickova started her career with FCFS in 2010 as Chief Accountant upon completing a Bachelor Degree in Business Administration, Accounting from Douglas College. In 2013 she received her CGA designation and was appointed to the role of Controller. In her current role as Vice President, Finance, she oversees the administrative and financial operations of the Issuer, including supervision of the administrative team, systems development and implementation, audit and record keeping, internal accounting, and investor and banking relations.

Stephen T. Cross holds a Bachelor of Business Administration degree in Finance from Thompson Rivers University, is a licensed sub-mortgage broker in the Province of British Columbia and holds an MBI certificate from the Mortgage Brokers Institute of British Columbia. He started his career with FCFS in 2011 and currently serves as Vice President, Mortgage Lending and Operations. In this capacity he oversees mortgage lending, mortgage operations, portfolio management and strategic planning. Stephen is a proud member of the Mortgage Brokers Association of British Columbia and Mortgage Professionals Canada.

Jason H. Parlee has spent most of his 20-year career in the real estate and mortgage industries. Upon graduating from the Real Estate Program at British Columbia Institute of Technology, he worked with Royal LePage Commercial (now Cushman Wakefield) and Anthem Properties. He then transitioned into the mortgage industry as a mortgage broker with Spectrum Canada, handling bank and credit union mortgage declines and later became Business Development Manager for AGF Trust (now B2B Bank). Based upon a solid professional background in alternative lending, Jason was asked to join RBC's Alternate Mortgage Solutions program in 2008, working with mortgage specialists to provide branch and private banking clients with alternative mortgage solutions. With his extensive skills and experience in the alternative lending space, he joined FCFS in 2015 as Mortgage Officer. He currently holds the position of Vice President, Mortgage Lending and Business Development; Jason is passionate about providing lending solutions to the broker community.

Management's Discussion and Analysis of Operating Results

The Issuer achieved Revenues of $10.0 million for the year ended September 30, 2019, an increase of 21% over the level of $8.2 million reported for the prior year. Income from Operations for the year ended September 30, 2019 was $7.0 million, as compared to $5.4 million for the prior year. Dividends distributed during the year were $0.83 per preferred share (a yield of 8.30%) which is slightly lower than prior year's distribution of $0.86 per preferred share (a yield of 8.60%).

The Issuer's income is distributed quarterly by means of dividends. Dividends on preferred shares are recorded as an expense on the statement of comprehensive income (loss). As a Mortgage Investment Corporation, the Issuer is permitted to deduct dividends paid to its shareholders from its taxable income. It is the Issuer's mandate to distribute all of its taxable income to the shareholders. Taxable income often differs from accounting income due to the timing of certain tax deductions. Consequently, dividends paid and payable may exceed income reported for accounting purposes and result in a net loss and shareholder deficit. See Item 6 for information regarding the tax treatment of dividend income received from a MIC.

The following table discloses the Issuer's mortgage portfolio by property type, mortgage type, mortgage position and geographic area for the year ended September 30, 2019.

	Mortgage Balance Outstanding $	% of $ Volume	# of Mortgages	% of # of Mortgages	Average Mortgage Amount	Average Loan to Value
BY PROPERTY TYPE						
Commercial	3,412,793	3.06%	6	2.86%	568,799	48.07%
Land	6,872,433	6.16%	19	9.05%	361,707	48.16%
Residential	101,355,339	90.79%	185	88.10%	547,867	55.28%
	111,640,566	100.00%	210	100.00%	531,622	54.43%
BY MORTGAGE TYPE						
Construction	27,830,206	24.93%	42	20.00%	662,624	54.16%
Conventional	83,810,359	75.07%	168	80.00%	498,871	54.50%
	111,640,566	100.00%	210	100.00%	531,622	54.43%
BY MORTGAGE POSITION						
1st Mortgages	100,776,166	90.27%	180	85.71%	559,868	54.83%
2nd Mortgages	10,864,400	9.73%	30	14.29%	362,147	52.00%
	111,640,566	100.00%	210	100.00%	531,622	54.43%
BY GEOGRAPHIC AREA						
Lower Mainland	78,688,057	70.48%	129	61.43%	609,985	55.40%
Fraser Valley	10,194,249	9.13%	29	13.81%	351,526	53.77%
Vancouver Island	9,686,009	8.68%	21	10.00%	461,239	51.71%
Okanagan/Kamloops	6,738,650	6.04%	17	8.10%	396,391	54.93%
Other	802,200	0.72%	4	1.90%	200,550	48.01%
Squamish/Whistler	5,531,400	4.95%	10	4.76%	553,140	51.22%
	111,640,566	100.00%	210	100.00%	531,622	54.43%

As at September 30, 2019 there were four mortgages upon which collection proceedings had commenced, three of which were more than 60 days in arrears. The Issuer's policy is to provide on its financial statements a specific provision equal to anticipated losses on a mortgage by mortgage basis. As at the date of this Offering Memorandum, management has identified no mortgage for which a loss is anticipated and thus, as at September 30, 2019 there has been no provision made for mortgage losses.

As at September 30, 2019 the Issuer's capital stock stood at $89.7 million representing growth of 32% over the prior year's level of $68.1 million. Growth in Preferred Share capital was comprised of $19.1 million in new share subscriptions plus $3.2 million in dividend reinvestments less $0.7 million in share redemptions.

2.3 Development of Business

Utilizing the services of the Manager, the Issuer intends to develop its mortgage portfolio through a qualified market intermediary, First Circle Financial Services Ltd., to make mortgage commitments on behalf of the Issuer within predetermined criteria consistent with the Issuer's investment policies. First Circle Financial Services Ltd. has sourced mortgage product and managed similar companies since August 1991 and has demonstrated its ability to supply mortgage loans within the parameters of the Issuer's intended lending criteria.

The Offering is intended to provide the Issuer with sufficient funds to continue operations and advance further mortgage loans. The Issuer’s goal is to maximize the return to investors. It is the policy of the Issuer to pay out earnings on a quarterly basis.

Quarterly cash dividends are distributed to shareholders from mortgage interest revenue streams and are thus dependent upon the Issuer’s financial performance.

2.4 Long Term Objectives

The Issuer’s long term objectives are:

(a) To acquire sufficient investment to provide Preferred shareholders with a return that is superior to term deposits, guaranteed investment certificates and money market funds, with due consideration to preservation of their capital;

(b) To provide Preferred shareholders with sustainable income while preserving capital for distribution or re-investment;

(c) To establish a pool of high quality loans through prudent investment in mortgages of real property situated primarily in British Columbia; and

(d) To continue to qualify as a mortgage investment corporation pursuant to the *Income Tax Act*.

(e) The Issuer will seek to achieve these investment objectives by investing primarily in loans secured by mortgages.

2.5 Short Term Objectives and How the Issuer Intends to Achieve Them

As a mortgage investment corporation, the principal short-term objectives focus on completing the Offering and investing the net proceeds in mortgages. The following table sets out the objectives, the timelines and the expected costs to complete the short-term objectives for the next twelve months:

What We Must Do and How We Will Do It	**Target Completion Date or, If Not Known, Number of Months to Complete**	**Our Cost to Complete**
Continue funding the Issuer’s capital	December 31, 2020	$5,000 (1)

(1) This cost represents the estimated legal, accounting and audit fees. The Issuer may also pay a sales fee or commission to exempt market dealers or, where permissible under applicable laws, non-registrants. Such commissions vary with the amount of funds raised. See the table in Item 1.1.

The Issuer’s short term objectives are to produce a consistent yield to investors and procure qualified individual mortgage opportunities.

The Issuer expects to make no capital outlays within the next twelve months.

2.6 Insufficient Funds

The Issuer is of the opinion that the funds available as a result of this Offering will be sufficient to accomplish the Issuer's proposed objectives. See Items 2.4 and 2.5.

2.7 Material Agreements

(a) **Management Agreement** – By an agreement dated October 16, 2014 (the "Management Agreement") between the Manager and the Issuer, the Issuer has retained the Manager, under the supervision of the Directors, to manage the operations of the Issuer in accordance with its Articles and investment policies. The Manager is responsible, amongst other things, for:

1. Originating and administering mortgages and other security interests in real property.

2. Providing financial services for the operation of the Issuer including: recordkeeping, reporting, negotiating and maintaining banking relationships.

3. Providing administrative services required by the Issuer in carrying on business as a MIC.

The Management Agreement has a term of five years and provided that unless either party has advised the other in writing on or before 60 days prior to the expiration of each term that it does not intend to renew the Agreement, the appointment shall be deemed to have been extended for a further term of five years. Directors, Officers and shareholders of the Manager who are also shareholders of the Issuer will be permitted to vote on any resolution renewing the management contract.

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 reasonable prudent institutional lender 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.

The Management Agreement may be terminated immediately by the Issuer if the Manager is found to be in breach of any of its covenants contained in the Management Agreement.

The Management Agreement may also be terminated by mutual consent in writing of the Issuer and the Manager.

The Management Agreement provides that in consideration of the services provided by the Manager as described above, the Issuer has agreed to pay the Manager an annual fee equal to 1.50% of the invested assets of the Issuer. This fee is paid monthly in arrears on or before the 15th day of each month on the basis of the operations of the Issuer during the previous month.

Mortgage Administration fees collected by the Issuer are for the account of the Manager. These include (but are not limited to) inspection, renewal, appraisal, discharge, confirmation, document execution, and other administrative fees.

The Manager will bear the cost of administration of the mortgages in the Issuer's asset portfolio and other expenses as provided for in the Management Agreement.

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 connections with the Issuer's daily operations and the provision of advice and recommendations with respect to investment policies and funding will be for the account of the Issuer.

The expenses to be paid directly by the Issuer include the cost of acquisition of mortgages, appraisal fees, foreclosure costs, any commission or brokerage fees on the purchase and sale of portfolio securities, taxes of all kinds to which the Issuer is subject, interest expenses, auditors' fees, tax return preparation fees, legal fees, fees payable in respect of the issuance and administration of the Issuer's shares, the cost of submitting financial reports and providing other information to shareholders and regulators. All expenses to be paid by the Issuer will be approved by the Directors of the Issuer.

The Officers and Directors of the Manager: Alan P. Cross, Murray A. Braaten, William A. Trojan, Thomas A. Cross, Rex J. McLennan, Colin Dreyer, Anna Solnickova, Stephen T. Cross, and Jason H. Parlee are also Officers and Directors of the Issuer. See Item 2.2.

(b) **Lending Agreement** – On April 30, 2019, the Issuer amended the original operating loan agreement, entered into on May 16, 2014 with Canadian Western Bank, for a credit limit in the amount of forty million dollars ($40,000,000.00). This bank operating facility is repayable upon demand and bears interest at the rate of the Bank's Prime Lending Rate + 1.00% per annum. The line is additionally secured by a General Security Agreement representing a first charge on all the Issuer's assets and undertakings. The demand loan is also secured by full liability guarantees from related parties of the Issuer. The Bank levies a standby charge of 0.25% per annum on the undrawn portion of the operating facility.

(c) **Co-Lending Agreements** – From time to time, the Issuer and Crown Vista Mortgage Investment Corporation (a company also managed by FCMIC Management Ltd.) jointly loan money to a borrower under a co-lending agreement. Each co-lender may charge a different interest rate for its portion of the loan and one co-lender may have priority over the other in terms of the security.

(d) **Agency Agreement** – On December 12, 2019, the Issuer entered into an Agency Agreement with Silver Maple Ventures Inc. dba FrontFundr ("FrontFundr") whereby FrontFundr will assist the Issuer with its Offering by introducing and qualifying subscribers, in addition to other services normally provided by an Exempt Market Dealer. FrontFundr will compensated for its service with a trade fee equal to 0.75% of the gross proceeds raised from any subscriber investing $100,000 and under and a trade fee equal to 0.5% of the gross proceeds raised from any subscriber investing over $100,001. Advisory fees may be paid to FrontFundr in addition to the trade fees.

Item 3 Interests of Directors, Management, Promoters and Principal Holders

3.1 Compensation and Securities Held

The following table provides the specified information about each Director, Officer and promoter of the Issuer and each person who, directly or indirectly, beneficially owns or controls 10.00% or more of any class of voting securities of the Issuer (a "principal holder").

Name and municipality of principal residence	Positions held (e.g., Director, Officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by Issuer or related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year*	Number, type and percentage of securities of the Issuer held after completion of min. Offering	Number, type and percentage of securities of the Issuer held after completion of max. Offering
Alan Patrick Cross, West Vancouver, BC	President and Director (2006)	Most recently completely financial year: NIL Current financial year: NIL	1,250 Common Shares – 6.25%	1,250 Common Shares – 6.25%
Colin Dreyer, Langley, BC	Director (2018)	Most recently completely financial year: NIL Current financial year: NIL	1,250 Common Shares – 6.25%	1,250 Common Shares – 6.25%
Murray Albert Braaten, Vancouver, BC	Secretary and Director (2006)	Most recently completely financial year: NIL Current financial year: NIL	1,250 Common Shares – 6.25%	1,250 Common Shares – 6.25%
Rex John McLennan, Vancouver, BC	Director (2015)	Most recently completely financial year: NIL Current financial year: NIL	1,250 Common Shares – 6.25%	1,250 Common Shares – 6.25%
Thomas Alan Cross, Nanaimo, BC	Director (2006)	Most recently completely financial year: NIL Current financial year: NIL	NIL	NIL

Name and municipality of principal residence	Positions held (e.g., Director, Officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by Issuer or related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year*	Number, type and percentage of securities of the Issuer held after completion of min. Offering	Number, type and percentage of securities of the Issuer held after completion of max. Offering
William Arthur Trojan, White Rock, BC	Director (2014)	Most recently completely financial year: NIL Current financial year: NIL	1,250 Common Shares – 6.25%	1,250 Common Shares – 6.25%
Anna Solnickova, Burnaby, BC	Vice President, Finance (2016)	Most recently completely financial year: NIL Current financial year: NIL	1,250 Common Shares – 6.25%	1,250 Common Shares – 6.25%
Stephen Thomas Cross, North Vancouver, BC	Vice President, Mortgage Lending and Operations (2017)	Most recently completely financial year: NIL Current financial year: NIL	NIL	NIL
Jason Hamilton Parlee, Vancouver, BC	Vice President, Mortgage Lending and Business Development (2017)	Most recently completely financial year: NIL Current financial year: NIL	1,250 Common Shares – 6.25%	1,250 Common Shares – 6.25%

* The amounts in this column do not include compensation received from the Manager, a corporation controlled by a holding company owned by a director. For information about the compensation received by the Manager from the Issuer, see the disclosure regarding the Management Agreement in Item 2.7(a).

3.2 Management Experience

The following table discloses the principal occupations of the Directors and Executive Officers over the past 5 years. Also see Item 2.2.

Name	Principal occupation and related experience
Alan P. Cross President and Director West Vancouver, BC	President, First Circle Financial Services Ltd. 1991 to present
Colin Dreyer Director Langley, BC	Chief Executive Officer and President, Verico Financial Group Inc. 2005 to 2017 President, Clarke Rodgers Development Corp. 2017 to present
Murray A. Braaten Secretary and Director Vancouver, BC	Partner, Lando & Company LLP 1983 to 2017 Partner, Gowling WLG (Canada) LLP 2017 to present
Rex J. McLennan Director Vancouver, BC	Director, Boart Longyear Ltd. 2013 to present Director, Endeavour Silver Corp. 2007 to present

Name	Principal occupation and related experience
Thomas A. Cross Director Nanaimo, BC	President, Laralmac Management Ltd. 1970 to present
William A. Trojan Director White Rock, BC	Retired
Anna Solnickova Vice President, Finance Burnaby, BC	Vice President, Finance, First Circle Financial Services Ltd. 2010 to present
Jason H. Parlee Vice President, Mortgage Lending and Business Development Vancouver, BC	Vice President, Mortgage Lending and Business Development, First Circle Financial Services Ltd. 2015 to present
Stephen T. Cross Vice President, Mortgage Lending and Operations North Vancouver, BC	Vice President, Mortgage Lending and Operations, First Circle Financial Services Ltd. 2011 to present

3.3 Penalties, Sanctions and Bankruptcy

(a) There has been no penalty or sanction that has been in effect during the last 10 years against:

(i) a Director, Executive Officer or control person of the Issuer, or

(ii) an Issuer of which a person referred to in (i) above was a Director, Executive Officer or control person at the time.

(b) There has been no declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets that has been in effect during the last 10 years with regard to any:

(i) Director, Executive Officer or control person of the Issuer, or

(ii) Issuer of which a person referred to in (i) above was a Director, Executive Officer or control person at that time.

3.4 Loans

As of February 15, 2020, there were no loans or debentures due to or from any of the Directors, management, promoters and principal holders of the Issuer.

Item 4 Capital Structure

4.1 Share Capital

The following table provides the required information about outstanding securities of the Issuer.

Description of security	Number authorized to be issued	Price per security	Number outstanding as at February 15, 2020	Number outstanding after min. Offering	Number outstanding after max. Offering
Common Shares	1,000,000	$ 0.20	20,000	20,000	20,000
Preferred Shares	20,000,000	$ 10.00	9,534,415.633	9,534,415.633	29,534,415.633

4.2 Long Term Debt Securities

*S*ee Item 2.7(b).

4.3 Prior Sales

The following table provides information about issued securities of the class being offered under the Offering Memorandum within the last twelve months.

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
April 30, 2019	Preferred Shares	516,380.000	$ 10.00	$ 5,163,800.00
July 23, 2019	Preferred Shares	404,610.000	$ 10.00	$ 4,046,100.00
November 20, 2019	Preferred Shares	443,024.000	$ 10.00	$ 4,430,240.00
January 29, 2020	Preferred Shares	359,830.000	$ 10.00	$ 3,598,300.00

Item 5 Securities Offered

5.1 Terms of Securities

(a) **General** – The authorized capital of the Issuer consists of 21,000,000 shares divided into 1,000,000 Common Shares without par value and 20,000,000 Preferred Shares with a par value of $10.00 per share. A summary of the important special rights and restrictions attached to the Common Shares and the Preferred Shares of the Issuer are set out below.

(b) **Voting Rights** – The holders of the Common Shares are entitled to receive notice of and attend all meetings of shareholders of the Issuer and are entitled to one vote in respect of each Common Share held. Except as otherwise provided in the *Business Corporations Act* the holders of Preferred Shares are not entitled to receive notice of and attend or vote at any meeting of the holders of shares of the Issuer.

(c) **Dividend Entitlement** – Dividends are payable in cash and can be reinvested in Preferred Shares, at the election of the Issuer's shareholders.

(d) **Redemption** and **Retraction Rights** – Holders of Preferred Shares wishing to redeem any shares must give written notice ("Notice") to the Issuer setting forth the number of Preferred Shares to be redeemed. Such Notices will be reviewed no less than four times per year at quarterly Board meetings.

Subscriptions for Preferred Shares received subsequent to January 15, 2014 are subject to the following redemption policies:

If a shareholder redeems Preferred Shares within one year of the date issued then the redemption price shall be reduced by 2.0%.

If a shareholder redeems Preferred Shares within one to two years of the date issued then the redemption price shall be reduced by 1.0%.

If a shareholder redeems Preferred Shares within two to three years of the date issued then the redemption price shall be reduced by 0.5%.

Preferred Shares redeemed more than three years after the date issued are not subject to any reduction.

Each and every repurchase request fulfillment is subject to a $250 transaction fee, to be deducted from the proceeds of the repurchase.

Subject to the *Business Corporations Act*, if there are, or will be, funds from the repayment of mortgages held by the Issuer available to redeem the shares for which Notice has been given, then the Board may advise the giver of the Notice that the shares for which the Notice has been given will be redeemed. In the event there are insufficient funds from the repayment of mortgages held by the Issuer to redeem all such shares for which a Notice has been given, such shares shall be redeemed in the order based on the time Notice is received and amount for which such funds are and become available.

The Issuer shall not be obligated to redeem any shares if such redemption would result in the loss of the Issuer's status as a Mortgage Investment Corporation within the meaning of the *Income Tax Act* (Canada).

The Issuer may, upon giving Notice as provided in the Corporation's Articles, and subject to the provisions of the *Business Corporations Act,* redeem at any time or from time to time the whole or any part of any class of shares pursuant to the Act in such proportions of the classes of shares of the Issuer as the Directors may specify, on payment of the redemption price for each share to be redeemed (herein called the "Redemption Price"). The Redemption Price for each Common Share and for each Preferred Share shall be the amount paid up thereon plus any declared but unpaid dividends thereon, subject to the foregoing redemption policies.

(e) **Entitlement on Liquidation, Dissolution or Winding Up** – In the event of the liquidation, dissolution or winding up of the Issuer, or in the event of a reduction or redemption of the Issuer's capital stock or other distribution of property or assets of the Issuer amongst the shareholders for the purposes of winding up its affairs, the holders of the Preferred Shares are entitled to receive the amount paid up thereon together with any declared and unpaid dividends and thereafter the holders of the Common Shares shall be entitled to receive the remaining assets of the Issuer pro rata according to the total number of Common Shares held by each.

(f) **Constraints on Transferability and Restrictions on Resale** – Section 130.1(6)(d) of the *Income Tax Act* (Canada) stipulates that a Mortgage Investment Corporation may not have fewer than 20 shareholders and no one specified shareholder may hold more than 25.00% of the issued shares of any class. Under amendments to the *Income Tax Act* (Canada) which received Royal Assent on June 18, 1998, the investor, their spouse, their children under the age of eighteen, and any RRSPs of any of the aforementioned, are all counted as only one specified shareholder for the purposes of determining the number of shareholders. Subscribers are required to affirm their knowledge of these restrictions by executing the Subscription Agreement.

5.2 Subscription Qualification

The Issuer is offering the Preferred Shares in British Columbia (the "Province").

The Offering is being made in accordance with certain statutory registration and prospectus exemptions contained in securities legislation in the Province. Such exemptions relieve the Issuer from provisions under such statutes requiring the Issuer to utilize a registered dealer to sell the Preferred Shares and file a prospectus. As such, you will not receive the benefits associated with the involvement of such registrants or the benefits associated with purchasing the Preferred Shares pursuant to a filed prospectus, including the review of the material by the securities commissions or similar regulatory authority in such jurisdictions.

The Issuer is offering the Preferred Shares under the "Offering Memorandum" Exemption (the "OM Exemption") and the "Family, Friends and Business Associates" Exemption (the "FF&BA Exemption") in National Instrument 45-106. In order for the Issuer to rely on the OM Exemption, you must purchase the Preferred Shares as principal and, before purchasing the Preferred Shares, you must be given a copy of this Offering Memorandum and sign the Risk Acknowledgement Forms which have been provided to you with this Offering Memorandum.

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

5.3 Subscription Procedure

Investors wishing to purchase Preferred Shares should do the following:

(i) Visit the website of FrontFundr (www.frontfundr.com), the exempt market dealer engaged by the Issuer to market the Preferred Shares. FrontFundr will feature the Issuer as one of its investment opportunities. On the webpage for the Issuer, please click on the "Invest" button and follow the instructions provided by FrontFundr on how to complete and submit our Subscription Agreement. Subscribers may be contacted by FrontFundr for a suitability review.

(ii) Deliver a cheque or bank draft made payable to First Circle Mortgage Investment Corporation in the amount of the subscription price for the Preferred Shares, or an irrevocable direction to a financial institution to deliver to the Issuer full payment for the Preferred Shares upon delivery of the share certificates.

If you do not have access to the internet, please contact the Issuer at the telephone number listed on the first page of this Offering Memorandum. The subscription price will be held in trust at least until midnight on the second business day after the day on which your signed Subscription Agreement was received. Also see Item 11.

The Issuer anticipates that there will be multiple closings. The Issuer anticipates completing and closing the Offering prior to December 31, 2020. The Offering may be closed on an earlier or later date as determine by the Issuer

The Issuer reserves the right to accept or reject a subscription for the Preferred Shares in whole or in part and the right to close the subscription books at any time without notice. Any investment funds for subscriptions that the Issuer does not accept will be promptly returned after the Issuer has determined not to accept the investment funds.

At a closing of the Offering, the Issuer will deliver to you certificates representing fully paid and non-assessable Preferred Shares, provided the subscription price has been paid in full. The consideration will be held for not less than the mandatory two-day period.

You should carefully review the terms of the Subscription Agreement provided herewith for more detailed information concerning the rights and obligations of you and the Issuer. Execution and delivery of the Subscription Agreement will bind you to the terms thereof, whether executed by you or by an agent on your behalf. You should consult with your own professional advisors respecting this investment. See Item 8.

Item 6 Income Tax Consequences and RRSP Eligibility

6.1 Consult Professionals

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

6.2 Income Tax Act (Canada) (the "Tax Act")

The Tax Act imposes certain requirements in order for the Issuer to qualify as a Mortgage Investment Corporation 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 20 shareholders, if no "specified" shareholder holds more than 25.00% of the issued shares of any class of the Issuer and if none of the property consists of specified types of foreign property. Under amendments to the Tax Act which received Royal Assent on June 18, 1998, the investor, their spouse, their children under the age of eighteen, and any RRSPs of any of the aforementioned, are all counted as only one specified shareholder for the purposes of determining the number of shareholders.

The following is a summary of the income tax consequences under the laws of Canada of acquiring, holding and disposing of the Preferred Shares. The income tax consequences will not be the same for all investors but may vary depending on a number of factors, including whether the investor is an individual, a trust or a corporation, the province of residence of the investor, and whether the investor's Preferred Shares are characterized as capital property. The following discussion of the income tax consequences is therefore of a general nature only, is not intended to constitute a complete analysis of all the income tax consequences and should not be interpreted as legal or tax advice to any particular investor. **Each investor should obtain independent advice regarding the income tax consequences under federal and provincial tax legislation of investing in Preferred Shares, based on the investor's own particular circumstances.**

The comments in this summary are restricted to the case of an investor who acquires Preferred Shares as capital property and who is resident in Canada for the purposes of the Tax Act. The summary does not take into account tax laws of a province or territory of Canada or any jurisdiction outside Canada. This summary is based upon the current provisions of the Tax Act and the regulations thereunder.

The following summary is based on the assumption that the Issuer meets certain conditions which are imposed by the Tax Act on the Issuer in order for the Issuer to qualify as a Mortgage Investment Corporation thereunder. These requirements will be satisfied for purposes of the Tax Act if throughout a taxation year of the Issuer: the Issuer was a Canadian corporation as defined for the purposes of the Tax Act; the Issuer engages solely in the business of investing its funds; the Issuer neither manages nor develops real property; none of the Issuer's property consists of specified types of foreign property; it has at least 20 specified shareholders and no one specified shareholder held more than 25.00% of the issued shares of the capital stock of the Issuer; any holders of Preferred Shares of the Issuer had a right, after payment to them of their preferred dividends, and payment of dividends in a like amount per share to the holders of the Common Shares in any further payment of dividends; at least 50.00% of the cost amount to the Issuer of all of the Issuer's property consisted of specified secured debts on residential property, specified deposits, and money; except for property acquired through foreclosure or default, the cost amount to the Issuer of all real property of the Issuer does not exceed 25.00% of the cost amount of all of its property; the Issuer must not have liabilities in excess of three times the amount by which the cost amount to it of all of its property exceeded its liabilities, where its specified secured debts on residential property, specified deposits, and money consist of less than 2/3 the cost amount to the Issuer of all of its property, or where these holdings are 2/3 or more of such cost amount, the Issuer must not have liabilities in excess of five times the amount by which the cost amount to it of all of its property exceeded it liabilities.

Provided that the Issuer meets the above conditions, and therefore qualifies as a Mortgage Investment Corporation, the Issuer will, as to the receipt of and payment of dividends by it, generally be treated as a conduit for most income tax purposes. In computing its income for a taxation year, the Issuer will be entitled to deduct fifty percent of all capital gains dividends which it pays in the period commencing ninety-one days after commencement of the year and ending ninety days after the end of the year. The Issuer must make an election in order to have a dividend treated as a capital gains dividend. The total capital gains dividends will be limited to the excess of the Issuer's capital gains for the taxation year over its capital losses for the year and any net capital losses of other years which it deducts in the year, which excess is grossed up to remove the effect of the capital gains inclusion rate.

The Issuer will be entitled to deduct the full amount of all other taxable dividends which it pays during the year or within ninety days after the end of the year to the extent that such dividends were not deductible by the Issuer in computing its income for the preceding year. The Issuer will not be entitled to deduct taxable dividends received from other corporations in computing its income for a taxation year. In most other respects, the Issuer will be treated under the Tax Act as a public corporation and generally will be subject to the rules applicable to such corporations under that statute.

Dividends other than capital gains dividends, paid by the Issuer on the Preferred Shares, whether received in cash or in additional shares, will be included in shareholders' incomes as interest. **The normal gross up and dividend tax credit rules will not apply to dividends paid to an individual on a Preferred Share.**

A disposition, or a deemed disposition, of Preferred Shares will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition of the Preferred Shares exceed (or are exceeded by) the adjusted cost base of the Preferred Shares and the disposition costs. An amount paid by the Issuer on the redemption or acquisition by it of the Preferred Shares up to the paid-up capital thereof will be treated as proceeds of disposition. Any amount in excess of the paid-up capital of the Preferred Shares redeemed or acquired by the Issuer will be treated as interest, and any amount which is the payment of a declared but unpaid, which is not a capital gains dividend, will be treated as interest. Fifty percent of any capital gain will be included in income.

6.3 Eligibility for Investment by Deferred Income Plans

The Preferred Shares are qualified investment for trusts governed by tax free savings accounts ("TFSA), registered retirement savings plans ("RRSP"), registered retirement income funds ("RRIF"), registered educational savings plans ("RESP"), and deferred profit sharing plans ("DPSP") (collectively, a "Deferred Income Plan") at the particular time if the Issuer qualifies as a Mortgage Investment Corporation under the Tax Act and if, throughout the calendar year in which the particular time occurs, the Issuer 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 of an employer, as the case may be, under the governing plan of 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 Preferred Shares while the Preferred Shares are qualified investments for such plans will be exempt from taxation in accordance with the provisions of the Tax Act governing those plans. Such a deferred income plan trust is subject to a special tax under Part XI of the Tax Act if the cost amount of its investment in foreign property (as defined in the Tax Act) at the end of a month exceeds a certain percentage of the cost amount of all property then held by it. On the assumption that the Preferred Shares do not derive their value primarily from portfolio investments by the Issuer in foreign property, Preferred Shares held by such a deferred income plan trust will not be subject to tax under Part XI of the Tax Act.

Advantage Rules, Prohibited Investment Rules, and Non-Qualified Investment Rules

Please note that under the Tax Act, anti-avoidance rules apply if there is deemed to be an "advantage", a "prohibited investment" or a "non-qualified investment". Should a Subscriber or any one or more persons (each a "Non-arm's length Person") with whom the Subscriber does not deal at arm's length, as that phrase is understood for the purposes of the Tax Act, own shares in the Issuer on behalf of a RRSP, RRIF, RESP or TFSA, penalties, fines and or additional taxes may be assessed should the Subscriber or any Non-arm's length person, alone or in any combination, directly or indirectly, own, or have an interest in or a right to acquire, 10.00% or more of the issued shares of any class of the capital stock of the Issuer. Subscribers are required to affirm their knowledge of these restrictions by executing the Subscription Agreement.

The Issuer makes no representation as to whether the subscription for Preferred Shares of the Issuer will cause a shareholder to be in violation of the above referenced anti-avoidance rules. You should consult your professional advisor to obtain advice on the application of these anti-avoidance provisions.

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

Item 7 Compensation Paid to Sellers and Finders

The Issuer does not at this time pay any commissions or referral fees. However, FCFS occasionally compensates third parties for referring investors to the Issuer, but such compensation is paid out of the fees FCFS receives from its service contract with the Manager, and not out of the subscription proceeds provided by investors. See also Item 2.7(d) for a description of the Issuer's agreement with FrontFundr.

Item 8 Risk Factors

The purchase of Preferred Shares involves a number of significant risk factors. In addition to the factors set forth elsewhere in this Offering Memorandum, prospective investors should consider the following risks before purchasing Preferred Shares. Any or all of these risks, or other as yet unidentified risks, may have a material, adverse effect on the Issuer's business or the dividends to the holders of Preferred Shares.

8.1 Investment Risks

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

The Issuer cannot guarantee that it will be able to honour redemption requests. See Item 5.1(d) – Redemption and Retraction Rights.

The Preferred Shares are also subject to onerous and indefinite resale restrictions under applicable securities legislation. There is no market through which these securities may be sold and the Issuer does not expect that any market will develop pursuant to this Offering or in the future. Accordingly, it may be difficult or even impossible for the purchaser to sell them. An investment in the Preferred Shares should only be considered by investors who do not require liquidity. See Item 10 – Resale Restrictions.

The Preferred Shares are not guaranteed by any other person or entity. Neither the Manager nor any of its affiliates are guaranteeing the obligations of the Issuer.

The Issuer is not a member institution of the Canada Deposit Insurance Corporation and the Preferred Shares offered pursuant to this Offering Memorandum are not insured against loss through the Canada Deposit Insurance Corporation. The Preferred Shares are retractable at the option of the holder, but only under certain circumstances. See 5.1 – Terms of Securities.

There is no guarantee that an investment in Preferred Shares will earn any positive return. The declaration and payment of dividends on the Preferred Shares is in the discretion of the Board of Directors. There is no guarantee that any dividends will be paid on the Preferred Shares.

If, for any reason, the Issuer fails to maintain its qualification as a Mortgage Investment Corporation under the *Income Tax Act* (Canada), dividends paid by the Issuer on the Preferred Shares will cease to be deductible from the Issuer's income and the Preferred Shares, unless listed on a prescribed stock exchange for the purposes of the *Income Tax Act* (Canada), may cease to be qualified investments for Deferred Income Plans. See Item 6 - Income Tax Consequences and RRSP Eligibility.

8.2 Issuer Risks

The Issuer has been in operation since November 2005 with audited statements for all years.

Investors are relying on the expertise and good faith of the management of the Issuer and the Manager to carry on the business of the Issuer. Some of the Directors and Officers of the Issuer are engaged part time on activities related to the Issuer. Some of the Directors and Officers of the Issuer are engaged and will continue to be engages in other activities. See Item 3 – Interests of Directors, Management, Promoters and Principal Holders.

Under the Management Agreement, the Manager must ensure that the Issuer's operations are conducted so as to retain its qualification as a MIC under the *Income Tax Act* (Canada). If, for any reason, the Issuer fails to maintain its qualification as a MIC under the *Income Tax Act* (Canada), the dividends paid by the Issuer on the Preferred Shares offered hereby will cease to be deductible from the taxable income of the Issuer. In addition, the Preferred Shares, unless listed on a prescribed stock exchange, which the Issuer has no intention of such public listing, may cease to be qualified investments for Deferred Income Plans. See Item 6 - Income Tax Consequences and RRSP Eligibility.

The normal gross-up and dividend tax credit rules do not apply to dividends paid on Preferred Shares of the Issuer and corporate investors of the Preferred Shares will not be entitled to deduct the amount of any dividends received on their Preferred Shares from their taxable income.

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

Although the Issuer will endeavour to maintain a diversified portfolio as disclosed, the composition of the Issuer's investment portfolio may vary widely from time to time and may be concentrated by type of security, industry or geography, resulting in the Issuer's portfolio being less diversified than anticipated. There is no assurance that the Issuer's mortgage portfolio will reflect the Manager's mortgage portfolio, and in fact, the composition of the Issuer's mortgage portfolio may render it less profitable than the Manager's mortgage portfolio.

The ability of the Issuer to achieve income is dependent in part upon the Manager being able to identify and assemble an adequate supply of mortgages. There can be no assurance that this will be accomplished.

The Issuer and its shareholders are dependent in large part upon the experience and good faith of the Manager. The Manager is entitled to act in a similar capacity for other companies with investment policies similar to that of the Issuer. The ability of the Manager to provide the Issuer with an adequate ongoing supply of investments may be affected. However, the Manager is contractually obligated pursuant to the terms of the Management Agreement to manage the affairs of the Issuer in a proper and adequate fashion.

There is no certainty that the persons who are currently Officers and Directors of the Manager or members of its credit committee will continue to be Officers and Directors or members of its credit committee for an indefinite period of time. See Item 2.2 – the Manager.

There is no guarantee that the past performance of the Issuer will be repeated in the future as past performance may not be indicative of future performance.

There are potential conflicts of interest to which the Directors and Officers of the Issuer may be subject in connection with the operations of the Issuer. These conflicts arise primarily out of the contractual relationship between the Issuer and the Manager, which is obligated to manage the Issuer to a certain standard. The Manager is entitled to management fees for providing services to the Issuer under the Management Contract. The Issuer may be subject to various conflicts of interest because of the fact that Directors and Officers of the Manager are engaged in a wide range of investing and other business activities, which may include real property financing in direct competition with the Issuer. The Manager may have established, and may in the future establish, other investment vehicles which may involve transactions which conflict with the interests of the Issuer. A conflict may occur at the time the Issuer and the Manager renegotiate the terms of the Management Agreement.

The services of the Manager, the Directors and Officers of the Manager and the members of its credit committee are not exclusive to the Issuer. The Manager, its affiliates, members of its credit committee and their affiliates may, at any time, engage in promoting or managing any other corporation or its investments including those which may compete directly or indirectly with the Issuer.

8.3 Real Estate Industry and Related Risks

The profitability of the Issuer will be dependent on both general and local economic conditions and will be affected by fluctuations in the rate of economic growth and the rate of expansion of housing markets in the target areas.

The Issuer intends to concentrate its lending activities primarily to the housing markets of south western British Columbia; however, the Issuer may act as a mortgage lender in other areas of Canada.

There are certain risks inherent in mortgage lending over which neither the Issuer nor the Manager has any control. These risks include abnormal and significant fluctuations in interest rates, the general state of the economy, concentration of mortgages on properties which are in one geographic location and changing real estate values.

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

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

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

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

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

Item 9 Reporting Obligations

Each year, no later than one hundred and twenty days after the Issuer's fiscal year end, the Issuer will make available to investors a reporting package which will include the audited year-end financial statements, a letter from the auditors confirming earnings per share, and if applicable, the most recent Offering Memorandum. For any additional reporting, investors may contact the Manager of the Issuer by phone at 604-986-3200 or by mail directed to Suite 401 – 224 West Esplanade, North Vancouver, BC, V7M 1A4.

Item 10 Resale Restrictions

10.1 Restriction on Trading

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 Four-Month Hold

Unless permitted under securities legislation, you cannot trade the securities before the date that is four months and a day after the date the Issuer 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.

(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.

(2) Statutory Rights of Action in the Event of a Misrepresentation - If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy these securities, or
- (b) for damages against the Issuer, every person who was a Director at the date of the Offering Memorandum and every other person who signed the Offering Memorandum.

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

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the subscription agreement within one hundred and eighty (180) days following the date of purchase. You must commence your action for damages within the earlier of one hundred and eighty (180) days following the date you first had knowledge of the misrepresentation or three (3) years following the date of purchase.

Item 12 Financial Statements

First Circle Mortgage Investment Corporation
Financial Statements
September 30, 2019

Contents

For the year ended September 30, 2019

Independent Auditor's Report

To the Shareholders of First Circle Mortgage Investment Corporation:

Opinion

We have audited the financial statements of First Circle Mortgage Investment Corporation (the "Company"), which comprise the statements of financial position as at September 30, 2019 and September 30, 2018, and the statements of of comprehensive income (loss), shareholders' deficit and 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 September 30, 2019 and September 30, 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Vancouver, British Columbia

MNP LLP

November 20, 2019

Chartered Professional Accountants

MNP

First Circle Mortgage Investment Corporation
Statement of Financial Position
As at September 30, 2019

	2019	*2018*
Assets		
Current		
Accrued interest receivable	**765,800**	678,441
Prepaid expenses and other assets	**30,740**	28,830
Deferred costs	**35,683**	54,551
Mortgages receivable (Note 5)	**111,640,566**	103,401,185
	112,472,789	104,163,007
Non-current		
Note receivable from related party (Note 6)	**45,000**	-
Total assets	**112,517,789**	104,163,007
Liabilities		
Current		
Bank indebtedness (Note 7)	**16,286,169**	31,038,792
Accounts payable and accrued liabilities (Note 6)	**289,715**	328,935
Dividends payable	**1,920,763**	1,602,801
Deferred revenue	**23,944**	35,678
	18,520,591	33,006,206
Liabilities		
Non-current		
Preferred shares to be issued (Note 8)	**4,430,240**	3,150,020
Preferred shares (Note 8)	**89,658,450**	68,099,614
	94,088,690	71,249,634
Total liabilities	**112,609,281**	104,255,840
Shareholders' Deficit		
Common shares (Note 9)	**4,000**	3,000
Deficit	**(95,492)**	(95,833)
Total shareholders' deficit	**(91,492)**	(92,833)
	112,517,789	104,163,007

Approved on behalf of the Board

______________________ **Director**

______________________ **Director**

The accompanying notes are an integral part of these financial statements

First Circle Mortgage Investment Corporation
Statement of Comprehensive Income (Loss)
For the year ended September 30, 2019

	2019	2018
Revenue		
Interest income	**9,875,477**	8,104,797
Fees and other income	**93,398**	125,207
	9,968,875	8,230,004
Expenses		
Amortization of deferred financing costs	**38,867**	35,534
Bank charges and interest	**1,124,931**	1,242,414
Insurance	**35,483**	31,814
Management fee (Note 6)	**1,699,586**	1,447,250
Professional fees	**88,176**	96,066
	2,987,043	2,853,078
Operating income	**6,981,832**	5,376,926
Preferred share dividends (Note 8)	**(6,967,741)**	(5,417,181)
Total comprehensive income (loss) for the year	**14,091**	(40,255)

The accompanying notes are an integral part of these financial statements

First Circle Mortgage Investment Corporation
Statement of Changes in Shareholders' Deficit
For the year ended September 30, 2019

	Common shares	*Deficit*	*Total deficit*
Balance September 30, 2017	**3,000**	**(42,978)**	**(39,978)**
Total comprehensive loss for the year	**-**	**(40,255)**	**(40,255)**
Common share dividends	**-**	**(12,600)**	**(12,600)**
Balance September 30, 2018	**3,000**	**(95,833)**	**(92,833)**
Total comprehensive income for the year	**-**	**14,091**	**14,091**
Common share dividends	**-**	**(13,750)**	**(13,750)**
Issuance of share capital	**1,000**	**-**	**1,000**
Balance September 30, 2019	**4,000**	**(95,492)**	**(91,492)**

The accompanying notes are an integral part of these financial statements

First Circle Mortgage Investment Corporation
Statement of Cash Flows
For the year ended September 30, 2019

	2019	*2018*
Cash provided by (used for) the following activities		
Operating activities		
Comprehensive income (loss) for the year	**14,091**	(40,255)
Amortization of deferred financing costs	**38,867**	35,534
Preferred shares issued by way of stock dividend (Note 8)	**3,141,514**	2,560,857
Interest paid	**(1,114,167)**	(1,230,960)
Interest received	**9,875,477**	8,104,797
	11,955,782	9,429,973
Changes in working capital accounts		
Accrued interest receivable	**(87,359)**	(111,433)
Prepaid expenses and other assets	**(1,910)**	(225)
Mortgages receivable	**(18,114,858)**	(30,108,721)
Accounts payable and accrued liabilities	**(39,220)**	79,783
Dividends payable	**317,962**	441,729
Deferred revenue	**(11,734)**	(24,346)
Deferred costs	**(19,999)**	(30,000)
	(6,001,336)	(20,323,240)
Financing activities		
Proceeds from issuance of common shares	**1,000**	-
Preferred shares to be issued (Note 8)	**1,280,220**	105,490
Increase (Decrease) in bank indebtedness	**(13,638,456)**	8,248,829
Common share dividends paid (Note 9)	**(13,750)**	(12,600)
Issuance of preferred shares (Note 8)	**19,069,020**	13,514,000
Redemption of preferred shares (Note 8)	**(651,698)**	(1,532,479)
	6,046,336	20,323,240
Investing activities		
Advances of note receivable from related party	**(45,000)**	-
Increase (decrease) in cash	**-**	-
Cash, beginning and end of year	**-**	-
Supplementary cash flow information		
Non-cash financing activity		
Preferred shares issued by way of stock dividend	**3,141,514**	2,560,857

The accompanying notes are an integral part of these financial statements

1. Nature of operations

First Circle Mortgage Investment Corporation (the "Company") provides financing for mortgages which are generally secured against real property within British Columbia, Canada. The Company was incorporated on November 23, 2005 under the Business Corporations Act of British Columbia for the purpose of carrying on business as a Mortgage Investment Corporation ("MIC") as defined in Section 130(1) of the Income Tax Act of Canada ("ITA").

2. Basis of presentation

a. Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") using accounting policies with IFRS as issued by the International Accounting Standards Board ("IASB")

These annual financial statements for the year ended September 30, 2019 were approved by the Board of Directors of the Company on November 20, 2019.

b. Basis of measurement

These financial statements have been prepared on the basis of historical cost, except for financial instruments classified as fair value through profit and loss, which are measured at fair value.

c. Functional and presentation currency

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

d. Significant accounting judgments, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These estimates may include assumptions regarding local real estate market conditions, interest rates and the availability of credit, cost and terms of financing, the impact of future legislation or regulation, prior encumbrances and other factors affecting the investments in mortgages and the underlying security of the mortgages. However, actual outcomes may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future period.

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

Mortgages receivable

The Company makes an estimate for determining whether the cash flows from mortgages investments represent solely payments of principal and interest (SPPI). The Company is also required to make assessments of the future expected losses on mortgage receivables. In particular, the measurement of credit risk to determine significant changes. The estimation of future cash flows and expected losses includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. The assumptions used in the assessment of impairment are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events. Liquid credit markets and volatile equity markets have increased the uncertainty inherent in such estimates and assumptions.

These estimates of impairment are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated allowance for impairment losses could vary by a material amount.

2. Basis of presentation - continued

d. Significant accounting judgments, estimates and assumptions - continued

Impairment of financial assets – Policy applicable from October 1, 2018

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets and determining whether there has been a significant increase in credit risk since initial recognition in accordance with IFRS 9 Financial Instruments. For more information, refer to Note 11.

Impairment of financial assets – Policy applicable before October 1, 2018

Financial assets, other than those carried at fair value through profit or loss, are assessed for indicators of impairment at each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that have occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

For financial assets, objective evidence of impairment could include deterioration in credit quality to the extent that there is no longer reasonable assurance as to the timely collection of principal and interest. Where such objective evidence is deemed to exist, a credit provision is recorded based on an evaluation prepared by management as to the principal and or interest at risk of loss. The estimated net realizable loans and interest receivable is determined by discounting the expected future cash flows at the effective interest rate in the loan. When the amounts and timing of future cash flows cannot be measured with reasonable reliability, the estimated net realizable amount is calculated based on the fair value of any security underlying the loans net of expected costs of realization and any legal amounts legally required to be paid to, or by, the borrower.

3. Summary of significant accounting policies

a. Revenue recognition

Interest income on mortgages receivable is recognized as revenue on an accrual basis in the statement of comprehensive income (loss) using the effective interest method. Fees that are an integral part of the effective interest rate of the financial instrument, including loan origination, commitment, restructuring and renegotiation fees are capitalized as part of the related asset and amortized to interest income over the term of the loan using the effective interest method.

b. Financial instruments – Policy applicable from October 1, 2018

Financial assets

Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets consist of accrued interest receivable, mortgage receivables and note receivable from related party. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

Subsequent to initial recognition, all financial assets are classified and subsequently measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss.

Reclassifications

The Company reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

3. Summary of significant accounting policies - continued

b. Financial instruments – Policy applicable from October 1, 2018 - continued

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The date the Company commits to purchasing a financial asset is considered the date of initial recognition for the purpose of applying the Company's accounting policies for impairment of financial assets

For mortgages receivable, the Company records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period, unless there has been a significant increase in credit risk since initial recognition. For those financial assets for which the Company assessed that a significant increase in credit risk has occurred, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

For mortgages receivable assessed by the Company as having a significant increase in credit risk since initial recognition, the Company recognizes a loss allowance equal to the cumulative changes in lifetime expected credit losses since initial recognition.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include financial difficulties as evidenced through borrowing patterns or observed balances in other accounts, breaches of borrowing contracts such as default events, breaches of borrowing covenants or requests to restructure loan payment schedules. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

Loss allowances for expected credit losses are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial assets.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Refer to Note 11 for additional information about the Company's credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred under particular circumstances.

For this purpose, a financial asset is transferred if the Company either:

- Transfers the right to receive the contractual cash flows of the financial asset, or;
- Retains the right to receive the contractual cash flows of the financial asset, but assumes an obligation to pay received cash flows in full to one or more third parties without material delay and is prohibited from further selling or transferring the financial asset.

Transferred financial assets are evaluated to determine the extent to which the Company retains the risks and rewards of ownership. When the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it evaluates whether it has retained control of the financial asset.

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. Financial liabilities consist of bank indebtedness, accounts payable and accrued liabilities, dividend payable, preferred shares to be issued and preferred shares. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the

3. Summary of significant accounting policies - continued

b. Financial instruments – Policy applicable from October 1, 2018 - continued

Recognition and initial measurement – continued

exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability or a component classified as a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Interest

Interest income and expense are recognized in profit or loss using the effective interest method.

The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets.

The ‘amortized cost’ of a financial asset or financial liability is the amount at which the instrument is measured on initial recognition minus principal repayments, plus or minus any cumulative amortization using the effective interest method of any difference between the initial amount and maturity amount and adjusted for any expected credit loss allowance. The ‘gross carrying amount’ of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit losses.

Interest income and expense is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or the amortized cost of the financial liability.

Where a financial asset has become credit-impaired subsequent to initial recognition, interest income is calculated in subsequent periods by applying the effective interest method to the amortized cost of the financial asset. If the asset subsequently ceases to be credit-impaired, calculation of interest income reverts to the gross basis.

For financial assets that were purchased or originated as credit-impaired financial assets, a credit-adjusted effective interest rate is calculated which incorporates expected credit losses. Interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. Calculation of interest does not revert to another basis if credit risk of the asset subsequently improves.

c. Financial instruments – Policy applicable before October 1, 2018

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company determines the classification of its financial instruments at initial recognition. Financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

3. Summary of significant accounting policies - continued

c. Financial instruments – Policy applicable before October 1, 2018 - continued

Subsequent to initial recognition, financial instruments are measured as described below:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs and, subsequently, carried at amortized cost using the effective interest method. In applying the effective interest method, the Company amortizes any transaction costs, fees, premiums or discounts included in the calculation of the effective interest rate over the life of the instrument.

The Company has classified mortgages receivable and accrued interest receivable as loans and receivables.

Other Financial Liabilities

Other financial liabilities include liabilities that have not been classified at fair value through profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense, calculated using the effective interest method, is recognized in comprehensive income.

The Company has classified bank indebtedness, accounts payable and accrued liabilities, dividends payable, preferred shares to be issued, and preferred shares as other financial liabilities.

d. Redeemable preferred shares

Non-voting redeemable preferred shares, which include a right for the holder to request of the Company to redeem the shares, are recorded as liabilities and are presented at their redemption value.

e. Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of shares are recognized as a deduction from equity.

Dividends are recognized in equity in the year in which they are declared. Dividends on new shares issued during the year are calculated on a pro-rated daily basis.

f. Income taxes

The Company is a Mortgage Investment Corporation ("MIC") pursuant to the Canadian Income Tax Act. As such, the Company is entitled to deduct from its taxable income dividends paid to shareholders during the year or within 90 days of the end of the year to the extent that the dividends were not deducted previously. The Company intends to maintain its status as a MIC and distribute sufficient dividends in the current and future years to ensure that the Company is not subject to income taxes. Accordingly, no provision for current or future income taxes is required.

g. Standards issued but not yet effective

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at September 30, 2019 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

IFRS 3 Business Combinations

Amendments to IFRS 3, issued in October 2018, provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The Company does not expect the amendments to have a material impact on its financial statements.

3. Summary of significant accounting policies - continued

g. Standards issues but not yet effective - continued

IFRS 16 Leases

IFRS 16, issued in January 2016, introduces a single lessee accounting model that 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. The standard will supersede IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company does not expect this standard to have a material impact on its financial statements.

4. Newly adopted accounting policies

IFRS 9 Financial instruments

Effective October 1, 2018 (hereafter referred to as the “initial date of application”), the Company adopted IFRS 9 as issued in July 2014. The requirements of IFRS 9 are substantially different from those of IAS 39 Financial instruments: recognition and measurement. The new standard fundamentally alters the classification and measurement of financial assets subsequent to initial recognition, including impairment and incorporates a new hedge accounting model.

The key changes to the Company’s accounting policies resulting from adoption of IFRS 9 are summarized below.

Classification of financial assets and financial liabilities

IFRS 9 requires financial assets be classified into one of three subsequent measurement categories: amortized cost, fair value through other comprehensive income, or fair value through profit or loss. Classification is based on the business model under which a financial asset is managed and the nature of its contractual cash flows. IFRS 9 eliminates the following IAS 39 classification categories: available-for-sale, held-to-maturity, and loans and receivables.

Derivatives embedded within host contracts that are financial assets in the scope of IFRS 9 are no longer separated from the host contract. Instead, the whole hybrid contract is assessed for classification in accordance with the above requirements.

The classification and measurement of financial liabilities is largely retained from IAS 39. However, under IAS 39, all fair value changes of liabilities designated under the fair value option were recognized in profit or loss. Under IFRS 9, the amount of change in fair value attributable to the Company’s own credit risk is generally required to be presented in other comprehensive income.

Impairment of financial assets

IFRS 9 replaces the methodology under IAS 39 of recognizing impairment losses when incurred with a forward-looking expected credit loss model which requires a more timely recognition of losses expected to occur over the contractual life of the financial asset. IFRS 9 uses a single model for recognizing impairment losses on financial assets. This model also applies to certain loan commitments, financial guarantee contracts, trade receivables and contract assets. Application of the IFRS 9 model results in earlier recognition of impairment losses than under IAS 39. Equity investments are no longer assessed for impairment as all equity investments are measured at fair value.

Transition

The Company applied the changes in accounting policies resulting from the adoption of IFRS 9 retrospectively but has elected not to restate comparative figures. All comparative information presented and disclosed for the prior year reflects the requirements of IAS 39. Management determined the adjustment to be nil.

4. Newly adopted accounting policies - continued

Initial application of IFRS 9

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9.

The following tables present the measurement categories and carrying amounts under IAS 39 as at September 30, 2018 and the new measurement categories and carrying amounts under IFRS 9 for the Company's financial assets and financial liabilities as at October 1, 2018.

	IAS 39 classification	IFRS 9 classification	IAS 39 carrying amount	IFRS 9 carrying amount
Financial assets				
Accrued interest receivable	Loans and receivables	Amortized cost	678,441	678,441
Mortgages receivable	Loans and receivables	Amortized cost	103,401,185	103,401,185
Total financial assets			**104,079,626**	**104,079,626**
Financial liabilities				
Bank indebtedness	Amortized cost	Amortized cost	31,038,792	31,038,792
Accounts payable and accrued liabilities	Amortized cost	Amortized cost	328,935	328,935
Dividends payable	Amortized cost	Amortized cost	1,602,801	1,602,801
Preferred shares to be issued	Amortized cost	Amortized cost	3,150,020	3,150,020
Preferred shares	Amortized cost	Amortized cost	68,099,614	68,099,614
Total financial liabilities			**104,220,162**	**104,220,162**

IFRS 15 Revenue from contracts with customers

Effective October 1, 2018 (hereafter referred to as the "initial date of application"), the Company adopted IFRS 15 Revenue from contracts with customers as issued by the IASB in May 2014, with clarifying amendments issued in April 2016. The standard specifies how and when entities recognize, measure, and disclose revenue. The standard supersedes all current standards dealing with revenue recognition, including IAS 11 Construction contracts, IAS 18 Revenue, IFRIC 13 Customer loyalty programs, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers of assets from customers, and SIC 31 Revenue – barter transactions involving advertising services.

Initial application of IFRS 15

The application of the standard has not resulted in a change in the Company's accounting policy for revenue recognition. Under the Company's current policy, revenue is recognized on an accrual basis in the statement of comprehensive income (loss) using the effective interest method. These revenues are outside of the scope of IFRS 15 and are instead included under revenues derived from Financial Instruments, the accounting policy for which is outlined in Note 3b.

There was no material impact on the financial statements from the retrospective application of IFRS 15 Revenue from contracts with customers.

5. Mortgages receivable

The mortgages receivable balance is comprised of several mortgages, bearing interest at 6.95% to 12.95% (2018 – 6.75% to 11.70%) per annum, accrued on a monthly basis. All mortgages have the underlying real property as collateral and are for periods between twelve and eighteen months. The mortgages have either repayment terms prior to September 30, 2020 or are open, giving the borrower the option to repay principal at any time prior to the maturity date.

Property Category	**2019**	**2018**
Greater Vancouver		
Residential – conventional	$ 59,175,954	$ 51,820,983
Residential – construction	15,813,184	19,345,618
Land	4,093,996	2,396,499
Commercial	1,071,726	-
Other British Columbia		
Residential – conventional	17,502,301	18,028,092
Residential – construction	10,936,570	8,212,016
Land	2,368,180	2,398,719
Commercial	1,615,617	2,541,961
	$ 112,577,528	**$ 104,743,888**
Accrued interest receivable	(936,962)	(842,603)
Allowance for impairment losses	-	-
Partial payments received	-	(100)
Mortgage holdbacks	-	(500,000)
Mortgages receivable	**$ 111,640,566**	**$ 103,401,185**

Properties categorized as Other British Columbia are generally situated in major population centers of southwestern British Columbia.

As at September 30, 2019, the carrying amount of mortgages over 90 days in arrears totals $3,770,500 (2018 – $2,209,750). There were 4 (2018 – 4) mortgage accounts with a carrying value of $4,118,484 (2018 – $2,542,013) under collection action. Management has determined that none of these mortgages are impaired. One mortgage is under co-lending agreement with Crown Vista Mortgage Investment Corporation (Note 6).

As at September 30, 2019, the allowance for impairment losses is nil (nil in 2018). This allowance represents management's estimate of the expected credit losses ("ECL") on mortgage investments that have experienced a significant increase in credit risk since initial recognition. Management estimates the ECL for mortgages as nil due to the collateral held.

6. Related party transactions and balances

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(a) The Company has a management contract with FCMIC Management Ltd., a Company managed by a Director of the Company. FCMIC Management Ltd., pursuant to a management agreement, provides all management services for a fee equal to 1.5% per annum of the value of all investments contained in the portfolio of the Company. For the year ended September 30, 2019, the amount paid under this contract was $1,699,586 (2018 – $1,447,250). Included in accounts payable and accrued liabilities are amounts totaling $147,758 (2018 – $137,476) due to FCMIC Management Ltd. relating to these management services and were paid subsequent to the year end.

(b) As at September 30, 2019, accounts payable and accrued liabilities include $40,679 (2018 – $24,431) due to First Circle Financial Services Ltd., a company controlled by a Director of the Company.

(c) The Company has paid $17,500 for a refundable bond on behalf of First Circle Development Corp., a company controlled by a Director of the Company.

6. Related party transactions and balances - continued

(d) During the year, the Company issued mortgages under a co-lending agreement with Crown Vista Mortgage Investment Corporation, a company managed by FCMIC Management Ltd. At year end, 36 mortgages (2018 – 35), with a total amount outstanding of $23,038,054 (2018 - $19,060,893) were jointly issued under this agreement.

(e) During the year, the Company advanced funds of $45,000 to First Circle Investor Corporation, a company related by virtue of having common directors. The note receivable bears interest at prime plus 2.00% per annum, is unsecured and is due on demand. The Company has waived their right to demand repayment until after September 30, 2020 and as such the note has been classified as long-term.

7. Bank indebtedness

On April 30, 2019, the Company amended the original operating loan agreement, entered into on January 26, 2016 and held with a chartered bank, for a total credit available amount of up to $40,000,000 (2018 – $37,000,000). The operating loan renews annually and bears an interest rate equal to the bank's prime rate plus 1.00% (2018 – 1.15%) per annum.

The total credit available under the operating loan is the lesser of:

(i) $40,000,000

(ii) Percentages of eligible mortgage receivables with loan to value based on specific parameters (as defined in the demand loan agreement)

The operating loan is secured by a general security agreement and full liability guarantees from related parties of the Company.

The Company is required to manage its capital structure to maintain its debt obligation subject to various financial and non-financial covenants. The financial covenants require the Company to maintain its debt to Tangible Net Worth to be no greater than 0.75 to 1.00, its Tangible Net Worth no less than $56,000,000 and its Debt Service Coverage ratio no less than 3.00 to 1.00.

As at September 30, 2019, the Company was in compliance with all financial covenants.

The Company offsets cash held in its chequing account and bank indebtedness related to the operating line of credit as it has a legally enforceable right to offset the recognised amounts and it is intended to settle on a net basis.

	2019	2018
Operating line of credit balance	$16,260,360	$31,243,227
Chequing account balance	25,809	(204,435)
	$16,286,169	$31,038,792

8. Preferred shares

The authorized preferred shares of the Company consist of 20,000,000 non-voting redeemable preferred shares with a par value of $10 each. The issued shares are as follows:

	2019		2018	
	Number	Amount	Number	Amount
Opening balance	6,809,962	$68,099,614	5,355,724	$53,557,236
Issued	1,906,902	19,069,020	1,351,400	13,514,000
Issued by way of stock dividend	314,151	3,141,514	256,086	2,560,857
Redeemed	(65,170)	(651,698)	(153,248)	(1,532,479)
Closing Balance	8,965,846	$89,658,450	6,809,962	$68,099,614

8. Preferred shares - continued

The preferred shares are non-voting, subject to the provisions of the British Columbia Business Corporations Act and are not entitled to receive notice of or attend or vote at any meetings of the shareholders. The preferred shareholders have the following rights:

(i) Upon liquidation, dissolution or winding up of the Company, the preferred shareholders are entitled to receive the amount paid up thereon together with any declared and unpaid dividends. After payment, they have no right or claim to any of the remaining assets of the company

(ii) Subject to the British Columbia Business Corporations Act and the Company having sufficient funds, a preferred shareholder shall have the right to request redemption of all or any of their preferred shares. The company is not obligated to redeem any shares and will do so subject to various regulatory, banking, liquidity, and/or other financial requirements.

(iii) Entitlement to dividends declared, which are payable in cash or reinvested in preferred shares, at the election of the shareholder.

Shares to be issued:

443,024 (2018 – 315,002) preferred shares have been subscribed for consideration of $4,430,240 (2018 – $3,150,020) and will be issued subsequent to September 30, 2019.

Dividends per share:

	2019	2018
Preferred share dividends paid or payable	$ 6,967,741	$ 5,417,181
Dividends per preferred share paid or payable	$ 0.83	$ 0.86

Dividends on preferred shares are recorded as an expense on the statement of comprehensive income (loss). As a Mortgage Investment Corporation, the Company is permitted to deduct dividends paid to its shareholders from its taxable income. It is the Company's mandate to distribute all of its taxable income to the shareholders. Taxable income often differs from accounting income due to the timing of certain tax deductions. Consequently, dividends paid and payable may exceed income reported for accounting purposes and result in a net loss and shareholder deficit.

9. Share capital

The authorized common shares of the Company consist of 1,000,000 voting common shares, without par value. The issued shares consist of the following:

	2019		2018	
	Number	Amount	Number	Amount
Total common shares	20,000	$ 4,000	15,000	$ 3,000

During the year the Company issued 5,000 common shares to four new shareholders at a cost of $0.20 per share.

10. Commitments

As at September 30, 2019, unfunded mortgage commitments outstanding amounts were $12,748,800 (2018 – $16,100,996).

11. Risk management

In common with other mortgage investment corporations, the Company is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition and operating results.

Developing policies and procedures to identify risks and implementation of appropriate risk management policies and procedures is the responsibility of management. Management reviews and approves these policies and procedures, and monitors their compliance with them through ongoing reporting requirements. There has been no change in this process since the previous year. A description of the Company's most prominent risks is as follows:

a. Liquidity risk

Liquidity risk arises as a result of changes in conditions which cause the Company to encounter difficulties in meeting obligations associated with financial liabilities. The redeemable preferred shares provide the holders of the preferred shares the right to require the Company to redeem all or a portion of their shares. To ensure that the Company has sufficient funds to operate, there is a restriction on redemptions as the Board of Directors has the right to delay any redemptions if the Company does not have sufficient cash reserves. The Company's financial liabilities mature within one year.

b. Market risk

Market risk arises as a result of changes in conditions which affect real estate values. The Company is exposed to geographical concentration risk as the majority of the Company's mortgages are secured by property in British Columbia. These market changes may be regional or national in nature or may revolve around a specific product type. To manage these risks, management ensure that the mortgage originators are aware of the market conditions that affect each mortgage application. Management monitors changes in the real estate market on an ongoing basis and adjusts the Company's lending practices and policies when necessary to reduce the impact of the above risks.

c. Credit risk

Credit risk is the possibility that the mortgagor may fail to discharge the obligation causing the Company to incur a financial loss. Management is committed to several processes to ensure that this risk is appropriately mitigated, which include:

- The investigation of the creditworthiness of all borrowers;
- The engagement of qualified independent consultants such as lawyers and real estate appraisers dedicated to protecting the Company's interests; and
- The prompt initiation of recovery procedures on overdue mortgages.

Inputs, assumptions and techniques

Definition of default and assessments of credit risk

Financial instruments are assessed at each reporting date for a significant increase in credit risk since initial recognition. This assessment considers changes in the risk of a default occurring at the reporting date as compared to the date of initial recognition.

The Company considers mortgages receivable to be in default when contractual payments are more than 90 days past due, insurance has lapsed, or other objective evidence of impairment exists. This definition is consistent with the definitions used for the Company's internal credit risk management practices and has been selected because describe reasons for it most closely aligns the definition of default to the Company's past credit experience, and the covenants placed in standard borrowing contracts. Relatively few financial instruments subsequently return to performing status after a default has occurred under this definition without further intervention on the part of the Company.

Changes in credit risk are assessed on the basis of the risk that a default will occur over the contractual lifetime of the financial instrument rather than based on changes in the amount of expected credit losses or other factors. In making this assessment the Company takes into account all reasonable and supportable information, including forward-looking information, available without undue cost or effort. The Company considers past due information of its balances and information about the borrower available through regular commercial dealings, such as requests for loan modifications.

11. Risk management – continued

c. Credit risk - continued

The credit risk of a financial instrument is deemed to have significantly increased since initial recognition when there has been a history of missed contractual payments, or other information becomes available to management through communication with the borrower or forecasting processes which consider macroeconomic conditions expected to have a future impact on borrowers. The Company considers there not to have been a significant increase in credit risk despite contractual payments being more than 30 days past due when they have interviewed the borrower and determined that payment is forthcoming. When a financial instrument is considered to have low credit risk, it is assumed that there has not been a significant increase in credit risk since initial recognition.

The Company identifies credit-impaired financial assets through regular reviews of past due balances and credit assessments of its customers. Credit-impaired financial assets are typically placed on the Company's watch list based on its internal credit risk policies. In making this assessment, the Company considers past due information of its balances and information about the borrower available through regular commercial dealings.

Measurement of expected credit losses

The Company measures expected credit losses for mortgages receivable on a group basis. These assets are grouped on the basis of their shared risk characteristics such as loan type (residential, land and commercial mortgages, conventional or construction mortgages) and geographic region of the borrower.

At the end of each reporting period, impairment is assessed using an expected credit loss (ECL) approach. Under this approach the level of credit risk deterioration is assessed in a three-stage impairment model. The three stages are determined, and expected credit losses are assessed as follows:

Stage 1 - No significant increase to credit risk since initial recognition. 12-month expected credit losses are recognized.

Stage 2 - Significant increase in credit risk since initial recognition. Lifetime expected credit losses are recognized.

Stage 3 - Credit Impaired. Lifetime expected credit losses are recognized.

The Company is required to make assessments of the future expected losses on mortgage investments in Stage 1 and Stage 2 using forward-looking information, including macro-economic factors. Mortgage investments are transferred to Stage 3 when there is objective information that indicates that one or more events (“loss events”) have occurred that have a negative effect on the estimated future cash flows of that asset.

When measuring 12-month and lifetime expected credit losses, the Company considers items such as the contractual period of the financial asset or the period for which the entity is exposed to credit risk, determination of appropriate discount rates used in incorporating the time value of money, assumptions about prepayments, timing and extent of missed payments or default events, how probabilities of default and other assumptions and inputs used in calculating the amount of cash short falls depending on the type or class of financial instrument. Forward-looking information is incorporated into the determination of expected credit loss by considering regional economic journals and forecasts, collecting information available from regular commercial dealings with its customers and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

11. Risk management – continued

c. Credit risk - continued

Write-offs

Financial assets are written off when there is no reasonable expectation of recovery. The Company assesses that there is no reasonable expectation of recovery when the security relating to the loan has been sold and there are remaining amounts outstanding or the borrower has filed for bankruptcy and the trustee has indicated that no additional funds will be paid. Where an asset has been written off but is still subject to enforcement activity, the asset is written off but remains on a list of delinquent accounts. Where information becomes available indicating the Company will receive funds, such amounts are recognized at their fair value.

Exposure to credit risk

The following table sets out information about the credit quality of financial assets assessed for impairment under IFRS 9 Financial instruments. The amounts in the table, unless otherwise indicated, represent the assets' gross carrying amount.

The gross carrying amount of financial assets and exposure amount of loan commitments and financial guarantee contracts represents the maximum exposure to credit risk for that class of financial asset.

As at September 30, 2019

Property Category	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Greater Vancouver				
Residential – conventional	$ 55,711,652	1,593,771	1,870,530	**$ 59,175,954**
Residential – construction	13,798,965	-	2,014,219	**15,813,184**
Land	3,668,748	425,249	-	**4,093,996**
Commercial	1,071,726	-	-	**1,071,726**
	74,251,090	2,019,020	3,884,750	**80,154,860**
Other British Columbia				
Residential – conventional	16,643,895	858,406	-	**17,502,301**
Residential – construction	10,538,635	-	397,935	**10,936,570**
Land	1,615,617	-	-	**1,615,617**
Commercial	2,368,180	-	-	**2,368,180**
	31,166,327	858,406	397,935	**32,422,668**
	$105,417,417	**2,877,426**	**4,282,685**	**$ 112,577,528**

Management estimates expected impairment losses to not be significant due to the collateral held. As such, no provision for loss has been provided for in Stage 1, 2 or 3 mortgages.

The maximum exposure to credit risk at September 30, 2019 is the carrying values of its mortgage investments, including accrued interest receivable, which total $112,577,528 (2018 – $104,243,788).

The Company has recourse under these investments in the event of default by the borrower, in which case the Company would claim against the underlying collateral and any other assets owned by the borrower. Among other tools, the Company uses a total encumbrance to the appraised value of the underlying real property ratio to manage its portfolio risk. As at September 30, 2019, the total encumbrances of the underlying property made up approximately 54% (2018 – 54%) of the total appraised value, representing the loan to value ratio, of the secured property.

11. Risk management – continued

c. Credit risk - continued

The Company's mortgage portfolio consisted of the following classifications:

	2019	2018
First mortgages	89.19%	84.82%
Second mortgages	10.81%	15.18%
	100.00%	100.00 %

Concentration of credit risk:

At September 30, 2019, the Company does not have any one significant mortgage investment which represents more than 10% of total mortgage investments.

Amounts arising from expected credit losses

The Company has not recognized a loss allowance for mortgages receivable due to collateral held.

d. Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rates on the mortgages receivable are fixed until maturity and therefore the interest rate risk associated with mortgages receivable at year-end is not considered significant. The interest rate risk on bank indebtedness, accounts payable and accrued liabilities is not considered significant. There is no significant concentration of interest rate risk.

e. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that financial asset or financial liability. Due to the use of subjective judgements and uncertainties in the determination of these fair values, they should not be interpreted as being realizable in an immediate settlement of the financial instruments.

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The fair value of mortgage investments not determined to be impaired approximate their carrying values as the majority of the mortgages are repayable in full at any time without penalty after the fixed term. The mortgage investments lack an available trading market and are not typically exchanged and have been valued assuming they are not available for sale. The fair vales are not necessarily representative of the amounts realizable in immediate settlements of instruments. The fair value of mortgage investments are determined using Level 3 inputs.

12. Capital management

The Company manages its capital with the intention of maximizing interest income on investments in loans for distribution to its shareholders. The Company defines its capital structure to include common and preferred shares.

The Company reviews its capital structure on an ongoing basis and adjusts its capital structure in response to mortgage investment opportunities, the availability of capital and anticipated changes in general economic conditions. The Company's capital management objectives and strategies are unchanged from the prior year.

The Company is exposed to the external restrictions in its capital as follows:

(i) To continue as a MIC, the Company must comply with requirements set forth in Section 130.1 of the Income Tax Act of Canada. The Company regularly monitors its compliance with these externally imposed restrictions.

(ii) The Company also must comply with covenant guidelines for the credit facility from a financial institution as set out in Note 7.

The Company was in compliance with all restrictions throughout the year.

CERTIFICATE

Dated: February 15, 2020

This Offering Memorandum does not contain a misrepresentation.

FIRST CIRCLE MORTGAGE INVESTMENT CORPORATION

Per: ______________________
Alan P. Cross
Director and President
(Chief Executive Officer and
Chief Financial Officer)

Per: ______________________
Murray A. Braaten
Director and Secretary

PROMOTER

First Circle Financial Services Ltd.

Per: ______________________
Alan P. Cross, President
(Chief Executive Officer and
Chief Financial Officer)